JESS: Journal of Economics and Social Sciences
P-ISSN 2830-5337, E-ISSN 2830-5264
Volume 2 Issue 1, January - June 2023
https://journal.civiliza.org/index.php/jess

Analysis of Indonesia's Fiscal Policy Strategy in Compiling State Revenue and Expenditures

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Article Info

Article history:
Received March 28, 2023
Revised April 12, 2023
Accepted April 25, 2023
Available online April 30, 2023

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Keywords:
Fiscal Policy, State Revenue, State Expenditure

Abstract

Introduction/Main Objectives: This study aims to analyze Indonesia's fiscal policy strategy in regulating state revenues and expenditures in 2020. **Research Methods:** The method used in this study is a library research methodology using a qualitative approach. A qualitative approach is taken to produce a more in-depth description of the writing, description, and explanation of an event's substance. **Finding/Results:** The results of the data analysis show that several fiscal policy strategies can regulate state revenues and expenditures in Indonesia in 2020, namely the strategy of maximizing tax revenues and the relaxation-participation strategy. On the expenditure side, the government will revise the budget to emphasize the state budget deficit figure to help finance the government. **Conclusion:** Fiscal policy is essential for the country's economy because it can move it. So that the government must be able to make the right policies so that the community's economy increases.

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INTRODUCTION

The issue of the state's role in economic development through various interventions in the market in the form of specific policies has become a hot concern in conventional economic discussions, as well as in the lines of thought of Muslim scholars. This discussion is one of the main factors that divides conventional economic thinking into two schools: classical and Keynesian. A classic whose main work revolves around microeconomics, consistent with the belief that market forces are a balancing force. Market power is a force that cannot be interfered with by anyone, not even the state. The market has the ability (through its magic invisible hand jargon) to streamline the economy. Thus, the classics place the state in a minimalist economic role.

Fiscal policy is an effort the government makes to support the acceleration of economic development. On the other hand, fiscal stimulus is a countercyclical policy to restore stability to an economy experiencing a recession or crisis. The use of fiscal policy is based on the ability of fiscal policy instruments to influence economic activity to encourage increased economic output and improve welfare (Fathurrahman, 2012).

Fiscal policy is one of the policies in the economy carried out by the government through the State Revenue and Expenditure Budget (APBN) instrument. APBN is the annual financial plan of the Indonesian state government, which the House of Representatives approves. The APBN contains a systematic and detailed list of plans for state revenues and expenditures for one fiscal year (January 1 - December 31). The APBN is an instrument for regulating state expenditure and income to finance the implementation of government and development activities, achieve economic growth, increase national income, achieve economic stability, and determine the direction and priorities of development in general. For the APBN function to run optimally, the budget system and top recording receipts and expenditures must be carried out carefully and systematically (Lestari et al., 2018).

The State Expenditure Budget (APBN) reflects Indonesia's fiscal policy. In the APBN, there is a government stipulation regarding the allocation and distribution of state finances, given the urgency of this field in the country's economic development. Fiscal policy also affects inflation. Based on the results of research (Surjaningsih, N., Utari, GAD, & Trisnanto, B., 2012). The impact of fiscal policy on output and inflation is a condition where an increase in government spending has a positive impact on GDP, while a condition of increasing taxes impacts reducing GDP. The positive impact of government spending and the negative impact of taxes on GDP align with Keynes's theory of the government's role in driving the economy and empirical research in several developed countries.

METHOD

The research method used in this research is a qualitative method through library research by going through the stages of data collection, data analysis, and projection. In the data collection stage, data collection techniques are the most critical skill in carrying out this task. This is because the main objective of the current project is data analysis, which necessitates the need for accurate and up-to-date data. Data analysis, utilizing descriptive statistics, is the analytical method used to achieve the objectives of this activity. Descriptive statistics are used to analyze data by rewriting existing data, as would be done without special knowledge to make conclusions that can be generalized or applied.

RESULTS AND DISCUSSION

Fiscal Policy

Fiscal policy is government policy collecting and spending these taxes to finance economic activities. Fiscal policy is government policy regulating every state's income and expenditure to maintain economic stability and encourage economic growth. This policy and other policies are needed to correct disturbances that impede the wheels of the economy (Rozalida, 2014). Fiscal policy is government policy relating to the government's use of taxes, public loans, and public spending for stability or development so that capital is formed and the pace of economic growth is running well. In general, the basis of fiscal policy is aimed at equal distribution of income and welfare. However, Fiscal policy can also be interpreted as government policy related to state revenue or expenditure. In other words, fiscal policy is a policy implemented by the government in its efforts to obtain a budget and policies undertaken by the government in spending its budget to carry out development. Fiscal policy can direct a country's economy through government spending and income (taxes). The main instruments of fiscal policy are spending and taxes.

The policy aims to stabilize the economy by controlling interest rates and the amount of money in circulation by the government (Karbila et al., 2020). The State Expenditure Budget (APBN) reflects Indonesia's fiscal policy. The state budget has a government stipulation regarding the allocation and distribution of state finances, given the urgency of this field in the country's economic development. Fiscal policy also affects inflation (Silalahi & Ginting, 2020).

Keynesian theory has been the basis of this policy philosophy that emerged as a reaction to the great depression that hit the American economic system in the 1930s—that criticism Keynes conveyed to classical economists who argue that the economy will always be full employment. However, the free market system proposed by Keynes will not automatically make complete adjustments to employment conditions because it requires government intervention in the form of government policies, namely fiscal and monetary policies. This is because each additional state expenditure reallocates resources from the private sector to the government and is followed by a multiplier effect on this expenditure. (Mankiw, 2013). Keynes's theory of the fiscal multiplier is based on the idea that fiscal expansion can cause a multiplier effect on aggregate demand, namely the ability of aggregate supply to respond to increases in aggregate demand so that price increases will not occur (Abimanyu, 2005).

Fiscal policy is an adjustment in government revenue and spending as stipulated in the state revenue and expenditure budget, abbreviated as APBN, to achieve better economic stability and the desired pace of economic development, which is generally stipulated in development plans (Sudirman, 2014). Fiscal policy refers to policies made by the government to direct a country's economy through spending (spending) and income (taxes). Fiscal policy differs from monetary policy, which aims to stabilize the economy's interest rate and money supply. The primary fiscal policy instruments are taxes and government spending (Amiruddin, 2016). Fiscal policy is a policy that becomes the authority of the government to adjust the state revenue and expenditure budget with the state budget that has been determined beforehand by making changes to the applicable tax system (Feranika & Haryati, 2020). Therefore, it is only natural that the fiscal policy is different each year (Sudirman, 2014). Taxes and state spending/expenditure are the government's fiscal policy instruments (Maskiw, 2013).

Fiscal policies can be grouped based on theory and the amount of income and expenditure. First, Fiscal policy is based on theory, which consists of functional, intentional, and unintentional fiscal policy. Functional fiscal policy, namely policy as a consideration for the government to determine expenditure and budget revenue by assessing the possibility that it will occur to national income and employment Opportunities. Deliberate fiscal policy, namely policy by changing the budget intentionally. The deliberate fiscal policy takes three forms. First, change government spending. Second, change the tax collection system. It was third, simultaneously changing the management of the government budget and the tax collection system. Meanwhile, unintentional fiscal policy controls the speed of the business cycle to make it more stable. This policy can be a minimum price, progressive tax, or a proposal (Maulida, 2018).

State Revenue

State revenue is state income used as a source of funding for state activities and needs in the context of state development. What is meant by state or state revenues or government revenues includes taxes, levies, state company profits, fines, community donations, etc. (Syamsi, 1994). In this case, state revenue comes from taxes and non-taxes. Taxes are people's contributions to the state treasury based on laws that can be enforced without receiving reciprocal services that can be shown directly and used to pay public expenses (Sihotang, 2019).

Taxes received by the government will be used to finance various government activities. In highly developed countries, taxes are the primary source of government spending; part of government spending is to finance government administration, and the other is to finance development activities. It pays the salaries of government employees, finances the education and health systems of the people, finances expenditures for the armed forces, and finances various types of critical infrastructure which the government will finance. These expenditures will increase aggregate expenditure and the country's economic activity (Sukirno, 2012).

State revenue sources are generally divided into two sources: tax revenue and non-tax revenue. (1) Tax revenue. Tax revenue is the payment of contributions by the people to the government, which are regulated by law without direct remuneration. State revenue comes from taxes. The various types of taxes collected by the government can be divided into two groups, namely:

Direct tax and indirect tax. Direct tax is a type of government levy directly collected from parties obliged to pay taxes. Everyone who works and companies that carry out activities and earn profits must pay taxes. Meanwhile, indirect taxes are taxes whose burden can be transferred to other parties. Among the essential types of indirect taxes are import taxes and sales taxes. Tax revenue comes from central and local taxes (Markus, 2005).

(2) Non-tax income. Non-tax income is state income other than taxes. Non-tax income comes from (a) Receipts originating from the management of government funds (among other things, receipts for demand deposits, remaining development budgets, remaining routine budgets), (b) Receipts from utilization of natural resources (all natural wealth found above, on the surface and in the earth) which are controlled by the state, including royalties in the mining sector), (c) Revenue from the results of the management of state assets that are separated (among other things dividends or the government's share of profits from BUMN, total development funds, and proceeds from the sale of government shares in BUMN), (d) Receipts from service activities carried out by the government (among others educational services, health services, training services, granting of patents, brands, copyrights (Syamsi, 1994).

(e) Receipts in the form of grants which are the rights of the government (are state revenues in the form of grants and or donations from within and outside the country, both private and government which are the rights of the government, except for grants in kind which are directly used to deal with emergencies such as natural disasters or disease outbreaks that are not recorded in the APBN), (f) Other revenues regulated in a separate law (Syamsi, 1994).

State Expenditure

In the Indonesian Revenue and Expenditure Budget (APBN), state or government expenditure (government expenditure) is divided into two, namely expenditures included as expenditure groups and expenditures included as financing expenditure groups (Ani, 2010). Musgrave's and Rostow's theory of state spending places more emphasis on the proportion of a country's spending given economic development. The stage of economic development is more assessed from the question of which the government prioritizes sectors in setting government spending policies. From there it will be seen the difference in a country's development direction. Because they still lack infrastructure, countries in the early stages of development will certainly emphasize the state budget for capital investment, which is more of a starting development nature.

In this case, the community still depends on the government's central role in fulfilling traffic needs, and the role of the private sector is still not very well felt. This could mean that the private sector is still starting to invest or has been around for a relatively long time but has not yet developed so it is not yet dominant in the economic system (Suparmoko, 2000).

Types of state expenditure according to (Suparmoko, 1984) explains that State expenditure can be viewed from various aspects as follows: (a) Expenditures are investments, namely those that add to the strength and resilience of the economy in the future, (b) Expenditures that can directly provide joy and prosperity to the community, (c) Expenditures that represents savings for future expenditures, (d) Expenditures for providing more employment opportunities and a wider spread of purchasing power.

From this review, the types of expenditure are grouped based on the following types (a) Expenditures that are partly or wholly self-liquidating in nature, namely expenditures that receive repayment from the public who receive goods or services provided by the government. For example, spending on services for state companies or productive projects for export goods, (b) Reproductive spending, namely spending that creates economic benefits for the community to be able to increase people's income, which then by functioning taxes will eventually be able to increase state revenues, (c) Expenditures that are not self-liquidating and unproductive, namely expenditures that can directly entertain or cheer up the people's welfare, including the fields of recreation, erection of monuments, tourism objects, and so on. The procurement of these objects can also increase national income as a result of the services of these objects (Ani, 2010).

(d) Expenditures that are directly unproductive and constitute a waste, for example, costs for financing defense or war, even though at the time of the expenditure, the income of the individual receiving them will increase, (e) Expenditures which are savings for the future, for example, expenses for orphans. If this is not done earlier, the orphans' maintenance (education and welfare) needs will be more significant in old age (Ani, 2010). (d) Expenditure that is directly unproductive and constitutes a waste, for example, costs for financing defense or war, even though at the time of expenditure the income of the individual receiving it will increase, (e) Expenditures which are savings for the future, for example, expenses for orphans. If this is not done earlier, the orphans' maintenance (education and welfare) needs will be more significant in old age (Ani, 2010). (d) Expenditure that is directly unproductive and constitutes a waste, for example, costs for financing defense or war, even though at the time of expenditure the income of the individual receiving it will increase, (e) Expenditures which are savings for the future, for example, expenses for orphans. If this is not done earlier, the orphans' maintenance (education and welfare) needs will be more significant in old age (Ani, 2010).

Fiscal Policy Strategy in Regulating State Revenue and Expenditures

1. **Plans for the Implementation of Tax Collection**

   The tax collection system can be divided into four types: (1) Official Assessment System is a tax collection that authorizes the tax collector to determine the amount of tax a person must pay. With this system, the taxpayer is passive and waits for a tax assessment to be issued by the tax authorities. The amount of a person's tax debt is only known after a tax assessment letter is issued, (2) Semi self-assessment system is a tax collection system that gives authority to the tax authorities and taxpayers to determine the amount of tax a person owes. For this system, at the beginning of each tax year, the taxpayer determines the amount of tax payable for the current year, which is an installment for the taxpayer that must be paid by himself. Then at the end of the tax year, the tax authorities determine the actual amount of tax debt based on data reported by the taxpayer (Rizki, 2018).

(3) Withholding System is a tax collection system that authorizes third parties to cut or collect the amount of tax owed. The third party that has been determined then deposits and reports it to the tax authorities. In this system, the tax authorities and taxpayers are not active; the tax authorities are only in charge of supervising the implementation of deductions or collections. The third party that has been determined then deposits and reports it to the tax authorities. In this system, the tax authorities and taxpayers are not active; the tax authorities are only in charge of supervising the implementation of deductions or collections. The third party that has been determined then deposits and reports it to the tax authorities. In this system, the tax authorities and taxpayers are not active; the tax authorities are only in charge of supervising the implementation of deductions or collections conducted by third parties, (4) Self Assessment System is a tax collection system that gives full authority to taxpayers to calculate, calculate, deposit, and self-report the amount of tax debt. In this system, the taxpayer is active while the tax authorities do not interfere in determining the amount of tax owed by a person unless the taxpayer violates the applicable provisions (Rizki, 2018).

2. Relaxation-Participation Strategy

Tax relaxation strategies through the tax system, such as tax holidays, also aim to increase tax revenues to encourage public participation in economic (business) activities. Tax relaxation must be carried out conditionally, and expect reciprocity through community participation in a self-assessment tax system. The tax relaxation strategy also covers fast and accessible law, policy, and administration aspects. This tax relaxation-participation strategy is: first, relaxation is exchanged for public participation in driving the economy. Tax relaxation is given as long as the taxpayer carries out activities required by the government, both in a particular sector, type, location, and economic value. One of these tax facilities is the super tax deduction for vocational activities. Other things that can be considered are, for example, reinvestment requirements in Indonesia for tax exemption from overseas dividends or business expansion for improved cash flow from accelerated tax refunds. Second, relaxation is exchanged with data and information. With the implementation of cooperative compliance, transparent data and information must be exchanged with certainty.

The success of this strategy must be supported by the existence of a uniform data and information format required by the Directorate General of Taxes—third, compliance-based relaxation. This strategy can be implemented by implementing an alternative minimum tax for indications of corporate tax avoidance, and tax sanctions that are more proportional based on the compliance profile of the taxpayer. This strategy requires grouping of taxpayers in a compliance risk management scheme. Fourth, relaxation is offset by the certainty of tax contributions. This strategy is prioritized for groups with high fiscal benefits but whose tax contribution is minimal. Several options could be considered, such as a tax based on the net worth of the owner group capital benefiting from the omnibus law and safe harbor in business affiliate transactions and tax enforcement for specific professional groups (Bahtiar & Saragih, 2019).

Meanwhile, Bawono emphasizes relations in the tax system, including law, policy, and administration. The relaxation – the authorities can implement a participation strategy in four ways. First, relaxation is exchanged by forcing the participation of taxpayers to move the economy. Second, relaxation is exchanged by forcing taxpayers to provide data and information. Third, relaxation is exchanged by forcing taxpayers to comply. Fourth, relaxation is exchanged by forcing taxpayers to contribute to paying taxes. According to Bawono, the relaxation-participation strategy should be carried out in the context of tax system reform, which reflects five aspects: the cooperative compliance paradigm, stable and participatory tax policies, transparency, tax system simplification, and qualified information technology support. In addition, this strategy requires strong tax authority institutions, sustainable tax inclusion, and collaboration with all stakeholders, such as academics, tax courts, tax consultants, other government agencies, local governments, and so on (Wicaksono, 2019).

3. APBN Budget Revision

Budget preparation begins when the government submits an indicative ceiling outlined in the government's work plan to ministries or agencies through the Ministry of National Development Planning/National Development Planning Agency and the Ministry of Finance. Ministry or agencies can prepare an annual work plan by referring to the indicative ceiling. Based on the fiscal capacity, work plan, and indicative ceiling size, the Minister of Finance determines the budget ceiling for each ministry or agency to be used as the basis for preparing a budget work plan, considering the results of the ministry or agency's performance evaluation.

In the first stage, the Customs and Excise Service Office of Middle Customs Type A Marunda performs one of the budget functions, namely the planning function, by preparing supporting documents for the budget work plan, namely terms of reference (TOR)/work reference framework; details of the budget (RAB); Budget Work Plan (RKA); working paper details (RKK); and other budget supporting data. The term of reference (TOR)/framework of reference (KAK) is a document that provides information regarding an explanation and general description of the output to be carried out by a ministry or agency by its functions and duties. The terms of reference include background, output indicators, aims and objectives, activity implementation, activity schedule, activity executor and person in charge, and activity costs. Preparing terms of reference/framework of reference for the 2020 fiscal year uses a budgeting approach concerning the Medium Term Expenditure Framework, implementation of an integrated budget (Unified Budget), and application of performance-based budgeting (Performance Based Budgeting). The entire process of budgeting plans is by the applicable cost standards for the 2020 fiscal year.

Preparing the TOR includes being used as a source of information on the stages and implementation to achieve output, a tool for leaders to monitor and control programs or activities carried out by all employees, and facilitating verification and inspection related to the realization of activities. Details of the budget support KAK which explains the stages of implementation, and the amount of costs of each component which is the stage of achieving activity output. The breakdown of the expenditure budget provides detailed information on the cost components that are expected to be used in the terms of reference or the working terms of reference.

CONCLUSION

From the results of the discussion above, it can be concluded that the strategy for maximizing tax revenue, the relaxation-participation strategy, and the government revised budget to emphasize the state budget deficit figure to help finance the government is a strategy carried out by fiscal policy to regulate or manage state revenue and expenditure in Indonesia in 2020, which of the three strategies above have no other goal, namely to increase tax revenue to encourage community participation in economic or business activities. And to implement the above strategy, it is necessary to apply an alternative minimum tax for indications of corporate tax avoidance, more proportional tax sanctions based on the compliance profile of the taxpayer.

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