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The Policy Implementation of Taxes on Micro and Macro Economy in Indonesia

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Abstract

The implementation of taxes in Indonesia is often considered detrimental by the public, especially for microeconomic actors. Although the management of the State Revenue and Expenditure Budget (APBN) is more focused on macroeconomics to maintain long-term economic sustainability, its impact on the microeconomy is still not optimal. Taxes in Islamic governance not only function as a fiscal instrument but also as a mechanism for wealth distribution and addressing social inequality. The Islamic taxation system supports economic sustainability and social welfare in the Muslim community, which is the majority in Indonesia. Ideally, the implementation of taxes in Indonesia should be able to adopt the principles of Sharia economics to achieve the welfare of society. This paper discusses the application of taxes on micro and macroeconomics in Indonesia, using qualitative research methods through literature review. Secondary data comes from literature such as journals and related scientific works.

Keywords: Macroeconomics, Microeconomics, Tax, Sharia Economics.

1. Introduction

Indonesia, as a developing country, continues to strive for sustainable economic development. In this process, collaboration between the government and the community becomes an important factor. The tax system in Indonesia serves as the main public financial instrument that supports development. Taxes not only function as a source of state revenue but also serve as a strategic element to fund various development projects. Through its role, taxes reflect a country's economic independence, while also demonstrating the ability to manage financial resources independently and effectively to achieve sustainable development goals (Safarida, 2024).

Oktafia et al., (2023) wrote that the actions taken by the government to change the tax system are known as fiscal policies that impact the State Revenue and Expenditure Budget. (APBN). Taxes are the main source of revenue for the Indonesian state, based on the components of the state budget, which shows that taxes continue to be a major component of the government's significant income sources and continue to increase along with economic growth. (Santoso et al., 2024).

A country is formed in a region by the consent of the society. With its primary focus on the welfare of society, the role of the state is very important in the life of the community. The state makes many policies, including those related to the economy, with the main goal of ensuring that everyone receives equal benefits, especially in the effort to combat poverty and plan for sustainable economic growth (Widiastuti et al., 2023).

If the government wants to achieve economic goals related to public wealth through the tax system, they must also consider the obligation of Muslims, who are the majority of the population of the Republic of Indonesia, to follow Islamic teachings (Fikri et al., 2021). As a form of obedience in state life, a Muslim must pay the taxes set by the government. In essence, the Qur'an and hadith do not support taxes (dharibah) as a way to increase state revenue because Islam mandates zakat for those who meet the requirements (Fikri et al., 2021).

From the perspective of state law and sharia, the comparison between taxes and zakat shows significant differences, although both are committed to raising funds for the public good. Zakat is an obligation for Muslims to give a certain amount of money in accordance with Sharia law. Nevertheless, Article 1 of the KUP Law states that "Tax is a mandatory contribution to the state owed by individuals or entities that is coercive based on the Law without receiving direct compensation for the needs of the state for the greatest prosperity of the people." This is the legal basis of the state. (Islamy & Anninas, 2020).

Although the principle of private ownership is recognized and unrestricted in Islam, it is emphasized that acquiring wealth through unlawful and immoral means is prohibited. When viewed from the perspective of Islam, the assets generated from such accumulation still protect the rights of others in accordance with Sharia principles. However, from the perspective of positive law, the property belongs to the state. However, state leaders and other officials can use the property for their personal interests within certain limits (Fikri et al., 2021).

According to Islamic law, the establishment and implementation of laws such as taxes must be based on the common good (Sulastyawati et al., 2019). However, research by (Inayah & Utomo, 2023) found that the numerous cases of tax embezzlement or corruption in Indonesia, which have become public knowledge, have caused people to lose confidence in paying taxes. In line with this, the research by Inayah & Utomo (2023) states that taxpayers with low compliance levels are reluctant to pay taxes on time or even do not pay at all. The perception of tax corruption and tax fairness influences this taxpayer non-compliance. The research results of (Al-Ttaffi et al., 2021) found that for some people, taxes are felt more as a burden because there is no direct reward perceived and the nature of the payment is coercive. Data from another study indicates that tax revenue generally does not meet the targets set by the government in tangible forms such as public facilities or infrastructure, causing the community not to feel obligated to comply with state regulations, especially for those who lack the ability to pay due to economic limitations (Oktafia et al., 2023).

Now the state budget is more focused on macroeconomic growth (Taufik dan Aang 2021). Macroeconomic policy not only encompasses public financial, monetary, and fiscal policies but also shapes microeconomic theory and Sharia financial products, such as banking. The study conducted by Inayah & Utomo (2023) explains how the fairness of implementation affects tax compliance by micro, small, and medium enterprises. Among the middle economy, micro-sized sharia financial institutions have emerged, but taxes are considered detrimental to micro businesses that generate low profits. This paper will discuss how taxes impact the micro and macro economy of Indonesia based on the background of the problem.

2. Methods

This This research was conducted qualitatively, using a literature study approach. The literature study involves theoretical analysis and scientific research, as well as references to norms, values, and community practices in the field (Jaelani, 2017). The secondary data used comes from literature, such as journals, scientific writings, and other sources related to the research topic.

3. Result and Discussion

3.1. Basic Concept of Tax

In his book, Rochmat Soemitro defines tax as a contribution from the people to the state treasury based on a law that is coercive in nature, without receiving a direct reciprocal service, and used to pay for public expenditures (public investment). However, from a legal perspective, Soemitro defines tax as an obligation arising from a law that causes citizens to have to pay taxes (Purkon, 2014).

In countries with a legal system, everything related to taxes must be regulated by law. This is indicated in Article 23 Paragraph 2 of the 1945 Constitution, which states that tax levies and other levies must be regulated by law. According to that article, taxes are a transfer of wealth from the private sector to the government sector to finance the state budget, without any direct reciprocal services being provided for the achievement. So, taxes here are the wealth of the people given to the state. Article 23, paragraph 2 has a very profound meaning: determining the fate of society. The people must have the ability to determine their own fate by setting taxes through their representatives in the House of Representatives. Thus, the people must have the ability to choose representatives who can and are capable of advocating for the values and struggles of the community. Indeed, it is difficult to impose taxes through legislation, but because it has been approved by their representatives, it should be well accepted by the public as a binding law. In other words, taxes regulated by law do not mean the confiscation of the people's rights or wealth because they have been regulated, approved, and sanctioned by their representatives. Furthermore, this cannot be considered a voluntary payment because taxpayers must comply with it or face penalties. Moreover, because the Law provides legal guarantees to taxpayers so that the law can be enforced, another factor that the state must consider is the effort to establish tax regulations aimed at reflecting a sense of justice for taxpayers, as the standard of living and economic capacity of each member of society differ (Inayah & Utomo, 2023).

The State Revenue and Expenditure Budget (APBN) outlines the actions that the government will take to generate revenue for the administration and development of the country. The APBN is then submitted to the People's Representative Council (DPR) to be ratified into law. The security and defense of the state, judicial control, and the provision of goods that cannot be supplied by private companies are the duties of the state to encourage economic growth. To ensure national security, fair and wise policies, and development and infrastructure, the government is responsible for implementing these matters. This is achieved by the government through fiscal policy, which regulates the state's revenue and expenditure for the benefit of the people (Putra & Solehudin, 2022).

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Islamy & Anninas (2020) provide an explanation of how taxes are regulated in Indonesian Law No. 6 of 1983, specifically Law KUP Article 1 Chapter 1 on General Provisions and Tax Procedures, as last amended by Indonesian Law No. 16 of 2009.

namely:

a. Tax is a mandatory contribution given to the state by individuals or entities that is compulsory based on the law and used for the needs of the state and the general welfare.
b. Taxpayers are individuals or entities, including taxpayers, tax withholders, and tax collectors, who have tax rights and obligations in accordance with the provisions of tax legislation.
c. Entrepreneurs who deliver Taxable Goods (BKP) and/or Taxable Services (JKP) that are subject to tax are considered taxable entrepreneurs (PKP) according to the Value Added Tax (PPN) Law of 1984 and its amendments.

"Tax is a mandatory contribution to the state owed by individuals or entities that is compulsory based on the Law without receiving direct compensation and used for the needs of the state for the greatest prosperity of the people," said Article 1 of Law Number 28 of 2007.

3.2. Basic Concept of Tax in Islam

In Arabic, tax is called "Dharibah," which means to obligate, determine, establish, strike, explain, or impose (Sulastyawati et al,, 2019). Since tax (dharibah) can also be interpreted as a levy, the position of tax in Islam must be in accordance with Islamic law. The characterization of tax (dharibah) according to Sharia is as follows:

a. Tax (dharibah) may only be collected for financing that is an obligation for Muslims and only to the extent necessary for that financing.
b. Tax (dharibah) may only be collected in situations where baitul mal does not have assets or is lacking.
c. Tax (dharibah) may only be collected from Muslims.
d. Only wealthy Muslims are subject to tax.
e. Tax is paid according to the amount of financing required.
f. Tax can be abolished if it is not needed.

Government Regulation (PP) Number 25 of 2009, which relates to income tax (PPh) on sharia-based business sectors, has been established to protect the Directorate General of Taxes (Ditjen Pajak) from discrimination in the implementation of sharia-based tax laws in Indonesia. Thus, the regulation can apply to profits obtained from sharia-based businesses and transactions conducted by individual or corporate taxpayers.

Policies that regulate government expenditures and revenues with the aim of maintaining economic stability, enhancing growth, and achieving the highest prosperity worldwide are known as Islamic fiscal policy. Islamic economic theory has had fiscal policies for a long time, since the time of Prophet Muhammad (PBUH) and the Rightly Guided Caliphs. Scholars later developed these policies. Fiscal policy at that time was adjusted to the development of Islam and the circumstances of the time, such as the expansion of Muslim power in their territories.

According to the perspective of Islamic economics, there are two instruments that form fiscal policy. The first is revenue policy, represented by tax policy; the second is expenditure policy. The state budget will reflect both of these instruments. Fiscal policy has a strategic role in Islamic history to build systematic and directed state financial governance. The following are the fiscal policy instruments mentioned in Adiwarman Azwar Karim's book, History of Islamic Economic Thought:

a. Increasing labor participation and national income. As a leader, the Prophet Muhammad made preparations to initiate the intensification of community development.

b. The implementation of tax policies such as kharaj, jizyah, khums, and zakat resulted in price stability and reduced inflation.

c. When drafting the budget, expenditures on public issues such as infrastructure development were always a top priority. (Karim, 2016).

In the perspective of Islam, there are two differing opinions on this matter. The first opinion argues that the imposition of taxes is an act of injustice. The second opinion argues that a tax system must exist because taxes can become a legal obligation, as one of the behaviors in Islam is to obey waliyatul amri, where the government is the amri. Because tax collections will be provided to the community to be enjoyed in the form of services or facilities provided by the state, this tax system must comply with legal provisions. (Widiastuti et al., 2023).

Abu Yusuf said that all Khulafaur Rasyidin mentioned that taxes should be paid with justice and generosity, not exceeding the people's ability to pay, and not making them unable to meet their basic needs. Abu Yusuf supported the ruler's right to raise or lower taxes according to the people's ability. Revenue will increase with good taxation and enhance the development of the state. If the country's resources are insufficient to meet the public interest; if the benefits are enjoyed by the people, they must bear the cost (Al-Ttaffi et al., 2021).

There are several general principles based on the Quran and Hadith that have been used by past scholars to guide economic policy:

a. Verse 7 of Surah Al-Hasyr explains the meaning of wealth distribution and is related to Allah's guidance on how to manage wealth so that society achieves equity. Wealth should not be a commodity that can only be accessed by the rich, but must be distributed to the entire society. This is because if wealth is limited to the rich, it will cause injustice and oppression for the wider society. Ali Syariati emphasized this prohibition by stating that two-thirds of the verses in the Quran speak about the importance of establishing justice or economic empowerment and hating oppression (Fikri et al., 2021).

b. According to Al-Maidah verse 2, the mutual assistance that is justified in Islam is helping in goodness and piety. This includes sincerely assisting the government in complying with tax laws. A responsible government acts in accordance with fiscal objectives (Saihu & Islamy, 2019).

c. The hadith from the narration of Thabrani No. 891 and Baihaqi No. 334 states, "Indeed, the Messenger of Allah S.A.W said: Indeed, Allah loves someone who, when working, does it sincerely."

Further explained in HR Bukhari No. 6015, "Imam Al-Bukhari stated that Muhammad bin Sinan narrated to us, Qulaih bin Sulaiman narrated to us, the narration is from Atha' from Yasar, from Abu Hurairah RA who said: The Messenger of Allah S.A.W said: When a trust is neglected, then wait for its destruction." The Messenger of Allah answered, "Wait for destruction when something is entrusted to someone who is not an expert in it." (Al-Ttaffi et al., 2021)

3.3. Macroeconomics and Microeconomics in Indonesia

In the Economics book "Introduction to Understanding Micro and Macro Economics," it is explained that macroeconomics discusses many aspects related to the economy, such as focusing on achieving the set economic goals. Maintaining the international trade balance and price stability is the goal. To ensure income distribution for the community, macroeconomics is also responsible for providing job opportunities. This is discussed in the field of macroeconomics due to the numerous conflicts, as well as inflation as a cause of continuously rising prices that can affect a country's economy, which is why this subject is addressed in the field of macroeconomics.

In microeconomics, economic activities on a micro scale are discussed. Microeconomics usually only discusses the highest prices and the basic prices, unlike macroeconomics, which discusses the economy as a whole. This is done to maintain the balance between supply and demand. Monopoly in the market can reduce the number of new entrepreneurs. In addition, microeconomics pays attention to aspects of daily life such as the actions of consumers, distributors, and producers.

In macroeconomic theory, tax responsibility is more important than consumption expenditure. This is called disposable income, or disposable income, after deducting the taxes that must be paid. In other words, every citizen must pay taxes. Paying taxes well is a sign of good behavior in developed countries.

In Indonesia, good management of the state budget (APBN) ensures the long-term sustainability of macroeconomic (financial) stability, positively impacts the economy, and enhances the country's fiscal balance. Fiscal policy is the government's policy that regulates government revenue and expenditure to maintain desired economic activities or better conditions (Oktafia et al., 2023)

The concept of welfare in Islamic fiscal policy is not limited to conventional concepts; it encompasses both worldly and spiritual life, prioritizing spiritual enhancement over the fulfillment of material needs. Therefore, it can be understood that fiscal policy according to Islamic macroeconomics aims to improve the standard of living of society by placing worldly and ukhrawi values above spiritual values (Oktafia et al., 2023). Overall, the goal of Sharia law regulations related to the economy is to enhance the overall well-being of humanity, both as individuals and as members of society (Oktafia et al., 2023). Macroeconomic policies, including monetary, fiscal, and public financial policies, also serve as the foundation for microeconomic theory and the creation of Sharia-compliant financial products, such as banking products.

4. Conclusion

During the implementation of taxes, the Indonesian government is considered detrimental by the public, as evidenced by numerous negative news in the media, especially those related to micro businesses. The government strives to ensure the continuity of macroeconomic, or financial, stability in the long term by implementing various tax systems, so that the benefits of macroeconomics do not touch microeconomics. Nevertheless, taxes in Islamic governance are used not only as a fiscal tool but also as a means to distribute wealth and prevent social inequality. In predominantly Muslim societies, the Islamic tax system greatly contributes to economic sustainability and social welfare. Taxes in Indonesia should be able to apply the principles of Sharia economics to enhance the overall welfare of humanity and every individual participating in community life.

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