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# Overview of Tax Expenditure: The Case of Indonesia

*By Directorate General of Taxes*

Philippines, March 2023

## Definition

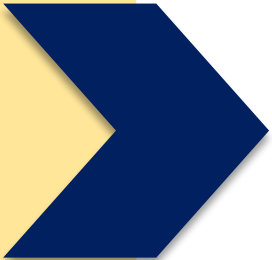


*"tax expenditure is **the tax revenue that is not collected or reduced** as a result of special provisions that are different from the benchmark tax system and applies to only some subjects or objects with certain requirements (**deviation**)"*  
(Tax Expenditure Report, 2021)



### Tax Expenditure Report

Tax expenditure report is the **annual report** to record the inventory of the tax incentive (the **deviation**) for the purpose of economic recovery, pandemic countermeasures, or other purposes.



Non-taxable object (Pajak Tidak Terutang)



Unimposed tax (Pajak Tidak Dipungut)



Tax Exemption (Pajak Dibeaskan)



Zero-Tariff (Pajak 0 Persen)



Tax Borne-by-Government (DTP)



Reduction of Tariff or Tax Base

# 02 Tax Expenditure – Stakeholders



## Ministry of Finance

Tax Expenditure consists of any incentives in income tax, VAT, sales tax on luxury goods, Land and building tax, and customs and excises

In 2017, Ministry of Finance initiated the drafting of TE reports involving DGT and DGCE under the coordination of FPA.

In the following years, the drafting team consisted of FPA, DGT, and DGCE is always formed around February each year to work on the TE Report in the respective year.

Badan Kebijakan Fiskal / Fiscal Policy Agency (FPA)

Direktorat Jenderal Pajak / Directorate General of Taxes (DGT)

Direktorat Jenderal Bea dan Cukai / Directorate General of Customs and Excises (DGCE)



# 03 Tax Expenditure – Milestones



**2015**

The audit results by **Audit Board of Indonesia** stated that the annual **tax expenditure report** is needed to improve **accountability**

**2017**

- FPA, assisted by consultants, issued an analysis about TE
- FPA, DGT, and DGCE identified the TE posts

**2018**

- The launching of 2016 – 2017 TE Reports
- There were **89** TE posts for each year
- DGT were estimating **3** posts

**2019**

- The launching of 2018 TE Report
- There were **114** TE posts
- DGT were estimating **28** posts

**2020**

- The launching of 2019 TE Report
- There were **114** TE posts
- DGT were estimating **29** posts

**2021**

- The launching of 2020 TE Report
- There were **134** TE posts
- DGT were estimating **56** posts

**2022**

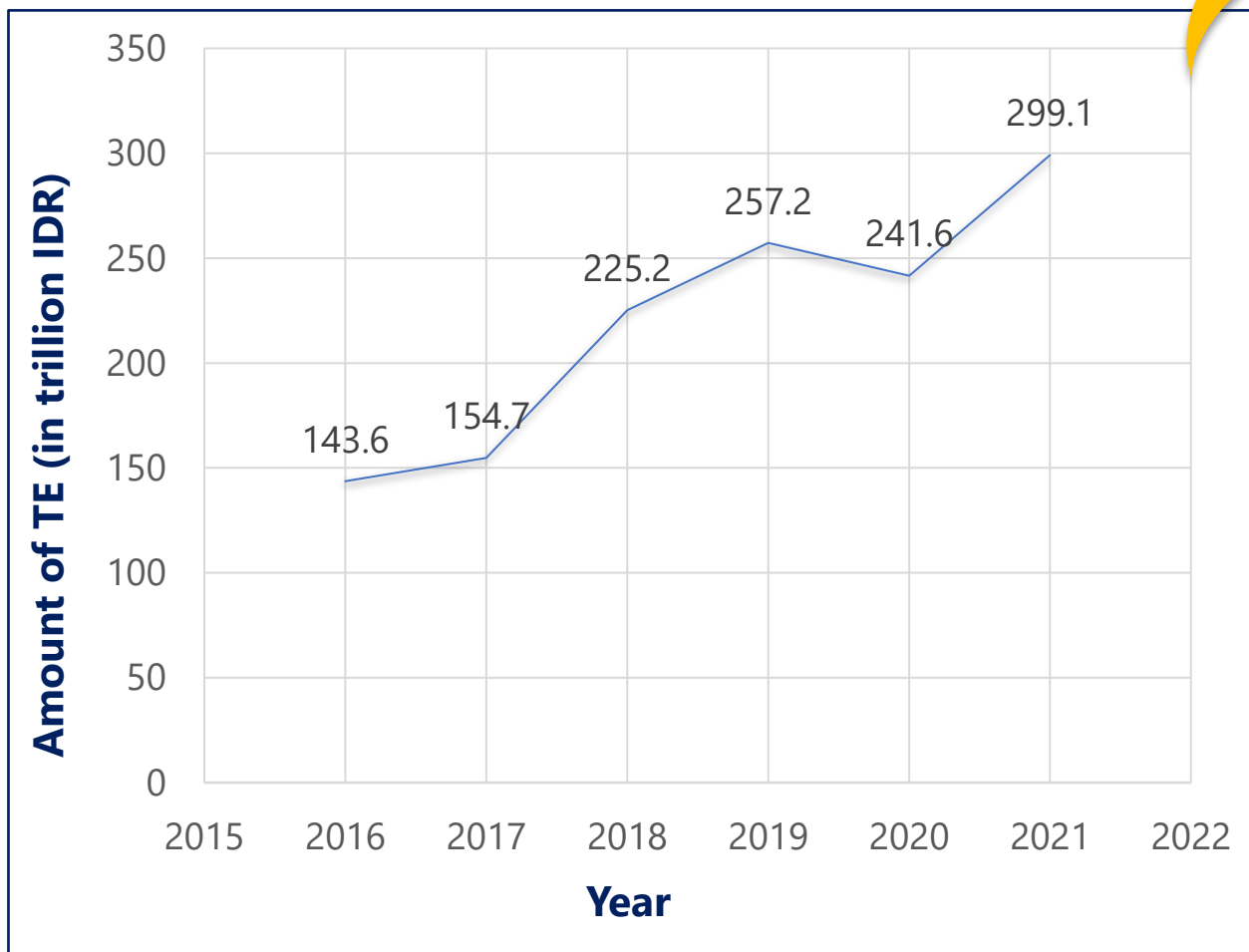
- The launching of 2021 TE Report
- There were **137** TE posts
- DGT were estimating **77** posts



Tax Expenditure Reports are publicly available and can be accessed at:

<https://fiskal.kemenkeu.go.id/publikasi/tax-expenditure-report>






Year	Total TE (in trillion IDR)	% of GDP	Number of TE posts
2016	143,6	1,16%	89
2017	154,7	1,14%	89
2018	225,2	1,52%	114
2019	257,2	1,62%	114
2020	241,6	1,56%	134
2021	299,1	1,76%	137




- **2021** records the **highest amount** of tax expenditure and its percentage to GDP
- **2021** also records **the highest number** of estimated posts
- The **smallest amount** of tax expenditure was in **2016** and the **smallest percentage** to GDP was in **2017**


## Challenges



The **unstandardized** and **inconsistent** method of estimation every year causing **accuracy** problems



Several TE posts can not be calculated due to **lack of data** (usually **external** data from different ministry or other external sources)




The **change** in team members every year might alter the estimation perspective, hence the method used might also be different


## Progress



The development of **TE Dashboard** (by FPA) might automate the estimation of several TE posts and develops better consistency in calculation



We are progressing in the betterment of **exchange of information** and/or finding the other calculation method that does not require the external data



Our subdirectorate develops **internal knowledge bank** to pass on the tacit knowledge of TE estimation and avoid the change of perspective



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