



Improving VAT Administration

Indonesia's Experience

Challenge and Solution



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Subject



VAT Performance & VAT Gap

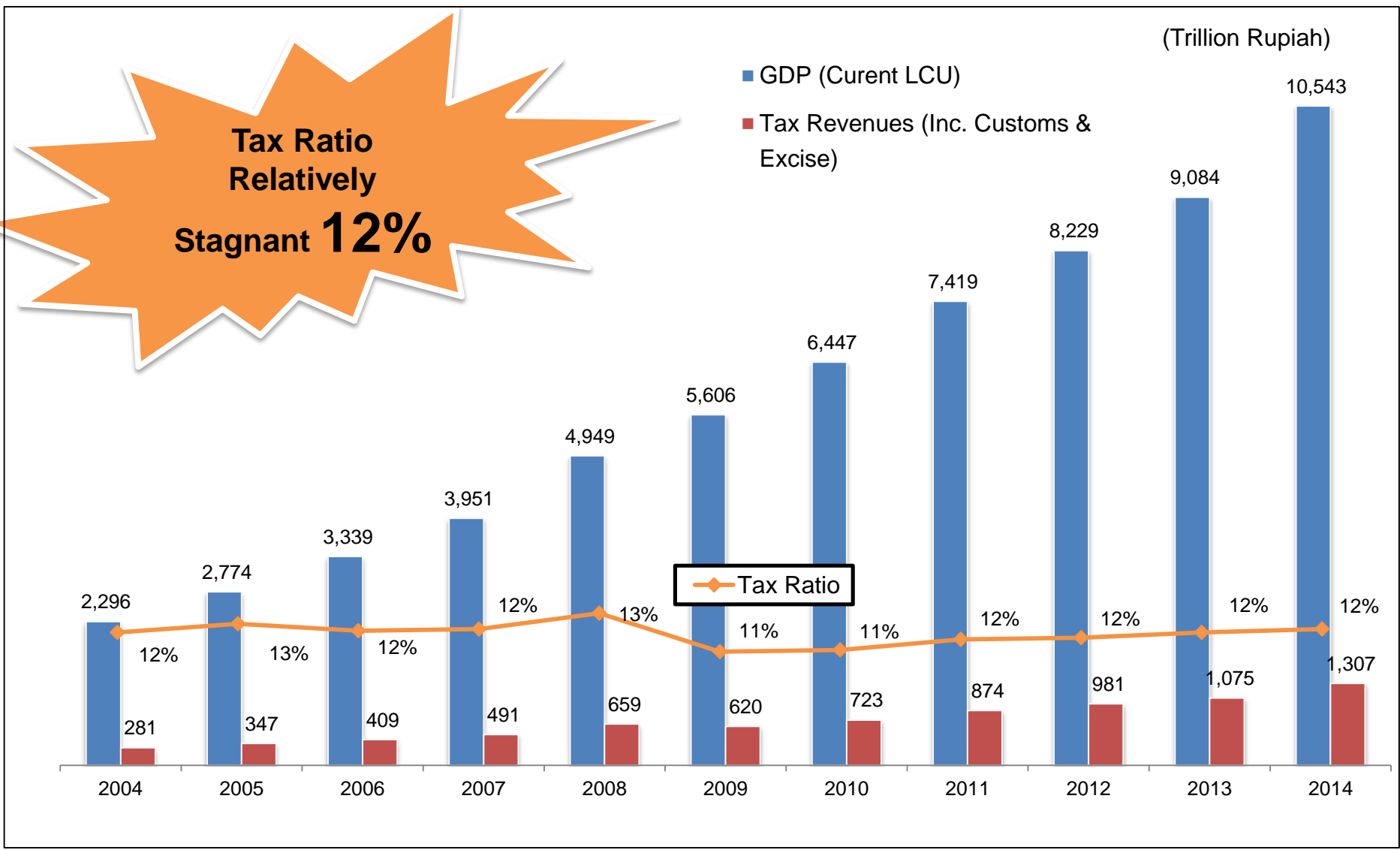
Main Causes of VAT Gap

Narrowing VAT Gap

Conclusion



Indonesia's Tax Ratio

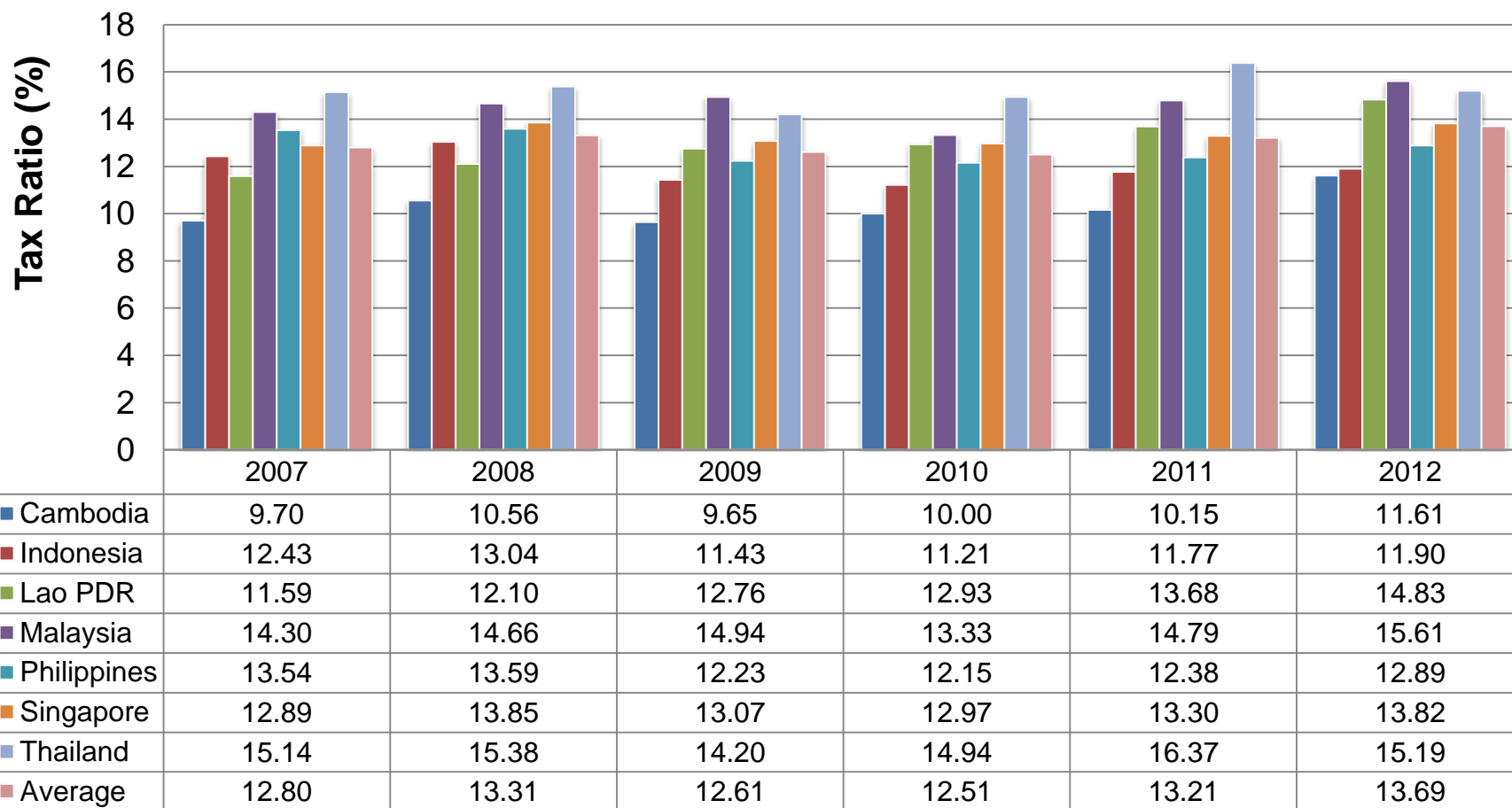




Indonesia's Tax Ratio



Among ASEAN Countries

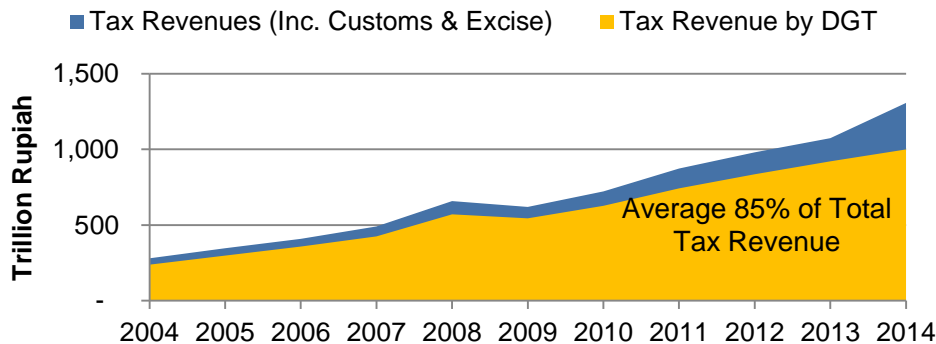




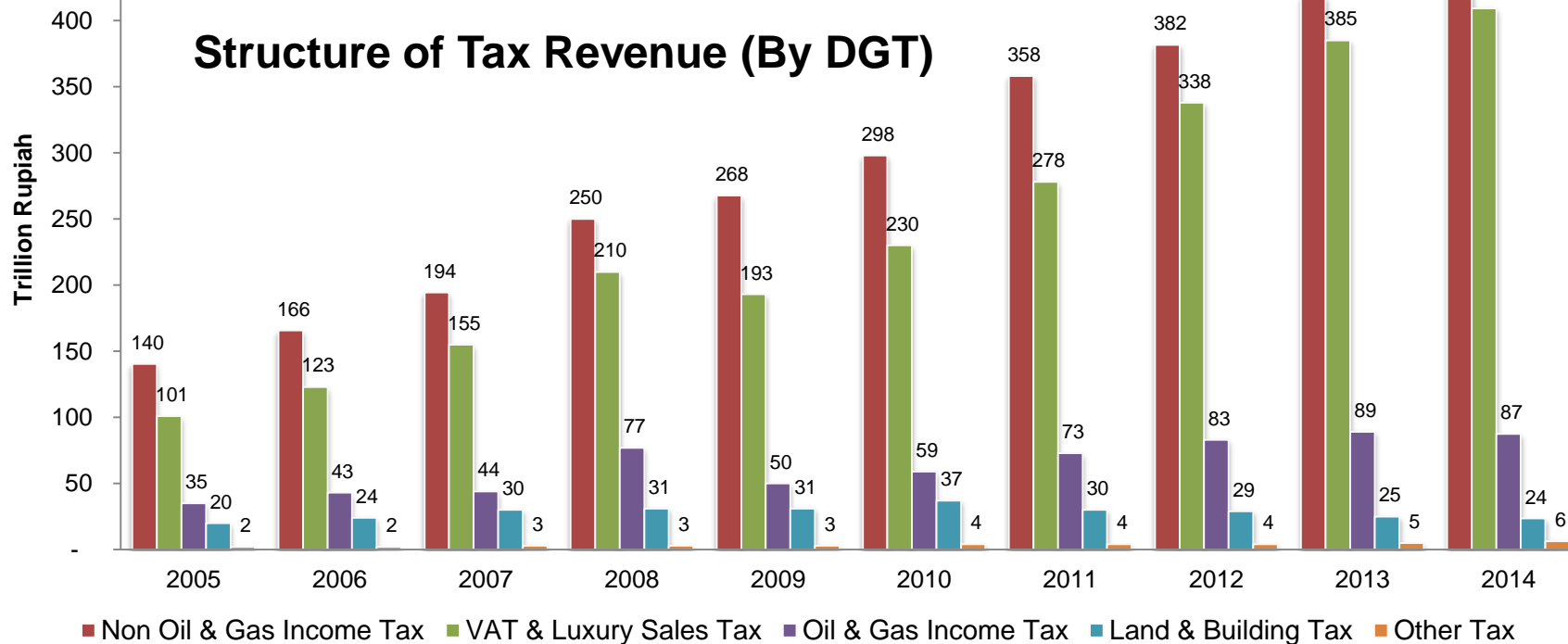
Indonesia's Tax Structure



Share of Tax Revenue By DGT



Structure of Tax Revenue (By DGT)

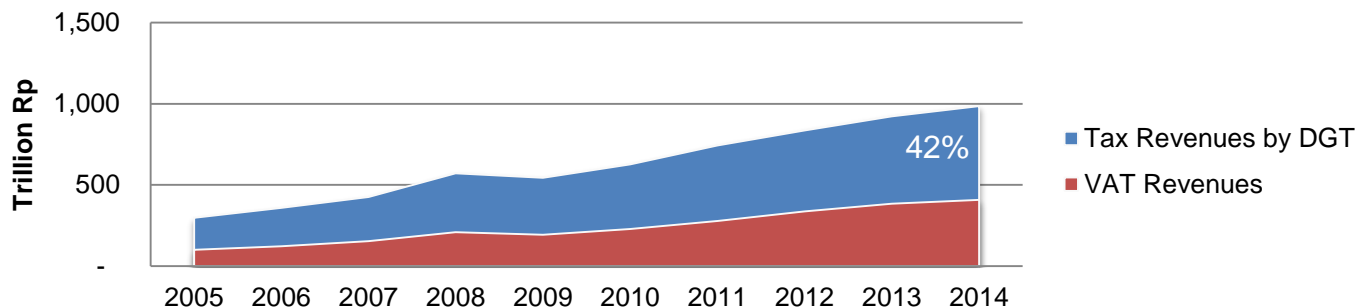




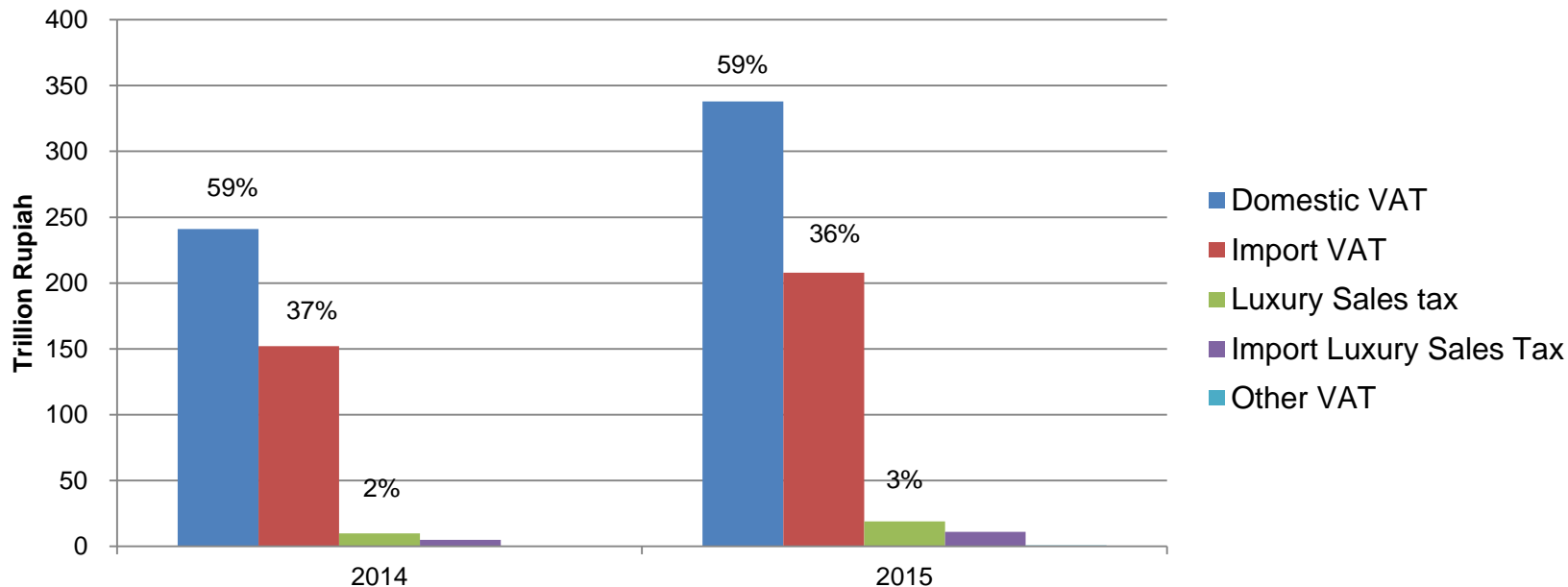
Indonesia's VAT Structure



Share of VAT Revenue



VAT Structure

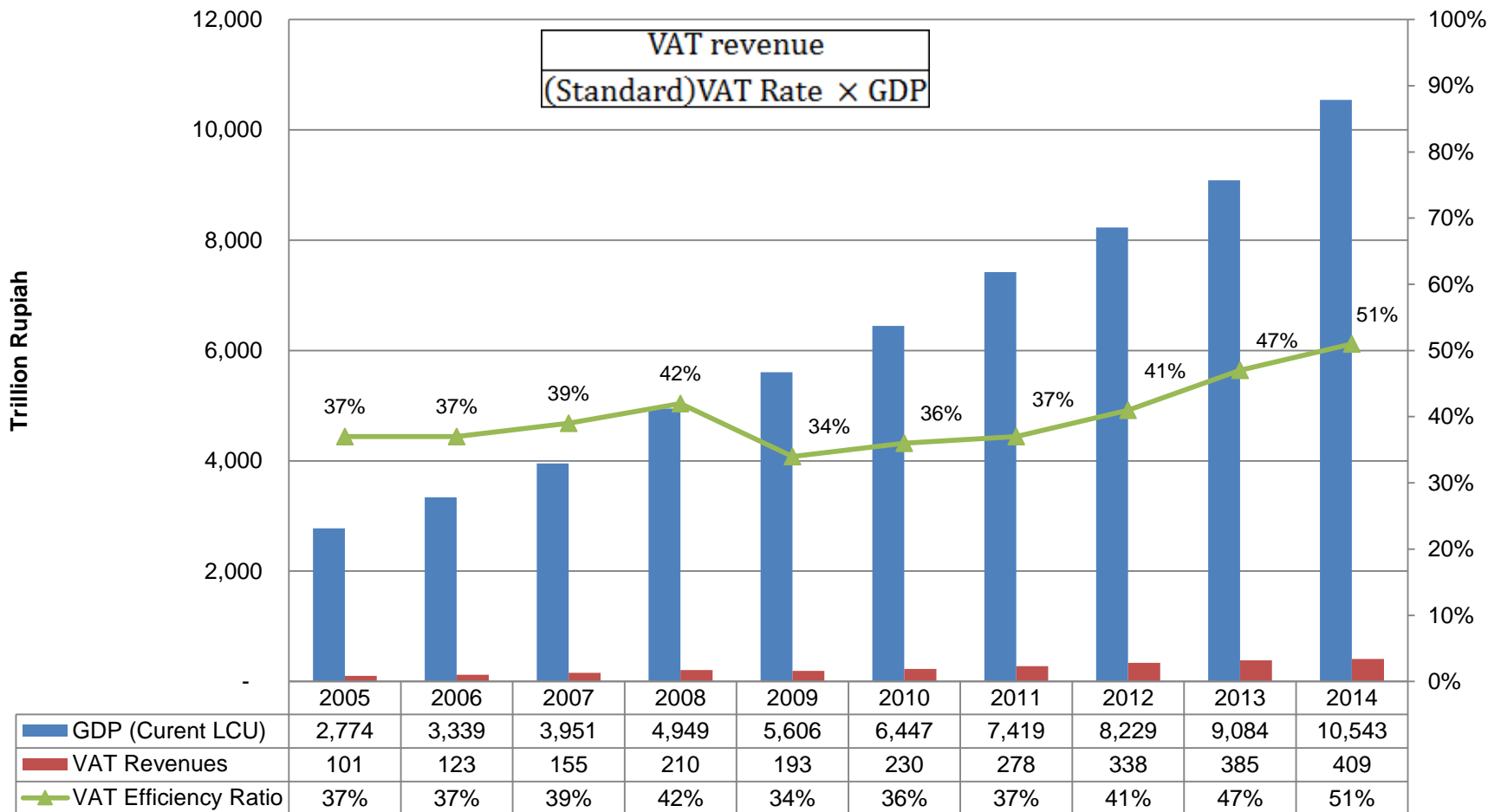




Indonesia's VAT Efficiency Ratio



VAT Efficiency Ratio

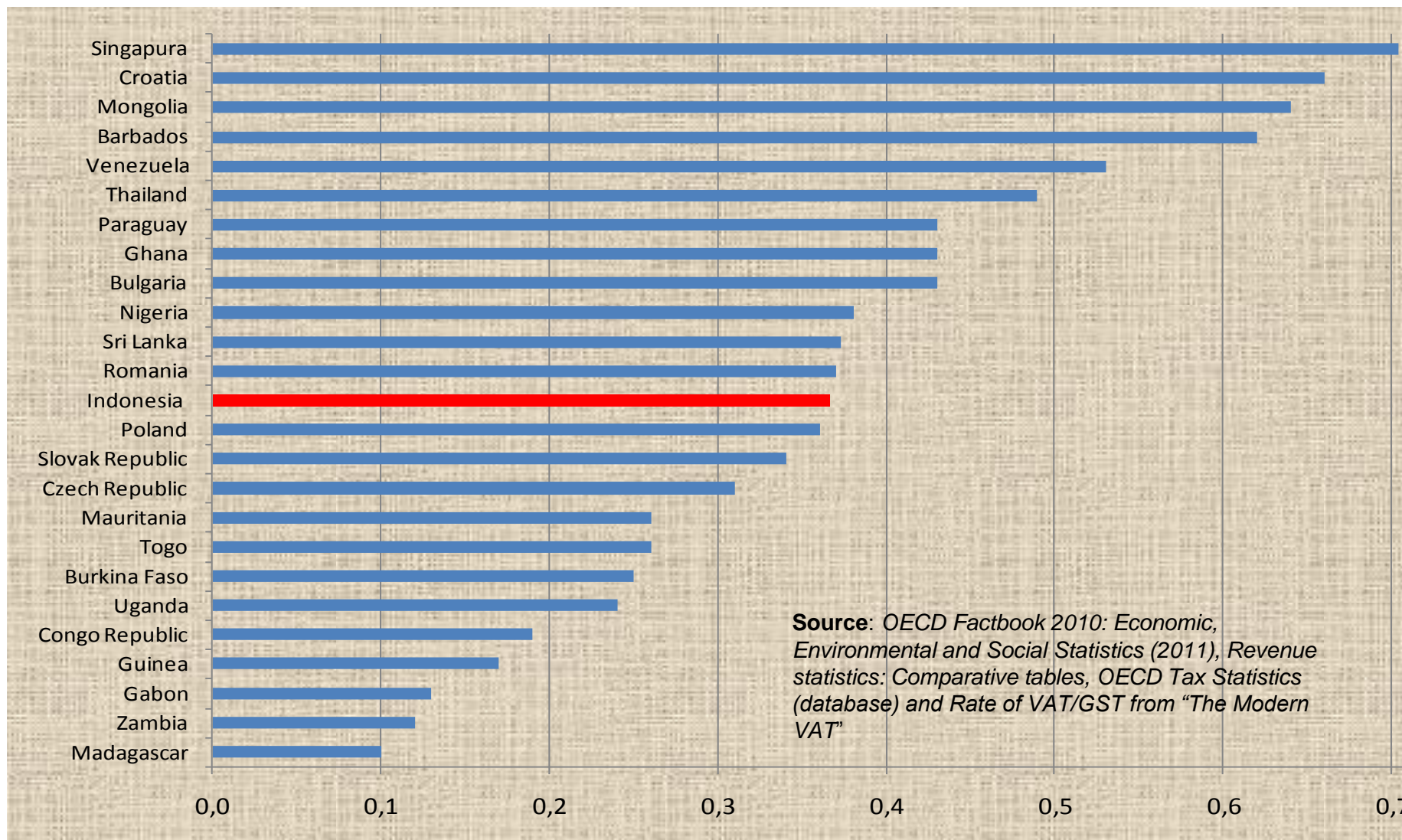




Indonesia's VAT Efficiency Ratio



INDONESIA & DEVELOPING COUNTRIES



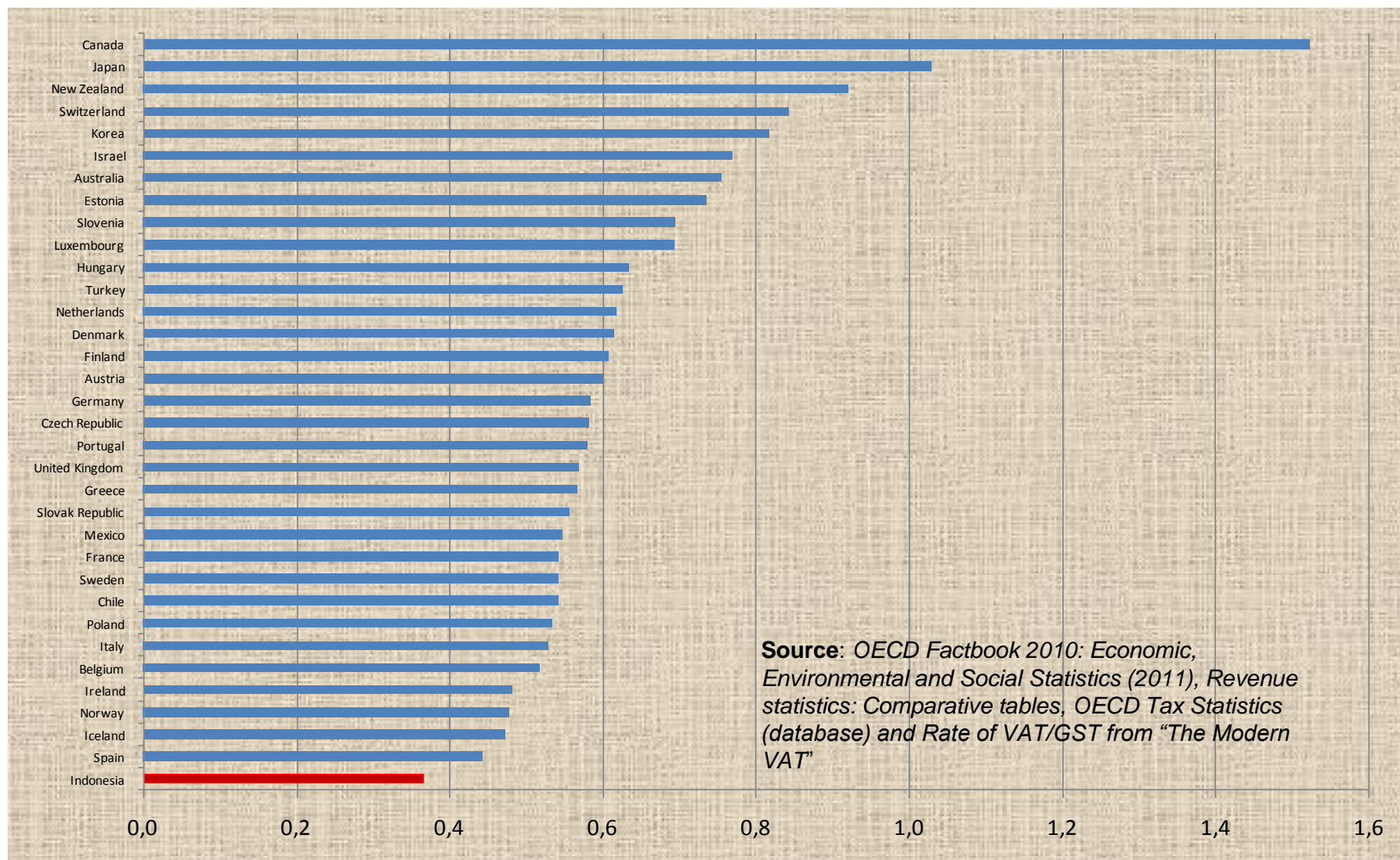
Source: OECD Factbook 2010: Economic, Environmental and Social Statistics (2011), Revenue statistics: Comparative tables, OECD Tax Statistics (database) and Rate of VAT/GST from "The Modern VAT"



Indonesia's VAT Efficiency Ratio



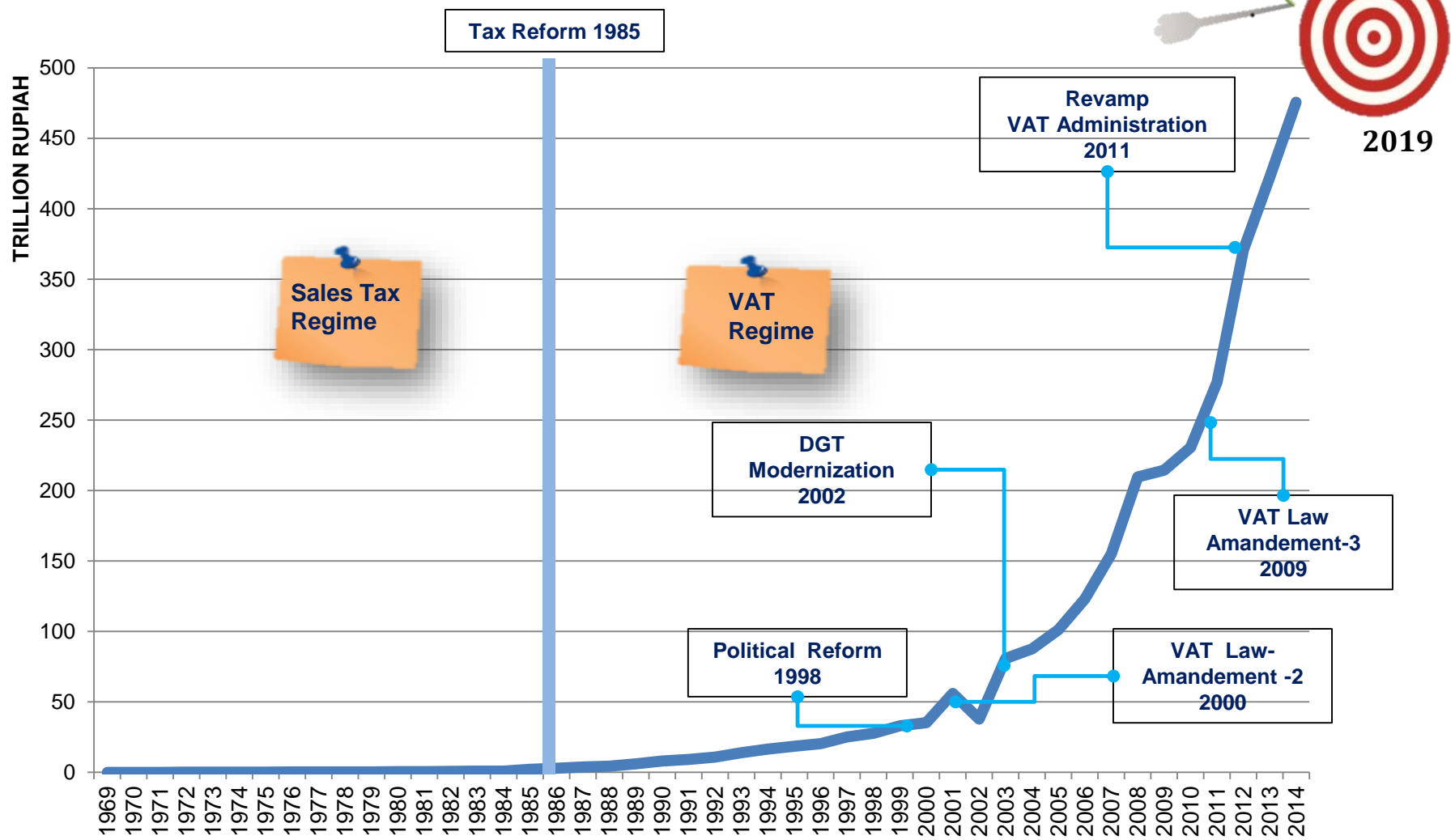
INDONESIA & OECD COUNTRIES



Source: OECD Factbook 2010: Economic, Environmental and Social Statistics (2011), Revenue statistics: Comparative tables, OECD Tax Statistics (database) and Rate of VAT/GST from "The Modern VAT"



VAT Revenue - History



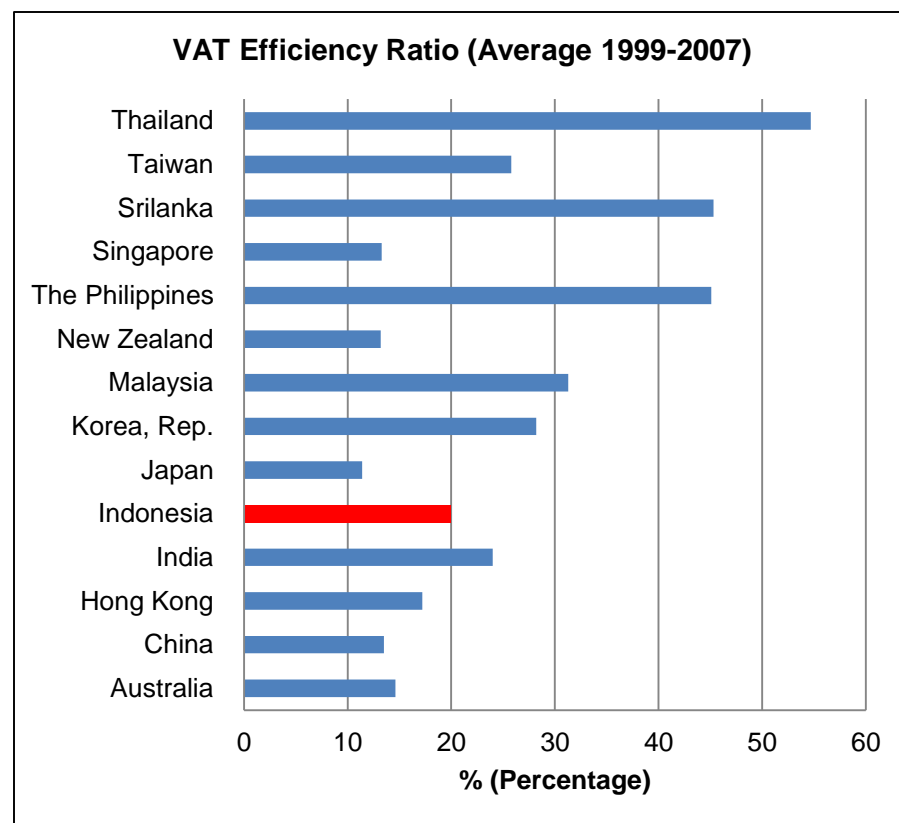


Shadow Economy



Size of Shadow Economy in Asia-Pacific Countries (% of GDP)

No	Country	Country Average 1999/2007
1	Australia	14.6
2	China	13.5
3	Hong Kong	17.2
4	India	24.0
5	Indonesia	19.9
6	Japan	11.4
7	Korea, Rep.	28.2
8	Malaysia	31.3
9	New Zealand	13.2
10	The Philippines	45.1
11	Singapore	13.3
12	Srilanka	45.3
13	Taiwan	25.8
14	Thailand	54.7



Source: *New Estimates for the Shadow Economies all over the World*, Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, 2010



Estimated Shadow Economy



(Billion Rupiah)	2012	2013	2014
GDP	7.920.211,30	8.658.634,15	9.397.057,04
Shadow Economy (25%)	1.980.052,83	2.164.658,54	2.349.264,26
Shadow Economy (35%)	2.772.073,96	3.030.521,95	3.288.969,96

Country	Estimated Percentage of GDP
Advanced Countries	14 – 16%
Emerging Countries	Market
Latin America, Central America, Africa	> 40%
Middle East, Developing Asia	25 – 35%

- *Not all activities in an Shadow Economy/Underground Economy is illegal, some of activities like hawkers are legal, however they are classified as Underground Economy.*
- *Shadow Economy consist of:*
 1. *Informal Economy:* activities that aren't monitored by the government and aren't taxed.
 2. *Illegal Economy:* activities that are prohibited by law.
 3. *Unreported Economy:* unreported, avoiding tax, often referred to as the cause of the "tax gap"
 4. *Unrecorded Economy:* unrecorded because the government has not conducted a data collection, not because of tax evasion.

Source: IMF Working Paper (WP/12/47) *Inclusive Growth, Institutions, and the Underground Economy* (2012), page 6-7 and calculated from GDP forecast



Risk to Tax Evasion

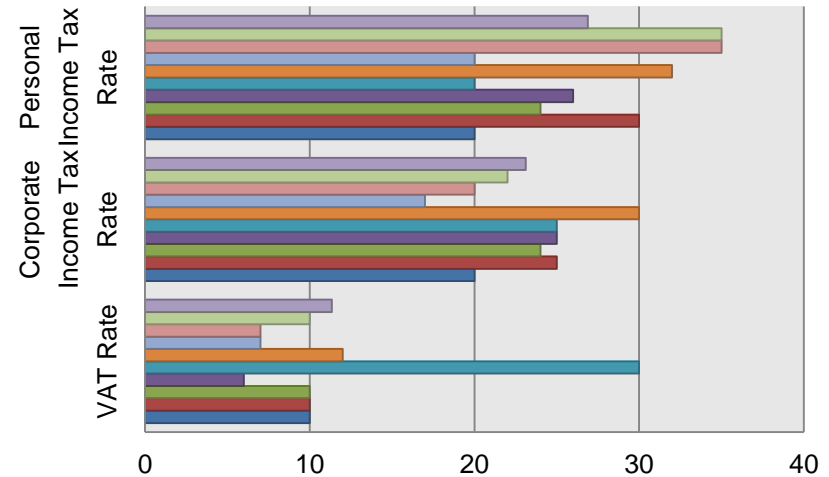


In ASEAN, Indonesia's tax rate is considered moderate.

The tax regime and type of tax administration influence the decision of taxpayers to work in formal or informal sectors

A distinct type of VAT evasion in Indonesia is crediting VAT from fictitious transaction.

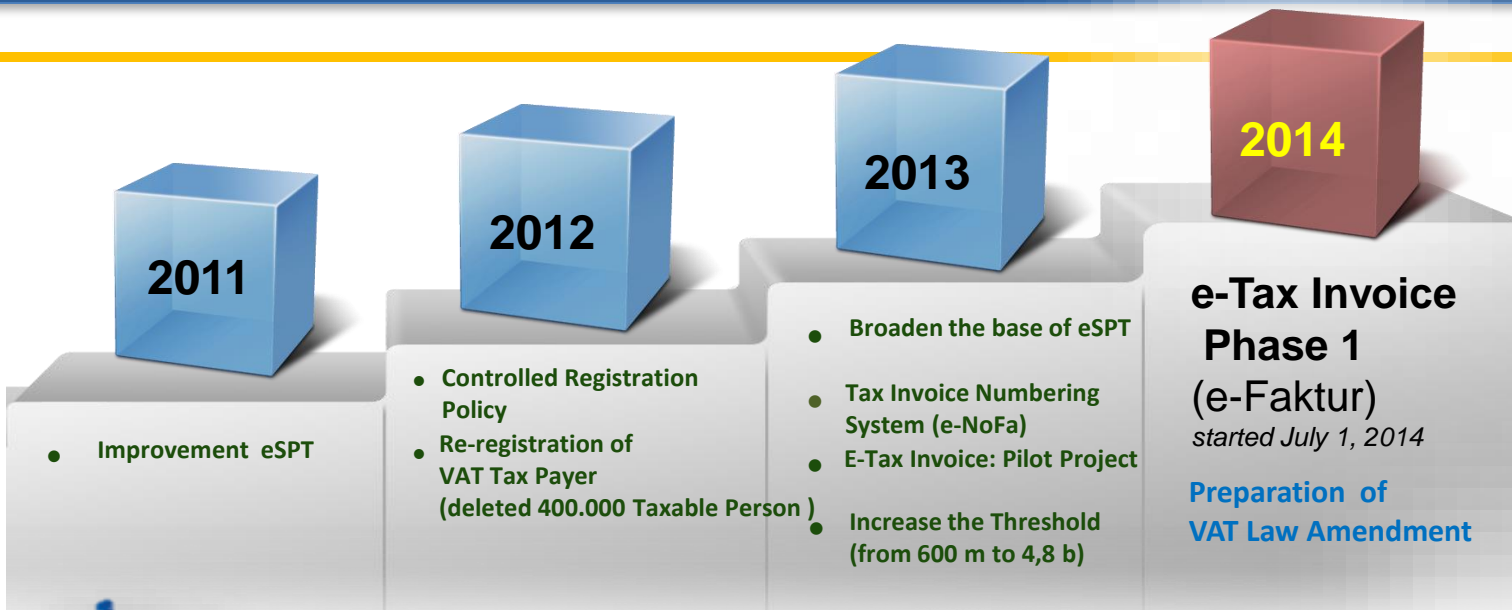
Tax Rate Comparison - ASEAN



	VAT Rate	Corporate Income Tax Rate	Personal Income Tax Rate
Average	11.33	23.11	26.89
Vietnam	10	22	35
Thailand	7	20	35
Singapore	7	17	20
Philippines	12	30	32
Myanmar	30	25	20
Malaysia	6	25	26
Laos	10	24	24
Indonesia	10	25	30
Cambodia	10	20	20

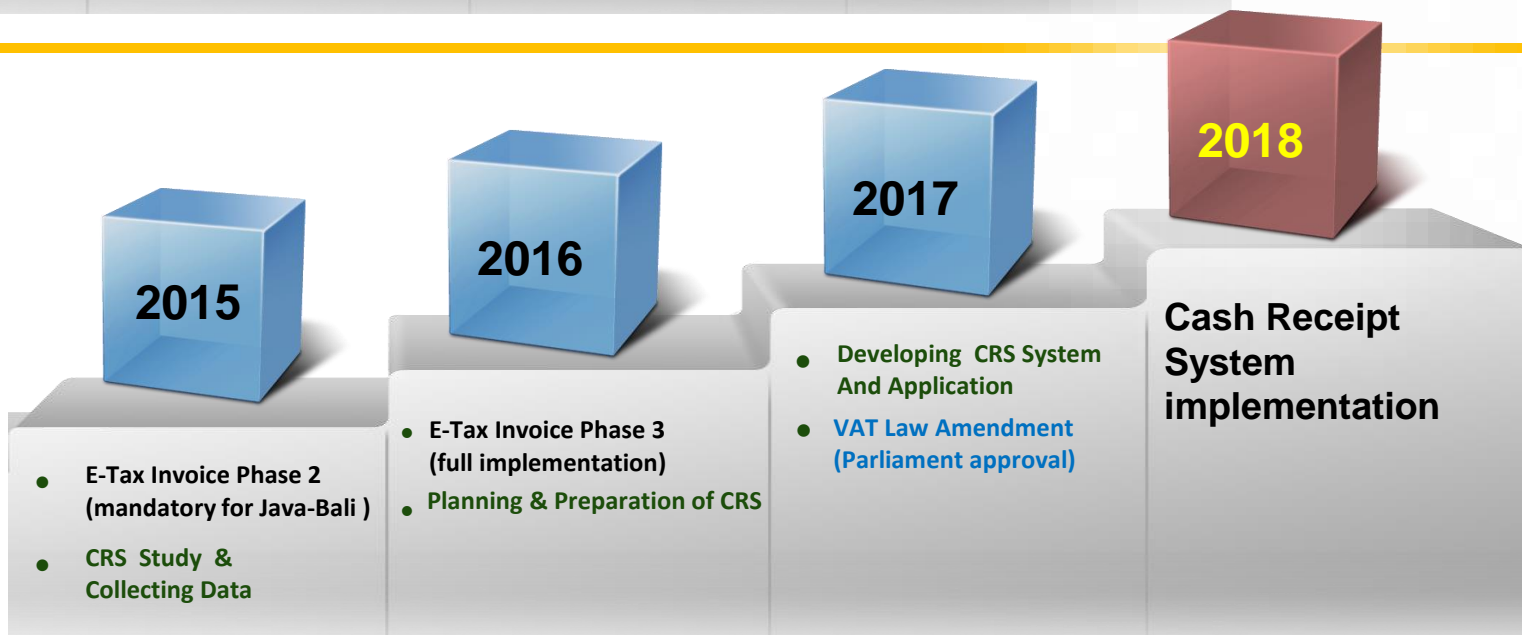


Revamp VAT Administration System



Source:
Road Map- Revamp the VAT administration system
Directorate General of Taxes, MoF RI,
Revamp the VAT administration system – sixteen key initiatives support the transformation themes- Institutional Transformation Program MoF-RI

Next step !





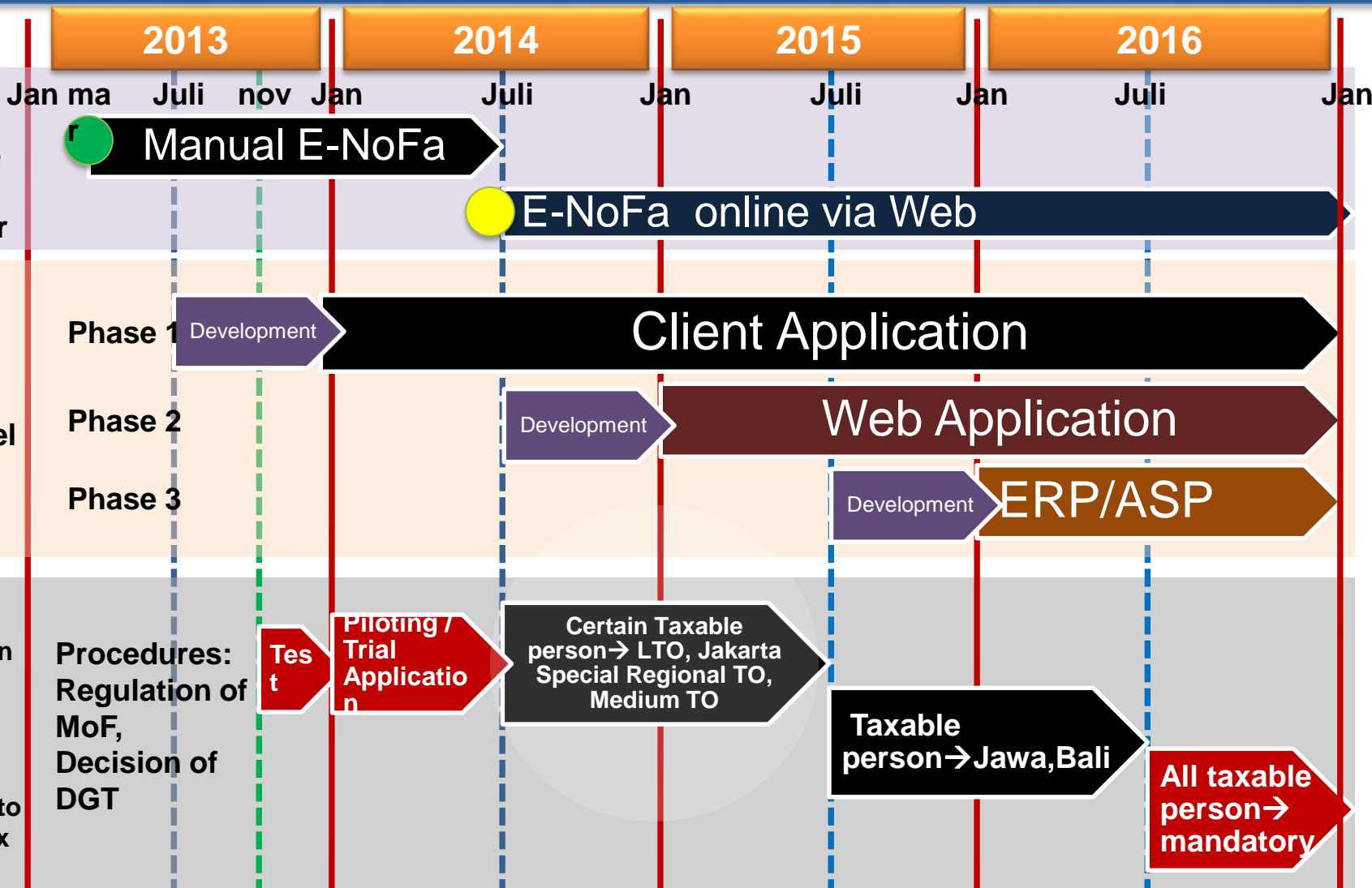
Implementation of e-Tax Invoice



Tax Invoice serial number

Channel

Selection method for taxable person obliged to use e-tax invoice



Public announcement & education

E-Tax Invoice Data Base Management



Taxable Person Monitoring Program



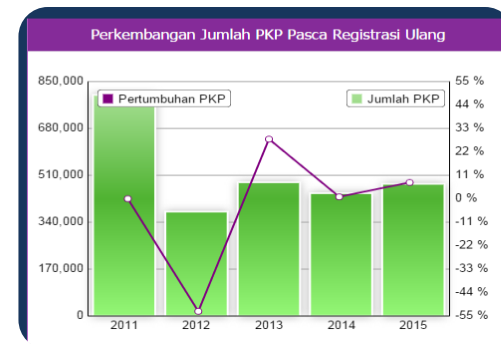
Taxable Person Monitoring Program is an application aimed to:



Improve VAT Administration System



Maintain Taxable Person Validity



An Early Warning System of VAT Fraud

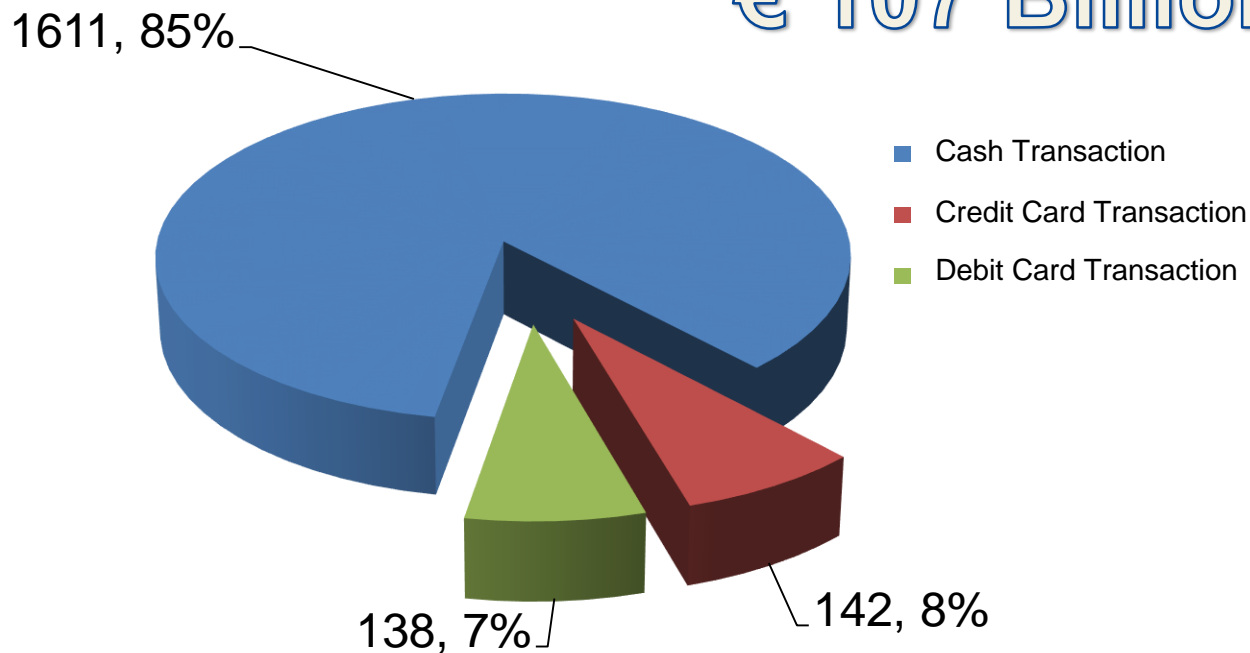


Cash Receipt System (CRS)



Background to implement CRS:
to capture cash economy

Rp1.611 Trillion
€ 107 Billion



Total credit card and debit card transactions in 2012 is Rp 280 trillion



Summary of VAT Administration Improvement

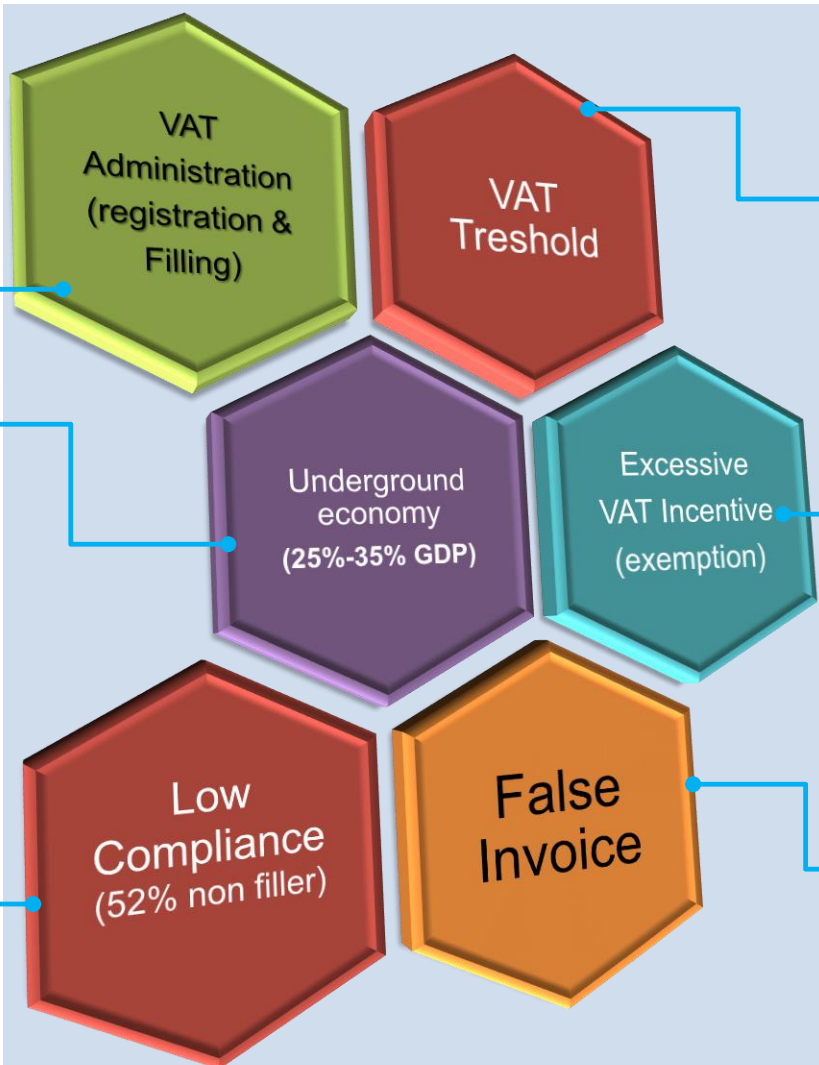
How to increase revenue?

Increasing
VAT rate?

Improving
VAT Administration
(e-administration)

Implement
Cash Register
System

Improving
VAT Monitoring
System
(e-monitoring)



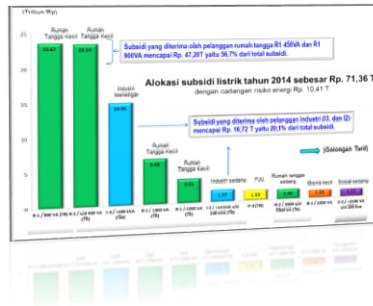
- Increase the treshold of Rp 4,8 b
(ensure only large business with better accounting system need to register)

- Limiting or Getting rate of exemption
- Broadening the base
(revised law and regulation)

- Audit
- E-Tax Invoice



Conclusion



Indonesia's Tax Ratio is still considered low compared to other ASEAN countries

Indonesian Government have to deal with Shadow Economy and VAT Fraud to increase tax revenue, reduce tax gap, as well as increase tax ratio

Thanks For Your Attention

