EXPLORING INDONESIA TAX RATIO DEVELOPMENT 1970-2010

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Abstract

In 2012, Indonesia's tax ratio is only 11.2% of GDP. This figure is far lower than the ratio of the ASEAN countries, even compared with China's state though. Symptoms of the above bags the question, how the actual tax rate developments in Indonesia? Factors-factors that influence the growth rate of tax? Is the increase in the tax ratio needs to worry about. Using descriptive analysis shows that the end of the 1960s, Indonesia tax ratio is only 6% of GDP and only in the late 1980s was able to reach 10% of GDP. Thus, during the periode 1960 – 1980, Indonesia tax ratio grew only 2%/year, much lower than the rate of economic growth in the same periode. It's a bit worrying for the past two decades the growth of tax ratio to stagnate, as it only increased to 12% of GDP. While the estimation results using an econometric model suggests that economic growth is actually very A potential for raising the taxes and the Indonesian context, if the tax rate is 6%, then the increase in the ratio of taxes it would stimulate economic growth. Because it is a progressive tax policy in Indonesia do not have to worry about.

1.Introduction

For fourty years, the tax revenues increasingly relied upon as a source of revenue for Indonesia. It can be seen large share of tax revenue in domestic revenues. Increasing the role of the tax revenue, began to appear since 1986, several years after the tax reform in 1984. Current contribution of tax revenue over 70% of domestic revenues. The role is far greater than the period of the oil windfall (oil boom) in the period of 1970s and early 1980s. The increasing role of taxation in the domestic revenues show that tax revenue, grew faster than domestic revenues. In addition to the greater contribution, the structure of the tax revenue is also getting stronger. It is seen from the growing role of direct tax revenues, especially tax (income tax) entered a period of the late 1990s and continuing through today.

But while the role of the tax revenue is greater, but the ratio is still very low taxes Indonesia. In 2011, the rate of tax ratio was 11.2%, which means that only 11.2% of aggregate output that can be drawn as a tax. This figure is relatively low compared with other countries, such as Malaysia (15.1%), South Korea (19%) and China (16%). Over the last forty, the ratio only doubled. The slow growth rate of this tax raises the question of what factors cause and what the implications for macro-economic performance of Indonesia?