THE DIFFERENCE BETWEEN VOLUNTARY DISCLOSURE PROGRAM AND TAX AMNESTY IN INDONESIA

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ABSTRACT:
This article aims to analyze the background, concept, and purpose of The Voluntary Disclosure Program in Indonesia and how it is different from the previous Tax Amnesty Program rolled out in 2016-2017. VDP is a result of the Automatic Exchange of Information (AEOI) agreement between countries. VDP is step taken by the Indonesian Government to put AEOI to practice by releasing Law Number 9 Of 2017 in order to increase tax compliance in Indonesia. This study uses a qualitative method, namely research based on statutory provisions and the data used is secondary data from official government publications websites, a literature review with the same study object and other data sources. The voluntary Disclosure Program (VDP) gives taxpayers opportunities to disclose tax obligations that have not been fulfilled voluntarily through the payment of income tax based on the disclosure of their assets and gives significant effect to income tax during 2022. The analysis shows that even though by definition VDP and Tax Amnesty are quite similar, there are some distinctive differences regarding the technicalities between the two which affects the aftermath from each program.

Keywords: Voluntary Disclosure Program, Tax Amnesty, Tax Compliance, Automatic Exchange of Information
1. INTRODUCTION

As one of the most significant contributors to state revenue for years, tax has become the nation's support in national economic recovery in Indonesia. Based on the year-to-year state budget, income tax is the largest contributor to state revenue from the taxation sector. The current tax revenue is still dominated by revenue from corporate income tax as the foundation of state revenue (((Alamanda, n.d.): 2002)). It is Followed by the Final Income Tax on taxpayers with certain Gross Income and individual income tax in the second and third positions.

Figure 1 shows that in the 2015-2019 period, tax revenue was dominated by Corporate Taxpayers and Individual Income Tax (ITA). Revenue derived from ITA and ITA Law 21 in 2019 was around 11.79% of total national tax revenue (Directorate General of Taxes, 2020). This indicates that tax revenue from individual taxpayers is still reasonably low.

The low tax revenue from individual taxpayers contrasts with other OECD countries, where tax revenue is greater than corporate taxpayers. Based on the data from Revenue Statistics 2019: Tax Revenue Trends in the OECD (2019), only one country (Chile) has received a corporate income tax that is greater than individual income tax. Based on the comparison of these data, there are indications that tax collection in Indonesia is still not fully explored.
Picture 2. Comparison between Tax Revenue from Individual and Corporate Tax Income in OECD Countries

![Comparison between Tax Revenue from Individual and Corporate Tax Income in OECD Countries](image)

Source: Revenue Statistics 2019: Tax Revenue Trends in the OECD

On the other hand, data from Asian Development Bank shows a significant increase in Gross Domestic Product (GDP) in the year 2020-2021 and projected GDP growth in 2022 and 2023 (Shown in figure 3). According to the latest data published by BPS-Statistics Indonesia, Domestic economic growth was solid and stable in the first quarter of 2022 at 5.01% (YoY) compared with 5.02% (YoY) in the previous quarter (bi.go.id). Cited from the Badan Pusat Statistics website, GDP is the amount of added value produced by all business units in a particular country or is the total value of final goods and services produced by all economic units. The increase in GDP indicates an increase in spending and consumption at the community level, which could indicate an increase in the economic class of the community.

Picture 3. Graph of GDP Growth

![Graph of GDP Growth](image)

Source: Asian Development Bank
Automatic Exchange of Information is the cooperation between tax administrations that is critical in the fight against tax evasion and in protecting the integrity of tax systems (oecd.org). As a member of the OECD Global Forum on transparency and Exchange of Information for tax purposes, Indonesia has undertaken concrete steps to put AEOI to practice. In 2017 Indonesian government released Law Number 9 Of 2017 On Enactment Of Government Regulation In Lieu Of Law Number 1 Of 2017 On Access To Financial Information For Tax Purposes To Become Law. In article 2, the law stated that GDT is authorized to access financial information for tax purposes. This law authorizes DGT to access undisclosed assets and ILAP Data as a part of their framework for collecting tax revenues. DGT also can access cross-border financial information. After the law was released and practiced, there is still much property-ownership data that the Taxpayer has not reported in the Annual Tax Report. Therefore, there is alleged potential for income that the Taxpayer has not reported in their Annual Tax Report.

The low tax compliance rate and the unreported asset data from AEIO impelled the government to take measures by cultivating this information, hence the Voluntary Disclosure Program (VDP). VDP, or what is commonly called Tax Amnesty Volume II, is an opportunity provided to Taxpayers to voluntarily disclose their undeclared tax obligations by means of income tax payments based upon assets disclosure. This policy is contained in Law Number 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP), and the technical implementation is regulated in Regulation of MoF No. 196/PMK.03/2021 concerning Procedures for the Implementation of the Taxpayer Voluntary Disclosure Program.

The implementation of the VDP policy is not something new. The Indonesian government has adopted a similar policy through Tax Amnesty in 2016-2017. The program was regulated in Law Number 11 of 2016 and Regulation of MoF No. 118/PMK.03/2016 on Implementation Of Law Number 11 Of 2016 Regarding Tax Amnesty and Regulation of MoF No. 122/PMK.08/2016 on the Procedure for the Transfer of Taxpayer’s Property in the Framework of Tax Amnesty Policy. The Tax Amnesty program proved to generate positive outcomes. According to the Indonesia Minister of Finance in a working meeting with Commission XI The People's Representative Council of the Republic of Indonesia and the Ministry of Law and Human Rights, Sri Mulyani stated that the Indonesian tax amnesty was one of the most successful tax amnesties throughout the world with the number of declarations reaching IDR 4,884 trillion. The declaration number is equal to 39.3 percent or almost 40 percent of Indonesia's GDP in 2016 which amounted to USD 933.2 billion. Several countries
implemented the tax amnesty policy years ago; there are at least 29 countries in the world that have implemented this policy (Martinez, 1991). This study aims to analyze the background, concept, and purpose of The Voluntary Disclosure Program in Indonesia and analyze the distinct differences between Tax Amnesty in 2016 and the Voluntary Disclosure Program in 2022.

2. LITERATURE REVIEW

Indonesia changed its tax collection system from the Official Assessment system to the Self Assessment system in 1984. Self-assessment is a tax collection system that gives trust and responsibility to taxpayers to take the initiative in registering themselves in order to obtain a Taxpayer Identification Number (NPWP) and manage all tax matters independently. Under this system, the main problem of taxation in Indonesia still revolves around the tax compliance level, which is still low. Giving this trust is a big risk that DGT, as Indonesia Tax Authority, has taken in terms of tax compliance. Surely DGT still has the authority to supervise the system and the annual report submitted by taxpayers. Somasundram (2003, 2005a and 2005b) claimed that the wider perspective of compliance becomes a major issue in a self-assessment system since the total amount tax payable is highly dependent on the levels of tax compliance this perspective reveals, although it is inevitable that tax authorities will seek to ‘influence’ the areas taxpayers have influence over determining to reduce the risks of non-compliant behavior they face otherwise e.g through continuously conducting tax audits of different sorts and other means such as various compliance influencing activities including tax education. Like other developing countries, Indonesia, are still finding difficulties to do this supervision to achieve tax compliance.

Tax compliance is defined as the accurate reporting of income and expenses according to applicable tax laws (Alm, 1991; Slemrod, 2007). On the other hand, tax non-compliance is an attitudinal tendency of taxpayers that may lead to tax behavior i.e. tax avoidance and/or tax evasion (Natrah, 2012). Another study defines non-compliance as a taxpayer's failure to remit a proper amount of tax, perhaps on account of the complexity or even contradictions in the tax legislation or tax administration procedure (Jackson and Milliron, 1986: Kesselman, 1994: Kasipillai and Jabbar, 2003). The problem of tax compliance is a classic problem faced by almost all countries.

There are two ways to understand tax compliance in the literature on the development of tax compliance: the economic perspective, which is based on economic theory, and the
behavioral perspective, which involves sociological and psychological aspects (Alm et al., 2016; James et al., 2001; Kirchler et al., 2010, 2014). Tax rates, penalty rates, and the likelihood of being audited are economic factors, whereas individual perceptions of social equality, fairness, and justice along with social norms are behavioral factors (Kirchler, 2007; Kirchler et al., 2014; Kogler et al., 2015; Slemrod, 2016; Torgler & Schneider, 2005). On the economic group level, another research stated that taxpayers with high and low-income levels have low tax compliance while taxpayers with middle-income levels have higher tax compliance (Richardson, 2006).

As part of the operational strategies to minimize tax non-compliance, DGT uses a tax audit and tax amnesty program. In the context of Indonesia, with regard to the tax amnesty program, the Minister of Finance announced the implementation in December 2021 called the “Voluntary Disclosure Program” (VDP) in accordance with Law Number 7 of 2021 on Harmonization of Tax Regulations. A voluntary disclosure implies that an individual reports all income on which he or she evaded taxes to the authorities. In most countries voluntary disclosures are associated with a fine (Langenmayr, 2015). Its purpose was to encourage taxpayers to voluntarily disclose their previously undeclared income accurately. She also emphasized that the Law on Harmonization of Tax Regulations (UU HPP) provides a provision for the government in overcoming extraordinary disruption or shock due to Covid-19. The Government did not set a target for the funds to be collected from the Voluntary Amnesty Program (PPS). This is different from the 2016–2017 Tax Amnesty program.

In 2016 The Indonesian government implemented a similar tax policy called The Tax Amnesty Program. It is regulated in Law No 11 of 2016. The law defines Tax Amnesty as the elimination of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying redemption money. The summary of the tax rates imposed in Tax Amnesty Program is shown in Table 1 below.
Table 1 Tax Amnesty Program Rates

<table>
<thead>
<tr>
<th>No</th>
<th>Time Period</th>
<th>Repatriation of Funds</th>
<th>Declaration of Funds</th>
<th>Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Taxpayers whose gross turnover is up to Rp4,8 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Assets Value ≤ Rp10 Billion</td>
</tr>
<tr>
<td>1</td>
<td>1 July 2016 s.d 30 September 2016</td>
<td>2%</td>
<td>4%</td>
<td>0,5%</td>
</tr>
<tr>
<td>2</td>
<td>1 October 2016 s.d 31 Desember 2016</td>
<td>3%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1 January 2017 s.d 31 March 2017</td>
<td>5%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

There are several studies on Tax Amnesty. Tax amnesty is a government program that condones all or some parts of punishment for tax cheaters if they voluntarily pay off all of their outstanding tax bills (Andreoni, 1991) meanwhile Parle and Hirlinger (1986, p. 246) define tax amnesty as a policy that “provide delinquent taxpayers with a one-time opportunity to clear their accounts by paying back taxes and interest without being subject to criminal or civil penalties” (Rechberger, Hartner, Kirchler, & Hämmerle, 2010).

Solomon (2020) divides Tax Amnesty into two categories. Temporary Tax Amnesties and Permanent Tax Amnesties which is a Voluntary Disclosure Program. Temporary amnesties are usually aimed at specific taxpayers for a defined period in order to deal with a specific issue meanwhile permanent Tax Amnesty (VDP) is a permanent amnesty usually takes the form of a VDP run by the tax authority, where any taxpayer can at any time declare their non-compliance, and, subject to certain conditions, benefit from a waiver of interest or penalties, or both. In his study, he stated that a long-term, or permanent, tax amnesty via a VDP may be more preferable in developing countries.

In terms of collecting tax revenues, the theoretical model has pointed out that the existence of a voluntary disclosure mechanism increases tax evasion. An empirical analysis considering the introduction of voluntary disclosure in the U.S. has confirmed this effect. Nevertheless, for a revenue-maximizing government, a voluntary disclosure program can be sensible as it provides a way to collect revenues without incurring high administrative costs for prosecuting tax evaders (Langenmayr, 2017).
Based on all the theories mentioned above, this research analyzes VDP in Indonesia from a few perspectives in technicalities, its purpose in achieving compliance, tax revenue targets, and broadening DGT’s tax base for future supervision strategies. From this analysis, a conclusion can be drawn on how VDP is a different program from the previous Tax Amnesty implemented back in 2016.

3. RESEARCH METHODS

The research method used in this study is qualitative. Qualitative research methods are based on the postpositivism philosophy used to examine natural object conditions (as opposed to experiments) where the researcher is the key instrument, data analysis is inductive/qualitative, and qualitative research results emphasize meaning rather than generalization. Qualitative methods are used to obtain in-depth data, namely data that contains meaning. Meaning is actual, factual data, which is a value behind the visible data. (Sugiyono, 2016). The source of data used in this research is secondary data. Secondary data refers to information collected from existing sources such as company records or documentation, government publications, press conference, official government websites, the internet, and others (Sekaran, 2017).

The tax itself can be reviewed from various perspectives of scientific disciplines such as law, psychology, economics, and politics. One of the viewpoints used in this research is the legal point of view. In legal research in the tax field, several research methods can be used. Marzuki (2005) divides legal research into five approaches: statutory, case, historical, comparative, and conceptual. The approach used for this research is the statutory approach, which is an approach that is carried out by examining and analyzing all laws and regulations related to the legal issues being handled.

This research is based on regulations related to the Voluntary Disclosure Program, namely Law Number 7 of 2021 concerning Harmonization of Tax Regulations and Minister of Finance Regulation Number 196 of 2021 concerning Procedures for Implementing the Taxpayer Voluntary Disclosure Program. In addition, the author compares it with a similar program previously carried out by the Directorate General of Taxes, namely the Tax Amnesty Program. Comparisons are made based on the rules that become the program's background.
4. ANALYSIS AND DISCUSSION

4.1 The Concept of Voluntary Disclosure Program (VDP)

The Voluntary Disclosure Program (VDP) gives taxpayers opportunities to disclose tax obligations that have not been fulfilled voluntarily through the payment of income tax based on the disclosure of their assets. This policy will be held from 1 January 2022 until 30 June 2022. The Ministry of Finance defines PPS as an opportunity for taxpayers to disclose their obligations in paying taxes that have not been fulfilled legally through the voluntary payment of income tax (PPh) based on the disclosure of assets.

VDP is run with 2 policy schemes. The first policy is for tax amnesty participants, either corporate or individual taxpayers. The basis for this disclosure is assets as of 31 December 2015 that have not been disclosed in the tax amnesty. The tax rate is 11% for offshore assets declaration, 6% for offshore assets repatriation and domestic declaration, invested in government securities/ natural resources processing/renewable energy, and 8% for offshore assets repatriation and domestic declaration.

The second policy is that individual taxpayer participants with the basis of the disclosure are 2016-2020 assets that have not been reported in the 2020 Annual Tax Report. The rate is 14% for offshore assets repatriation and domestic declaration, 18% for offshore assets declaration, and 12% for offshore assets repatriation and domestic declaration invested in government securities/ natural resources processing/renewable energy. The summary of the tax rates imposed in VDP is shown in Table 2 below.

<table>
<thead>
<tr>
<th>Policy I</th>
<th>Policy II</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>18%</td>
<td>offshore assets declaration</td>
</tr>
<tr>
<td>8%</td>
<td>14%</td>
<td>offshore assets repatriation and domestic declaration</td>
</tr>
<tr>
<td>6%</td>
<td>12%</td>
<td>offshore assets repatriation and domestic declaration, invested in government securities/ natural resources processing/renewable energy</td>
</tr>
</tbody>
</table>

The taxpayers who participate in Policy II must meet these two conditions; they are not currently undergoing tax audit from the tax office or conducting preliminary evidence examinations for 2016, 2017, 2018, 2019, and 2020 and are not currently undergoing an investigation in the process court, or are undergoing a criminal offense in the taxation sector.
4.2 What are the benefits?

For Policy I participants, Taxpayers will be relieved from penalties under Art. 18(3) of Law on Tax Amnesty and Data/information disclosed on the Notice of Asset Disclosure (briefly known as NAD or SPPH) and its annexes shall not be subject to tax inquiry, investigation, and/or criminal prosecution against taxpayers; meanwhile for policy 2 participants notice of Tax Assessment (SKP) will not be issued unless data of undisclosed assets (acquired during 2016-2020) is found (Income Taxes, Withheld Income Taxes, and VAT, excl. withheld taxes but unpaid).

Before VDP, Tax Amnesty Program (Tax Amnesty Program) participants (individual or corporate taxpayers) that have not been disclosed on the Declaration Letter (SPH), in case found by DGT, will be taxable under a final income tax rate of 25% (for corporate taxpayers), 30% (for individual taxpayers), 12.5% (for certain taxpayers) of Additional Net Assets, in addition to 200% penalties under the Article 18 paragraph (3) of the Tax Amnesty Law. Participants of the VDP Policy II (individual taxpayers) who have not disclosed all assets acquired during 2016-2020 shall pay income taxes at the applicable rates plus administrative penalties.

4.3 The purpose of VDP

VDP has two crucial functions in the economic sector: the potential to obtain new sources of investment in financing economic development and the expansion of the national tax base. In the period of VDP implementation, taxpayers are given the opportunity to voluntarily disclose their assets that have not been or are not reported in the tax amnesty or assets that have not been reported in the tax return. This program is a form of the government’s effort to greatly encourage tax compliance in Indonesia.

4.4 The Differences Between VDP And Tax Amnesty Program

When VDP was launched, it was commonly mistaken for Tax Amnesty Volume II. Although there are some basic similarities in what these two programs offer, VDP typically does not waive all tax liabilities concerning previously undeclared assets or income (OECD 2015, para. 18).

Even though basically these two programs offer redemption to taxpayers who have not fulfilled their tax obligations properly there are distinctive technical differences between them that are shown in Table 2 below.
Table 3  The key differences between Voluntary Disclosure Program and Tax Amnesty Program

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Amnesty</th>
<th>Voluntary Disclosure Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitions</td>
<td>Tax Amnesty is the abolition of taxes that should be owed, not subject to tax administration sanctions and taxation sanctions by disclosing assets and paying the ransom as regulated in the Law on Tax Amnesty.</td>
<td>The Voluntary Disclosure Program is a policy aimed at Taxpayers to disclose net assets that have not been or are not disclosed in order to avoid the imposition of administrative sanctions.</td>
</tr>
<tr>
<td>Purpose</td>
<td>The government wants the people who have assets whose income tax has not been paid to enter the tax system with the aim of increasing the tax base as well as bringing in assets into the country for investment funding sources.</td>
<td>The government provides an opportunity according to people's aspirations who voluntarily enter into the tax system and participate in improving the economy that is currently hit by a pandemic.</td>
</tr>
<tr>
<td>Investment Priority</td>
<td>Investment priority of all sectors in country</td>
<td>Investment priority in Market funding investment, downstream natural resources, and sector renewable energy.</td>
</tr>
<tr>
<td>Financial Information Access</td>
<td>No access to financial information yet automatically so the government gives a chance to people to participate in amnesty at low rates.</td>
<td>There has been accessed to financial information automatically so that the government gives a chance to Taxpayers to voluntarily disclose assets at a higher rate.</td>
</tr>
</tbody>
</table>
| Time Period       | Implementation of tax amnesty consist of 3 time period:  
  ● 1st Period: 1 July 2016 – 30 September 2016  
  ● 2nd Period: 1 October 2016 – December 2016  
  ● Periode 3: 1 January 2017 – 31 March 2017 | Implementation of the Voluntary Disclosure Program was held from 1 January 2022 until 30 June 2022                                                                                                                                 |

4.5 VDP Realization

Based on data from the Ministry of Finance, the number of taxpayers participating in the Voluntary Disclosure Program, individuals and corporate combined, is 247,918. The Minister of Finance, Sri Mulyani, revealed that the declared assets are:

- a combination of domestic and repatriated declarations of Rp 512.57 trillion,
- foreign declarations of Rp 59.91 trillion, and
- assets invested in state securities instruments (SBN) of Rp 22.34 trillion.
The number of taxpayers with total assets of up to Rp. 10 million is 38,870, or 15.68%. The number of taxpayers with assets between Rp. 10-100 million is 82,747 people or 33.38%. Then the number of taxpayers with assets between IDR 100 million-1 billion, as many as 75,110 people or 30.30%, for IDR 1-10 billion, the amount is 41,239 taxpayers or 16.63%, for IDR 10-100 billion totaling 9,236 taxpayers or 3.73%, and for IDR 100 Billion-1 Trillion and above IDR 1 Trillion are 705 WP and 11 taxpayers respectively (pajak.go.id)

5. CONCLUSIONS

Based on the discussion in the prior chapter, there are clear distinctions between VDP and the tax amnesty program. VDP typically does not waive all tax liabilities concerning previously undeclared assets or income (OECD 2015, para. 18), and the Tax Amnesty Program, on the other hand, does. While Tax Amnesty is regulated in Law Act 11 of 2016, VDP is based on Law Act 7 of 2021. From these two laws and other related regulations under them it can be concluded the differences between Tax Amnesty and VDP are their definitions, investment priorities, purposes, rates, financial information, and time period. Out of all differences, the key difference is the financial information that can be accessed by the government around the time the program started. In 2016, there are limited regulations and authorities regarding access to taxpayers' financial information. This led to DGT not having enough factual data to be used in comparing the assets which were disclosed by taxpayers in Tax Amnesty. Here is how AEOI created the big difference. The AEOI agreement is expected to provide enough information for DGT to do supervision regarding assets disclosed in VDP and other parties who did not participate in VDP.

VDP will need optimal supervision and inspection so that the benefits of VDP participation are equivalent to paying taxes for the risk of their non-compliance in reporting assets and income. An essential precondition for successful VDPs is a practical, existing administrative detection and enforcement capacity, which should not be assumed as a given in most low-income and emerging countries (Benedek, D., et al.).

The enhancement of the taxation database is expected as an outcome of implementing VDP since according to the study by the International Tax Compact in 2010, causes of tax non-compliance in developing countries are including a lack of laws and weak tax administration (Syadullah, 2015). The obstacles to collecting tax revenues are expected to be decreasing. The aftermath of VDP can help tax authorities not only exceed the tax revenue target but also increase the tax compliance rate in the future.
6. LIMITATIONS AND SUGGESTIONS

This study is based on observation limited from 2015 to 2022. The result might have been different if the time period was being extended. To our knowledge, there are not many specific paper studies on voluntary disclosure programs as explained above. However, there is some literature on tax amnesties, which are short-run programs (often about three months long) that usually do not find tax evaders. Along with the development in tax policies, it would be better to see how the tax authority discovers the rest of the people that do not comply and do not participate in VDP. In other words, it would be better to see what comes after the voluntary disclosure program and whether the government decides to create a similar policy in tax redemption in the future. The project is completed, and the recommendation is to determine whether this tax amnesty has a long-term impact.

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