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Income Tax Policy Amidst Covid-19 Pandemic: Quo Vadis Indonesia?

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Abstract

Social distancing policies are a common measure taken by many countries worldwide to prevent the spread of Covid-19 cases. However, the consequence is that the income generated by many people is limited and tends to widen inequality. In a similar situation, many governments need more significant spending to save both health and economy. Given the difficult situation for many people, especially in generating income, this study analyzes the international best practice of income tax policies amidst the Covid-19 pandemic. Besides, this study analyzes how the income tax policy in Indonesia responds to the Covid-19 pandemic and its prospects. The research method used to conduct this study is descriptive qualitative. The results show that income tax policies are one of the most crucial matters that countries worldwide can do to deal with the pandemic. These policies vary from tax relief, recovery-oriented stimulus, and tax increases. Concerning the situation in Indonesia, policies need to be directed at evaluating the income tax policies that have been adopted so far. Individual income tax increases in the upper bracket and the introduction of new taxes such as carbon tax may be essential considerations to save the economy and health. However, the government also needs to manage sensitive issues such as corruption to win people's support to recover from the pandemic.

Keywords: ***covid-19; income tax; , indonesia; tax policy***

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INTRODUCTION

Most countries have implemented a strategy of limiting social interaction in response to the 2019 coronavirus (Covid-19) pandemic in the hope of decreasing the spread of the virus (Karnon, 2020). However, rising concern about the strategy's impact on the economy is currently experiencing a sharp decline. While the government must balance its budget deficit to fund numerous health and social programs to preserve the economy, increasing debt appears to be the fastest alternative route.

In the long term, many governments hope to improve public sector finances sustainably. Debt is certainly not what they expect since government debt actually distorts the value of fairness for the next generation (Stiglitz, 2000). However, soaring government spending has left them faced with whether to find a solution to the problem increases the burden on taxpayers and how to implement it (O'Reilly, Perret, & Van Dender, 2020). The undeniable fact is that sufficient resources are needed in dealing with the crisis. At the same time, it has significantly eroded the economic potential that can be absorbed for taxes.

Pandemics have had a statistically significant effect on income inequality in the past (Das, Bisai, & Ghosh, 2021). The COVID-19 crisis has a big economic impact on people with low incomes, in the sense that the bigger the Covid-19 crisis gets, the more inequality will get worse (Karnon, 2020). Das et al. (2021) identify that the weak role of the state in generating policy responses oriented towards income distribution is responsible for worsening inequality. With the pandemic situation not yet entirely under control, there are concerns that the gap will widen, especially when the aid that should have been distributed has been corrupted. The revelation of a corruption case by the former Minister of Social Affairs of the Republic of Indonesia at the end of 2020 became a bad antecedent in shaping the quality of public trust.

On the other hand, the government as a whole requires greater finances in order to deal with the current financial crisis. This condition is in contrast to the findings of Lachapelle et al. (2021), who found that persons who do not trust the government are substantially more resistant to more costly taxes than those who do. In light of this fact, it appears that there is a discrepancy between the developed reality and the expected outcomes.

A silver lining is that governments can effectively mitigate the harmful impacts of the pandemic on declining incomes that lead if the appropriate policies are implemented (Han, Meyer, & Sullivan, 2020). Policymakers must have a better grasp of income and poverty to limit the impact of Covid-19 or any potential economic shocks. Income tax policy is the subject of discussion in this paper since income tax has excess sensitivity, especially during the great recession (Chernick & Reimers, 2019). Theoretically, the net impact of tax incentives on economic development is unknown because it is dependent on the incentive's structure and implementation timeliness (Gale & Samwick, 2014).

Based on the background of the problem above, this study aims to answer two main issues. The first is to analyze the international best practice regarding income tax policies amid the Covid-19 pandemic. The other is to analyze the income tax policy in Indonesia in response to the Covid-19 situation and its prospects. Studies on Covid-19 and its effects have been carried out in a wide area (e.g., Cheng, 2020; Clemens & Veuger, 2020; Collier, Pirlot, & Vella, 2020; Jose, Mishra, & Pathak, 2021; Sadiq & Krever, 2021; Satispi, Tuti, Aditya, Fathani, & Kaewhanam, 2021; Utami & Ilyas, 2021). However, research focusing on income tax during the pandemic, particularly in Indonesia, is still relatively few. As such, this paper contributes to filling this gap.

RESEARCH METHOD

The income tax policy is one of the important instruments taken by the government in response to the economic shock caused by Covid-19 in Indonesia. To further examine the developing phenomenon, we use a descriptive qualitative approach. According to Hox and Boeije (2005), using qualitative methods can provide sensitivity and flexibility for researchers in collecting data regarding the observed social context. Data collection in this study is through secondary data available to researchers on related topics. Information tabulation in the literature study technique is carried out by identifying topics of interest, making important notes, taking understanding, giving meaning, and processing the

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information to be presented again (Onwuegbuzie & Frels, 2016). The relevant data and concepts are analyzed qualitatively to answer the existing problems.

In qualitative research, studies are conducted by observing and understanding the social context relevant to the research and constructing and giving meaning (Hox & Boeije, 2005). This study focuses on the problem of income tax policy amidst the Covid-19 pandemic. By stressing the social aspect of the inquiry, this study explains social phenomena and their characteristics. The areas discussed in detail in this research relate to income tax policy based on Indonesian rules and compared to international best practices. Following Creswell (2013), data analysis for this study consists of several activities. As soon as we gathered all of the essential information, we categorized it into several categories and turned it into stories or descriptions, which we then wrote down in text format. Following that, we manually organized them into different patterns and categories based on codes and themes, and then analyzed them using taxation concepts and provisions in a triangulated fashion.

RESULTS AND DISCUSSION

Comparing the tax system with other countries is essential since many lessons can be learned for better development. According to Genschel and Seelkopf (2016), concerning comparative taxation policies, there is a tendency for countries worldwide to take lessons about tax policy from the experiences of developed countries that are members of the OECD. The high dominance of the West in the taxation system is because they are still a repository of knowledge and expertise in tax policy. In addition, academics tend to take tax policies from these OECD countries as a benchmark because most of the data is available. Therefore, when data on non-Western countries are available and easily accessed, tax policy studies may be no longer only oriented to the West but also from other parts of the more scattered world.

Due to the spread of the Covid-19 virus, many countries have introduced tax policies in the early stages of the crisis as an essential instrument in responding to the crisis. Most of these policies have carried out policy modifications by directing the support to the most affected households and businesses. As the OECD (2021) reports, some countries have expanded the recipients of aid that were not initially covered by the measure (such as Italy, Lithuania and the UK) or expanded the benefits provided beyond the previous one (such as Italy and Germany). As the efforts to contain pandemic control have shown the results, several countries had directed the aid to those who were hardest hit (such as Spain, Portugal, Italy, Denmark, Greece, Japan, Indonesia, Turkey and the UK), mainly taken as governments begin to ease lockdowns.

The economic stimulus package has also grown to be more diversified through taxation, including recovery-oriented stimulus as an extra measure. The main focus of tax policy when in the first half of 2020 a wide-scale lockdown was being pursued was almost exclusively directed at saving businesses and households by providing emergency relief. After the first pandemic wave, which meant that lockdowns and other control measures were loosened, countries began to introduce recovery-oriented tax policies. When the pandemic is more under control, some countries have started to raise tax rates. Table 1 summarizes the tax policies adopted by various countries.

Table 1. Tax Policy in Response to the Crisis Due to Covid-19

	Relief	Recovery-oriented stimulus	Tax increases
Policy objectives	Addressing the economic and social impacts of virus handling policies.	Stimulating aggregate demand and investment.	Financing part of the government's response to the crisis
Main types of tax measures	a. Tax deferral b. Extension of tax filing c. Accelerated tax returns d. Provisions for loss-carry back e. Temporary tax rate reductions f. Temporary tax exemption	a. Tax incentives for investment b. Other corporate or business tax deductions c. Tax incentives for employees	a. Increase personal income tax rates in the top bracket b. Increase health excise tax c. Increase environmental taxes d. Increase property taxes e. Increase business tax

Source: Tax Policy Reforms 2021 (OECD, 2021)

Trends of Income Tax Policy under International Best Practices

Most corporate income tax policies in developed and developing countries seek to alleviate cash flow difficulties. Tax policy plays a role through deferred tax payments, accelerated tax returns, enhanced loss offset provisions, and reduced prepayments (OECD, 2021). These measures aim to prevent the possible repercussions for the economy as a whole due to the difficulty for companies to pay wages, intermediate goods, rent, and interest on the debt. In addition, these tax policies are also suitable to support businesses experiencing a decline in liquidity.

The design of deferred or reduced income tax for companies is to increase the cash flow of business actors during the economic downturn period. However, the effects of the policies are limited or may even be declared incompatible with their spirit (Sadiq & Krever, 2021). Businesses only enjoy the benefit of deferral with sufficient cash flow. When the perceived impact of the economic downturn is getting smaller and the profits obtained are still significant, the greater the benefits obtained from the tax deferral policy. The deferral provision does not benefit business actors who struggle to survive and do not generate any profit. Tax deferral policies may due only provide temporary cash flow benefits for profits made before the pandemic.

Losses will likely continue to rise for at least a year or more due to the 2020 economic crisis. In many cases, businesses can still not pay their bills because of a lack of sales or sales that are quite slight. Assume that loss recognition is restricted to the allowance for unused losses for tax purposes. In that situation, businesses that incur losses cannot claim the tax refund paid the previous year when they had a profit, even though their net profit was significantly lower in the previous and current years. However, companies can immediately access cash flow if the government allows a loss carry-back policy. It allows them to maintain their business and pay taxes again on their profits as

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normally when the economy recovers. The loss carry-back policy provides fair and appropriate assistance to businesses struggling so that it is possible to earn higher income tax (Sadiq & Krever, 2021).

As OECD (2021) reveals, there has been a significant trend of increasing popularity of new tax increases introduced or announced in many countries over the past year. In contrast to the emergency stage of the crisis, many countries experienced tax increases in the second half of 2020 and early 2021. Some of these increases are temporary or one-time levies, although most are designed for permanent purposes. For the long-term nature of the tax increase, some of the policies followed previous efforts when the crisis had not yet hit. Many countries have introduced carbon taxes and fuel excise increases, so it is no wonder that they are the most common tax increases in times of crisis.

On the other hand, several countries have deviations from the pre-crisis trend of several tax increases. Several countries have specifically imposed tax increases for high-income individuals. Seven countries adopt those policies by raising the highest personal income tax (PIT) rates. Two countries, namely the Czech Republic and Russia, are shifting from a flat to progressive PIT system. In addition, The CIT rate in the United Kingdom has also been raised from 19 percent to 25 percent. The new rate will apply to profits above GBP 250,000 beginning in April 2023. It is precisely the opposite of the trend of lowering the statutory corporate income tax (CIT) rate in recent decades.

Income Tax Policy as a Response to the Covid-19 Pandemic in Indonesia

The Indonesian government announced the first case of Covid-19 in March 2020. Based on IMF (2021) data, the Indonesian government, throughout 2020, has spent 2.7% of Gross Domestic Product (GDP). The government's economic stimulus that impacted forgone revenue was Rp 96.3 trillion in the form of fiscal packages such as tax cuts, income tax exemptions for employees in many sectors, and reductions in Corporate Income Tax rates. In addition, the government has accelerated spending through Value-Added Tax (VAT) refund and put off revenues by delaying corporate tax payments from April-September 2020. Meanwhile, the government's liquidity support is around 0.6% of GDP or equivalent to Rp 150 trillion. This amount is spent as bank loan guarantees for micro, small and medium enterprises (MSMEs), which are expected to be financed from the sale of government bonds (SUN).

Referring to Turgeon and Savard (2012), public policy documentation which is the government's vision regarding an issue, is legally required. As legalization of several established policies, the government has also issued the policy documents, ranging from Government Regulations (PP), Minister of Finance Regulations (PMK), and Director General of Taxes Regulations (PerDirjen). We can observe the documentation as in PP No. 29/2020, PMK 86/2020 as last modified by PMK 9/2021, PMK 239/2020, etc. Fundamentally, the impact of tax measures on everything that seems relatively small can still give businesses some needed relief (Luja, 2020). Government policies related to Corporate Income Tax in connection with the Covid-19 pandemic are summarized in Table 2.

Table 2. Corporate Income Tax Policy Responses in Indonesia

No.	Effective Date	End Date	Main Purposes	Tax Policy Description
1.	11/2/2020	no end of	Support investment	Non-object of PPh on Hajj Organizing Savings Fund and income from the development of Hajj Payments
2.	11/2/2020	no end of	Increase legal certainty	Non-objek of PPh on surplus received or obtained by non-profit institutions engaged in social and religious institutions
3.	11/2/2020	no end of	Support investment	Unconditional exemption from taxation on domestic dividends and tax exemption (conditionally) on foreign dividends and foreign income received by corporate taxpayers
4.	11/2/2020	no end of	Increase fairness	Changes in the withholding tax rate on interest paid to non-residents
5.	17/4/2020	no end of	Improve health	Exemption of Article 22 PPh and other taxes on imports of goods needed in handling the Covid-19 pandemic
6.	16/5/2020	no end of	Support investment	The reduction of the Corporate Income Tax rate to 22% applies for the 2020 and 2021 Fiscal Years; and become 20% from Fiscal Year 2022 onwards
7.	16/5/2020	no end of	Support investment	Tax Treatment for Electronic Commerce Activities (PMSE)
8.	10/6/2020	30/6/2021	Increase legal certainty	Additional deduction of taxable income for taxpayers who produce medical devices and/or certain household health supplies for handling Covid-19;
9.	10/6/2020	30/6/2021	Improve health	Additional deduction of taxable income for donations to certain institutions
10.	10/6/2020	30/6/2021	Improve health	The PPh rate is 0% and is final on income from the government as compensation for the use of assets to support health services in handling Covid-19
11.	1/1/2021	30/6/2021	Improve health	Article 22 Income Tax Exemption for: a. pharmaceutical industry that purchase raw materials to produce vaccines or medicines for handling Covid-19; b. Certain parties importing or purchasing goods (i.e. medicines, vaccines, vaccination support equipment, laboratory equipment, self-detection equipment, and other supporting equipment) declared in handling the Covid-19 pandemic; c. Third Parties selling certain goods to Certain Parties for handling the Covid-19 pandemic.
12.	1/1/2021	30/6/2021	Improve health	Article 23 of PPh Exemption for Domestic Corporate Taxpayers or Permanent Establishments which receive compensation from Certain Parties for providing technical services, management, or other services in handling the Covid-19 Pandemic

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Table 3. Personal Income Tax Policy Responses in Indonesia

Effective Date	End Date	Main Purposes	Tax Policy Description
11/2/2020	no end of	Support work or improve skills	Introduce partial territorial taxation for certain skilled foreigners who have become domestic taxpayers and the requirements for Indonesian citizens to become foreign taxpayers.
11/2/2020	no end of	Support investment	Non-object PPh on the surplus received by cooperative members
11/2/2020	no end of	Support investment	Requirements for exemption from taxation on dividends (both domestic and foreign) and foreign income received by individual taxpayers
11/2/2020	no end of	Increase fairness	Changes in the withholding tax rate on interest paid to non-residents
10/6/2020	30/6/2021	Improve health	Additional net income deduction for taxpayers who produce medical devices or certain household health supplies in handling Covid-19;
10/6/2020	30/6/2021	Improve health	Additional deduction from gross income for donations to certain institutions
10/6/2020	30/6/2021	Improve health	Individual income tax rate of 0% and is final for additional income received by human resources in the health sector in handling Covid-19
10/6/2020	30/6/2021	Improve health	The imposition of a 0% and final income tax rate on income from the government as a reward for the use of assets to support health services in handling Covid-19
1/1/2021	30/6/2021	Improve health	Individual domestic taxpayers who receive compensation from certain parties for providing services in the Covid-19 pandemic are exempt from paying income taxes under Article 21
2/2/2021	30/6/2021	Accelerate economic growth	Provide Tax Incentives on Article 21 PPh for employees of a business in a certain field with a gross income of work not exceeding IDR 200 million for the current year
2/2/2021	30/6/2021	Accelerate economic growth	Income tax incentives on income from businesses received or obtained by Taxpayers with a certain gross profit (MSMEs)
2/2/2021	30/6/2021	Accelerate economic growth	Incentive as reducing Article 25 monthly income tax of eligible taxpayer in the specified sector

source: authors

For policies on personal income tax, several countries such as Austria, Thailand, Germany, China, Argentina, Russia, and the United States have announced new tax exemptions that apply to extraordinary income earned from works in the essential sector (OECD, 2021). Indonesia has also implemented a similar policy for compensation or bonuses received by medical and essential workers. The government provides tax exemptions on the mentioned income. Indonesia has temporarily implemented a 0% personal income tax rate for additional income from the government obtained by workers in the health sectors handling Covid-19. Table 3 summarizes the personal income tax policies that the Indonesian government has adopted.

Referring to PMK 9/2021, the tax incentive should end on June 30, 2021. However, the spike in Covid-19 cases, which has reached a new record since the pandemic was announced on March 2, 2020, is feared to continue to disrupt the Indonesian economy. On that basis, the Minister of Finance of the Republic of Indonesia extended the granting period of the tax incentives. These extended tax incentives are:

1. Income Tax (PPh) Article 21 borne by the government (DTP). As for this tax incentive, the government provides employee tax incentives or Article 21 PPh DTP.
2. final income tax incentives for micro, small and medium enterprises (MSMEs), which the government also bears.
3. Article 22 PPh exemption tax incentives for importers.
4. tax incentives for reducing PPh article 25 installments, namely tax incentives for corporations with a 50% discount.

In summary, while it is vital to modify tax policy in response to the pandemic scenario, it is also necessary to ensure that the tax policy implemented has been subjected to a series of careful deliberations. Tax policy needs to adhere to the principle of legal certainty in order to minimize potential tax disputes in the future (Saptono & Khozen, 2021). Tax policy amidst a Covid-19 pandemic, which is regulated chiefly through implementing regulations, must be ensured to have a fundamental legal basis under the provisions of the legislation (Khozen, Saptono, & Ningsih, 2021). In addition, the income tax policy should adhere to the principle of ability to pay to ensure that equity in its implementation can be achieved.

Prospects of Handling Covid-19 amidst Corruption Concerns

Concerning each country's tax policy during the pandemic, it is important to note that, in practice, a one-size-fits-all approach does not apply to fiscal policy (Chen, Shi, Zhang, & Ding, 2021). Although the United States, China, and Japan have been at the forefront of expanding fiscal policies and enacting large fiscal stimulus packages, it does not signify that other countries have to follow them. Based on the severity of the Covid-19 crisis and the economic conditions, each country needs to evolve the most proper policies. Political institutions, social norms, and traditions need to be considered when designing and implementing policies in the face of a global crisis (Chen et al., 2021).

Nevertheless, it is undeniable that one of the country's limitations in providing a swift response in handling Covid-19 is the limited state budget available. These limitations make the government's efforts to protect the health and economy of the community also limited so that they often have to rely on either the state debt or higher tax rates (Alm et al., 2020). In the case of Indonesia, where taxes account for the majority of government revenue, taxes play a significant role as the primary source of funding for the APBN's economic reaction to Covid-19 (Utami & Ilyas, 2021).

The pandemic situation in Indonesia that has not been controlled, even according to some observers in June 2021, has not yet passed the first wave of the pandemic, which in turn continues to leave homework that is not easy for health and the economy. The central government of Indonesia wants to keep the economy going, but a section of society, scientists, and the media want to take the pandemic more seriously. There is not yet a

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middle ground between these two groups of people. In a pandemic situation where human life is at stake, more pro-economic growth policies seem to put too much emphasis on the concept of bounded rationality (see: Kalantari, 2010; Mallard, 2016) but are in the wrong situation.

At the beginning of the announcement of the Covid-19 case, the Indonesian government, through Government Regulation in Lieu of Law No. 1 of 2020 (in the future referred to as Law No. 2/2020), has disbursed a total aid package of IDR 405.1 trillion. More than two-thirds of this amount was directed towards economic stimulation, tax incentives, guarantees for businesses, and credit restructuring, including allocations to struggling state-owned enterprises in the form of cash injections. Indeed, Law 2/2020 is an unusual and quick move by the government to deal with an uncertain economic situation caused by the Covid-19 pandemic (Saptono & Ayudia, 2021).

From a nominal perspective, the size of the economic aid package seems to be quite instrumental in reducing the number of socio-economic pressures caused by Covid-19. Likewise, the allocation of funds intended for the fulfillment of medical supplies will cover the most basic needs also at an impressive amount. However, Indonesia has a poor track record in maintaining economic support packages for the industry during economic and social upheaval periods; likely, such a large sum of the fund will not reach its intended recipient (Mietzner, 2020).

According to Mietzner (2020), persistent corruption in Indonesia has reduced its potential effectiveness. Any amount of funds allocated will be ineffective for socio-economic assistance. With weak control over corruption, the total amount of the budget that has been disbursed needs to be seen from the context of the perceived pressure by corruptors in obtaining funds during a crisis and leakage of public spending. At the 2020 National Coordination Meeting for Government Internal Oversight in June 2020, the government, through Mahfud MD as the Coordinating Minister for Political, Legal and Security Affairs, confirmed that corruption in funds for handling Covid-19 was eligible for the death penalty. Two months later, it was the turn of the Corruption Eradication Commission (KPK) Chairman Firli Bahuri to emphasize a similar tone.

Article 2 paragraph 2 of Law Number 20 of 2001 concerning the Eradication of Criminal Acts of Corruption explicitly regulates the punishment. The law sounds: "If the criminal act of corruption as referred to in paragraph (1) is committed under certain circumstances, the death penalty may be imposed." However, the assertion of high-ranking government officials seemed blunt when in December 2020, the Minister of Social Affairs was caught in a sting operation (OTT) by KPK investigators. In practice, the death penalty in the Corruption Eradication Law is ineffective since not a single corruptor has been executed from the entry into force of law until now (ICJR, 2018). Therefore, what can be enforced in Indonesia is to focus on preventing corruption.

As Lachapelle et al. (2021) stated, the government should maintain and increase public trust in managing the crisis. The importance of cooperation in the success of government policies, such as partnering with the media, can help foster trust among citizens to create conducive conditions for further collective action. The government needs to communicate its efforts in tackling and stopping Covid-19 cases by cooperating with the media in rebuilding a positive image that had been tarnished. However, if the corruption case of social assistance (bansos) for Covid-19 does not get a proper legal decision, it can continue to distrust the community. In addition, the efforts of the KPK to actively oversee the allocation and use of Covid-19 social assistance funds need to be shown. The government will lose adequate support if there is an impression that eradicating corruption is hindered or even weakened.

Citizens' acceptance and evaluation of the government's response to the pandemic's negative consequences impact compliance (Devine, Gaskell, Jennings, & Stoker, 2021). Strengthening trust in the authorities needs to be taken to curb aggressive tax avoidance and evasion (Alm et al., 2020). Gärling et al. (2009) outline seven trust-building criteria for financial institutions that are directly applicable to tax authorities and hence critical for creating and maintaining trust:

1. Authorities must be competent, professional, and objective in their actions.
2. Authorities' actions should be transparent: rules and procedures must be clearly and accurately communicated, ensuring that recipients correctly understand the rules and procedures.
3. The authority's integrity is critical. It implies that all citizens are treated following ethical principles, i.e., fairly treated and are not fundamentally regarded as lawbreakers until the contrary is identified. Furthermore, authorities must act authentically, displaying a genuine commitment to the citizens' welfare.
4. Authorities should clearly show that their actions' norms and values are consistent with their constituents (e.g., congruence). Congruity is a requirement for citizens to identify with the state.
5. Authorities should be able to perform the task throughout the long run to serve the citizens.
6. Authorities should first act with benevolence. It means that they are taking into account the citizens' perspectives and interests.
7. At last, authorities must project a positive image. Building and maintaining trust requires reputation, particularly positive citizen attitudes toward the authorities and their activities.

CONCLUSION

The Covid-19 pandemic has created a dilemma for trade-offs between the economy and health, especially for developing countries. Of course, it is not the situation to choose one and ignore the other since both aspects are mutually exclusive. In the face of unprecedented economic hardship, income tax policies have become among the critical choices of countries worldwide in response to the evolving situation. These policies vary between countries, ranging from tax relief, recovery-oriented stimulus, and tax increases. Although the literature shows that tax policy is not the only way to save the economy, properly formulated tax policies are essential.

On June 30, 2021, most of the tax incentives in Indonesia would no longer be in place. When it comes to the wave of Covid-19 cases in Indonesia that haven't been taken care of properly, it looks like the Income Tax policy in Indonesia needs to go back and extend a lot of the previous incentives. Even though the government has not clearly explained the rationale for the update, some incentives have been extended until the conclusion of the 2021 fiscal year. This study emphasizes the critical nature of policies that

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provide incentives to the most severely impacted. Tax deferrals or reductions, for example, have been shown to only benefit companies with good cash flows but have no benefit for most of those who are still struggling to survive.

Policies in the form of loss carry-back for companies, an increase in tax rates in the top bracket for individuals, and the introduction of a carbon tax in the new taxation system may be essential considerations in response to the pandemic situation in Indonesia. But far behind, it also requires adequate public trust to achieve what is expected. The government's inability to guarantee the use of public funds from corruption, indecision for the perpetrators, or weakening corruption control institutions issue, can be bad news as the efforts to recover from the impact of the pandemic.

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