

Regulation of Sales Tax Discounts on Luxury Goods (PPnBM) for Vehicles as a Leverage of Post-Covid19 Economic Growth in Indonesia

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Abstract. The Covid-19 pandemic has triggered a deceleration in economic growth. Many countries have to struggle with this recession, including Indonesia because the stop of all economic activities in order to save millions of lives from the threat of the virus. This research method used a normative juridical approach. As a result, the government's decision to implement a policy of offering sales tax breaks on luxury goods (PPnBM) for motorized cars has proven effective in promoting economic recovery and therefore ending Indonesia's recession. The policy was well-received since it met the needs of the community and connected industrial players. The key to a policy's success is conformity between the requirements of the community and the policies enacted.

Keywords: Development, Economy, Policy, Regulation.

1 Background

Indonesia experiences the impact of the Covid-19 virus, until now there have been 4,264,136 confirmed patients and even 144,109 died [1]. The virus is also getting worse. mutated into a Delta variant, Omicron variant, and Flurona variant [2]. Governments around the world are stuttering in the face of the current pandemic, with difficult choices to make in order to handle the problem, which also has an influence on economic stability and national security

The Indonesian government has implemented Large-Scale Social Restrictions (PSBB), as mandated by Article 15 paragraph (2) letter b of Law Number 6 of 2018 concerning Health Quarantine, to break the chain of spread of the Covid-19 virus by implementing social restrictions, limiting crowds, closing or reducing capacity in places that have the potential to cause crowds, and reducing the capacity of public facilities [3].

In comparison to countries that have opted to shut down, PSBB has been somewhat successful in preventing the spread of Covid-19; it has been demonstrated that Indonesia has only suffered 2 (two) waves of Covid-19 [4]. Meanwhile, countries that have implemented lockdowns have experienced 4 (four) to 5 (five) waves of Covid-19 [5]. However, policy to maintain citizens health is inversely proportional to economic growth, and even tends to diminish. Indonesia officially entered a recession in the third quarter of 2020, with a decline of 2.9 percent - 1 percent [6].

The domino effect of the pandemic also hit the industrial sector, one of the sectors is motor vehicle industry. It was recorded that during 2020 the number of car sales decreased by 50% [7]. This figure has a significant impact on economic growth because the motor vehicle industry employs the most people of any industrial sector [8]. As a result, if the motor vehicle industry sector is disrupted, a massive multiplier effect will occur, disrupting the economic ecology surrounding the industry.

As a result, on February 25, 2021, the government issued Regulation of the Minister of Finance Number: 20/PMK.010/21 concerning Sales Tax on Luxury Goods on the Delivery of Taxable Goods which are classified as luxury in the form of certain motorized vehicles borne by the government for the fiscal year 2021. Based on this description, the author wishes to investigate the function of the law in supporting the national economy.

2 Problem Formulation

Based on the description of the background above, the following problems can be formulated:

- 1) How are the success parameters from a regulation in achieving targets based on Development Law theoretical?
- 2) How is the correlation between government regulations and national economic growth after the Covid-19 Pandemic through the Minister of Finance Regulation Number: 20/PMK.010/21 concerning Sales Tax on Luxury Goods on the Delivery of Taxable Goods that are classified as luxury in the form of certain motorized vehicles borne by the government Fiscal Year 2021?

3 Theoretical Base

To discuss the problems formulated in this study, the author uses theoretical basis of Development Law. The theory of development is stated by Prof. Dr. Mochtar Kusumaatmadja, S.H., LL.M. This theory adapts the Roscoe Pound's Law as A Tool of Social Engineering theory according to Indonesian conditions.

Indonesian people have their own culture so Mochtar Kusumaatmadja states "Law in Indonesia is not only to act as a tool, but also as a means of community renewal" [9]. This theory views "Law is a tool to maintain order in society. Considering the nature of the law function, basically it is conservative, meaning that the law is to maintain that is achieved such a function is needed in every society, including those who are developing, because here too there are results that must be preserved, protected and secured. However, for a developing society the definition means a rapid changing society, it is not enough for the law to have such a function. It must also be able to help the process of community change" [10].

Roscoe Pound states "The law can not only be used to perpetuate power, but the law can function as a social engineering tool". This argumentation aims to create harmony so that it can optimally meet human needs and interests in society. Justice is a symbol of harmonious and impartial harmonization in pursuing the interests of the community members concerned. For that ideal interest, coercive power is needed by the rulers of the country [9a]. Prof. Mochtar Kusumaatmadja added that there is a pragmatic goal (for development) as seen from the correlation between Laswell and Mc Dougal's statement that the collaboration between legal scholars and practical law bearers is able to produce legal theory (theory about law).

4 Discussion

4.1 How are the success parameters from a regulation in achieving targets based on Development Law theoretical

The theory above applied by using normative legal research to find out on first formulation, that focus on reading and studying primary and secondary legal materials. Normative legal research is legal research or what is called legal research is a process to find the truth of coherence, namely whether there are legal rules by legal norms and whether there are norms in the form of orders or prohibitions that are by legal principles, and whether a person's actions are by legal norms or legal principles [11].

Normative legal research is prescriptive in that the object of legal science is coherence between legal norms and principles, between rules and legal norms, and between individual behavior and legal norms [11]. This study seeks to examine qualitatively the differences in implementing sanctions arrangements against private companies and state-owned companies to fulfill the values of justice and legal certainty in the future by using a case approach to look at several cases that are relevant to the issues at hand [11].

The primary material used is Regulation of the Minister of Finance Number: 20/PMK.010/2021 concerning Sales Tax on Luxury Goods for Delivery of Taxable Goods Classified as Luxury in the Form of Certain Motorized Vehicles Borne by the Government for Fiscal Year 2021 (hereinafter referred to as PMK-20/PMK.010/2021), as well as secondary materials/sources, namely library materials that contain information about primary materials [11].

The success indicators in implementing a policy can be seen from several factors, namely [12]:

- 1) Communication Factor
- 2) Resources Factor
- 3) Bureaucratic or Implementation Attitude
- 4) Organization Structure and bureaucratic work

In order to facilitate the implementation of policies, community participation is needed by [12a]:

- 1) There is public respect for government authorities to explain morally comply with the laws made by the authorities;
- 2) There is awareness to accept the policy. Awareness and willingness to accept and implement policies realized when policies are considered logical;
- 3) The belief that the policy is made lawfully;
- 4) Initially a policy is considered controversial, but slowly it is considered reasonable.

However, it must be anticipated using 6 (six) factors that can thwart a policy, namely [13]:

The quality of the policy with the democratic formulation may process the result in clarity of objectives and quality implementors or persons in charge;

- 1) Budget adequacy as a form of political that will from policy makers;
- 2) The accuracy of the instruments used to achieve the policy objectives;
- 3) Implementor capacity (organizational structure, human resources, supervision);
- 4) Characteristics and support of the intended target group;
- 5) Geographical, social, economic, political environmental conditions when the policy is implemented.

One of the accuracies of the Indonesian government policy making is tested when a country experiences a monetary crisis where the Indonesian government has experienced monetary crisis 2 (two) times in 1998 and 2008 that was faced with different regulations.

The decision to accept foreign loans to encourage development taken by the government in 1997-1998 was proven wrong, so that the Indonesian economy was unable to stem the impact of the monetary crisis [14]. However, it is different from the government decision in dealing with the 2008 monetary crisis namely by strengthening the real sector, by campaigning for the public to buy domestic products [15].

This decision succeeded in making the Indonesian economy in 2008 grow in the range of 6.01%, and in 2009 and can grow in the range of 4.6%, so that at the Asian regional level, Indonesia is the country experiencing the least negative impact compared to neighboring other countries [16].

4.2 How is the correlation between government regulations and national economic growth after the Covid-19 Pandemic through the Minister of Finance Regulation Number: 20/PMK.010/21 concerning Sales Tax on Luxury Goods on the Delivery of Taxable Goods that are classified as luxury in the form of certain motorized vehicles borne by the government Fiscal Year 2021

It is analyzed using deductive logic, which is a way of interpreting and discussing research results based on the understanding of law, legal regulations, legal theories, and doctrines related to the problem under study. Legal regulations are needed as a major premise, then correlated with relevant legal facts which are used as minor premises, and through a syllogism process conclusion will be obtained from the problem [11d].

The basis development of economic law is Article 33 points 4 and 5 of the 1945 Constitution of the Republic of Indonesia as a result of the Fourth Amendment stating:

- 1) The national economy is organized based on economic democracy with the togetherness principle, efficiency, justice, sustainability, environmental insight, independence, and by maintaining a balance of progress and national economic unity;
- 2) Further provisions regarding the implementation of this article are regulated in law.

Point 5 of Article 33 of the 1945 Constitution indicates that the law must always follow the government desire as our national politics and policies, but also the determination of political and economic policies must also be subject to the provisions and legal principles determined by the Constitution and the Decree of the People's Consultative Assembly of the Republic of Indonesia (TAP MPR RI), and will still be determined by other laws and regulations in the future [17].

Daniel S. Lev states that the rule of law is a sine qua non, because without an effective legal process, it is impossible to hope the improvement of economic, political, life, social, and justice [18]. In line with this, the state needs to establish business climate that can facilitate business and minimize business risks. There are two main risks that will be the initial benchmark, namely political risk and regulatory risk. Political risk arises when there is no clear function/role of the government, while regulatory risk arises due to misuse of the function or role of the regulation [19].

It is expected that the law will be able to create "stability", "predictability" and "fairness" [20]. Stability functions include the legal potential to balance and accommodate various competing interests. The need for legal function to be able to predict (predictability) the consequences of a step taken. The justice aspects can provide these 3 things to investors to invest their capital [21].

As the regulator and facilitator of economic development, the government is responsible for propelling the economy forward through mutually beneficial policies between commercial players and the community. As a result, on February 25, 2021, the government releases Regulation of the Minister of Finance (PMK) Number: 20/PMK.010/21 about Sales Tax on Luxury Goods on Delivery of Taxable Goods Classified as luxury in the form of certain motorized vehicles borne by the government for Fiscal Year 2021.

This idea is initially doubted by academics to be able to leverage economic growth [22]. It was, however, highly accepted by the community and industry players. As an extension of the existing regulation, the government will issue PMK Number: 31/PMK.010/21 about Sales Tax on Luxury Goods on Delivery of Taxable Goods categorized as luxury in the form of certain motorized vehicles borne by the government for Fiscal Year 2021 dated March 31, 2021. This demonstrates the government's strong political commitment to growing the national economy.

To keep the momentum of national economic progress, the government has issued PMK Number: 120/PMK.010/21 concerning the Second Amendment to the Minister of Finance Regulation Number: 31/PMK.010/2021 concerning Sales Tax on Luxury Goods on Delivery of Goods. Taxable luxury in the form of certain motorized vehicles borne by the government for the fiscal year 2021 on September 13, 2021.

According to the Minister of Industry, the rule has been successful in stimulating national economic recovery and has a multiplier effect on all national industries [23]. This is possible because the government is sensitive to the situation and conditions on the ground and understands the problem, allowing the resulting regulations to exceed the target and be supported by the accuracy of the legal instruments used and the similarity of the implementing apparatus.

Similarly, the open attitude of the people who are willing to accept and follow these restrictions has contributed to the government's success in meeting its objectives. This constructive partnership, combined with the performance successes of other industrial sectors, has succeeded to increase Indonesia out of recession in August 2021, namely 7,07% [24].

5 Closing

5.1 Conclusions

- 1) The success of a regulation can be assessed from the realization of planned program and the minimal negative impact caused, as well as the magnitude of the benefits felt by the community. The existence of community satisfaction is one reflection of the success of the regulations launched.
- 2) Government regulations will determine the economic growth formulated by taking into account all elements and oriented to community interest so that they will produce quality and effective regulations, as the real result of the implementation of Regulation of the Minister of Finance Number: 20/PMK.010/21 concerning Sales Tax on Luxury Goods for the delivery of taxable goods classified as luxury in the form of certain motorized vehicles borne by the government for the 2021 Fiscal Year that has succeeded in removing Indonesia from the abyss of economic recession.

5.2 Suggestions

- 1) In formulating the regulation, one must pay attention to the applicable legal rules and pay attention to the various elements, including involving the community in order to produce acceptable quality regulations to the community, so that the goals outlined can be achieved without harming any party.

- 2) The success of the Minister of Finance Number: 20/PMK.010/21 concerning Sales Tax on Luxury Goods on the Delivery of Taxable Goods classified as luxury in the form of certain motorized vehicles borne by the government for the 2021 Fiscal Year. It can be an example of the formulation of regulations in responding the developing situation.

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