Policy of Environmental Tax In Indonesia: A Review

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Abstract: The purpose of this study is to analyze the policy of environmental tax in Indonesia. The method used in this study is descriptive qualitative, which aims to analyze the policy of environmental tax in Indonesia. The collected data were analyzed with interactive model of Miles and Huberman. The study results indicated the government of Indonesia's policy of environmental taxes clearly states the objectives, subjects, objects and tax rates. This policy is included in local taxes and user charges. But the policy needs to be reviewed again so it won’t impress fiscal interests only. The discussion should be done comprehensively, especially concerning the problems surrounding the subject, tariff and budget earmarking it.

Keywords: Policy, Tax, Environment, Environmental Tax.

1. Introduction

Environmental issues are one of the important issues that are still being discussed in various forums both at the national and international levels. The importance of this environmental issue cannot be separated from the desire of various parties to save the earth from the destruction and pollution that has been going on. Several environmental-related activities such as the declaration of 1,000,000 tree planting programs have been conducted in Indonesia. These activities are intended to increase public awareness of the importance of environmental management.

However, activities related to environmental conservation have not been fully able to reduce the rate of destruction and pollution whether committed by community members or business entities. This is indicated by the large number of news in various media that explore about the destruction and environmental pollution that occurred in the regions in Indonesia. Therefore, the Government of Indonesia uses a breakthrough that can suppress the rate of destruction and environmental pollution, namely with the application of environmental taxes. The authority of environmental tax collection in Indonesia is implied in some laws to be submitted to the Regional Government. Therefore, environmental taxes should be regulated in a regional regulation as a means to legalize the actions of the Regional Government in carrying out its authority (Hardjasoemantri, 2005: 378).

In terms of taxation, the environmental tax function is not much different from the general tax function. There are two main functions of the tax: budgeter and regulerend functions. Viewed from the objectives and targets to be achieved from the application of environmental taxes, it can be said that the regulerend function is more prominent than the budgeter function. It must be studied further whether the regulerend function is attached to the concept of environmental tax that will be applied in
Indonesia or even on the contrary, that the implementation plan of environmental taxes on the background of the fiscal policy emphasizes the inclusion of as much money as possible into the local treasury. This issue is what raises the pros and cons discussions in the community, especially the entrepreneurs involved with the implementation plan of the environmental tax. Based on the background mentioned above, the focus of this research is to analyze the policy of environmental tax in Indonesia. Therefore, the problem in this study is formulated as: “How is the policy of environmental tax in Indonesia?”

2. Literature Review

3.1. Public Policy

Public policy according to Thomas Dye, actualized by Fischer, et.al, (2014: 79), is whatever the government chooses to do or not to do. The concept is too broad because public policy includes something that is not done by the government in addition to what the government does when the government faces a public problem. Meanwhile, according to Chiff J.O Udaji in Wahab (2012: 5), public policy or state policy is a sanctioned course of action addressed to a particular problem or group of related problems that affect society at large. Referring to the opinions of the two experts mentioned above, public policy is something done or not done by the government to solve public problems. Furthermore, Abraham Kaplan (2014: 18) stated public policy as a projected program of goals, values and practices and also suggested public policy as a tactic and strategy aimed at achieving a goal.

The implications of the opinions put forward by the experts above are: first, public policy always has a specific purpose or is a goal-oriented action. Second, public policy contains actions or patterns of action of government officials. Third, public policy is what the government actually does. Fourth, public policy can be positive in the sense that it is some form of government action on a particular issue or is negative in the sense that it is a government’s decision not to do something. Fifth, public policy is always based on laws that are forceful (authoritative).

3.2. Tax

Taxation is one form of policy issued by the government in terms of fiscal policy, which is done by collecting funds from the public, by the public, and for the public based on the relations of the agreement. So people make tax payments under the agreement to finance government activities that are for the livelihood of many people, which impact the tax payments demanded to the public.

In JJ Rosseau’s opinion as quoted by Yuswanto (2010: 28), tax is a levy that is forced by the government to the taxpayer. This nature is caused by the need of the state to finance the implementation of government for the sake of life of the people. Meanwhile, according to Rochamat Soemitro (2011: 17), “tax is the contribution of the people to the state treasury under the law (which can be imposed) by not getting lead services (reappraisal) that can be directly addressed and used to pay public expenditures.” The same thing is also expressed by Adrian Sutedi (2011: 9), that taxes are dues to the state (which can be forced) owed by those who are obliged to pay according to the regulations, by not getting a reappraisal, which can be directly appointed and which is useful to finance general expenditures relating to the duty of the state to administer the government.

The definition and views of tax of experts are different, but they essentially has the same purpose. In this case, the taxpayer is not an individual, but the private sector as a taxpayer in maintaining and tackling pollution and/or environmental damage, because anyone who utilizes natural resources must pay taxes that are contraceptive in nature so that the payment is done for the sake of the creation of environmental preservation.
3.3. Environment

Article 1 of Law Number 32 Year 2009 on Environmental Protection and Management states that the environment is a unity of space with all objects, power, conditions, and living things, including nature itself, the survival of life, and the welfare of human beings and other living beings. From that definition, it implies that the environment is a complex entity capable of reflecting the needs of humans and other living beings and has been prepared systematically and integrated and to preserve and sustain the environment, the occurrence of pollution and/or environmental damage must be prevented, which includes planning, utilization, control, maintenance, supervision, and law enforcement. Sustainable development efforts are a form of environmental conservation in the midst of many economic and social developments. So, environment management and protection should strengthen decentralization and regional autonomy in managing the environment.

From the definition of the environment above, it can be seen that the term environment has a broad understanding, which consists not only of elements or components of living things (biotic), such as humans, plants, animals or animals and other living microorganisms, but also includes or constitutes a unity with abiotic beings, such as land, water, air, and the resources contained therein, in which humans and other living creatures reside. Fundamentally all living things (biotic), and abiotic beings have interconnected nature, hooks related to one another. The relationship runs on a reciprocal basis and interplays with one another.

3.4. Environmental Tax

Environmental taxes, or internationally known as the Green Tax, are environmental fiscal policies that not only should be able to reflect environmental policies, but also must be able to be applied and widely reach all existing fiscal policies [10].

Green Tax is a regulation that is expected to reduce and even overcome the pollution and/or environmental damage caused by people or legal entity due to efforts made to the environment, so the green tax not only emphasizes the collection of funds from the public to finance the administration of government, but also the protection of the environment. Therefore, the need for environmental protection guarantees that one of them is a green tax. Heinhard Stieger put forward the idea of the need to guarantee the protection of environmental rights into the constitution, in particular individual environmental rights. Individual environmental rights are subjective rights (fundamental rights) commonly recognized by a state on two distinct levels, namely in constitutional and ordinary levels of legislation. The formulation of such rights in ordinary legislation lacks legal protection compared to constitutional subjective rights [3]. Referring to the above, the principles of environmentally sustainable development and environmental protection is required. Therefore, an instrument that regulates incentives and disinsetives is needed, i.e. prevention efforts that are conducted through the stipulation of waste quality standards and/or economic instruments.

From an economic point of view, the application of environmental taxes is a permanent incentive fee which aims to reduce contamination and reduce the cost of mitigation (Hardjasoemantri, 2005: 378). This is what environmental sustainability is then said to be as an effort to protect the law by the government in preventing and/or mitigating environmental damage caused by a person or legal entity.

3. Method

The method used in this study is descriptive qualitative, which aims to analyze the policy of environmental tax in Indonesia. The methods of collection of data in this qualitative research are observation, interviews and documentation. The collected data were analyzed with interactive model of Miles and Huberman.
4. Analysis and Discussion

Taxation policies will be applied properly if formulated clearly, definitely, directed and measurable. Therefore, a policy must contain important elements such as goals, proposals, programs, decisions and effects. Furthermore, taxes from the public policy review have actually met the elements of the policy because taxes carry budgeter and regulergender functions (Marsuni et al, 2006: 68).

Although environmental tax is a recent development in Indonesia, the policies offered by the Indonesian government should at least contain some of the essential elements present in a policy such as goals, plans, and programs. In addition, the concept of environmental tax must also contain the principles of taxation, especially the certainty principle which must clearly state the Subject, Object, and Tax Rate.

The objective to be achieved by the implementation of the environmental tax plan is to control the damage and pollution of the existing environment because the environmental tax contains two important principles of incentives and disincentives. Implementation of environmental taxes for the company is one form of corporate responsibility to the condition of the environment, yet it is increasingly declining as a result of the company's production activities. When viewed from the goals expected, the environmental tax policy already reflects the government's desire to control environmental damage which is a result of production activities by using taxes as its control instrument. This objective is no different from the objective of environmental taxes applied in European countries namely environmental protection from destruction and pollution. The only thing that needs to be observed is the plan and the program as the embodiment of the intended purpose so that later this concept can be applied and does not have the potential to cause burden for the industry and consumers.

In terms of plans and programs, the concept of environmental taxes is shown by the clarity of the subject, object and tariff. The subject of environmental tax is a manufacturing company with a turnover of over three hundred million rupiah (Rp 300 million), while the object of environmental tax is the production produced through the process of changing the shape or nature of a good from the original form into a new item or natural resource processing activities that provide the burden on the environment except the production of services, production with value below Rp 300 million per year, the production that has become the object of otel and restaurant taxes and other production activities stipulated by local regulation. The proposed environmental tax rate is 0.5% of the cost of production [4].

The subject, object, and environmental tax rates offered by the government already imply clarity and firmness by stating the qualifications desired by the government. However, the qualifications of the subjects, objects and tariffs contained in the Regional Tax and Retribution Law must be approved by the people first through their representatives sitting in the DPR.

If examined the environmental tax policy actually offers an effective solution in controlling environmental quality. It departs from one of the most compelling characteristics of taxation, where the tax instrument is expected to force companies to reduce the impact of environmental damage caused. It's just that the draft environmental tax impressed is still rough, especially related to the subject, tariff and budget earmarking it, so it needs to be reviewed again comprehensively for the applicative and does not cause excessive burden for the business world in Indonesia (Azis, 2011: 63).

In terms of tax subjects can be said that the determination of criteria as the subject of environmental tax is not clear. In this case there is no further explanation of the company's turnover of more than 300 million rupiah per year with environmental issues. There is a possibility that companies with a turnover of less than 300 million rupiah per year also pollute the environment. There is a possibility that the company with a turnover of less than 300 million rupiah per year also pollute the environment, even the possibility of more polluting production process than a company with a turnover of more than 300 million rupiah/year. This will certainly lead to injustice because the company does not include the subject of environmental taxes. Instead, the determination of the subject of environmental taxes based on turnover of more than 300 million rupiah will allow Small Medium
Enterprises (SMEs) to enter the criteria proposed earlier. The SME group is a group of entrepreneurs that needs to get facilities from the government in running its business, so it needs to be regulated especially on the subject of environmental tax.

In terms of environmental tax rates, there must be a clear measure of the amount of environmental taxes. Tariff 0.5% of total production cost is considered too high so it is feared will burden the business world. This is based on a reason that the average net profit of companies is only about 1%-4% of the total turnover, moreover the discriminatory treatment and illegal charges against entrepreneurs that occurred in the regions will increase the cost of production issued. In the absence of clear size and arrangement of this tariff it is feared that eventually the company will divert the environmental tax burden becomes its obligation to the consumer. According to Greenomic, in this environmental tax concept the supposed omzet approach should be abandoned because it contains an impression that the application of environmental taxes is only for the fiscal interest only. Environmental taxes with an impact scale approach should be a priority because it further strengthens corporate accountability in managing the environmental impact it produces.

In terms of budget earmarking it, there is no further explanation of the use and allocation of tax-specific environmental taxes. Examples of earmarking tax systems exist in European countries as well as Germany. Some of money from the environmental tax result (BBM Tax) is used to develop renewable energy resources, partly to reduce the high cost economy generated by the high cost of social security guarantees. Judging from its purpose, the concept of environmental tax proposed by the Government actually already contains earmarking system or use of tax result for certain purpose. This is reinforced by the Minister of Finance stating that the results of tax revenues are partially or wholly used to finance activities related to environmental control and maintenance. It is only required a firm regulation of environmental tax earmarking system so that later not overlapping with other taxes and levies, such as cigarette taxes and environmental taxes there must be a difference in the allocation of revenue from each sector.

5. Conclusion and Recommendation

6.1 Conclusion

Referring to the discussion that has been described above, it can be concluded that the Government of Indonesia’s regarding policy of environmental taxes clearly states the objectives, subjects, objects and tax rates. This policy is included in local taxes and user charges. Yet the policy needs to be reviewed again so it won’t impress fiscal interests only. The discussion should be done comprehensively, especially concerning the problems surrounding the subject, tariff and budget earmarking it. In this case there needs to be a clear qualification or criteria of the tax subject that does not merely justifies only a manufacturing company with a turnover of more than 300 million rupiah per annum alone in its production activities, which are causing environmental destruction and pollution. In terms of tariffs, the percentage size should be clarified again so as not to burden the industrial world, whereas budget earmarking should clearly regulate the use of money from environmental taxes in order to avoid overlapping with the use of taxes and fees which are almost similar.

6.2 Recommendation

The central government may make the filing of an environmental tax law as an instrument to safeguard the environment from pollution and/or environmental damage, so as to clearly state the objectives, subjects, objects and tax rates, but if such arrangement has not been a priority of efforts maintaining the environment becomes the task of the Government and Local Government to support sustainable development.
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