

Super Tax Deduction: Tax Incentives for Development of Human Resources Competencies

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ABSTRACT

Industrial Revolution 4.0 has had a huge and far-reaching impact, particularly on the employment sector, where robots and machines will eliminate many jobs in the world. Government commitment in improving the competence of Indonesian human resources is by providing tax incentives for businesses who carry out work practices, apprenticeships, and/or learning activities in the context of fostering and developing certain competency-based human resources called Super Tax Deduction. This study used a qualitative approach with literature research (library research) method. Based on the conducted study, the Super Deduction Tax can only have a significant impact on the company if it is balanced with the provision of additional gross income reductions and many requirements that must be met to be able to take advantage of Super Tax Deduction.

Keywords: Human Resources Competencies, Super Tax Deduction, Tax incentive

JEL Classification: M10, H20, H29

INTRODUCTION

The changing world is now entering the era of the industrial revolution 4.0 or the fourth world industrial revolution where information technology has become the basis of human life. The Industrial Revolution 4.0 is believed to be able to improve the quality of life of populations around the world and expecting to make a shift in the business and social landscape. In addition to encouraging the opening of new markets, this digital era revolution also promises long-term benefits in the form of efficiency and productivity (Saptadi, 2021). According to an analysis by the McKinsey Global Institute, Industrial Revolution 4.0 has had a huge and far-reaching impact, particularly on the employment sector, where robots and machines will eliminate many jobs in the world (Satya, 2018). Baur and Wee (2015) mentioned in implementing industry 4.0 on the labor component, must meet the following: human collaboration with robots, remote control and control, digital performance management, and automation of work knowledge. Sihite (2018) in his research stated that there are three strategies to realize high competitive human resources, one of which is by increasing HR competencies.

This condition is a challenge for Indonesia in how the government and society can prepare superior and highly competitive human resources to be able to face challenges in the Industrial Revolution Era 4.0 towards Society 5.0. Another challenge that must be faced by Indonesia is the Demographic Bonus Phenomenon or commonly called Population Explosion, which is characterized by the number of productive age population is much more than the number of nonproductive age population. Indonesia is predicted to experience a Demographic Bonus starting from 2020-2035 where the number of working age (productive age) in 2020-2035 is predicted to reach 70 percent, while 30 percent is a non-productive age population (Sutikno, 2020).

The phenomenon of Demographic Bonuses that are not balanced with an increase in employment and human resources absorption will cause an increase in the unemployment rate. The Central Bureau of Statistics Republic of Indonesia (BPS, 2021) noted that the number of workers in February 2021 amounted to 139.81 million people, an increase of 1.9 million people compared to February 2020. In line with the increase in the number of workers, the Labor Force Participation Rate (TPAK) also increased by 0.31 percentage points. The unemployment rate in Indonesia reached 8.75 million people in February 2021. This number increased by 26.26% compared to the same period last year of 6.93 million people. Meanwhile, the open unemployment rate (TPT) in Indonesia reached 6.26% in February 2021. The TPT increased compared to 1.32% points compared to February 2020 which was 4.99%. To overcome these challenges, in the second period of President Joko Widodo's administration, the president has set human resource development as a development priority in 2020-2024. Human resource development in accordance with RPJMN in 2020-2024 is to create quality and competitive human beings. Quality and competitive human beings are healthy, intelligent, adaptive, innovative, skilled, and dignified human beings (Humas Kemensetneg, 2019).

One form of government commitment in improving the competence of Indonesian human resources is by providing tax incentives for businesses who carry out work practices, apprenticeships, and/or learning activities in the context of fostering and developing certain competency-based human resources. This tax incentive is contained in Government Regulation No. 45/2019 (PP No.45/2019) on Amendments to Government Regulation No.94/2010 on Calculating Taxable Income and Income Tax Repayment in the Current Year where this regulation effective since June 26, 2019 with the implementing rules contained in the Regulation of the Minister of Finance No. 128 / PMK.010 / 2019 (PMK No.128/2019). Tax incentive known as Super Tax Deduction, can

be regarded as a breath of fresh air for the business world and industry in preparing quality human resources, and increasing competitiveness. This tax incentive is referred to as Super Tax Deduction because the tax incentive provided by the gross income reduction mechanism is above 100 percent. This is stated in Article 29B of PP No. 45/2019 which states that domestic corporate taxpayers who organize work practices, apprenticeships, and/or learning activities in the context of fostering and developing certain competency-based human resources can be given a gross income reduction of a maximum of 200% (two hundred percent) of the total costs incurred for work practices, apprenticeships, and/or learning activities.

LITERATURE REVIEW

Human Resources Competence

Competence or ability is the basic nature of a person which itself is related to the implementation of work effectively and successfully. The difference in competence that one individual has with another is what causes one to be superior to another individual with average results (Patandean, 2021). Competence is the basis of a person to achieve high performance in completing his performance. Human resources that lack competence will not be able to complete their work efficiently, effectively, and economically. In this case the work produced will not be on time and there is a waste of time and energy (Mardiasmo, 2002).

Tax Incentive

Tax incentives are all financial and non-financial facilities provided or given to taxpayers by a tax system. The definition of tax incentives is very broad, which includes all things that provide benefits for taxpayers. Giving tax incentives can be said as a government policy (Nurlita, 2012). Tax incentives refer to special provisions in tax regulations, which can be in the form of exemption from tax objects, credits, special tax rate treatment or deferral of tax liabilities. This form of tax incentive itself can be a tax exemption within a certain period, a deductible of a fee on a certain type of expenditure or a reduction in import tariffs or a reduction in customs and excise tariffs (UN & CIAT, 2018). Tax incentives are a form of supply side tax policy that aims to improve market performance through increasing economic capacity to produce so as to open up employment opportunities and raise the supply curve. Supply side policies in the economy emphasize policies that can minimize distortions in the market caused by the influence of government regulations on prices, subsidies, and income policies to encourage investment and production by creating free market economic incentives. Therefore, one form of supply side tax policy that is often used is the provision of tax rate reductions in the form of fiscal incentives (Rosdiana & Irianto, 2014).

RESEARCH METHOD

In this study using a qualitative approach. The data source in this study is using secondary data. Secondary data is data that has existed on the object of research or research data that has been done before, where the data is sourced from documents of the organization or other institutions, which are considered related or relevant to the issues discussed. The data collection method used by the author is a method of literature research (library research). According to Supomo and Indrianoro (2002), Library Research is a study conducted by citing several literatures such as books, magazines, brochures and other essays that are closely related to the problems studied.

RESULTS

Regulation of Super Tax Deduction in Indonesia

Provisions related to the regulation of super tax deduction incentives are regulated in Government Regulation No.45/2019 (PP No.45/2019) concerning Amendments to Government Regulation No.94/2010 concerning Calculation of Taxable Income and Income Tax Repayment in the Current Year which this rule comes into effect on the date June 26, 2019. In Article 29B of PP No.45/2019 states that:

1. Domestic corporate taxpayers who organize work practices, apprenticeships, and/or learning activities in the context of fostering and developing certain competency-based human resources may be given a gross income reduction of a maximum of 200% (two hundred percent) of the total costs incurred for these activities (work practice, apprenticeship, and/or learning).
2. Certain competencies as referred to in paragraph (1) are competencies to improve the quality of labor through strategic work practices, apprenticeships, and/or learning programs to achieve the effectiveness and efficiency of labor as part of human resource investment, and meet the structure of labor needs needed by the business and/or the industrial.

Important points related to the technical implementation of PP No.45/2019 is stated in the Minister of Finance Regulation No.128/PMK.010/2019 (PMK No.128/2019) which was issued on September 6, 2019 and came into effect from September 9, 2019. In PMK No.128/2019, it is explained that the granting of a maximum gross income reduction of 200% is divided into two:

1. Reduction of gross income by 100% of the total costs incurred for work practices, apprenticeships, and/or learning activities;
2. An additional reduction in gross income of 100% of the total costs incurred for work practices, apprenticeships, and/or learning activities as referred to point number 1 above.

Work practice and/or apprenticeship activities that receive tax incentives in accordance with the provisions are activities carried out by taxpayers at the taxpayer's place of business which are followed by work practice participants in order to master skills/expertise in certain fields, which can be followed by:

1. Students, educators, and/or education staff in vocational high schools or vocational madrasah aliyah;
2. Students, educators, and/or education staff in college diploma programs in vocational education;
3. Trainees, instructors, and/or coaching staff in work training centers; and/or
4. Individuals who are not bound by working relationships with any party coordinated by agencies that organize government affairs in the field of employment of the Provincial Government Center, or the Regency / City Government.

Costs for work practices, apprenticeships, and/or learning activities in the context of fostering and developing human resources who receive additional gross income reduction, including costs of:

1. Provision of special physical facilities in the form of training places and costs for supporting special physical facilities including electricity, water, fuel, maintenance costs, and other related costs for the purposes of implementing work practices and/or apprenticeship activities;
2. Instructors or lecturers as supervisors for work practices, apprenticeships, and/or learning activities;
3. Goods and/or materials for the purposes of implementing work practices, apprenticeships, and/or learning activities;

4. Honorarium or similar payments given to students, students, trainees, individuals who are not bound by a working relationship with any party, educators/trainers, education/ training staff, and/or instructors who are participants in work practices and/or apprenticeships; and/or
5. Competency certification fees for students, students, trainees, individuals who are not bound by a working relationship with any party, educators/trainers, education/training staff, and/or instructors who are participants in work practices and/or apprenticeships by institutions that have the authority to conduct competency certification according to statutory regulations.

Implementation of Super Tax Deduction in Indonesia

Since 2019 the Directorate General of Taxes (DGT) of the Ministry of Finance has carried out 66 times socialization of super deductible tax to business and industrial taxpayers. In its implementation, the Super Tax Deduction policy has not succeeded in attracting the number of taxpayers who take advantage of this very attractive incentive scheme. As of July 2020, of the approximately 1.4 million Corporate Taxpayers, only around 14 Corporate Taxpayers have registered through OSS and met the requirements (Kemendikbud, 2020). In fact, this policy is designed to provide benefits to various parties, namely industry, government, vocational education institutions and the community. Meanwhile, as of September 2021, 42 Corporate Taxpayers have had 429 cooperation agreements with 383 vocational institutions to take advantage of super deduction tax incentives (Antara, 2021).

DISCUSSION

Super Tax Deduction as Tax Incentive

Super tax deduction is a form of tax incentive issued by the Government of Indonesia, one of which is aimed at developing the quality of human resources in Indonesia through training programs, apprenticeships, and work practices for students as well as vocational education programs. Super tax deduction based on its type is part of the supply side tax policy, where the implementation of this tax policy is to provide an economic stimulus for companies implementing the program, so that the company gets incentives in the form of a reduction in costs of up to 200 percent. Indeed, with the characteristics of the supply side tax policy, the provision of fiscal incentives by making tax reductions in the short term will be able to reduce state revenues from the tax collection, but if viewed in the long term, this incentive will actually be able to increase tax revenues because of the establishment of a regulatory tax administration process gradually (Kostaf, 2019). To provide an illustration of how the super tax deduction tax incentive can provide tax savings, here's an illustration:

PT X carries out work practices and apprenticeships with the following fiscal financial statements:

	Without Tax Incentive (IDR)	With Tax Incentive (IDR)
Gross Income	55.000.000.000	55.000.000.000
Operational Expenses	(20.000.000.000)	(20.000.000.000)
Work practices or Apprenticeship Expenses	-	(1.500.000.000)
Net Income	35.000.000.000	33.500.000.000
Tax Incentive (additional reduction)	-	(1.500.000.000)
Taxable Income*	35.000.000.000	32.000.000.000
Corporate Income Tax **	8.750.000.000	8.000.000.000
Tax Saving		750.000.000

*The estimation has included the fiscal correction
** Using 25% rate of corporate income tax

Additional reduction in gross income that can be utilized by PT X amounting to IDR 1,500,000,000 (100% x Apprenticeship Expenses). From the illustration above, it can be seen that with the additional reduction in gross income, PT X gets a tax efficiency of IDR 750,000,000.

Although we are tempted by the high tax incentives provided, but to be able to take advantage of the additional 100% gross income reduction, the Taxpayer must meet the following criteria:

- Has conducted work practices, apprenticeships, and/or learning activities in the context of fostering and developing human resources based on certain competencies;
- Have a Cooperation Agreement;
- Not in a state of fiscal loss in the Fiscal Year of additional utilization of gross income reduction; and
- Has submitted a Fiscal Certificate.
- There is no indication of a special relationship between Corporate Taxpayers and participants in work practices and/or apprenticeships. The special relationship referred to here is the existence of a blood family relationship in a straight line of one degree; business relationship, and or ownership or control relationship with owners, commissioners, directors; and/or management of the Corporate Taxpayer
- Submitting notifications through the OSS system by attaching: Cooperation Agreements and Fiscal Certificates that are still valid where the delivery of this notification is carried out no later than before the implementation of work practices, apprenticeships, and/or learning activities in the context of fostering and developing human resources based on certain competencies started.

In addition to the above criteria, Corporate Taxpayers who take advantage of additional reductions in gross income must submit a report of the cost of working practices, apprenticeships and/or learning activities annually to the Director General of Taxes through the Head of the Tax Service Office where the Taxpayer is registered no later than the submission of the Annual Tax Return year tax utilization of additional reduction in gross income.

CONCLUSION

Based on many requirements that must be met to be able to take advantage of the additional reduction in gross income, this shows the government's cautious and selective attitude in providing this tax incentive. Directorate General of Taxes (DGT) made a selective procedure to utilize the super tax deduction to prevent taxpayers from doing

tax evasion by making a significant increase in HR development costs in order to reduce the income tax payable. The DGT has the right to exercise control over the implementation of this tax incentive and if there is a Corporate Taxpayer who has already taken advantage of the additional gross income reduction facility does not meet the criteria stated above. In Article 9 of PMK No.128/2019 it is stated that the DGT is authorized to determine whether or not additional reduction in gross income is given based on the evaluation that has been carried out. Thus, the DGT can recalculate taxpayer taxable income if it is judged not entitled to the tax incentive. In addition, if the activities carried out by the Taxpayer are considered ineffective, additional reduction in gross income is not given to the Taxpayer for the following Tax Years after the evaluation of the Ministry and/or related Agencies. Also, it can be concluded that the provision of tax incentives in the form of the Super Tax Deduction can only have a significant impact on the company if it is balanced with the provision of additional gross income reductions. If only utilizing the reduction in gross income of 100% of the amount of costs incurred for work practices, apprenticeships, and /or learning activities only then the impact of tax efficiency will not be felt significantly enough among the industry (Corporate Taxpayer). In addition, a simpler administrative mechanism is needed to be able to take advantage of the additional reduction in gross income, in order to increase the interest of the Industry to compete in providing work practices, apprenticeships, and/or learning activities, so that the competitiveness of Indonesian human resources in the future will increase as the main purpose of providing this Tax Incentive.

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DECLARATION OF CONFLICTING INTERESTS

The present study which is reported in this article is not being published in other publishers, has no element of plagiarism, and is free from the interests of any party.

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