Implications of Taxation Cluster for the Improvement of Indonesian Economy in the Perspective of Omnibus Law

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ABSTRACT

The focus of the study in this article is the existence of a taxation cluster in the copyright law with its formation using the omnibus law method. The use of the omnibus law method has the potential to overcome overlapping regulations, efficiency of regulatory changes, and overcome sectoral ego in legislation. This can be seen in the taxation cluster in the employment copyright law with several changes occurring in it. Despite public opinion about tax collection, the taxation cluster arrangement in the copyright law can have a positive impact on economic improvement through dividend tax exemptions and tax incentives for publicly listed companies. This article aims to answer the impact of the copyright law in improving the economy in Indonesia, as well as the implications of the taxation cluster in the omnibus law as an improvement in the Indonesian economy. The results of this study indicate that the Taxation Cluster in the copyright law is a strategic step by the Government of Indonesia to improve the country’s economy. The taxation cluster changes in this law aim to strengthen the economic and financial sectors by simplifying tax regulations, encouraging investment, reducing the tax burden, and addressing investment barriers. Overall, the tax arrangements in the job creation law have great potential to drive economic growth, support national development, and strengthen Indonesia’s economic position if implemented effectively.

1. Introduction

The term “omnibus law” is a broad concept that refers to a legislative approach where several unrelated or loosely related provisions or reforms are combined into a single bill or law. It is often used to streamline the legislative process and address multiple issues simultaneously. It is important to note that the term “omnibus law” does not refer to a specific law or policy but rather to a legislative strategy. The content and implications of omnibus laws can vary greatly depending on the country and the specific legislation being discussed.

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Secretary of the Coordinating Ministry for Economic Affairs, Susiwijono, stated that the implementation of the omnibus law has at least three benefits, which are explained as follows:\(^5\):

1) Eliminate overlap between laws and regulations.
2) Efficiency of the process of amending or revoking laws and regulations.
3) Eliminate sectoral ego contained in various laws and regulations.

This is closely related to the acceleration of economic growth in Indonesia, as a 2018 report from the National Development Planning Agency reported that the main obstacles to economic growth are overlapping regulations and institutional sectoral ego. This allegation states that overlapping regulations are one of the factors inhibiting the entry of foreign investment into Indonesia. In addition, policy and authority conflicts between ministries/agencies, as well as between the central government and local governments, cause government limitations in addressing the problems and challenges that arise. This situation also hampers the implementation of development programs and worsens the investment climate in Indonesia.\(^6\)

Moving on from the description above, the formation of legislation through the omnibus law method can create benefits and legal certainty for several policies that have the same relationship or legal needs by combining into one legislation to achieve the same goal. The presence of the work copyright law is none other than to change the substance of the law in the field of investment and the country’s economy in order to attract foreign investment by simplifying the granting of business licenses, employment policies and state revenue through taxes intended for each taxpayer.

The existence of domestic investment has a correlation with the influx of new capital that helps the government in infrastructure development.\(^7\) The role of this investment is very significant in infrastructure development due to the limited funds owned by the government to finance various infrastructure projects. Besides infrastructure, investors are also interested in funding other promising sectors. In this context, the Indonesian government is always competing with other countries to attract foreign investors to fund important sectors. If investment licensing is complicated and unclear, investors will be reluctant to invest and tend to choose to invest in other countries.\(^8\)

People still think that tax collection is “economic deprivation”. The opinion is built because taxes are synonymous with levies that must be deposited to the state in a certain amount. In fact, tax is one of the sources of state revenue that is re-managed by the government in order to achieve significant economic improvement. The inclusion of the taxation cluster in the Omnibus Law on Job Creation certainly affects economic improvement through dividend tax exemptions if investment funds remain back in Indonesia. In addition, there is also a tax cut for public companies of 3%. In connection with this description, the main discussion of this article is the impact and specific implications of the existence of a taxation cluster in the job creation law as a government effort to improve the economy in Indonesia.

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\(^6\) Ibid.


2. Method

The type of research conducted is normative-juridical legal research with the approach used is the statute approach; conceptual approach; and analytical approach. This research is prescriptive which aims to get suggestions about what should be done to overcome certain problems that can produce new arguments, theories or concepts as prescriptions in solving the problems at hand. The types of legal materials used in this research are primary legal materials, secondary legal materials, and tertiary legal materials, to support the information used in the research.

3. The Impact of the Job Creation Law on Economic Improvement in Indonesia

The job creation law is one of the government’s efforts to improve the economy in Indonesia through convenience and legal protection for investors who want to invest in the country. This is due to the complexity of investing in Indonesia. Some things such as licensing, land acquisition, taxation, and other things related to investment, become its own complexity in Indonesia. So the enactment of the job creation law aims to overhaul the country’s regulatory framework and attract foreign investment by simplifying business licenses, labor regulations, and environmental standards.

The omnibus law concept is expected to provide a factor in order to facilitate investors in investing in Indonesia. The benefits of investment for the country are very important such as getting new capital to help the government build infrastructure, create jobs, progress in certain fields, increase state revenue, and protect the country. The omnibus law concept is considered to be a solution and can solve problems related to conflicts and overlapping regulations, so that these problems can be resolved immediately and the development process can run well and quickly.

Based on the executive’s perspective, the concept of employment copyright law through an omnibus law approach has a positive effect. This is reflected in the data that has been provided, such as projected economic growth that has increased to a range of 5.7% to 6%, job creation of around 2.7 to three million per year, increased competence of prospective workers and labor welfare, growth in worker productivity which has an impact on increasing investment and economic growth, an increase in investment reaching 6.6% to 7%, empowerment of Micro, Small and Medium Enterprises (MSMEs) and Cooperatives that support the increase in the share of MSMEs in Gross Domestic Product (GDP) to 6.5%, and the contribution of Cooperatives to GDP increasing to 5.5%.

So it can be understood that the presence of work copyright law has provided a solution to the existing problems, namely, the establishment of a legislation can not keep pace with the speed of changes in legal needs in society, otherwise with the existence of work copyright law can meet the needs of the community with the simplification of licensing in the field of investment which is one of the characteristics of these provisions. Omnibus law applied in the copyright law is also able to homogenize policies between the center and the

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13 Ibid.
regions in supporting the investment climate that can be a short way as a solution to conflicting legislation both vertically and horizontally.\(^\text{14}\)

With these advantages, the investment regulations in the job creation law will become more transparent and attractive for potential investors to participate in Indonesia. Consequently, the results will be positive, where the country’s economic growth will be boosted and abundant job opportunities will help reduce the unemployment rate in the society. Along with this, the creation of a favorable investment environment and abundant job opportunities will have an impact on improving people’s welfare.

Fundamentally, various studies show that the interaction between law and economy underscores the pivotal role of legal development prior to economic progress. Strengthening legal institutions is not only a fundamental prerequisite for promoting economic transformation, but also an important factor for the sustainability of an emerging political system and a catalyst for the evolution of society.\(^\text{15}\) This correlation becomes particularly clear when legal experts and legal consultants are extensively involved in formulating and regulating business contracts and safeguarding the implementation of economic policies. Economists should recognize that the fields of economics, business and finance, both on a micro and macro scale, are inherently linked to legal principles, which serve as rules collectively agreed upon by the parties involved.

Law structured as a system needs to be assessed as having a point of harmony that supports each other with the existence of the economic system. With such assessment and interpretation, the expected synergy goal is to strengthen economic progress in a structured manner and simultaneously develop the foundation of the national legal system. It is thus understood that: The national economic system and the national legal system will become more harmonized as the foundation of a sustainable development perspective. In the same context, it is an essential need that: The economic system must also play a role in constructively supporting the development of the legal system, to ensure that the legal system will more effectively support the positive evolution of a sustainable national economic system.

According to Heinz Lampert, he views the economy as a system by distinguishing between: \(^\text{16}\)

1) The order of an ongoing national economy or effective economic order that describes circumstances, events, and is therefore descriptive.

2) Expected order, or ideal order or policy order concept. The economic order is based on positive law.

While the view of the system as an ideal structure for some involves aspects of the constitution, for others it still requires legal formation efforts to achieve the framework of the economic system and the legal system that supports it. Furthermore, Heinz Lampert said that: An economic order must have the properties of an instrument to overcome three problems found in every economic society, namely: first, running and guaranteeing the functioning of the economy; second, firmly coordinating all economic activities; and third, directing the economic order as a tool to achieve basic political goals. \(^\text{17}\)

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\(^{17}\) Ibid.
The method adopted by the copyright law is believed to result in an easier pace of investment, and is therefore considered a solution to address issues related to the investment environment. In addition, copyright law is also considered as a tool to coordinate various regulations related to licenses that often overlap in the business environment in Indonesia. When explored more deeply, the term legal development has a more holistic and fundamental dimension when compared to the terms legal development or legal reform. The meaning of legal development indicates an effort to improve legal efficiency. Meanwhile, legal reform is defined as an effort to design a legal framework that reflects changes in society. Therefore, from the interpretation of these terms, legal development does not only refer to the substance of law or regulations, but also refers to legal structures or institutions as well as legal norms that live in society.

In relation to the prioritization of legal development in the economic sector by the current administration, the existence of omnibus law practice in the drafting of copyright law is considered as an element of direction, guidance, and creation of a conducive atmosphere in the economic sphere. Drawing inspiration from various elements such as: model law, uniform law, the rules of international organizations, or international conventions should be studied in terms of formation, implementation, innovation, research, and a systematic approach to the study and regulation of law, in response to the negative impact of legal globalization. Prioritizing the development of omnibus legislation through copyright law is a very urgent action to take.

In connection with the description above, it can be described the impact of the presence of copyright law in improving the economy in Indonesia, as follows:

1) **Increased Foreign Investment.** The job creation law seeks to attract more foreign investment to Indonesia by simplifying the licensing process and reducing bureaucratic barriers. With new investments, the national economy can grow faster through the construction of infrastructure projects, industrial development, and the creation of new jobs;

2) **Labor Improvements.** Although there is debate about some aspects of employment in the job creation law, the aim of the reform is to create flexibility in the employment relationship between workers and employers. This is expected to stimulate business sector growth by allowing companies to better customize their workforce as needed, which in turn can support economic growth;

3) **Simplification of Licensing.** The job creation law also focuses on simplifying and accelerating the licensing process for businesses and investments. By reducing the bureaucracy and time required to obtain licenses, companies can more quickly start their operations, driving economic growth and creating new jobs;

4) **Infrastructure Development.** The job creation law contains several provisions that support infrastructure development. This is important for improving connectivity and accessibility across the country, which in turn will help improve business efficiency, distribution of goods, and labor mobility; and

5) **Increased Innovation and Creativity.** Part of the copyright law also focuses on the protection of intellectual property rights, including copyrights and patents. By providing better protection to innovation and creativity, these provisions can

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encourage the growth of the creative sector and technology industry in Indonesia, which can be a source of long-term economic growth.

However, it should be noted that the actual implementation and impact of the job creation law still needs to be evaluated in the long run. There are various views and interpretations on the impact of this law on various economic and social aspects in Indonesia. The expected economic boost from the copyright law will largely depend on how these policies are executed and implemented by the government, as well as how various stakeholders respond and adapt to these changes.

4. Implication of Taxation Cluster in Omnibus Law as Indonesia’s Economic Improvement

Tax is a manifestation of devotion and participation of taxpayers to directly and equally carry out tax obligations needed for state financing and national development. The responsibility for implementing tax collection is a reflection of the obligations of the community itself. Taxes are a source of state revenue implemented by the Government and regulated by legislation.\(^{20}\)

As an integral part of the country’s revenue stream, contributions from taxes play a vital role. In an effort to carry out development projects and fulfill the needs of its people, the state requires substantial funding that cannot be ignored. Seeing the tax sector as part of state revenue is certainly a benchmark for the development of a nation’s economy and has a real impact in fulfilling state revenues,\(^{21}\) as well as stringing and strengthening progressive plans for national development, especially national economic improvement.

Based on an analysis from the Indonesian Center for Taxation Studies in 2020, exploring the taxation categories covered by the job creation law, the tax regulations in the Omnibus Law aim to amplify national development by easing business operations for citizens. In the context of Value Added Tax (VAT), several directives emanating from the Directorate General of Taxes (DGT) are formulated, and the benefits that can be achieved by businesses in an effort to boost the country’s economy, strengthen funding sources for investment, garner compliance from taxpayers and contributors more voluntarily, and create a balance in the domestic business climate.\(^{22}\)

The increase in the number of tax contributors from period to period is increasingly evident. This phenomenon reflects an increase in awareness and compliance with tax obligations. Efforts to increase the level of compliance of taxpayers must be continuously promoted, with the aim of ensuring the implementation of tax duties in accordance with applicable regulations and achieving tax revenue targets. Taxpayers, on the one hand, continue to emphasize the importance of the principle of fairness in tax law, although this is not always accompanied by a deep understanding of carrying out the responsibility of paying taxes in the correct and appropriate manner.\(^{23}\)

The Omnibus Law consists of a collection of draft laws on job creation in which there is a taxation cluster to strengthen the economy and develop and strengthen the financial

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sector. The taxation cluster in this provision is contained in the Seventh Section of Chapter VI related to ease of doing business, namely:

1) Income Tax or PPh, with substance determination of individual tax subjects who belong to 183 days in Indonesia are Domestic Tax Subjects, 183 days outside Indonesia can be Foreign Tax Subjects. Elimination of income tax on domestic dividends of individuals as long as they are invested in Indonesia and corporations. Elimination of income tax on foreign dividends received by domestic individuals and domestic corporations as long as they are invested in Indonesia;

2) Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, with substance, addition of Taxable Goods object. Input tax crediting arrangement to encourage taxpayer compliance; Redefining the definition of delivery of Taxable Goods;

3) General Provisions and Tax Procedures, with substance, re-regulation of administrative sanctions to encourage tax compliance. Re-regulation of interest rewards for refunding tax overpayments. Providing legal certainty in the issuance of tax assessments; and

4) Local Taxes and Levies, with substance: The government determines national fiscal policies relating to Local Taxes and Levies, including being able to set Local Taxes and Levies rates that apply nationally; The government evaluates local regulations on Local Taxes and Levies to test their conformity with the provisions of higher laws and regulations and/or national fiscal policies.

In the PPh domain of the taxation cluster in the job creation law, the striking change is the shift towards a territorial taxation system. Under this concept, tax-paying citizens will only be subject to income tax on income originating from Indonesia alone. Previously, tax subjects in the country were subject to income tax on income originating from both inside and outside the country.

This approach is implemented by not imposing income tax on several types of income from abroad, including profit sharing from foreign companies, after-tax income from permanent business units abroad, and other income. This privilege is granted if at least 30% of the income is invested in Indonesia for at least three years. The requirement to reallocate investments has the potential to invite repatriation of funds from abroad. On the other hand, this income tax exemption has the potential to increase the attractiveness of investment from Indonesia to overseas.

Finally, in the longer term, this policy is likely to trigger the emergence of holding companies in Indonesia. The PPh domain is also applied to foreign individuals with specialized skills, also known as the expatriate regime. Foreigners who meet the requirements will only be subject to income tax on income originating from Indonesia. This policy applies for a period of four years from the time the foreigner is officially considered as a tax subject in the country.

Changes to the taxation cluster in the copyright law also encourage increased legal certainty, including with rules related to determining the status of individual tax subjects. Where the copyright law adds provisions in the form of residence, main activity center,

and/or main activity to determine whether an individual is a domestic or foreign tax subject.\textsuperscript{26} Previously, the tax subject status was only determined based on the duration of the individual’s stay in Indonesia. The improvement of this provision makes the determination of the tax subject in line with the provisions in the tax treaty, also known as tie breaker rules. Furthermore, the work copyright law in the taxation cluster also provides administrative flexibility, among others related to tax invoices.\textsuperscript{27}

In order to achieve the target of increasing investment funding, when making investment in the form of assets, it will not be subject to VAT. Previously, investment in the form of assets was still subject to VAT. The previous provision was often an obstacle for business actors who intended to invest in the form of assets, because they had to convert it into cash delivery to avoid VAT. However, in the scenario of investment in assets, VAT will not be imposed under the condition that the party making the transfer and the party receiving the transfer are both categorized as Taxable Entrepreneurs.

VAT regulation in the work copyright law to increase legal certainty is related to Taxable Goods and Delivery of Taxable Goods, where there is a significant change in the status of coal, which was previously a non-Taxable Goods category. This change in status certainly has consequences, on the one hand coal will become more competitive as an export commodity, on the other hand coal is still an energy source for electricity generation in Indonesia so that the imposition of VAT can have the consequence of increasing the cost of electricity production. Looking at the explanation of the substance of VAT in the Job Creation Law and its derivative regulations above, it can be concluded that various facilities have been provided regarding VAT regulation. Thus, it is expected that this regulatory adjustment can encourage increased investment and taxpayer compliance which in turn can increase state revenues which are utilized to support national development.\textsuperscript{28}

Omnibus law is a term that refers to a number of major changes in legislation relating to various economic and social aspects in one package of legislation. The implications of the taxation cluster in the omnibus law can have a significant impact on a country’s economy. Some of the implications of the taxation cluster in the Omnibus Law on economic improvement include:

1) Simplification and Simplification of Tax Regulations. If the omnibus law proposes or implements simplifications and positive changes in tax regulations, it can help reduce the administrative burden for companies and individuals. This can promote business growth, reduce costs, and allow businesses to focus more on their core activities;

2) Increased Foreign Direct Investment (FDI). If the changes in the taxation cluster in the omnibus law lead to increased incentives for foreign investors, this may attract further investment into the country. More attractive and predictive tax incentives can increase the interest of foreign investors to open businesses in the country;

3) Reduced Tax Burden. If the changes in the taxation cluster specify a reduction in tax rates or the provision of certain tax facilities, this can increase consumer


\textsuperscript{28}Suska. (2020). Mendukung Kemudahan Berusaha Melalui Penyesuaian Atuara PPN dalam Undang-Undang Cipta Kerja, (Di Balik Undang-Undang Cipta Kerja). Jakarta: Badan Kebijakan Fiskal-Kementerian Keuangan RI.
purchasing power and stimulate economic growth. Tax reductions for individuals and businesses can provide a breath of fresh air to the overall economy;

4) Removal of Tax Barriers to Investment. If the omnibus law removes tax barriers that hinder investment, such as legal uncertainty regarding the imposition of taxes, it can help create a more conducive investment climate. The removal of these barriers can accelerate the investment process and growth of the business sector;

5) Stimulation of Growth in Specific Sectors. If the tax clusters in an omnibus law provide specific tax incentives for certain economic sectors that are deemed strategic, this can encourage further growth in those sectors. For example, tax incentives for certain manufacturing industries, technologies, or export sectors can stimulate growth and job creation; and

6) Increased Government Revenues. While many tax cluster changes may be incentivizing in nature, they can also ultimately help increase government revenue if they support greater economic growth. This additional revenue can be allocated to development and social welfare programs.

However, it should be kept in mind that the implication of the taxation cluster in the omnibus law depends on its proper implementation and execution. Its effectiveness in driving economic improvement will also be affected by other factors such as political stability, macroeconomic policies, and global developments that may affect the overall investment and business climate.

5. Closing

The Taxation Cluster in the copyright law implemented through an omnibus law approach is a strategic effort by the Indonesian government to improve the country’s economy. The law, which includes changes to the taxation cluster, aims to strengthen the economy and financial sector by simplifying tax regulations, increasing investment, reducing the tax burden, and removing barriers to investment.

These changes can result in positive impacts, such as business growth, increased foreign investment, reduced tax burden for individuals and businesses, removal of tax barriers, and stimulation of growth in strategic sectors. Overall, tax arrangements in the employment copyright law have the potential to promote economic growth, support national development, and strengthen a country’s economic position if implemented appropriately and effectively.

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**Conflict of Interest Statement:**

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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