

IMPLEMENTATION OF TAX INCENTIVES ON SALES ON LUXURY GOODS BORNE BY THE GOVERNMENT FOR AUTOMOTIVE INDUSTRY AFTER COVID-19 PANDEMIC

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ABSTRACT

The Covid-19 pandemic has downturned the business sector in Indonesia. This prompted the government to provide tax incentives through the National Economic Recovery program. To encourage people's purchasing power, support businesses, and restore economic conditions, the government issued a Sales Tax on Luxury Goods borne by the government (PPnBM Ditanggung Pemerintah/PPnBM DTP) incentive for the automotive industry. This study aims to analyze the PPnBM DTP after the Covid-19 and analyze the government's considerations to extend the policy. This research applied post-positivist approach with qualitative research method. The data was collected through literature review and interview. The research shows that implementing this policy produces several benefits. However, it also has an anomaly. The community, especially the lower middle class, faces difficult conditions, but on the other hand, the middle class is encouraged to spend their money. The implementation of this policy also does not experience significant obstacles because adequate resources and communication for implementing policy is established smoothly. The policy has succeeded in maintaining enthusiasm, people's purchasing power and lead to a positive response from various parties. In addition, extension of the policy, 100% PPnBM DTP has been made by considering both from a social and economic perspective.

INTRODUCTION

During the Covid-19 pandemic which has begun in 2020, state spending experienced a significant increase. This was because the Covid-19 pandemic has created a negative impression on various economic sectors and the business sector. The status of the Covid-19 pandemic was still valid until recently as described in the legal considerations of the Constitutional Court in Decision No. 37/PUU-XVIII/2020 that the Pandemic will end when the president

announces the ineffectiveness of the Covid-19 Law and no later than the end of the 2nd year since the promulgation of the Covid-19 Law (Pujianti, Anjarsari, & Yuliana, 2021). Furthermore, Mustajab et al. (2020) explained that during the Covid-19 pandemic there was a change in the work patterns and work culture of the majority of businesses in Indonesia. This is because many jobs are delayed and have an impact on decreased work productivity. The

sectors to be affected were Micro, Small and Medium Enterprises (MSMEs), corporate, finance, and household sectors (Pryanka & Candra, 2020).

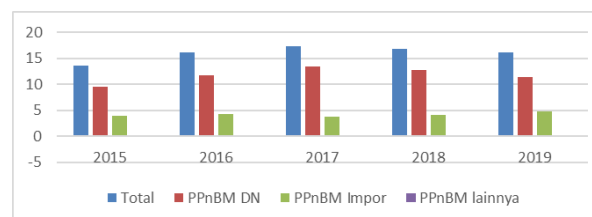
Based on data from Purchasing Managers Index (PMI) for Manufacturing Indonesia, PMI Manufacturing Indonesia reached 49.5 points as of December 2019 (Databoks, 2020). This figure experienced a contraction to 45.3 points as of March 2020 (Rudiyanto, 2020). Then, this figure again experienced a significant contraction, which was 27.5 points as of April 2020 (Databoks, 2020). Therefore, the government needed to develop a strategy through the provision of tax incentives in the National Economic Recovery (PEN) program. Tax incentives are included in one of the PEN programs that aim to support the business world, especially providing support to Micro, Small and Medium Enterprises (MSMEs) and corporations (The Ministry of Finance of the Republic of Indonesia, 2020).

In 2020, the government has budgeted for the PEN program of Rp. 695.2 trillion. However, from the budget, only IDR 579.78 trillion was realized or 83.4% of the ceiling budget that had been absorb. This amount would be passed to 2021 where the allocated budget would increase, which was IDR 699.43 trillion. Increasing the budget allocation for the PEN program was as an effort to accelerate the handling of the Covid-19 pandemic, especially through the provision of vaccinations, maintaining and increasing people's purchasing power (The Ministry of Finance of the Republic of Indonesia, 2021). One of the budget allocations for the PEN program is for the business incentive. For the business incentive sector with a ceiling of IDR. 62.83 trillion or 8% of the budget allocation for the PEN program, one of the targetted program is intended to provide incentives for the Sales Tax on Luxury Goods (or Pajak Penjualan atas Barang Mewah/PPnBM) for cars.

However, the tax incentives allocated by the government have not been fully absorbed. This is because there has been a gap between the tax

incentive budget and the realization of the tax incentive. The realization of tax incentives as of July 16, 2021 is IDR 45.1 trillion. This means that there is a difference of IDR 17.73 trillion in the absorption of the tax incentive budget. However, the government would still provide an extension of the tax incentive until the end of December 2021.

Based on data from the 2015 - 2019 Central Government Financial Report (LKPP) that the receipt of Domestic PPnBM (Dalam Negeri PPnBM) in the National Budget or APBN posture has a slow trend since 2017 – 2019 (The Expertise Agency of the House of Representatives of the Republic of Indonesia, 2021). In addition, as shown in the graph, the realization of PPnBM DN reached Rp. 13.37 trillion in 2017. Meanwhile, in 2018, the realization of PPnBM DN decreased to Rp. 12.72 trillion. Then, it decreased again to Rp11.32 trillion in 2019. The same trend happened to the realization of imported PPnBM which also had a slow trend in 2020 due to slowing import performance. This has existed because global trade activities, demand for imports of raw materials, and imports of capital goods have decreased, especially when social distancing was enforced by the government.



Graph 1. Realization of PPnBM 2015-2019 (in trillions)

Source: LKPP 2015-2019 in the Expertise Board of the DPR RI (2021), "has been reprocessed by the researchers"

The automotive industry is one of the industries that are given incentives by the government during the Covid-19 pandemic (GAIKINDO, 2021). This is because car sales dropped dramatically when the national

economy plummeted, and many automotive industries closed temporarily. Data on vehicle sales decreased by 48.35% in 2020. Therefore, the government encourages an increase in purchasing power by providing incentives for

PPnBM DTP. The government has issued several Minister of Finance Regulations (PMK) related to the PPnBM DTP incentive policy until the end of 2021 as set out in the following table.

Table 1. Mapping of Ministry of Finance Regulation (or Peraturan Menteri Keuangan/PMK) Regulating PPnBM DTP

Regulation	Effective Date
PMK No. 20/PMK.010/2021 concerning 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 (PMK No. 20/PMK.010/2021).	26 February 2021 – 1 April 2021
PMK No. 31/PMK.010/2021 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 Fiscal Year 2021 (PMK No. 31/PMK.010/2021).	1 April 2021 – 2 February 2022
PMK No. 77/PMK.010.021 concerning Amendments to PMK No. 31/PMK.010/21 (PMK No. 77/PMK/010/2021).	30 June 2021 – 2 February 2022
PMK No. 120/PMK.010/2021 concerning the Second Amendment to PMK No. 31/PMK.010/2021 (PMK No. 120/PMK.010/2021).	13 September 2021 – 2 February 2022

At the beginning of the provision of incentives, taxes in the form of PPnBM DTP are intended for the delivery of certain vehicles (sedans or station wagons) with a capacity (load capacity) of cylinder below 1,500 cc and certain vehicles (other than sedans or station wagons) with loading capacity cylinder below 1,500 cc. Furthermore, the government expanded the scope of certain vehicles and changed the local purchase requirements for certain vehicles that received PPnBM DTP incentives. These expansions and changes aim to increase people's purchasing power (or demand) in the vehicle industry, in general automotive sector. The main goal is to encourage and to accelerate macroeconomic recovery, as well as a mode of support the motor vehicle industry which has been affected by Covid-19. Therefore, as the practical support, the government formulated the provision of PPnBM incentives. This change

has been further regulated in PMK No. 31/PMK.010/2021.

Furthermore, the government released regulatory changes related to the extension of the 100% PPnBM DTP incentive which is further regulated in PMK No. 77/PMK.010/2021. Changes of concern in PMK No. 77/PMK.010/2021 is regarding the period of extension of the 100% PPnBM DTP incentive for certain motor vehicles. Then, on September 13, 2021, the government re-released PMK No. 120/PMK.010/2021. The purpose of this regulation is to maintain enthusiasm and maintain people's purchasing power in the motor vehicle industry sector to encourage and accelerate the recovery of the national economy. Changes that are of concern in this latest regulation are regarding the period of extension of the 100% PPnBM DTP incentive for certain motor vehicles (sedans or station wagons) and certain motor vehicles (other than sedans or station wagons) with spark-ignition motors with

1 (one) system drive axle (4x2) for transportation of not more than 10 (ten) people with a maximum cylinder load capacity of 1,500 cc, extended from September to December 2021; PPnBM DTP 50% on certain motorized vehicles (other than sedans or station wagons) for transportation of no more than 10 (ten) people using spark-ignition engines with 1 (one) drive axle (4x2) with a cylinder load capacity of 1,500 – 2,500 cc, extended for September to December 2021; PPnBM DTP 25% on certain motor vehicles (other than sedans or station wagons) for transportation of no more than 10 (ten) seater using spark-ignition engines with 2 (two) drive axle (4x4) with a cylinder load capacity of 1,500 – 2,500 cc, extended for September to December 2021.

Basically, studies related to tax incentives to stimulate the economy are not new. Tax instruments as part of public policy are one of the most popular choices in intervening in various conditions during the COVID-19 pandemic (Devereux, Güçeri, Simmler, & Tam, 2020). In addition to the context of the COVID-19 pandemic, the use of fiscal incentives, for example, the VAT subsidy instrument on the distribution of 3 kg LPG cylinders (Widyaningrum, 2012), fiscal instruments to influence people's behavior to use electric vehicles (Dimitropoulos, van Ommeren, Koster, & Rietveld, 2014; Li et al., 2019; Yan, 2018), even related to emission control (Urrutia-Mosquera & Fábrega, 2021).

With the less optimize absorption of tax incentives as previously explained, the government has still renewed and extended PPnBM incentives until the end of 2021. Therefore, further research is needed to analyse the implementation and challenges of implementing PPnBM DTP incentive policies during the Covid-19 pandemic. This research is expected to provide benefits for the government to evaluate and make improvements to a more appropriate tax incentive policy for the near future. This is important to implement so that the PPnBM DTP incentive policy can have a

significant positive impact on people's purchasing power to encourage national economic recovery and support the sustainability of the business world. Based on this explanation, this research aims to, first, analyze the implementation of the PPnBM DTP incentive policy for the automotive industry sector in Indonesia during the Covid-19 pandemic. Second, to analyze the government's considerations in extending the PPnBM DTP incentive policy.

METHODS

This study uses a post-positivist approach because it relates to the problems taken with the aim of analyzing the implementation of the PPnBM DTP incentive policy for the automotive industry sector in Indonesia during the Covid-19 pandemic and analyzing the government's considerations in extending the PPnBM DTP incentive policy. This is also further explained by Neuman (2014) that the post-positivist approach is to integrate deductive logic with appropriate empirical observations in terms of individual behavior to ensure and find probabilistic causal laws that can be implemented in predicting general patterns of human activity. Meanwhile, the data collection techniques used by the researchers were in-depth interviews and literature studies. The informants interviewed consisted of representatives of relevant stakeholders, namely representative from the Directorate General of Taxes, the Directorate of Tax Regulation 1, representative from the Fiscal Policy Agency, representative from the Ministry of Industry, several representatives from Deputy 1 for Macroeconomic Coordination and Finance at the Coordinating Ministry for the Economy, representatives from from tax practitioners, representatives from Gaikindo, several academics, several representatives from finance/taxation staff of business entities from the automotive industry sector.

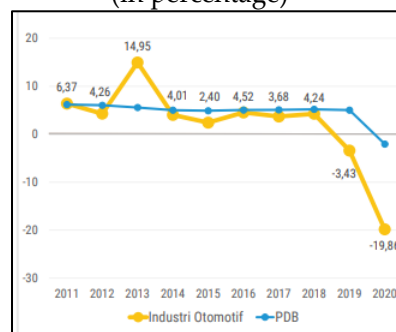
RESULTS AND DISCUSSION

The automotive industry is one of the mainstay sectors that contribute significantly to the national economy. Among ASEAN countries, Indonesia ranks second as the largest automotive industry with 1,289,847 vehicles in 2019. Until recently, there are 22 industrial companies of four-wheeled motor vehicles or more in Indonesia. In this case, the contribution of the automotive industry for the national economy is up to IDR99.16 trillion for investment with a total production capacity of 2.35 million vehicles per year and absorb 38,390 direct workers. Meanwhile, currently there are 26 two- and three-wheeled automotive industry companies in Indonesia with an investment value of IDR. 10.05 trillion, a production capacity of 9.53 million vehicles per year, and direct employment of 32,000 people (The Ministry of Industry of the Republic of Indonesia, 2021). In addition, the presence of the automotive industry has a wide impact on more than 1.5 million people who work in the automotive industry sector. In this case, the automotive industry sector is considered to have an important and strategic contribution. Therefore, the automotive industry sector is included in the "Making Indonesia 4.0" road map and is given development priority in the implementation of industry 4.0.

Motor vehicle products produced by Indonesia have passed the export market of 80 countries. Furthermore, exports of Completely Build Up (CBU) vehicles reached 232.17 thousand units or equivalent to IDR. 41.73 trillion in 2020. Meanwhile, shipments for Completely Knock Down (CKD) vehicles were 53.03 thousand sets or worth IDR. 1.23 trillion and components were 61.2 million pieces or equivalent to Rp. IDR 17.52 trillion (Gareta, 2021). The automotive industry has experienced a growth contraction since the first quarter of 2019 by 3.43%. The same thing also happened in the first quarter of 2020 where there was a positive growth of 4.64% and again experienced a rapid contraction in the second quarter of 2020 of

34.29%. The contraction continued until the fourth quarter of 2020. However, growth was recorded to experience a slowdown from a contraction of 29.98% to 18.98% in the third quarter of 2020.

Graph 2. The Growth of Automotive Industry (in percentage)



Source: The Ministry of Industry of the Republic of Indonesia (2021).

In 2013, this industry had enormous potential because its growth rate had reached 14.95%. However, the growth rate only reached 2.4% in 2015. This caused the country's economic growth to slow down to 4.88%. Furthermore, the growth of the automotive industry increased to 4.52% in 2016. Then, the figure declined again and there was a growth contraction of 3.43% in 2019 (The Ministry of Industry of the Republic of Indonesia, 2021). As one of the sectors involved in "Making Indonesia 4.0", the automotive industry focuses on occupying the main actor of ICE and EV export player. However, automotive manufacturers were forced to close their production during the Covid-19 pandemic. In line with this, automotive demand also experienced a very sharp decline due to reduced public demand. The impact of the Covid-19 pandemic has been felt by the automotive industry (The Ministry of Industry of the Republic of Indonesia, 2021).

PPnBM policy in Indonesia is regulated in Law no. 42 of 2009 concerning the Third Amendment to Law no. 8 of 1983 concerning Value Added Tax on Goods and Services and

Sales Tax on Luxury Goods (Law on PPN and PPnBM), which was last amended by Law no. 7 of 2021 concerning the Harmonization of Tax Regulations which will take effect on October 29, 2021. Meanwhile, regarding the implementing regulations, it is regulated in PP. 1 of 2012 concerning the implementation of Law no. 8 of 1983 concerning VAT and PPnBM As Amended Several Times, most recently by Law no. 42 of 2009 which was later amended again with the PP No. 9 of 2021 concerning Tax Treatment to Support the Ease of Doing Business.

Then, related to luxury goods in the form of motorized vehicles, it is regulated in a derivative regulation, namely PP No. 74 of 2021 concerning Amendments to PP No. 73 of 2019 concerning taxable goods classified as luxury in the form of motorized vehicles subject to sales tax on luxury goods. Meanwhile, related to the technical aspects, for example the types motor vehicles that are subject to PPnBM, are regulated in PMK No. 141/PMK.010/21 Concerning the Determination of Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for Imposition, Granting, and Administration of Exemption, and Refund of Sales Tax on Luxury Goods (PMK No. 141/PMK.010/2021). Based on Article 5 Paragraph (1) of the PPN and PPnBM Law mentions that PPnBM is imposed on:

“Supply of taxable goods classified as luxury item carried out by the entrepreneur who

produces the goods within the Customs Area in his business activities or work; and Taxable imports which are classified as luxury items”.

The Covid-19 pandemic prompted the government to improve the national economy. In this case, to boost the productivity of the automotive industry, as well as boost sales and competitiveness of the automotive industry affected by the Covid-19 pandemic, the government has issued various policies or stimulus for the automotive industry sector, namely PPnBM incentives for certain motor vehicles. Initially, PPnBM DTP incentives will be implemented in stages over nine months, namely 100% PPnBM DTP incentives in the first stage, 50% incentives in the second stage, and 25% incentives in the third stage. However, over time, the initial scheme changed along with the enactment of the latest PMK. The PMK list regarding PPnBM DTP during 2021 is as follows.

- a) PMK No. 20/PMK.010/21 with an effective date of 26 February 2021 – 1 April 2021.
- b) PMK No. 31/PMK.010/21 with effective date 1 April 2021 – 2 February 2022.
- c) PMK No. 77/PMK.010/21 with an effective date of 30 June 2021 – 2 February 2022.
- d) PMK No. 120/PMK.010/21 with an effective date of 13 September 2021 – 2 February 2022.

Table 2. The Differences Among Ministry of Finance Regulation Regarding Incentives on PPnBM DTP During Year 2021

Note	PMK No. 20/PMK.010/2021	No.	PMK No. 31/PMK.010/2021	PMK No. 77/PMK.010/2021	No.	PMK No. 120/PMK.010/2021	No.
Object	Article 2 Sedan or station wagon vehicle with diesel or semi-diesel and cylinder capacity up to 1,500 cc; and		There are expansions in Article 2, namely: Motor vehicles for transportation of less than 10 seaters including drivers other than sedans or station wagons,	There are no amendments to PMK No. 31/PMK.010/21		There are no amendments to PMK No. 31/PMK.010/21	

	Motor vehicles for the transportation of less than 10 seaters including drivers other than sedans or station wagons, with diesel or semi-diesel with one drive axle (4x2) and a cylinder capacity of up to 1,500 cc.	with diesel or semi-diesel with one drive axle (4x2) and a cylinder capacity of 1,500 cc – 2,500 cc.	Motor vehicles for the transportation of less than 10 people including drivers other than sedans or station wagons, with diesel or semi-diesel with two drive axles (4x4) and a cylinder capacity of 1,500 cc – 2,500 cc.	
Local purchase	Minimal 70%	Minimal 60%	There are no amendments to PMK No. 31/PMK.010/21	There are no amendments to PMK No. 31/PMK.010/21
Rate	100% for the tax period March – May 2021 50% for the tax period June – August 2021. 25% for the tax period September – December 2021.	PPnBM payable as referred to in Article 2 letters a and b that have met the requirements, among others: 100% for the tax period April – May 2021 50% for the tax period June – August 2021 25% for tax period September – December 2021 PPnBM payable as referred to in Article 2 letter c that have met the requirements, among others: 50% for the tax period April – August 2021 25% for tax period September – December 2021 PPnBM payable as referred to in Article 2 letter d that have met the requirements, among others: 25% for the tax period April – August 2021 12.5% for the tax period September – December 2021.	There are the following amendments. PPnBM payable as referred to in Article 2 letters a and b that have met the requirements, among others: 100% for the tax period April – May 2021 100% for the tax period June – August 2021 25% for tax period September – December 2021 PPnBM payable as referred to in Article 2 letter c that have met the requirements, among others: 50% for the tax period April – August 2021 25% for tax period September – December 2021 PPnBM payable as referred to in Article 2 letter d that have met the requirements, among others:	There are the following amendments. "PPnBM payable as referred to in Article 2 letters a and b that have met the requirements, among others: 100% for the tax period April – May 2021 100% for the tax period June – August 2021 100% for tax period September – December 2021 PPnBM payable as referred to in Article 2 letter c that have met the requirements, among others: 50% for the tax period April – August 2021

			25% for the tax period April – August 2021	50% for tax period September – December 2021
			12.5% for tax period September – December 2021	
				PPnBM payable as referred to in Article 2 letter d that have met the requirements, among others: 25% for the tax period April – August 2021 25% for the tax period September – December 2021.
Administration	<p>a. Tax invoices are in accordance with applicable regulations; and</p> <p>b. PPnBM DTP realization report</p> <p>As regulated in Article 6 paragraph (2) that the tax invoice must be given the statement "PPnBM borne by the GOVERNMENT OF EX PMK NUMBER .../PMK.010/21". Then, in paragraph (3) it is explained that the tax invoice reported in the Periodic VAT Return in accordance with the provisions by the PKP who makes the delivery of motorized vehicles is the realization of PPnBM DTP.</p>	<p>There are changes related to the provisions on the administration of tax invoices. As explained in Article 6 number (2) that the tax invoice must be made with transaction code 01; description of the type of goods at least includes the type, capacity of the contents of the cylinder, numeric number, engine number, and the Harmonized System code (HS Code); and the statement "PPnBM is borne by the GOVERNMENT...% of EX PMK NUMBER .../PMK.010/2021 VALUE OF Rp ..."</p>	<p>There are no amendments to PMK No. 31/PMK.010/21</p>	<p>There are no amendments to PMK No. 31/PMK.010/21</p>

Source: PMK No. 20/PMK.010/2021, PMK No. 31/PMK.010/2021, PMK No. 77/PMK.010/2021 dan PMK No. 120/PMK.010/2021, processed by researchers.

The Decree of the Minister of Industry (KEP Menperin) is a provision that supports PMK regarding PPnBM DTP. The Minister of

Industry's KEP also underwent several changes during 2021. The description of the Minister of Industry's KEP is as follows.

Table 3. Ministry of Industrial Affairs Regulation regarding PPnBM DTP

Note	KEP-Menperin No. 169/2021	KEP-Menperin No. 839/2021	KEP-Menperin No. 1737/2021
Local purchase	Minimum 70%	Minimum 60%	No amendments
Administrative obligation	Submission on the following documents to the Director General of Metal, Machinery, Transportation Equipment and Electronics Industries. a. Tax invoice in accordance with applicable regulations; b. PPnBM DTP realization report; and c. Quarterly sales performance	No amendments	No amendments
No of vehicle types received benefit	21 types of vehicles	29 types of vehicles	36 types of vehicles

Sumber: KEP-Menperin No. 169/2021, KEP-Menperin No. 839/2021 dan KEP-Menperin No. 1737/2021 (processed by the researchers)

The Fundamental Aspect of Public Policy Analysis

Basically, studies related to tax incentives to stimulate the economy are not new. Tax instruments as part of public policy are one of the most popular choices in intervening in various conditions during the COVID-19 pandemic (Devereux, Güçeri, Simmler, & Tam, 2020). In addition to the context of the COVID-19 pandemic, the use of fiscal incentives, for example, the VAT subsidy instrument on the distribution of 3 kg LPG cylinders (Widyaningrum, 2012), fiscal instruments to influence people's behavior to use electric vehicles (Dimitropoulos, van Ommeren, Koster, & Rietveld, 2014; Li et al., 2019; Yan, 2018), even related to emission control (Urrutia-Mosquera & Fábrega, 2021).

In analyzing the implementation of tax policy as a public policy, public policy analysis become an important tool. The modified triangle of policy analysis model of public policy consists of four main variables, namely content, context, process, and achievements (Mubarok, Zauhar, Setyowati, & Suryadi, 2020).

a. Content of policy, representing all or part of other dimensions so that it can be understood regarding who the perpetrators are, what is the context, and the process is the supporting content.

- 1) Influencing interests, meaning that interested actors have certain roles and functions that can influence the successful achievement of efficient policy implementation (Viennet & Pont, 2017).
- 2) Types of benefits, meaning that the benefits received are related to how and to what extent the implementation of the policy results in changes for several parties (targets).
- 3) The degree of change desired, meaning that the success or failure of policy implementation can be seen from the behavioral changes resulting from the policy target.
- 4) The place of decision making, according to Grindle in (Mubarok et al., 2020), policy implementation is influenced by the position of the policymaking actors, and is considered more difficult if the positions of the actors are separated, both geographically and organizationally.

5) Program implementers, according to Grindle in (Mubarok et al., 2020), policy implementation is influenced by the capacity of the policy implementing actors or how many agencies are involved. Policy implementers must have the capability to succeed in achieving and implementing a policy.

6) The resources used, that is, the resources will facilitate the implementation of a policy. Adequate and effective resources are one of the determining factors for the success of policy implementation (Viennet & Pont, 2017).

b. Process of policy, emphasizes discussion related to the scope related to the way in which a policy is identified, formulated, and the strategy proposed. There are several aspects adopted from Edward III in (Mubarok et al., 2020), namely:

1) Derivatives/policy resources, meaning that human resources or other resources will facilitate a policy to be implemented. Adequate resources and effective use of resources will be considered as one of the success factors in policy implementation (Viennet & Pont, 2017).

2) The attitude of the implementer (tendencies)/behavior, meaning the desire, willingness, or tendency of policy makers to implement the policy seriously so that the policy objectives can be achieved. If the policy is to be implemented effectively and efficiently, the policy implementers must not only know what needs to be implemented and be capable of implementing the policy, but also intend to implement the policy.

3) Bureaucratic structure, meaning that there are several aspects in the bureaucratic structure, namely division of authority, relationships between organizational units, and others.

4) Communication, meaning that a fragmented or fragmented bureaucratic structure can

increase the probability of communication failure because the possibility of distortion of information will be very large. So, the more distorted the information is, the more intensive coordination is needed.

c. Context of policy

Context analysis is an analysis of the context in which the policy applies. Some of these aspects include those proposed by Edward and Grindle, namely:

1) The power, interests, and strategies of the actors involved, if there are parties who are considered to have an interest in the policy, then that party will make a strategy to win the competition with its strength so that that party can enjoy the results of the implementation of the policy.

2) Characteristics of institutions and authorities, meaning that the existence of political elite support can influence policy implementation because policy implementers can implement these policies and achieve predetermined goals.

3) Compliance and responsiveness of actors, meaning that if the policy content is acceptable, then policy implementation will be easier to implement. This can be seen on how the response of the party respond, whether the existence of this policy, the party feels helped or whether the party takes advantage of the implemented policy (Viennet & Pont, 2017).

d. Policy achievements

This aspect is intended to identify the achievements that have been obtained in policy implementation, taking into account aspects of the perceived impact on policy objectives and the level of change that has been achieved.

Analysis of the Implementation of Sales Tax Incentives on Luxury Goods by the Government for the Automotive Industry Sector in Indonesia

Aspects of Content of Policy

The provision of PPnBM DTP incentives is part of government expenditure to spur economic growth. This is because the government sees that the middle class still has savings which have even increased during the Covid-19 pandemic. Public savings during the Covid-19 pandemic grew above 10% (Agustiyan, 2020). Following the table 4 below, it is explained that the savings growth rate increased during the Covid-19 pandemic in 2020, increased by 4.4% to 10.9% compared to 2019 which had a savings growth rate of 6.5% (Indonesia Deposit Insurance Corporation, 2020) and spread across various types of categories.

Table 4. The Increase of Saving Growth 2016-2020

Year	Nominal (IDR in Triliun)	Growth (yoy)
2020	6.737	10,9%
2019	6.077	6,5%
2018	5.704	6,4%
2017	5.363	9,5%
2016	4.900	9,5%

Source: Indonesia Deposit Insurance Corporation (2020), further processed by the researcher

Furthermore, the distribution of savings during 2020 can be described as follows.

Table 5. Amount of Savigs Distribution 2020

Saving Group	Nominal (IDR Triliun) per Des	Growth (ytd)
N ≤ Rp100 mio	954	8,1%
IDR 100 mio ≤ N ≤ IDR 200 mio	379	7,7%
IDR 200 mio ≤ N ≤ IDR 500 mio	607	8,8%
IDR 500 mio ≤ N ≤ IDR 1 mio	532	8,6%
IDR 1 bio ≤ N ≤ IDR 2 bio	462	9,3%
IDR 2 bio ≤ N ≤ IDR 5 bio	596	5,7%
N > IDR 5 bio	3.207	14,2%

Source: Indonesia Deposit Insurance Corporation (2020), further processed by the researcher

However, based on the results of an interview with the Tax Regulation 1 (PP1) Section of Industrial VAT 2 of the Directorate General of Taxes, the provision of incentives for PPnBM DTP is a form of government decision after considering the socioeconomic conditions occurred during the pandemic. The Covid-19 pandemic caused the Enforcement of Community Activity Restrictions (or Pemberlakuan Pembatasan Kegiatan Masyarakat/PPKM). The existence of PPKM resulted in declining economic conditions where the community, especially the lower middle class faced difficult conditions, therefore the government carried out a national economic recovery program. One of the national recovery programs is the PPnBM incentive for certain cars for the automotive industry. Therefore, in this case there has been an anomaly, which was on the one hand of the community, especially the lower middle class, is facing difficult conditions, but on the other hand the middle class is encouraged to consume so that they desire to spend their money to accelerate the economic growth.

Therefore, the government expanded the object of PPnBM DTP as regulated in PMK No. 31/PMK.010/2021. The automotive industry is one of the major industries that significantly has influenced the economy with its capital-intensive and labor-intensive characteristics. The automotive industry has contributed an average of 20% to the national GDP and absorbs 17.5 million workers. Meanwhile, exports from the automotive industry accounted for around 80.3% of the total national exports of US\$163.3 billion in 2020 (GAIKINDO, 2021). It is expected that this incentive would be able to maintain production activities where labor is an important aspect for all economic groups. When car production increases, the need for car components obtained from the automotive support industry also has the potential to increase. So, this policy should be also able to provide a stimulus to the automotive

supporting industry. Furthermore, the implementation of this PPnBM DTP incentive policy has caused several manufacturing sub-sectors to experience economic growth of 3.69% in 2021 (The Ministry of Industry of the Republic of Indonesia, 2021).

In addition, according to the Taxable Entrepreneurs (or Pengusaha Kena Pajak/ PKP) from the automotive industry perspective, the implementation of the PPnBM DTP policy for the automotive industry sector can also stimulate consumers or people who initially did not want to buy a car to turn into wanting to buy a car. This is marked by an increase in the number of sales of certain cars in 2021 compared to conditions in 2020. Based on Gaikindo data, the number of domestic car sales in 2020 was 532,027 units and in 2021 it was 887,202 units. This figure increased significantly, although the number of car sales in domestic was not as high as in 2019 or before the Covid-19 pandemic which reached 1,030,126 units. Although this policy also underwent changes related to the PPnBM DTP rate given, for example an extension of the 100% incentive rate which was extended until the end of 2021, this change did not become a significant problem for the automotive industry because it was in order to maintain automotive industry sales during the Covid-19 pandemic. This has directly proportional to what was said by Grindle in Mubarok et al. (2020) that the success or failure of policy implementation can be seen based on changes in behavior resulting from the party who is the target of the policy. This will lead to the achievement of the goals that have been set at the beginning, that is maintaining enthusiasm and maintaining public purchasing power for vehicles to encourage national economic recovery.

According to Grindle in Mubarok et al. (2020), policy implementation is influenced by the position of policy-making actors. Furthermore, policy implementation is considered more difficult if the existence of the actors concerned is separated, both geographically and

organizationally. In this case, the implementation of the PPnBM DTP incentive policy has fulfilled the aspect of the place of decision making based on two reasons, namely the existence of the policy makers of PPnBM DTP incentives in one geographic area and one organization.

The existence of policy makers of PPnBM DTP incentives are in one geographic area and one organization. First, the existence of policy-making actors (BKF and DGT) on PPnBM DTP incentives are located in one geographic area, namely the Special Capital Region of Jakarta (DKI Jakarta) with each located in South Jakarta and Central Jakarta. Second, the existence of policy makers for PPnBM DTP incentives are in one organization, namely the Ministry of Finance. The position of policy-making actors within the geography and organization will facilitate policy implementation. This is because decision-making has a very crucial role in implementing a policy, so it is mandatory to know where the decision-making location of a policy is (Subarsono, 2006).

The implementing actors of this incentive policy are the PKP of the automotive industry and the DGT as the party that supervises the administration or fulfillment of tax obligations carried out by the PKP of the automotive industry. PKP who take advantage of this incentive must meet several administrative requirements as regulated in PMK No. 20/PMK.010/2021 jo. PMK No. 120/PMK.010/2021 as the latest regulation in 2021, that is providing tax invoices and PPnBM DTP realization reports. Tax invoices that must be reported are made using transaction code 01 and include some vehicle information. Until recently, the implementation of PPnBM DTP incentives and the supervision carried out by the DGT have not encountered any significant obstacles. In line with the opinion described by Grindle in Mubarok et al. (2020) that the capability of policy implementing actors is important in implementing policies.

Regulations are made by the Ministry of Finance, in this case the Fiscal Policy Agency (or Badan Kebijakan Fiskal/BKF). In this aspect, there are adequate resources to support the implementation of the PPnBM DTP incentive policy. Adequate resources and applied effectively are one of the tools for determining the success of policy implementation (Viennet & Pont, 2017). BKF has considered the provision of PPnBM DTP incentives for the automotive industry sector, one of which is from a macro perspective. This means that it is seen which sectors are most affected by the Covid-19 pandemic and incentives will be given to industrial sectors that have negative economic growth rates. In this case, the automotive industry sector has a negative economic growth rate identified by a contraction of 2.07 (yoy) (The Ministry of Industry of the Republic of Indonesia, 2021).

Aspects of Process of Policy

In formulating a policy, the Fiscal Policy Agency (BKF) refers to several tax incentive policies that have been carried out by countries in the world to restore the economy through the OECD Data Questionnaire. In this case, the PPnBM DTP incentive policy is in line with the tax policy in Korea that took effect in March 2020; the tax rate reduction for private consumption taxes for vehicles to encourage public consumption (OECD, 2020). BKF in determining how much the PPnBM DTP tariff is, who can take advantage of the PPnBM DTP incentives, and what are the tax objects has been in coordination with the Ministry of Industry and the coordinating ministry for the Economy. This is in line with the theory by Viennet and Pont (2017) that adequate resources and effective use of resources will be considered as one of the success factors in policy implementation.

This PPnBM DTP incentive policy is only a stepping stone and is short term. Bearing in mind, the PPnBM DTP incentive policy is contrary to the road map issued by the Ministry

of Industry which expects vehicles to have low emissions in the future. In this case, there is discretion by the government as the party implementing the policy as well. In line with Edward III's theory in Winarno (2007) that implementers have a lot of discretion in implementing policies. This means, after the Covid-19 pandemic and economic conditions have improved (recovered), the government will return to the initial road map of the Ministry of Industry. This is where tax as a regular end function.

There have been several updates throughout 2021. In PMK No. 20/PMK.010/2021, certain motor vehicles that receive PPnBM DTP incentives are vehicles with a cylinder capacity of less than 1,500 cc. However, an anomaly occurred as described in the previous explanation. Thus, if the object of PPnBM DTP is only limited to certain vehicles with a maximum cylinder capacity of 1,500 cc, the implementation of the policy will not encourage the middle class to spend their money. Therefore, the object was expanded in PMK No. 31/PMK.010/2021 and allow the decrease in local purchases to a minimum of 60%. It is expected that the multiplier effects and regulated functions also come into play. Meanwhile, if there is a proposed revision of provisions due to implementation that is not in accordance with the conditions in the field from the Ministry of Industry and/or PKP for the automotive industry, the Ministry of Finance acts to direct these adjustments so that the regulatory objectives are achieved.

Referring to information from the Fiscal Policy Agency through interviews, he said that in the formulation of policies they considered the regulation harmonization where the harmonization for the PMK level is at the Ministry of Law and Human Rights (Kemenkumham). In this case, the Ministry of Finance is obliged to make records in the harmonization, for example regarding the administration of PPnBM DTP assigned to whom and who is the proxy who records the use of the

PPnBM DTP incentive budget. In fact, the Cabinet Secretary is also involved, which is authorized to prepare and coordinate the implementation of harmonization related to this incentive policy whether it is in line with the president's directives or not.

There are several organizational units involved in implementing this policy, namely the Ministry of Finance (BKF and DJP), the Ministry of Industry, the coordinating minister for the Economy, Gaikindo, and automotive industry business players, as well as the Ministry of Law and Human Rights, DPR, BPK, and the Cabinet Secretary. As explained by the informants that the Ministry of Finance will accept incoming proposals from the related entities/institution which in this case is the Ministry of Industry, then discuss and consider the functions and duties of the Ministry of Finance, then approve the proposal in the form of PMK. During the process, the Ministry of Industry will provide a Certificate (or Surat Keterangan) regarding the criteria for the automotive industry for certain vehicles that can be stimulated by the PPnBM DTP incentive. This is in line with the theory stated by Edward III that policy implementation is effective because the bureaucratic structure is efficient. In this case, there are several aspects of the bureaucratic structure in the implementation of the PPnBM DTP incentive policy, for example the bureaucratic structure, the division of authority, and the relationship between organizational units.

Communication takes place both internally and externally. Communication and coordination related to the implementation of the PPnBM DTP incentive policy is carried out between ministries/agencies. In this case, as explained by the Directorate General of Taxes that the PKP of the automotive industry through Gaikindo communicates and coordinates with the Ministry of Industry and which will later convey suggestions, input, ideas, and opinions to the Ministry of Finance.

Then, DGT also conducted socialization to the PKP of the automotive industry and Gaikindo. This is important, because the only direct communication between the government and the community is during the socialization process (Yudarwati & Gregory, 2022). DGT conducts various socializations to help taxpayers fulfill their tax obligations so that the stated objectives of the PMK can be achieved.

Aspect Context of Policy

This implementation is also a government strategy to restore the economy by increasing people's purchasing power on certain motorized vehicles. This policy is undertaken so that industries can survive in the midst of the Covid-19 pandemic. It also be expected that the negative impacts of the Covid-19 pandemic, such as increasing unemployment and reducing production capacity by industries can be minimized. This is in line with what was explained by Edward and Grindle in Mubarok et al. (2020) that the implementation of the policy is said to be successful if the parties involved are considered to have an interest so that those parties can enjoy the results of the implementation of the policy. In this case, the automotive industry is the actor who can take advantage of the PPnBM DTP incentives and the DGT as the party that monitors the administration of the implementation of the PPnBM DTP incentive policy. The result is an increase in motor vehicle sales. This is also directly proportional to the idea expressed by Grindle in Subarsono (2006) that policy implementation becomes easier if the implementation of the policy provides benefits or benefits to a number of parties.

There are no significant obstacles in implementing the PPnBM DTP incentive policy. This is due to the communication and socialization carried out by Gaikindo to the automotive industry, Account Representatif of the Tax Policy Office (AR KPP) to the automotive industry, or a combination of the three.

Therefore, the business actors sufficiently understand how to take advantage of the PPnBM DTP incentives, they always update and follow the latest regulations related to the automotive industry.

As regulated in PP No. 74 of 2021, tax base to calculate PPnBM payable can be obtained from the selling price of the motor vehicle. PPnBM is collected using the selling price from the manufacturer to the distributor. Meanwhile, the selling price from distributors to end customers is not monitored, so this could be a potential tax problem. In this case, the responsive automotive industry responds to this by ensuring the distributors that the selling price to end customers does not exceed the existing provisions so that the transactions carried out are still classified as fair prices.

In addition, the research findings also explain that tax officials in the automotive industry already understand this PPnBM regulation. Although in the implementation there are administrative errors, this can be communicated properly between the DGT and the automotive industry. In this case, socialization plays a very important role in supporting the implementation of the PPnBM DTP incentive policy so that the level of compliance and responsiveness of the automotive industry can increase and the goals that have been set can be achieved. This is in line with what Viennet and Pont (2017) explained that a good level of compliance and responsiveness will make policy implementation easier to implement.

Aspects of Policy Achievement

The implementation of the PPnBM DTP incentive policy has succeeded in maintaining enthusiasm and maintaining people's purchasing power for motorized vehicles. Furthermore, the number of sales in 2021 which reached 887,202 managed to increase compared to the number of sales in 2020 which reached 532,027. However, the number of sales in 2021 is not equivalent to the sales conditions in 2019 which sales reached

1,030,126 units. In addition, due to the growth of the component industry in Indonesia, around 1,550 component industry companies from tier 1 and tier 3 are able to absorb as many as 1.5 million workers. Then, based on the provisional realization report of the 2021 APBN, the total realization of PPnBM DTP according to the 2021 Central Government Financial Report (LKPP) is IDR 4,916,284,423,265. This causes the national economic growth rate to reach 5.02% (yoy) in 2021. Therefore, the PPnBM DTP incentive policy can be said to be successful in encouraging national economic recovery, namely in terms of demand followed by an increase in supply (Habibah & Subagyo, 2022). This is in line with the principle of tax policy, namely economic and growth efficiency. In addition, this is directly proportional to what is explained by Viennet and Pont (2017) that the achievements and results provided by the policy are in accordance with the needs that exist in society to be an element of urgency in the success of policy implementation.

Analysis of the Extension of the Sales Tax Incentive Policy on Luxury Goods Borne by the Government for the Automotive Industry Sector in Indonesia

In terms of social considerations, the extension of the PPnBM DTP incentive for certain cars 100% is a form of request from business actors which has been granted by the government. According to Dunn (2011), responsiveness is related to how far a policy can answer the needs, preferences, or values of certain community groups. This is done because the PEN budget for PPnBM DTP incentives has still considered sufficient. Then, to maintain sales of certain motor vehicles which have improved considerably when compared to the same period in 2020, the existence of the policy is needed. In addition, an extension of the PPnBM DTP incentives by 100% borne by government was also carried out to maintain enthusiasm people to buy motor vehicles.

Then, in terms of economic considerations, the extension was due to the domino effect that emerged as described in the section on types of benefits. This domino effect can reduce the occurrence of layoffs. Therefore, this situation can reduce the number of unemployed people affected by the Covid-19 pandemic. This is in line with the theory presented by Bintari and Pandiangan (2016) that the magnitude of policy involvement in solving social problems is very important in implementing these policies.

Realization of tax payments from the car sales sector on the automotive Income Tax (Pajak Penghasilan/PPH) Article 22 in the New Car Wholesale Business Group, Used Car Wholesale Trade, Used Car Retail Trade, and the Four or More Wheel Motor Vehicle Industry will increase

in 2021 when compared to conditions in 2020. Meanwhile, the realization of tax payments from the car sales sector on PPN and PPnBM in 2021 has increased when compared to conditions in 2020, except for the New Car Retail Trade business group. Then, there is also a tax payment from the car sales sector on Article 25/29 Corporate Income Tax, although the majority of the amount is not as big as in 2019 and 2020. One of the reasons for this is because the refund is greater than the taxpayer's payment (for those whose tax payments are negative). Overall, however, the realization of tax payments from the car sales sector in several automotive supporting industries has increased.

Table 6. Realization of Tax Payments from the Car Sales Sector (Data per June 2022)

Business Field Classification Code (KLU) and Tax Obligation	Year	
	2019	2021
45101. New Car Wholesale:		
PPH Art. 22 Automotive	5.632.073.437.451	3.361.262.254.781
PPN & PPnBM	199.818.063.776	4.533.936.815.235
PPH Art. 25/29	4.379.994.894.257	101.715.614.778
PPH Art. 25/29	4.379.994.894.257	3.509.001.172.426
PPH Art. 25/29	1.052.260.479.418	4.626.898.542.989
PPH Art. 25/29	1.052.260.479.418	-249.454.532.423
45102. Used Car Wholesale:		
PPH Art. 22 Automotive	16.439.401.095	17.035.922.782
PPH Art. 22 Automotive		41.524.341.823
PPN & PPnBM		1.854.546
PPH Art. 25/29	12.268.198.779	13.352.113.146
PPH Art. 25/29	4.171.202.316	38.977.345.056
PPH Art. 25/29	4.171.202.316	3.683.809.636
PPH Art. 25/29	4.171.202.316	2.545.142.221
45103. New Car Retail Trade:		
PPH Art. 22 Automotive	1.149.805.267.177	955.245.838.172
PPH Art. 22 Automotive	1.078.458.664	343.167.214
PPN & PPnBM	957.775.864.336	719.004.331.671
PPH Art. 25/29	957.775.864.336	919.161.562.651
PPH Art. 25/29	190.950.944.177	742.818.449.939
PPH Art. 25/29	190.950.944.177	35.741.108.307
PPH Art. 25/29	190.950.944.177	-24.118.002.178
45104. Used Car Retail Trade:		
PPH Art. 22 Automotive	81.433.091.869	52.915.093.255
PPH Art. 22 Automotive	15.554.530	251.049.200.775
PPN & PPnBM	55.615.193.082	395.089
PPH Art. 25/29	55.615.193.082	5.893.950
PPH Art. 25/29	25.802.344.257	38.399.604.845
PPH Art. 25/29	25.802.344.257	249.345.480.882
PPH Art. 25/29	25.802.344.257	14.515.093.321
PPH Art. 25/29	25.802.344.257	1.697.825.943
29100. Industry of Four or More Wheeled Motor Vehicle:		
PPH Art. 22 Automotive	9.847.917.107.437	2.734.177.935.795
PPH Art. 22 Automotive	661.391.832.099	3.500.933.137.228
PPN & PPnBM	7.329.832.238.640	302.285.184.873
PPH Art. 25/29	7.329.832.238.640	543.017.260.444
PPH Art. 25/29	1.856.693.036.698	2.157.029.701.104
PPH Art. 25/29	1.856.693.036.698	3.803.935.804.016
PPH Art. 25/29	1.856.693.036.698	274.863.049.818
PPH Art. 25/29	1.856.693.036.698	-846.019.927.232
Total	16.727.668.305.029	7.120.637.044.785
Total	16.727.668.305.029	9.046.447.826.732

Sumber: Collected Written Proposed data to PPID Kemenkeu (2022), "reprocessed"

In addition, to the increase in the number of motor vehicle sales, derivative industries (supporting industries) from the automotive industry were also helped to recover the

situation. This is because the production process for motor vehicles requires components made by supporting industries, such as spare parts, mirrors, and so on. When the number of sales

increases, the amount of production also increases. This domino effect can reduce the occurrence of layoffs. Therefore, this situation is able to reduce the number of unemployed people affected by the Covid-19 pandemic. This is in line with the theory presented by Bintari and Pandiangan (2016) that the magnitude of policy involvement in solving social problems is very important in implementing these policies.

CONCLUSION

The implementation of the PPnBM DTP incentive policy for the automotive industry in Indonesia during the Covid-19 pandemic was sufficient in accordance with the regulations stipulated in 2021. In its implementation, an anomaly occurred; on the one hand, the community, especially the lower middle class, faced difficult conditions, but on the other hand, the middle class was encouraged to spend their money to accelerate economic growth.

The benefits of this policy, for the producer side, there is a multiplier effect, for example helping to maintain the life of the declining automotive supporting industry. Meanwhile, from the consumer perspective, the implementation of this incentive policy is able to encourage public interest in buying cars. The existence of local purchase provisions causes the automotive industry to have to buy local vehicle partitions of at least 60% of the components used and stimulate consumers or people who originally did not want to buy a car to turn into wanting to buy a car.

The policy makers are located in DKI Jakarta and are under the coordination of the Ministry of Finance, thus facilitating the implementation of this PPnBM DTP incentive policy and implementation does not experience significant obstacles. In addition, there are adequate resources to support the implementation of this incentive policy. BKF in formulating this policy refers to the policies of other countries contained in the OECD Data Questionnaire, namely South Korea. There is government support so that the implementation of this policy is in accordance with the original purpose of this incentive policy. After the recovery period is complete, the

government will return to the Ministry of Industry's initial road map that focuses on low-emission vehicles. There is smooth communication between the PKP of the automotive industry, Gaikindo, the Ministry of Industry, and the Ministry of Finance. Gaikindo and the Ministry of Industry can provide input, ideas, and opinions to the Ministry of Finance. The implementation of the PPnBM DTP incentive policy has succeeded in maintaining enthusiasm and maintaining people's purchasing power for motorized vehicles.

The government's consideration in extending the PPnBM DTP incentive policy, especially for the PPnBM DTP incentive of 100% comes from a social perspective, this policy is expected to maintain public enthusiasm for buying certain motor vehicles and a form of request from the automotive industry PKP to maintain sales of certain motorized vehicles that have already been sold. quite improved when compared to the same period in 2020. Meanwhile, in terms of economic considerations, there are several domino effects arising from the implementation of this PPnBM incentive policy, for example reducing the occurrence of layoffs so as to reduce the number of unemployed who are affected by the Covid-19 pandemic.

The government should regulate or supervise the selling price of certain motor vehicles from distributors to end customers so that transactions that occur are still classified as fair prices and selling prices from distributors to end customers are not too expensive, and can prevent potential tax problems in the future, for example the difference in VAT. This is because if the price is too high, the goods may be quite challenging to sell. In addition, the purpose of tax incentives, which initially can make the selling price to end customers cheaper than it should be. The real fact in the market would still be expensive if the selling price was too expensive because lack of field supervision.

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