

Income Tax Rates Increase Policy of Tire Industry Imports

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Abstract: In 2018, there was a weakening of the trade balance which also caused the current account deficit. To overcome this problem the government then issued a number of policies to strengthen the stability of the rupiah, such as an increase in the Income Tax (income tax) tariff on imports in PMK No. 110 / PMK.010 / 2018. One of the industrial objects affected by the tariff increase in Article 22 of the income tax on imports is the tire industry. His study raises the issue of regulations governing tire import provisions, which before PMK No. 110 / PMK.010 / 2018, there is a Minister of Trade Regulation No. 6 of 2018 which was allegedly had the opposite effect of suppressing imports. The purpose of this study was to determine the analysis of changes and policy implications of the increase in Article 22 income tax on imports. The concepts used include the concept of tax policy, tax rate policy, income tax, withholding tax system, tax credit, international trade, and imports. The research approach used is qualitative with descriptive research type. The results showed that the purpose of the policy change was to consider more regular functions and be regulated based on the criteria for the types of consumer goods. In addition, the perceived implication for the government is an increase in the receipt of Article 22 Income Tax and the return of recommendations in the Regulation of the Minister of Trade No. 05 of 2019. Then the implications for importers who are expected to disrupt the company's cash flow and increase the psychological burden of taxpayers have not been so influential.

1 INTRODUCTION

The rubber industry, rubber, and plastic goods are one type of non-oil and gas processing industry in Indonesia which has a competitive advantage compared to other countries. The prospect of the rubber industry in Indonesia is very potential, so the Ministry of Industry based on the National Industrial Development Master Plan establishes the rubber industry as one of the priority sectors in 2015-2019. Indonesia, which is one of the main countries producing natural rubber, has problems in absorbing domestic natural rubber consumption to produce an added value of goods. In the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI, 2011), the use of natural rubber in Indonesia is absorbed mainly by the tire industry, which consists of 4-wheeled wheels, 2-wheeled tires, retreaded tires, and bicycle tires. Four-wheeled tires occupy the top position with a share of rubber used as much as 31%. The use of natural rubber which is dominated by the tire industry sector is in line with the use of natural rubber in the downstream industry that is profitable because the

Indonesian tire industry has a competitive advantage with an adequate supply of raw materials.

The national tire industry is one of the mainstay industries of the government with an average tire industry growth of 7 to 8 percent per year. In addition, in terms of exports, the tire industry is also very reliable because of all the total production, 70 percent is aimed at the export market, and the export value could reach the US \$ 1.5 billion in 2012. Prior to 2018, the domestic tire industry experienced an increase in tire production used to fill the national market as well as overseas expansion. With the import value can be reduced to 56, this is one of the achievements of the tire industry which is quite encouraging supported by Regulation of the Minister of Trade (Permendag) Number 77 / M-DAG / PER / 11/2016 Regarding the Provisions on Tire Import which take effect on January 1, 2017. However, at the beginning of 2018, domestic tire industry activities also began to drop which was alleged since the issuance of Regulation of the Minister of Trade No. 06 of 2018 concerning Amendments to the Regulation of the Minister of Trade No. 77 / M-DAG / PER / 11/2016 Regarding Provisions on Tire

Imports. Until the second quarter of 2018, this tire import activity has reached US \$ 350 million which increased more than 100% compared to the same period in the previous year, US \$ 150 million.

One of the policies in the Regulation of the Minister is that in the process of importing tires, the checking no longer has to go through the Directorate General of Industry, Chemical, Textile and Miscellaneous Ministry of Industry, but only through the Director General of Foreign Trade at the Ministry of Trade. The policy intended for the acceleration of exports and imports is actually considered by employers as a form of convenience for importers because they are given leeway in conducting checks on imports. In addition, in response to the weakening of the trade balance in 2018 which later became one of the causes of the current account deficit (CAD) in the second quarter of 2018 to become a deficit, the government issued a policy of increasing Article 22 Income Tax rates in PMK No. 110 / PMK.010 / 2018 in September 2018. The government added several objects that were affected by the increase in Article 22 income tax tariffs, one of which was tire as one of the objects in PMK No. 110 / PMK.010 / 2018 which on tire imports is subject to a 200% tariff increase, from 2.5% to 7.5%. Tariff adjustment in the tire industry which is intended to deal with imports as stipulated in PMK No. 110 / PMK.010 / 2018 is interesting to study because, in addition to the renewal of the Minister of Trade Regulation in the same year, it is considered to have the opposite effect of suppressing imports, the government also responds to these conditions by raising Article 22 income tax (income tax) on imports. In theory, the imposition of Article 22 Income Tax that is not final is not a burden for taxpayers and is not charged to customers, because Article 22 income tax that has been paid can later be used as a deduction or tax credit for the income tax payable.

Based on the description, in order to further study concerning the amendment to the increase in the income tax rate policy article 22 of the income tax law on imports, the main problem in this study is:

1. How is the analysis of the policy change in the increase of income tax Article 22 tariffs on imports in the tire industry in the Minister of Finance Regulation No. 110 / PMK.010 / 2018?
2. What are the policy implications of the increase in the Article 22 income tax tariff on imports in the tire industry in the Minister of Finance Regulation No. 110 / PMK.010 / 2018?

2 THEORITICAL REVIEW

2.1 Fiscal Policy

Public policy according to Carl Friedrich in Santoso (2012, p. 35) is a collection of actions by governments that have goals and have a direction to achieve the goals and objectives that have been set previously. Among the public policies governed by the government is the policy regarding government expenditure and revenue. This policy is usually referred to as fiscal policy. Fiscal policy in Rahayu (2010, p. 1) is a policy in the form of adjustments in the field of government expenditure and revenue in an effort to improve economic conditions and conditions. According to R. Mansury (1999, p. 1), fiscal policy in the broadest sense is the policy of influencing community production, employment opportunities and inflation using instruments in the form of tax collection and expenditure on the state budget. Meanwhile, if viewed narrowly, fiscal policy is a policy that relates in determining what can be a tax base, who can be taxed and who is excluded, what is the object of taxation and what is excluded, how to regulate the amount of tax owed to how to regulate procedure for carrying out tax payable. In Musgrave (1989, p. 6) it is mentioned that fiscal policy is divided into 4 (four) functions, namely the allocation function, distribution function, stabilization function, and regulation function.

2.2 Tax Policy

Tax according to Adriani as quoted in Brotodihardjo (1993, p. 2) is interpreted as contributions to a state that can be forced, which is owed to people who are obliged to pay it according to regulations by not getting contra (direct), which is appointed directly and is useful for finance public expenditure related to the task of the government or the state in carrying out government activities. According to Marsuni (2006, p. 37), when viewed in terms of juridical and economic aspects in the study of public policies, tax fulfills the elements contained in the policy because it has 2 (two) functions, namely the budgetair function and the regularend function. However, specifically Sommerfield, Anderson and Brock in Rosdiana (2012, pp. 44-45) suggest that there are five tax functions, namely raising revenues, economical price stability, economic growth, and full employment, economic development, and wealth distribution.

2.3 Tax Rate Policy

There are several kinds of notions of tariffs in the field of business economics as explained in Purwito (2009, pp. 197-198), namely Ad valorem rates, specifics, compound rates, antidumping, retribution rates, differential rates, and preference rates. Meanwhile, in Marsyahul (2005, pp. 6-7), the types of tax rates are divided into 4 (four), namely proportional rates, progressive rates, degressive rates, and fixed rates. Rosdiana (2012, p. 90) in her book stated that in determining the tax rate policy, careful consideration must be given in determining the amount of tax, which not only takes into account the marginal tax rate, but also the effective tax rate. This is done so that the determination of the tax rate does not distort someone's choice to work and make someone choose to relax. Therefore, increasing tariffs or setting high-income tax rates may not necessarily increase state revenue, but can also reduce state revenue.

2.4 Income Tax

Understanding income tax in Resmi Siti (2007, p. 74) is a levy that is formally made aimed at people who earn or on income received or obtained in a period or period of tax year provided for the interests of the state and the community in national life and having a state as an obligation. Then Gunadi (2013, p. 296) defines income tax as a tax that is imposed on income in the framework of the ability to pay (ability to pay). Mansury (1996, p. 1) mentions the definition of income that can be taxed must have 5 elements, namely additional economic capabilities, income received or obtained by taxpayers (using cash basis or accrual basis), originating from Indonesia or from outside Indonesia, is used for consumption or is used in giving wealth, as well as by any name and form. The point is that the determination of income is based on the actual economic nature and does not depend on the juridical form used by the Taxpayer.

2.5 Withholding Tax System

According to Nurmantu (2003, pp. 106-107), a hybrid system or commonly referred to as withholding system is a taxation system in which a third party or commonly referred to as a withholder is given an obligation or is regulated in taxation laws to deduct income tax from income paid by the taxpayer. This withholding system has several advantages. As cited in Rosdiana (2012, p. 109), the first advantage is that withholding makes a significant contribution to state revenue. There is an imposition of withholding in the

process of import trade, one of which is widely applied by developing countries. Keen (2008, p. 1895) states that there are two main points to the application of withholding in developing countries that need to be emphasized. First, when the application of taxes on imports in recent times has become a concern due to the issue of trade liberalization for many developing countries. In this case, the withholding tax on imports takes the form of a tax paid at the beginning to later be charged to domestic sales. Then the second is there is little evidence of the extent to which the withholding system actually reaches informal traders or vice versa, where in practice payments withholding are credited or returned to compliant taxpayers.

2.6 Tax Credits

Tax credits are a concept for subtracting certain values from taxes owed in the current year. Soemitro (2004, p. 73) in this case explained that the tax credit takes into account several things, namely taxes that have been deducted or collected by third parties, taxes that have been paid for themselves during the year and taxes that have been owed or have been paid abroad, with income tax payable by the taxpayer. The tax credit is divided into two types, namely refundable and non-refundable (Smith, Hasselback, & Harmelink, 2016). In the refundable type, if the nominal tax credit is greater than the tax payable, the excess tax credit can be returned to the taxpayer. But on the contrary, for non-refundable types, taxpayers will not get excess if the tax credit is greater than the tax payable.

2.7 International Trade

International trade in Purwito and Indriani (2014, p. 1) is a type of activity related to trade between one place and another, which crosses the regional boundaries of a country and is interdependent by applying rules traditionally, bilaterally, regionally or internationally agreed rules in agreements in a global agency or organization. This trading activity is a source of a very large and significant contributor to the growth of Gross Domestic Product (GDP) and growth in the economic, social to political fields of a country (Purwito M. A., 2009, p. 4).

2.8 Import

In Purwito (2014, p. 10), the import is the activity of importing goods into customs areas; both activities carried out by individuals or entities carried by means

of transport and crossing national borders for which this causes the fulfillment of customs obligations such as paying import duties and taxes in the framework of imports. In relation to imports, there are several types of import constraints as revealed by Anindita (2008, pp. 33-41), namely, import tariffs and import quotas. Barriers in the form of import tariffs are the most recent and obvious trade barriers, but simple and clear. An import tariff is a fixed amount per unit (specific tariff) or a fixed percentage of the price of imported goods.

3 RESEARCH METHODS

The research approach used in this study is a qualitative approach. In Creswell (2009, p. 59), qualitative research is research based on assumptions and the use of theoretical frameworks which then shape or influence the study of a problem imposed by individuals or groups on a social problem. Data collection techniques are qualitative using literature study and data collection through in-depth interviews with the Fiscal Policy Agency, the Directorate General of Customs and Excise, the Directorate General of Taxes, the Ministry of Trade, the Ministry of Industry, academics, the Association of the Indonesian National Association of Importers and the Association Indonesian Tire Company (Neuman, 2014, p. 466). The data analysis technique used is qualitative data analysis techniques by collecting data from data collection techniques in the form of verbatim or interview transcripts.

4 DISCUSSION

4.1 Analysis of Policy Changes to Increase in Article 22 of the Income Tax Rate on Imports in the Tire Industry

4.1.1 Analysis of Changes to Article 22 of the Income Tax Rate on Imports

2018 returns to the year of weakening the non-oil and gas trade surplus, specifically until the second quarter. Compared to the same quarter in the previous year, the decline in non-oil and gas surpluses and the increase in oil and gas deficit was almost double. The trade transaction deficit then results in a current account deficit or current account deficit (CAD) in the second quarter of 2018. The current account

deficit reaches 3% of Gross Domestic Product (GDP) or calculated at the US \$ 8 billion and is also an achievement of the current account in 4 years lastly. Because one of the factors of the current account deficit is that it is important to import non-oil and gas goods, the government then issued a fiscal policy as a tool to improve imports. Article 22 of the importance stated in the Regulation of the Minister of Finance (PMK) No. 110 / PMK.010 / 2018. Previously, the government had issued a similar policy in PMK No. 175 / PMK.011 / 2013. With a more similar background, namely the deficit at the time of trade, an increase in Article 22 income tax tariffs in 2018 further on attractions in kind according to the Harmonization System (HS) Code with three fare flights which is from 2.5% to 7.5%, 2.5% to 10% and 7.5% to 10%. Article 22 discusses due to the development of needs and changes in people's lifestyles on consumer goods. The previous policy could not be done before.

The issuance of the policy response to suppress imports in the form of an increase in Article 22 of the Income Tax rate on imports actually becomes its own question given how the nature of Article 22 Income Tax is theoretically not final. Where, for this matter, Article 22 Income Tax is not a direct burden for taxpayers and cannot be charged to consumers. This is because Article 22 Income Tax that has been paid can later be used as a deduction or tax credit on Income Tax payable at the end of the tax year. Even the taxpayer can take back the income tax through the restitution process if it turns out that until the end of the year, there is more tax. However, this policy turns out to be more targeted at the cash flow side of the importing company, where an increase in tariffs on Article 22 Income Tax will cause the company to bear the initial funds to pay Article 22 income tax on imports at the beginning of production. So, the purpose of the government to adjust Article 22 income tax policy by increasing the tariff of some tax objects is to carry out the regulating function or regularend.

Meanwhile, in determining the amount of Article 22 income tax tariffs on imports to 7.5% and 10%, there is no specific calculation because in this case, the increase in Article 22 income tax rates aims to regulate or put more emphasis on the regularend function. This then becomes reasonable if it says the tax rate can be charged higher so that the income on the tax decreases. The decline in income from Article 22 income tax will later indicate decreased import trade activities which means the tax function as a regulator can be said to be successful. However, in contrast to the regularend function, if the tax rate

increase is intended to increase revenue or prioritize the budget function, then to determine the tariff, in this case, must consider carefully by looking at the effective tax rate and marginal tax rate as set out in the form of a laffer curve. Based on the theory formed by the laffer curve, if the higher the tax rate, at some level of the tariff at the beginning can cause income on tax to increase. However, in this laffer curve, there is an optimum point where precisely when the tariff increases again above the optimum point, the income on taxes will actually reverse. So, again as the initial statement, if the purpose of the tariff adjustment is for the function of the budgeter, then the selection of the tariff rate must pay attention to its optimum point. However, if for the regular function as in this case, the tax rate can be raised as high as possible so that tax revenue decreases which are directly proportional to the decline in imports. If illustrated in the laffer curve, the tariff determination of 7.5% and 10% should have exceeded the optimum point, where by passing the optimum point, the expected impact would be to decrease income from Article 22 Income Tax on these imports.

4.1.2 Analysis of Determination of Tires as One of the Objects in the Income Tax Rate Increase Article 22 Policy on Imports

There are 1,147 types of goods which are subject to an increase in Article 22 Income Tax. From 1,147, types of goods are then divided into three groups of types of tariffs, namely:

1. 1,719 types of goods that experienced an increase from 2.5% to 7.5%.
2. 218 types of goods have increased from 2.5% to 10%.
3. 210 types of luxury goods increased from 7.5% to 10%.

Tires are one of the objects experiencing an increase in Article 22 income tax tariff from 2.5% to 7.5%. In PMK No. 110 / PMK.010 / 2018, there are 26 HS Code types of tires, namely from HS 4011.10.11 to 4013.90.99, which are included as tariff increase objects. Apart from the fact that tires are one of the types of consumer goods, another reason that the tires entered into the object of increasing Article 22 of the Income Tax rate to 7.5% is due to a surge in imports in early 2018 that reached more than 100%. In fact, if compared to previous years, this tire can be said to be successful in suppressing imports by up to 50%. One of the causes of the increase in import figures was that it was allegedly due to the policy of eliminating import

recommendations from the Ministry of Industry as stated in the Minister of Trade Regulation No. 6 of 2018 concerning Provisions on the Import of Tires. The regulation of simplification issued by the Minister of Trade actually triggers imports to rise. However, in general, the increase in imports of tires was not only influenced by the removal of recommendations and shifts in the inspection. There are several other factors which are allegedly causing an increase in imports in early 2018 such as an increase in imports that can also occur because in the country there is an increase in the automotive industry. The report of an increase in the industry would certainly cause the need for tires as one of the automotive components to increase.

Although it is not the only factor that can increase imports, giving import recommendations to importers in carrying out their activities is an important urgency to pay attention to the government concerned. Especially if it turns out that the policy issued by the government can actually distort the effectiveness of other government policies that cause dispute. The technical ministry which deals with tire imports, namely the Ministry of Industry, is more aware of the condition of the tire industry, industry needs, and domestic tire production. With the recommendation, the technical ministry can have consideration regarding the number of domestic tire needs that can be imported. So, because the ministry has a mapping of the number of needs and the number of imported goods, the condition of more imported goods in the country that can kill this industry should be prevented.

With regard to this phenomenon, finally, the policy on this recommendation was reviewed and reviewed so that in December 2018, the government re-issued Permendag No. 117 of 2018 concerning the Second Amendment to the Minister of Trade Regulation No. 77 / M-DAG / PER / 11/2016 Regarding Provisions on the Import of Tires. In Permendag No. 117 In 2018, giving recommendations back into force and supervision returned to the border. Based on Agus, Secretary General of APBI, to avoid a long quilling time, the supervision was also moved to the Bonded Logistics Center. However, despite that, by continuing to simplify the administration of importers, the government which in this case is the Ministry of Industry and integrated with INSW and INA-Trade (Ministry of Trade) created a system for submitting recommendations online. Then, because of the absence of regulations regarding the transition period for the treatment of importers who import while applying rules of trade ministry (Permendag) No. 6 of

2018, where the recommendation was abolished until finally it was obliged to return, then Permendag No. 117 of 2018 was amended again in the third amendment to Permendag No. 05 of 2019.

4.2 Implications of Policy Changes to Increase in Article 22 of the Income Tax Rate on Imports

4.2.1 Implications of Policy Changes to Increase in Article 22 of the Income Tax Rate on Imports for the Government

The government, which in this case acts as a policy maker, stresses that the policy of increasing the tax rate is more focused on the regularend function or entering the tax function as an instrument of

development policy, as stated by Rosdiana. The policy of increasing the tax rate is a tool to distort economic activity that is not expected by the government, especially on imports. With the tax rate being raised, the government is trying to hamper growth in imports due to the high trade balance deficit in 2018 and to encourage domestic industries that are supported by incentives and facilities to encourage the sector.

Although the increase in tax rates will also have an impact on increasing tax revenues, particularly income tax article 22, the government does not focus on these revenues. Additional revenue due to the increase in tariff is only as excess or excess as a side effect because the main impact expected by the increase in tax rates is to be able to reduce imports that will enter Indonesia, not to increase revenue from the income charged as article 22.

Table 1 Outgrowth of Non-Oil and Gas income tax 2014-2018 (in trillion rupiah)

Description	2014	2015	2016	2017	2018
	LKPP	LKPP	LKPP	LKPP	LKPP
Income Article 21 of the income tax law	105.7	114.5	109.6	117.8	150.5
Income Article 22 of the income tax law	7.3	8.5	11.4	16.2	15.6
Income Article 22 on imports of the income tax law	39.5	40.3	38.0	43.2	52.1
Income Article 23 of the income tax law	25.5	27.9	29.1	34.0	39.7
Personal Income Article 25/29 of the income tax law	5.6	8.3	5.3	7.8	7.3
Corporatr Income Article 25/29 of the income tax law	148.4	183.0	169.7	206.6	230.6
Income Article 26 of the income tax law	39.4	42.2	36.1	43.7	49.2
Final and Fiscal income tax income	87.3	119.7	117.7	106.3	160.5
Other Non-Oil and Gas income tax income	0.1	0.2	104.2	12.1	0.2
TOTAL	458.7	552.6	630.1	596.5	705.8

Source: Ministry of Finance, in the 2019 RAPBN Financial Note (reprocessed, 2019)

In table 1 above it can be seen that the development of non-oil and gas income tax from 2014 to 2018 has increased. For Income Tax Article 22 on imports themselves, since 2014 experienced an increase in fluctuation up to 2018. Although it had decreased by Rp 2.3 trillion in 2016, in 2017 Article 22 Income Tax on imports again increased. The increase in Article 22 Income Tax on imports, in addition to the increase in tariffs that occurred in 2018 also indicates an increase in imports of objects subject to Income Tax Article 22.

There are several factors that can reduce import figures. With regard to tires, the import figures which tend to remain volatile despite the policy increase in Article 22 of the Income Tax rate of 200%, ie, from 2.5% to 7.5% can be caused by one of them due to the abolition of recommendations at the beginning of

2018. In addition, the increase in imports also occurs because there are several types of tires that still cannot be produced domestically. Imported goods are generally goods that are not yet available in Indonesia, such as tires for trucks, radial tires to tires for imported cars that differ in specifications from public tires. There are still many types of tires that cannot be produced until the domestic supply is limited, causing many imported tires to enter Indonesia. In addition, the domestic price factor, which is far more expensive than the price of imported tires, also influences the number of imported tires entering Indonesia.

From the above statements, a red thread can be drawn that the implications of the policy change in the increase in Article 22 of the Income Tax rate on imports for the government until the end of 2018, in

general, is a decline in the overall value of imports of 1,147 types of goods and a slowdown in the realization of income tax article 22 on imports. However, specifically for the tire industry, the import figures actually fluctuate to increase so that it also has implications for the additional income of Article 22 Income Tax, although not significant in number. Therefore, it can be said that the increase in Article 22 income tax tariff on imports is only one of the many tools that affect it. There are also other policies needed to strengthen the aim of suppressing imports.

4.2.2 Implications of Policy Changes to Increase in Article 22 of the Income Tax Tariff for Importers

Article 22 of Income Tax Law is a type of tax that can become a credit at the end of the tax year as Article

25/29. These taxes are taxes paid upfront during the year for the income tax that was just outstanding at the end of the tax year. Article 22 Income Tax is refundable, where if at the end of the tax credit year has a nominal greater than the amount of tax owed, the excess of the tax credit can be returned to the taxpayer.

However, it turns out, the government's goal in issuing a policy to suppress imports is to influence the company's cash outflows or cashflow due to the need for initial funds to pay Article 22 Income Tax on imports at the beginning of production becomes greater. The existence of disruption in cash flow is expected to be one way to reduce imports where there are additional costs borne by the Taxpayer by preparing cash in advance to pay the Article 22 Income Tax so that it becomes greater than the previous tariff policy.

PMK No. 110/PMK.010/2018			Before PMK No. 110/PMK.010/2018		
		Percentage of sales price			Percentage of sales price
Sales	Rp 100,00	100%	Sales	Rp 100,00	100%
COGS	-Rp 60,00	60%	COGS	-Rp 60,00	60%
Gross Profit	Rp 40,00	40%	Gross Profit	Rp 40,00	40%
Other Expenses and Income	-Rp 20,00	20%	Other Expenses and Income	-Rp 20,00	20%
Profit /Loss Before Tax	Rp 20,00	20%	Profit /Loss Before Tax	Rp 20,00	20%
Percentage of Profit / Loss before tax	20%		Percentage of Profit / Loss before tax	20%	
Percentage of Corporate Income Tax Payable	5% (25% x 20%)		Percentage of Corporate Income Tax Payable	5% (25% x 20%)	
For example The Value of Imports = COGS			For example The Value of Imports = COGS		
Corporate Income Tax	Rp 5,00		Corporate Income Tax	Rp 5,00	
Less Prepaid Tax Payments			Less Prepaid Tax Payments		
Article 22 of Income Tax	Rp 4,50 (7,5% x Nilai Impor)		Article 22 of Income Tax	Rp 1,50 (2,5% x Nilai Impor)	
The Amount of Prepaid Tax	Rp 4,50		The Amount of Prepaid Tax	Rp 1,50	
Income Tax Payable	Rp 0,50 (Kurang Bayar)		Income Tax Payable	Rp 3,50 (Kurang Bayar)	

Figure 1: Illustration of Article 22 Income Tax Calculation on Imports

Source: has been reprocessed, 2019

In Figure 1, an illustration can be seen as an example of the implications of changes in Article 22 income tax rates on imports. The same profit shows the amount of Rp. 20 and there is a Corporate Income Tax expense of Rp. 5, for income tax Article 22 there is a difference if using the old tariff, which is 2.5% and the tariff is in accordance with PMK No. 110 / PMK.010 / 2018, which is 7.5%. Assuming the import value is equal to the total cost of goods sold, there is a difference in the magnitude of Article 22 income tax, which for those subject to a tariff of 7.5%, the total income tax Article 22 for imports is Rp. 4,5 and Rp. 1.5 for 2.5% tariff. Although it can be credited at the end of the tax year so that Article 22 Income Tax on imports that have a 7.5% tariff tends to have a lower year-end tax liability compared to the amount of Article 22 Income Tax on imports that

have a 2.5% tariff, where the final tax payable year still greater amount of tax Pay Less.

In addition to hampering cash flow, this Article 22 income tax is also projected to create a psychological burden on taxpayers. Psychological burdens in Lopes and Martins (2013, p. 54), these burdens include anxiety, stress, and affect emotions that occur when taxpayers relate to tax authorities. Complex taxation systems and the uncertainty of taxation law can increase the psychological burden. On the other hand, some taxpayers work around this by using the services of consultants to reduce psychological burdens, so that these burdens are shifted into the financial burden of taxpayers.

Psychological burden as one of the costs in compliance costs referred to herein is an administrative burden, where there is a threat for

taxpayers to be subject to tax audits because of the possibility of a tax credit, in this case, one of Article 22 Income Tax on imports by 7.5%, exceeding the margin or company profits that cause the company to experience overpaid conditions.

Corporate Income Tax	: Article 22 of Income Tax
25% x % Net Income	: 7.5% x The Value of Imports
25% x % Net Income	: 7.5% x 60%
% Net Income	: 18%

Figure 2 Illustration of Calculation of Percentage of Corporate Income Tax and Article 22 of Income Tax on Imports

Source: has been reprocessed, 2019

If compared to Figure 2, to avoid the potential for Overpayment conditions, it is necessary to have a more detailed calculation of the amount of margin or net profit obtained by the company. Can be seen in Figure 2, there is a calculation of what the minimum net profit percentage is compared to the total sales by the percentage of import value. In this calculation, it is known that if the value of imports of imported goods, which in this case is tiring, amounts to 60% of the company's total sales, then the company must have at least a minimum net profit percentage of 18% of total sales. This was circumvented so that at the end of the tax year at least the tax owed would be zero and not cause more pay. This calculation is based on the current Corporate Income Tax rate, which is 25% and Article 22 income tax tariff on imports in the tire industry that is currently in force, which is 7.5%.

Table 2 Illustration of Calculation of Tax Percentage on Import Value and Net Income

Article 22 Income Tax rate of 7.5%			Article 22 Income Tax rate of 2.5%		
Import Value	Net Income	Difference	Import Value	Net Income	Difference
60%	18%	70%	60%	6%	90%
50%	15%	70%	50%	5%	90%
10%	3%	70%	10%	1%	90%
Ratio		3.3 : 1	Ratio		10 : 1

Source: has been reprocessed, 2019

Then in table 5.4, there is also an additional table that shows the results of the example of each calculation if the import value is assumed to be 60%, 50%, and 10%. Based on these import values, the minimum net profit so that the tax at the end of the year at least becomes zero is 18%, 15%, and 3% for the Corporate Income Tax rate of 25% and Article 22 of Income Tax of 7.5%. When compared to the table showing Article 22 income tax rates of 2.5%, with the same import value and calculation as in Figure 5.4, the minimum net income is 6%, 5%, and 1%, respectively.

After reviewing, for Article 22 income tax rates that are subject to 7.5%, the difference between the percentage of net profit and import value when compared to the percentage of import value itself is 70% or with a ratio of 3.3: 1. So, in this case if the company wants to get around so that at the end of the tax year does not happen Pay more taxes that can cause psychological burdens for taxpayers with an examination, then the value of imports, which in this case includes cost, insurance and freight (CIF) as well as import duties and additional duties, the determination of the percentage of net income is at least 70% less than the percentage of the import value of total sales or 3 times the percentage of the import value. In this calculation, it is assumed that the tax paid up front is limited to Article 22 Income Tax on

imports. Meanwhile, in contrast to Article 22 Income Tax rates which are 2.5%, the difference between the percentage of net profit and import value reaches 90% or with a ratio of 10: 1. However, returning to the original goal, the calculation of the percentage or ratio of net profit above is only as a general description of the possibility that can occur. Percentage or ratio calculation is only a consideration for the psychological burden that can arise from taxpayers if there is an overpayment in the future of tax payments.

Even though there was a complaint at the beginning of the stipulation of the Article 22 income tax increase on imports as stated earlier, over time since September 2018, the general importer, in this case quoted by Tere, said that because the policy had not been implemented for a long time, the implications were not yet too pronounced. General importers, in this case, continue to carry out trading activities as usual without directly cutting the percentage of margins or profits and income from these imports.

5 CONCLUSION

Changes to the increase in the income tax Article 22 tariff policy on imports as stated in PMK No. 110 /

PMK.010 / 2018 to suppress imports based on the development of needs and changes in people's lifestyles on consumer goods. Besides this regularend policy aims to inhibit the company's cash flow or cash flow where the importer must provide cash at the beginning to cover the increase in income tax rates and cause psychological burdens for taxpayers because of the possibility of more pay at the end of the tax year. The tire industry, as a consumer item that has a substitute in the country, also becomes an object subject to tariff increases. However, the change in the policy on the increase of Article 22 income tax tariff on imports for the tire industry as one of the tax objects has not been felt because of the nature of the regulations that are still new, and there are still many requests for tire imports.

The policy implications of the increase in the Article 22 income tax tariff on imports as set forth in PMK No. 110 / PMK.010 / 2018 of which are implications for the government. The implication of the policy change in the increase of Article 22 income tax tariff on imports in the tire industry for the government is that there is still fluctuation in tire imports since September 2018 which causes the receipt of Article 22 of income tax on imports especially in the tire sector also fluctuates although overall, the income of Article 22 income tax on imports tend to slow down. In addition, because of the dispute in Permendag No. 06 of 2018, the government finally returned the conditions of recommendation and inspection to the border as in Permendag No. 117 of 2018 which was revised again in Permendag No. 05 of 2019.

While the implications of the policy change in the increase in Article 22 income tax tariffs on imports in the tire industry for importers is not yet so influential because general importers still carry out trading activities without cutting margin margins and revenues on imports, even so, to avoid Overpayment which can cause psychological burdens for taxpayers, the percentage of net profit must be at least 70% less than the percentage of import value or with a ratio of 3: 1 of the percentage of import value.

LIMITATIONS

There are several limitations in this study including the difficulty of getting information from tire importers, which is generally due to the lack of adequate time and the inclusion of a political year so that it has not been able to provide a response due to the unfavorable policy conditions. In addition, although there is an association that houses the

combined importers of the tire industry, the association does not have a permanent office so to contact members of the association must be with recommendations from other parties who know (snowball). In addition, the policy to increase Article 22 income tax rates as stated in PMK No. 110 / PMK.010 / 2018 only took effect on September 2018, and until now it has not yet been able to see the real implications because it is still in the short term. For this reason, related to the resource person, it should be able to ask information on tire importers from the Ministry of Industry as the party directly related to the importer in terms of providing recommendations on imports and to conduct research after the policy runs at least after 6 months so that the implications can be seen.

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