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Evaluation of the Effectiveness of National Tax Collection Performance

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Abstract: The purpose of this study is to evaluate the effectiveness of national tax collection for the period 2022-2024. The background of this research relates to tax revenue, which plays a vital role as the primary source of state financing, and the challenges faced in achieving the effectiveness of national tax revenue targets. Using a descriptive quantitative method, the evaluation analyzes the ratio of realization effectiveness against tax revenue targets, as well as the factors influencing performance in state revenue collection. Secondary data were utilized from the Directorate General of Taxes (DGT) and the Central Statistics Agency (BPS). The results show that the highest effectiveness occurred in 2022 (115.61%), driven by economic recovery post-pandemic and high global commodity prices. Meanwhile, effectiveness declined in 2023 to 102.73% and in 2024 to 99.66%, due to weakening commodity prices, global uncertainties, and declining domestic consumption. Although nominal achievements increased, fiscal effectiveness requires continued strategies focusing on expanding the tax base, digitizing supervision, and improving tax incentive policies. These findings can provide input for fiscal authorities in strengthening a sustainable state revenue structure.

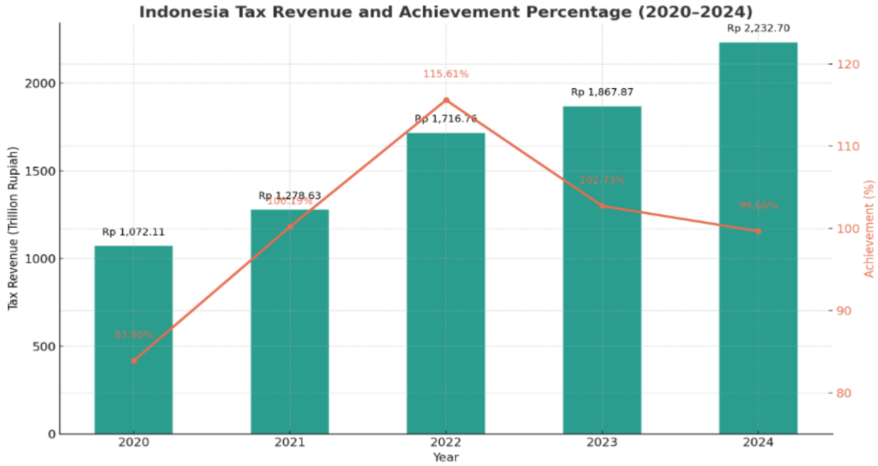
Keywords: tax effectiveness ; state revenue ; collection ; realization ; DGT ; fiscal policy.

1. Introduction

Taxes are mandatory levies or dues that must be paid by the people to the state. According to (Mardiasmo, 2023), Taxes are mandatory contributions made to the state owed by individuals or entities that are compelling based on law, by not getting a direct reward, but are used for state purposes for the prosperity of the people themselves. Based on data from the 2024 State Budget (APBN), taxes contribute the largest state revenue of IDR 2,232.7 T, meaning that more than 96% of state revenue comes from the tax sector. This figure shows that the effectiveness of tax collection performance determines the government's ability to carry out its functions in public services, infrastructure development and poverty alleviation. Therefore, taxes play an important role in sustaining state revenue.

Tax collection is a system and taxpayer participation in fulfilling their tax obligations directly, and generating tax revenues that can be continuously generated and optimally developed in accordance with the needs of the government and the reality of society which is a source of income. In its growth, taxes over the last five years have experienced significant fluctuations. In 2020, the COVID-19 pandemic caused the paralysis of various sectors of the world economy including Indonesia. So that it has an impact on the realization of tax revenue, which only reaches around 83.9% of the set target. 2021 showed the beginning of recovery by reaching around 100.19%. In 2022, revenue reached 115.61%, exceeding the set target. In 2023 it decreased to 102.73%, and in 2024 it only amounted to

99.66%. This shows that there is a gap between the target and realization of tax revenue in Indonesia.



Picture 1. Indonesia Tax Revenue and Achievement Percentage

These fluctuations raise questions about the effectiveness of national tax collection in reform policy efforts, including system digitization, tax data strengthening, and tax base expansion that have been carried out by the government to continue to encourage improved tax performance. This shows that the effectiveness of tax collection is still a major challenge, especially in achieving the revenue realization target set in the State Budget (APEAS). Thus, an evaluation of the performance of national tax collection is needed, using official data available at the Directorate General of Taxes (DGT) and the Central Bureau of Statistics for the period 2022-2024.

Previous research conducted by Akhadi showed that during 2012-2020, DGT experienced neffectiveness in meeting the tax revenue realization target. However, in 2021, DGT managed to achieve effectiveness in tax collection with realization exceeding the target (Akhadi, 2023). In this researcher evaluates the effectiveness of tax collection using a commonly used approach, namely the comparison of the realization ratio to the tax revenue target. Where if it is more than 1, it means that the DGT has reached the target set by the law so that effectiveness is achieve.

The realization of tax revenue is used to measure the extent to which the Directorate General of Taxes (DGT) can collect revenue from taxes imposed on taxpayers. This realization can be known after the tax year ends. In this case; DGT recorded the level of tax revenue realization in 2022, arnounting to 115.61% of the APBN target. Meanwhile, in 2023 it amounted to 102.73%, and in 2024 it amounted to 99.66%. This shows a decrease in the percentage level of tax revenue realization. The adjustment of the VAT rate in 2022 boosted the ability of tax revenue performance by 31.4%. In 2023, economic projection efforts and optimization efforts encourage tax revenue which is estimated to reach 4.1% amid the turmoil of global uncertainty. While in 2024 tax revenue is targeted to reach 9.0%, taking into account various factors that can support such as, domestic economic projections, the level of compliance and integration of technology in the tax system, expansion of the tax base through identification and extensification, and strengthening synergies through program mergers, data utilization, and law enforcement.

The theoretical contribution of this research is to evaluate the national tax collection from 2022 to 2024. The results of this study provide an overview related to the effectiveness of national tax collection performance, in addition, this research can be used as a lesson for taxpayers on the importance of taxes, and an evaluation for the Directorate General of Taxes Office to be able to improve the quality of its performance which can have an impact on the achievement of tax revenue.

2. Results and Discussion

Taxes are mandatory levies or dues that must be paid by the people to the state (Ferianto & Mildawati, 2022). Taxes as the main source of state revenue determine the fate of a nation (Hanto, 2023). Taxes have an important role in sustaining state revenue. In addition to being used as the main source of state revenue, taxes also function as a means of income distribution. Based on the results of the DGT annual report, the tax target and realization for 2022-2024 have been obtained, as follows:

Table 1. Tax Revenue in 2022-2024

Tax Type	2022		
	Target (billions IDR)	Realization (billions of IDR)	Achievement (%)
Non oil and gas income tax	749.103,64	975.146,55	130,18
Income Tax Article 21	161.331,85	172.657,57	107,02
Income Tax Article 22	28.533,99	34.145,48	119,67
Income Tax Article 22 Imports	47.936,77	74.200,22	154,79
Income Tax Article 23	44.747,36	50.093,09	111,95
Income Tax Article 25/29 Individuals	13.608,45	11.675,83	85,80
Corporate Income Tax Article 25/29	253.283,68	385.419,89	152,17
Income Tax Article 26	45.403,23	68.615,34	151,12
Final Income Tax	145.555,30	166.820,06	114,61
Other non-oil and gas income tax	1.210,49	147,11	12,15
Income Tax Covered by the Goverment	7.492,52	11.371,95	151,78
VAT and STLG	638.911,69	911.658,81	142,69
Domestic VAT	395.516,08	610.860,54	154,45
Import VAT	227.412,63	270.723,81	119,05
Other VAT	4.410,81	6.159,19	139,64
VAT Covered by the Government	0,00	3.259,40	100,00
Domestic STLG	8.648,00	14.488,12	167,53
Imports STLG	2.878,57	5.056,01	175,64

Other STLG	45,60	0,44	0,97
STLG Covered by the Government	0,00	1.111,30	100,00
LBT	20.903,79	23.488,51	112,36
Other Taxes	11.381,89	9.040,16	79,43
Income tax Oil and gas	64.656,98	77.841,63	120,39
Gross tax revenue amount	1.484.957,99	1.997.175,67	134,49
Tax Refund	0,00	(280.411,88)	0,00
Net tax revenue amount with income tax oil and gas	1.484.957,99	1.716.763,79	115,61
Net tax revenue amount without income tax oil and gas	1.420.301,01	1.638.922,16	115,39

Table 2. Tax Revenue for 2022-2024

Tax Type	2023		
	Target (billions IDR)	Realization (billions of IDR)	Achievement (%)
Non oil and gas income tax	977.890,00	1.031.865,48	105,52
Income Tax Article 21	201.808,24	200.976,48	99,59
Income Tax Article 22	39.616,80	34.399,05	86,83
Income Tax Article 22 Imports	68.112,36	69.528,07	102,08
Income Tax Article 23	55.599,81	59.276,38	106,61
Income Tax Article 25/29 Individuals	12.170,07	12.349,83	101,48
Corporate Income Tax Article 25/29	392.962,70	440.551,93	112,11
Income Tax Article 26	74.082,68	78.631,65	106,14
Final Income Tax	125.422,80	126.805,99	101,10
Other non-oil and gas income tax	227,37	154,63	68,01

Income Tax Covered by the Goverment	7.887,17	9.191,47	116,54
VAT and STLG	731.040,00	947.548,78	129,62
Domestic VAT	450.140,08	657.291,44	146,02
Import VAT	252.443,85	255.870,66	101,36
Other VAT	7.951,12	8.011,21	100,76
VAT Covered by the Government	0,00	2.028,57	100,00
Domestic STLG	13.947,23	16.935,83	121,43
Imports STLG	6.428,26	7.344,92	114,26
Other STLG	129,46	1,00	0,77
STLG Covered by the Government	0,00	65,15	100,00
LBT	26.870,00	33.568,19	124,93
Other Taxes	10.790,00	9.776,51	90,61
Income tax oil and gas	71.650,00	68.777,65	95,99
Gross tax revenue amount	1.818.240,00	2.091.536,62	115,03
Tax Refund	0,00	223.669,47	0,00
Net tax revenue amount with income tax oil and gas	1.818.240,00	1.867.867,15	102,73
Refund Income tax oil and gas	0,00	4,48	0,00
Net tax revenue amount without income tax oil and gas	1.746.590,00	1.799.085,01	103,01

Tax revenue consists of several types, including Income Tax (PPH), Value Added Tax (VAT), Land and Building Tax (PBB), and other taxes (Priyono et al., 2024). Analysis of the achievements of each type of tax provides a deeper insight into the contribution and effectiveness of each type of tax in the state revenue structure. Non-oil and gas income tax recorded excellent achievements in 2022 (130.18%) and 2023 (105.52%), indicating that the non-oil and gas income sector remains the backbone of rev que. However, there is a decrease in effectiveness in several sub-posts such as Income Tax Article 22 and other non-oil and gas income tax that needs special attention VAT and STLG also performed very well with achievements of 142.69% 2022) and 129.62% (2023) respectively. Domestic VAT is the largest contributor and reaches an effectiveness ratio of 154.45% (2022) and 146.02% (2023), indicating strong domestic consumption and optimization of collection from trade activities. PBB and other taxes showed fluctuations with adequate achievements, but tended to vary. PBB, for example, managed to exceed the target in both years, but challenges remain in the intensification and extensification of tax objects in various regions (Mirnasari, 2023). Oil and Gas Income Tax, which is highly dependent on global commodity prices, reached 120.39% effectiveness in 2022. However, it decreased to 95.99% in 2023, indicating sensitivity to the dynamics of world oil prices (Yosep, P., & Waluyo, 2024).

In the period of 2024, the official data of DGT's annual report has not been published, but based on the 2024 State Budget (APBN) report, state revenue is targeted to reach Rp2,802.5T with details of the target from tax revenue of Rp2,309.9T and non-tax state revenue (PNBP) of Rp492T. Until the end of 2024, the realization of state revenue has reached Rp2,842.5T or 101.4% of the APBN target, which comes from tax revenue of Rp2,232.7T (96.7% of the APBN target) and administration of non-tax state revenue (PNBP) of Rp579.5T (117.8% of the APBN target).

For the evaluation of national tax collection performance, effectiveness is used to measure the realization results with the taxpayer's target. Tax collection is said to be effective if the ratio reaches 100%, thus, the higher the effectiveness ratio means the better the tax collection comparison of the realization ratio to the tax revenue target. Where if more than 1 means that the DGT has reached the target set by the law so that effectiveness is achieved. The effectiveness of tax revenue is measured as follows:

$$\text{Effectiveness} = \frac{Tax\ Revenue}{Tax\ Target} \times 100\%$$

$$\text{Year 2022} = \frac{Rp1.716{,}76\ trilion}{Rp1.484{,}96\ trilion} \times 100\% = 115{,}61\%$$

$$\text{Year 2023} = \frac{Rp1.867{,}87\ trilion}{Rp1.818{,}24\ trilion} \times 100\% = 102{,}73\%$$

$$\text{Year 2024} = \frac{\text{Rp2.232,7 trillion}}{\text{Rp2.309,9 trillion}} \times 100\% = 96{,}66\%$$

The results show that in 2022 tax collection reached 115.61%, meaning that it was very effective, this shows that tax revenue exceeded the estimated tax target, in 2023 tax collection was effective, and in 2024 the results were quite effective. This shows a decrease from 2022 to 2024. The gap between target and realization occurred in 2024, with the tax target reaching Rp2,309.9 trillion, but the realization was only Rp2.232,7 trilliun. This shows that tax reporting and collection are not yet optimal, of course this needs to strengthen supervision and law enforcement strategies. The government needs to be aware of the shadow economy and the widespread practice of tax avoidance.

Several factors affecting the effectiveness of national tax collection include the level of taxpayer compliance, macroeconomic growth, tax administration reforms by the DGT, and fiscal policies implemented annually (Elumilade et al., 2022). (1) Taxpayer Compliance: the level of voluntary compliance is still a challenge in national tax collection, especially from the MSME sector and the informal economy. Education programs, incentives, and digitalization of the tax system can play a role in improving this compliance. (2) Macroeconomic growth economic growth affects people's purchasing power and business activities, thus affecting potential tax revenue. In 2022, there was an economic recovery after the pandemic, which also boosted revenue. (3) DGT administrative reform, with the implementation of the Core Tax System, e-invoicing, and other electronic reporting proven to increase the efficiency of collection and supervision. (4). Fiscal Policy and Government Stimulus with tax incentives and relaxation provided during the pandemic affected certain types of taxes. For example, VAT and PPh Ditanggung Pemerintah have high realization values due to economic recovery policies.

Regarding data validity, DGT and BPS present accurate data, but there are challenges in the aspect of synchronization of publications and tax target estimation methodology.

DGT data tends to focus more on realization and operations, while BPS data is more inclined to the macroeconomic approach. The year 2024 is of particular concern because for the first time in the last three years the realization of tax revenue did not reach the target. The gap of Rp77.2 trillion indicates a weakening in the effectiveness of collection. Some possible causes include: (1) Shadow economy, i.e. informal economic activities that are not officially recorded, causing the tax potential to be underutilized. (2) Tax avoidance and tax evasion are efforts to avoid tax obligations by large entities by utilizing regulatory loopholes or manipulating financial statements. (3) Lack of supervision and law enforcement makes weak audits and administrative sanctions can reduce the deterrent effect and reduce taxpayer compliance.

Overall, the evaluation of national tax collection performance shows relatively good results, although strategic steps are needed to maintain effectiveness when facing increasingly complex fiscal challenges.

3. Research Methods

This research uses a quantitative method with a descriptive analysis approach. This approach was chosen because it is able to describe and analyze phenomena that occur objectively based on available numerical data, especially those related to the achievement of tax revenue and the targets set by the government (Hermawan,S., 2016). This study uses secondary data from various available sources such as financial reports, policy documents, and relevant previous research (Barus et al., 2024). Through observation of data collected from the official website of the Directorate General of Taxes (DGT) and the Central Statistics Agency (BPS) (Mardiasmo, 2023). The data collected includes the target and realization of national tax revenue, Gross Domestic Product (GDP), and data on the main tax contributing sectors. The selection of these data sources is based on their validity and credibility as official government institutions that are the main reference in national fiscal and economic evaluations.

The method used in data processing is the effectiveness ratio calculation worksheet, which is processed using the Microsoft Excel application to calculate the percentage of tax collection effectiveness (Priyono et al., 2024). This analysis is also supported by the interpretation of influential external factors, such as economic growth, tax policy changes, and national fiscal stability. The data used in this study is periodic data for 2022-2024. If it is more than 1, it means that the DGT has reached the target set by the law so that effectiveness is achieved. The effectiveness of tax revenue is measured as follows:

$$\text{Effectiveness} = \frac{Tax\ Revenue}{Tax\ Target} \times 100\%$$

According to (Hanto, 2023), effectiveness is related to the administrative stage of tax revenue, tax determination, tax realization, tax receivables, and presentation of tax revenue financial statements. To measure the level of effectiveness can be categorized as follows:

1. Achievement above 100% means very effective
2. 100% achievement means effective
3. Achievement between 90%-99% means moderately effective
4. Achievement between 75%-89% means that it is not effective
5. Achievement below 75% means ineffective

The reason for using this method is because the effectiveness ratio is one of the main indicators in assessing tax collection performance which is widely used in tax literature and fiscal audit practice (Mardiasmo, 2023). In addition, the available data is open, so it can be analyzed objectively without involving primary measurement instruments.

This method also allows researchers to provide data-driven evaluations and recommendations relevant to national tax policy.

4. Conclusions

Based on the analysis of national tax collection data from 2021 to 2024, several important findings are obtained. First, the ratio of tax revenue to GDP (tax ratio) shows a fluctuating trend but has not yet reached the ideal target of above 15% as standard for developing countries, with the national average being in the range of 9%-10%. Second, the dominant sectors contributing to tax revenue are still dominated by Income Tax (PPh) and Value Added Tax (VAT), while contributions from the MSME sector and digital economy are still relatively low. Third, the efficiency of tax collection increases along with the digitization of the tax system through e-invoicing, e-bupot, and data integration, but there is still a compliance gap, especially from non-corporate taxpayers.

Then, the performance of national tax collection during the 2021-2024 period can be categorized as quite good in the context of nominal revenue, but not fully optimal in tms of coverage and efficiency. Structural and technological reforms are already underway, but the results have not fully reached the maximum tax potential.

5. Suggestion

(1) Strengthening tax data base and cross-agency integration to minimize tax gaps and improve the accuracy of tax potential mapping. (2). The government needs to expand fiscal policies that support the taxation of the digital sector, through tariff simplification, compliance incentives, and tax education targeting the informal sector. (3). The need to increase audit intensity, law enforcement against tax avoidance, and the use of analytical technology in monitoring suspicious financial transactions. (4). Conduct more in-depth follow-up research on the influence of macroeconomic variables such as inflation, exchange rates, and interest rates on tax collection performance, to strengthen the evidence-based fiscal policy basis.

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