



DISCOURSES AND INSTITUTIONS IN TAX POLICY AND FISCAL SUSTAINABILITY: EVIDENCE FROM INDONESIA

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INFORMASI ARTIKEL

Diterima Pertama
[02 08 2022]

Dinyatakan Diterima
[28 08 2022]

KATA KUNCI:
blockholder, excess control right, firm size, leverage, strategy.

KLASIFIKASI JEL:
M41, M48

ABSTRACT

This research contends fiscal policy and the achievement of fiscal sustainability as institutions coming from texts and discourses that account for it. Applying an interpretive policy analysis approach, we reveal how various discourses of tax policy and the achievement of fiscal sustainability dialectics. This study highlights some series of text-discourse-institution that explains the interplay between fiscal policy and the achievement of fiscal sustainability so that they become as main part of Indonesian public finance management. This paper finds that tax policy as an institution associates with the realization of fiscal sustainability is to increase the tax ratio while keep maintaining a self-assessment system. That is, the achievement of fiscal sustainability requires that tax policy can support (especially) to finance government expenditures. The study revealed that the contemporary tax policy as an institution, exists influenced by following discourses: (1) tax compliance strategy and taxing the hard-to-tax; (2) efforts to facilitate the strengthening of tax administration; (3) the establishment of information database as a tool to examine the compliance of taxpayers; (4) the division of taxing authority between central and local governments.
Keywords: administration, discourses, fiscal, institutions, policy, tax

ABSTRAK

Penelitian ini mendiskusikan tentang kebijakan fiskal dan pencapaian kesinambungan fiskal sebagai institusi yang bersumber dari teks dan wacana yang menjelaskannya. Dengan pendekatan analisis kebijakan interpretatif, kami mengungkapkan berbagai wacana kebijakan pajak dan dialektika keberlanjutan fiskal. Paper ini menyoroti beberapa rangkaian teks-wacana-institusi yang menjelaskan keterkaitan antara kebijakan fiskal dan pencapaian kesinambungan fiskal sehingga menjadi bagian utama dari pengelolaan keuangan publik Indonesia. Penelitian ini menemukan bahwa kebijakan perpajakan sebagai institusi yang terkait dengan kesinambungan fiskal adalah meningkatkan rasio pajak dengan tetap mempertahankan sistem penilaian mandiri, yang artinya pencapaian kesinambungan fiskal mensyaratkan bahwa kebijakan perpajakan dapat mendukung (khususnya) untuk membiayai pengeluaran pemerintah. Hasil penelitian mengungkapkan bahwa kebijakan perpajakan kontemporer sebagai sebuah institusi, ada dipengaruhi oleh wacana berikut: (1) strategi kepatuhan pajak dan perpajakan yang sulit untuk dipajaki; (2) upaya penguatan administrasi perpajakan; (3) pembentukan basis data informasi sebagai alat untuk menguji kepatuhan Wajib Pajak; (4) pembagian kewenangan perpajakan antara pemerintah pusat dan daerah.

Kata kunci: administrasi, diskursus, fiskal, institusi, kebijakan, pajak

1. PENDAHULUAN

Indonesia composes its state budget annually to achieve its national development goals. Fiscal policy is one of the macroeconomic policies and the Indonesian government's primary policy. A state budget is a form of such policy implementation. Fiscal policy plays a strategic role in the national economy, especially in efforts to achieve national development targets. This role is related to three core functions of the government's fiscal policy-related: allocation, distribution, and stabilization. The state budget must be managed in order and with responsibility under the general rules of governance practices of good governance (DJA 2014a:7)

Related to tax positions in a provision of funds for state expenditures, the Directorate General of Budget (DJA 2014a:16-17), describes that:

"... Domestic income is the largest source of state revenue, with a share of 99.7% of total revenue. Tax revenue is a primary source with the proportion of about 69-70% of total domestic revenues, and governments implement tax revenue through a tax policy and administration reform including a reform in administration areas, rules and regulations, supervision and potential exploration..." – translated by authors.

The quotation above emphasizes the importance of tax policy and administration reform as an important part of the implementation of tax collection so as to provide funds to finance government expenditures.

There is a close relationship between revenues on the one hand, with expenditures on the other hand. Regarding this matter, (DJA 2014a:127) states that the budgeting system (revenue and expenditure) should reflect the availability of funding for the implementation of development that must be maintained its sustainability. The structure of a proper state budget should reflect the relationship between revenue, expenditure, primary balance (deficit or surplus), and financing with regard the primary balance as an indicator of the state budget sustainability. In such perspective, the concept of fiscal sustainability then becomes a matter that needs to be explored as a matter of empirical, practical and also as indicators to understand the condition of public finances of a nation.

A fiscal sustainability term has a diverse technical definition (see for examples: NZT 2013; Lestari 2014; EC 2015), but generally related to a country's ability to provide funds (from a variety of sources) to finance all expenditures so that all activity related with the state and government management can run normally. Several studies examined the fiscal sustainability position, either about fiscal policy, financial stability or the macro economy condition of a country (see for examples: Rose 2010; Kalendien and Pukelien 2011; Komárková et al., 2013). Although

fiscal sustainability has some operational definitions which are quite diverse in many studies, it can be obtained a general understanding that fiscal sustainability is one of the important indicators to assess a country's ability to manage itself to achieve its national goal. With a portion of tax revenue in Indonesia budget in 2021, which reached 82.84% (<https://media.kemenkeu.go.id/getmedia/151a6abd-2678-427d-9d6f-ba3d61b2b70a/buku-i-undang-undang-nomor-9-tahun-2020-tentang-apbn-ta-2021.pdf>) of total revenues, a discussion of tax policy is an unavoidable part of the fiscal sustainability studies.

Tax policy as part of a broader public policy is different from other government policies because of its impact that can immediately spark a public reaction. Therefore, its dynamic depends on the economic and political circumstance (Peters, 1991 in Dadalauri 2011). Departing from this understanding, tax policy, and fiscal sustainability can also be viewed as a social-organizational artifact in which their existence, function, and dynamics can be understood as a dialectic of text-discourse-institutions in the particular social situation. Bartosik (2015:24-25) argues that the viewpoint of policy as discourse enable stakeholders to express and describe the complexity of social and economic information to deepen the meaning and context of the policies within. This viewpoint, in our opinion, should also be used as a complement to the legal-economic-administration perspective which is known within the scope of tax policy studies (or even state financial management, in the broader sense).

Such disclosure aims to obtain a deep understanding (*verstehen*, see for example della-Porta and Keating, 2008:355). Therefore, results of this study might become one of the references on how the tax policy discourses associated with fiscal sustainability on one side and established as an institution within Indonesian fiscal authority on the other side. Moreover, such deep understanding also is expected to be a consideration in decision-making related to tax policy or on a broader scale: state finances and other public policies. This study is an attempt to reveal how in a practical way, there is an interplay between tax policy with fiscal sustainability.

To fulfill this purpose, authors will use the perspective of organizational discourse (see for example: (Phillips et al., 2004; Leclercq-Vandelannoitte, 2011) or policy as discourse (see for example Malygina, 2012). This perspective is a part of discourse analysis. In a study of organizational discourse, that will further describe; tax policy is an institution made up of various discourses that constitute it. Meanwhile, the fiscal sustainability concerning the concept proposed by Commons (1931) or (Fleetwood, 2008), basically is the outcome of the actor who uses institutional options. From the

other side, refers to Aoki (2001) and also Williamson (1998), the institutional perspective will view tax policy as a rule of the game and fiscal sustainability as an equilibrium to be achieved from the game to play.

The remainder of the paper organized as follows. Section 2 reports on the methodology used in this research. We use an interpretive policy analysis method in this section. Section 3 looks at more deeply at the theoretical review and analytical framework which employ in this article. Section 4 examines the implications of tax policy reviews these results, together with findings related to more detailed aspects of the tax system. Section 5 uses reviews these findings. Section 6 summarizes the conclusion from an analysis of conclusions in the previous sections

2. LITERATURE REVIEW AND ANALYTICAL FRAMEWORK

The literature review part consists of four subsections. First, outlines the tax policy framework. Furthermore, the second part is the fiscal sustainability discussion. The third part is an explanation of discourses and institutions. Based on the description of those three cases, the fourth part will present the proposed analytical framework of this paper.

2.1. Tax Policy

From public policy perspective, according to Hassel (2015), tax policy may be defined a series of decisions made by fiscal authority, in particular tax officials, or even other political actors to influence, change or frame some tax problems or issues that has been recognized as being in the realm of politics by policy makers and/or the wider stakeholder. Whereas, Dadalauri (2011:22) elucidates tax policy as a compilation of various taxes norm becomes a form of legal documents that regulates tax provisions, who has to pay taxes, and the amount of taxes to pay. Some scholars convey the definition of tax policy about tax administration. Araki and Claus (2014:6) in a different term, expound tax policy together with tax law and tax administration is a series. They said that "tax policy (which analyses a tax system and drafts tax legislation) and tax administration (which implements tax laws)." GRC (2003) points out that there is a close relationship between tax policy and tax administration although they are originally detached. Tax policy means the tax instrument option, tax rates, exemptions, and its implementation at the different level of government while tax administration is always linked to efficiency and effectiveness. In line with that opinion, Liebermann (in Dadalauri, 2011: 22) explicates that "in a nutshell, the tax system is an institutional structure which combines tax policy and its administration." Meanwhile, PwC (2015) describes the relationship between fiscal policy, tax policy, and tax administration as a key component of fiscal policy. Tax policy is a set of government actions to impose

taxes to its citizens about tax subjects, tax rates, and its amount, also fairness to meet the purpose of the state budget. Furthermore, tax policy does not only involve the effect on economic activity, but also the efficiency itself. Tax administration defines tax policy implementation and taxpayers' compliance with tax laws.

Tax policy is also a political document that was brought into legislation system to regulate taxation system. Furthermore, tax policy makers often adopt certain policies that ignore economic reasons or public options. In fact, sometimes regarded as a government instrument that can interfere certain private interests by saving policy-makers interest. Thus, tax policy should be viewed as an interplay of various interest factors: political, economic and social (Holcombe, 1998; Bird and Zolt, 2003; Kuldkepp, 2005; Zhu and Krug, 2006; Dadalauri, 2011; Ross, 2014).

2.2. Fiscal Sustainability

Fiscal sustainability is a term with much sense (Rose 2010). Some understanding of which will be described in this section to get a complete understanding, from various points of view and emphasis. Fiscal sustainability is the government's power to fulfill the delivery of public services and financial commitments without levying inequitable encumbrance on the next generations in the present and future time. Moreover, The Governmental Accounting Standards Board (GASB) views fiscal sustainability as a means for defining whether government institutions are running in a way that will sustain for the long term. The Federal Reserve System depicts fiscal sustainability as a condition where there is a static ratio of federal debt to national income over such a period (Warigon and Taylor 2014). Meanwhile, according to the New Zealand Treasury (2013) sustainability is a foundation of culpable fiscal management. Sustainability implies having the power to preserve or instigate government in the future programs. Fiscal sustainability is a phrase that typically applied to the government manageability of revenues and expenditures activities and how they funded through taxes, debts and other liabilities. While according to European Commission (2015) fiscal sustainability in the public sector is a perspective where fiscal policy can be preserved stable over without amendments in public expenditures nor taxation which would influence the primary balance of government, without driving public debts to increase regularly as a proportion of GDP.

The conclusion from a variety of definitions of fiscal sustainability is that an understanding given depends on the point of view, emphasis and objectives of parties who use this term. Some opinions emphasize on how the revenues side (tax and non-tax) managed. On the other hand, there is an

understanding that priorities should be on the expenditure side. However, on the opposite side, there is also an opinion which emphasizes on debt management. Definitely, there will be comprehensive opinions which use that three point of view and then connect them to other economic variables such as financial stability (Rose 2010; Lestari, 2014; BIS 2016). The importance of fiscal sustainability information can be seen from efforts of the European Commission to publish an annual report specifically discloses on this point. This report outlines relatively detailed format associated with fiscal sustainability status of all EU member countries. A comprehensive understanding and study of fiscal sustainability is a way to ease economic actors (private or public) in decision-making especially that involves variables from the state budget. Variables related to fiscal sustainability, depends on the emphasis and a point of view, is information which is expected to be one of proxy to predict the future economic situation in a country.

2.3. Discourse and Institutions

There are many definitions of the term of the institution as well as many areas of science that use it, from economics, sociology, law to politics (Phillips et al., 2004; Cole, 2013). Even Fleetwood (2008) states that the term institution into a "shelter" for all things related to social phenomena. Consequently, how the theme of a study chose that sense depends on the disciplines and topics discussed. It means, the discussion using the institutional perspective must propose a working definition of the institution that would utilize (Phillips et al., 2004; Cole, 2013). Therefore, this section will discuss some of the views that state what institutions are. Furthermore, the institutional limitations in this study will propose.

Institutions are sets of authorized regulations or regulations incorporate institutions in other words (Fleetwood, 2008). Almost in line with this understanding is what is conveyed by Williamson (1998), the institution is how to recognize both rules and the play of the game. While Phillips et al. (2004) define an institution with as past increments of historical methods and discernments that arrange situations in practice through the way in which they are increasingly own the moral and a transcendental status of evidence which form future cooperation and agreements. The most popular definition is probably proposed by North (1991), institutions are humanly constructed restraints that construct political, economic, and social unity. They form both non-formal restrictions (sanctions, ethics, custom) and formal norms (constitutions, laws, regulations). The views presented by Ostrom, as quoted by Cole (2013) emphasizes institutions as a prescription that will act as working rules (an application of general formula) to resolve specific issues (social/economic).

Institutions exist to create a regularity and reduce uncertainty in human lives to live their life (North, 1991). Meanwhile, according to Cole (2013), the institution is utilized to achieve social objectives or eliminate certain social issues. On the opposite side, with a more focused on economic aspects (Richter 2015:11) as well as Coase (1937) argued that the existence of institutions be to reduce transaction costs, i.e., the cost of affecting an exchange or other economic transactions.

A comprehensive understanding of the institutions is expected to help social actors in deciding their actions concerning the phenomenon or social behavior. Cole (2013) stated that the review would lead to the institutional on how actors can use institutions options. Social actors should determine institutions with the lowest social cost that can achieve its objectives or resolve issues / particular social dilemmas, which in this context of the study is tax policy as a social phenomenon and institutional ((Lisa Oats 2012); Cole, 2013).

Back at the beginning of the revelation of the institution earlier, the definition of this term depends on the field and the study theme covered, this paper opts to use what was presented by Phillips et al. (2004) as the conceptual framework of institutions. This framework chose because its offer to reveal the relationship links between texts, discourses, and institutions in depth. They argue that the connection between the texts, discourses and institutions need to be disclosed because most research which uses institutional perspective view an institution as a "black box". It means it is considered to exist and unquestionable how it formed.

In summary, Phillips et al. (2004) elaborate that essentially the institution is a discursive product, although not all the product of discourse in the form of an institution. The use of interpretive policy analysis as one form of discourse analysis (Glynos et al., 2009) in this study is an attempt to examine institutions from a series of discourses and texts, how the text is valid especially when linked to other texts, how the text is created, disseminated and utilized.

Discourses are a batch of texts that creates, supports, opposes ideas or human action. Discourses cannot be studied directly, but it should be through the mediation of texts. Texts, in this case, are any form of expression that requires a delivery and storage media, can be text, speech, images or symbols, as stated by Phillips et al. (2004). Texts are a written form of thoughts or human actions which recorded to be a part of the history of the text initiator itself. In the end, texts will become discourses and then institutions if in the end considered as a social process that someone willing to accept terms which received from a social reality or even further as a mechanism/arena of social exchange.

2.4. Analytical Framework

Based on the literature review above, this section will develop an analytical framework for a discussion on research results. Basically, the link between tax policy and fiscal sustainability led to what is stated by Alm and Sheffrin (2013) as fiscal trilemma. This term describes a condition that forces the fiscal authority to create the equilibrium among three interests that in a certain degree may result be contradictive. As a result, fiscal authority deals with difficult options to choose which one should be prioritized. The options are can these three purposes of income fulfillment, justice, and the rise of economic growth all be attained, or do we should forfeit one of these aims to satisfy the others?

To deal with situations that associate fiscal sustainability with fiscal policy on a broader scale not only tax policy, Rose (2010) then proposes solutions that rely on institutional mechanisms, namely: political institutions and fiscal institutions. Policy-making is influenced by political institutions, including direct democracy, time restriction, and the authority division between legislative and the executive. Policies which implemented are restrained by fiscal institutions, together with contingency funds, expenditures, balanced budget, and liability restrictions. In this term, the authors conclude that fiscal institution is a consequence of what was decided by the political institution.

This study proposed an analytical framework for understanding how the link between tax policy with fiscal sustainability by using an institutional concept as offered by Fleetwood (2008) and Rose (2010). Based on their concept, the authors propose tax policy as part of the achievement of fiscal sustainability can be understood as a fiscal institution that is composed by constituent discourses. This study is an effort to gain a deep understanding (*verstehen*) on an establishment of tax policy as an institution from the standpoint of interpretive policy analysis.

3. RESEARCH METHOD

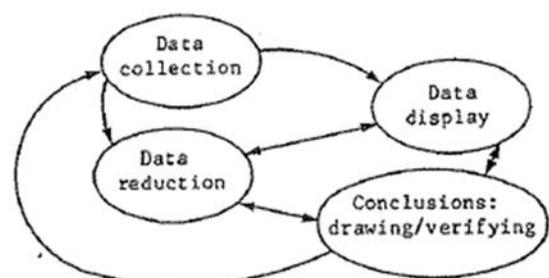
This study deploys an interpretive policy analysis method as described by Yanow (2007). This method provides an opportunity for users to access and acquire the meaning to analyze so that it will bring up various relevant elements between the definitions policies being analyzed. Löfgren (2007) noted how the interpretive policy analysis could identify meanings as expressed in the policy document to engage policy-stakeholders to gain an understanding of the policy and how he behaves and acts. In principle, the method of interpretive policy analysis is an analytical action of the formulation, implementation or evaluation of policies (as a whole or partial) by gaining an understanding of social-organizational contexts of these policies and their accompanying and influenced processes or even influencing that context.

From the interpretive paradigm lens, according to Yanow (2007), data will be interpreted in a perspective of the involvement of researchers in the situation to observe. This research is a study documentation by using discourse analysis to examine various documents that have been collected and processed (Glynos et al. 2009). In more detailed and technical, Jones (2003) stated that studies using discourses analysis actually performs a kind of "archaeology of knowledge" by examining the various documents collected for the purpose of achieving an understanding of their discursive practices. This practice is an attempt to change the text into a discourse or a discourse nor had there was dominant. In connection with the analysis of the data in this method, it is necessary also disclosed some important things as presented by Bondarouk and Ruel (2004). They reveal that the exploration of the interplay between discourse, text, and context of the most important is how to choose texts that shape the discourse. Furthermore, they stressed that the analysis of discourse does not solely focus on a single text but as a series of text concerning the main trunk of the text. Correspondingly, the analysis should also be done on the status and how the text produced.

This study uses secondary data documentation study in a broad sense as proposed by Bowen (2009). Documents are a form of legislations as well as their technical implementation rules. The source document is state budgets accompanied by their attachments in the forms of Financial Memorandum. The data source will go hand in hand with government financial reports as well as various media releases.

Data analysis will be conducted using interactive models of data analysis proposed by Miles and Huberman (1994), as presented in Figure 1. The authors will use the model based on accumulated knowledge and experiences in taxation and state financial to examine various documents then interpret to obtain study findings and conclusions. This action is essential to gain an understanding of the context and its socio-historical links (Yanow 2000; Yanow 2007; Glynos et al., 2009).

Figure 1. Interactive Data Analysis Model



Source: Miles and Huberman (1994)

4. FINDINGS AND DISCUSSIONS

4.1. Introduction

In a perspective of interpretive policy analysis, aspects that need to note as texts in the context of the state budget preparation, tax policy, and fiscal sustainability are related to diachronic aspects (historical-institutional) on their relationship (Aoki, 2001; Marriott, 2012). It should also notice that the interpretive policy analysis is a particular form of discourse analysis associated with policy studies. As has been revealed by Fleetwood (2008) and Rose (2010), tax policy will be constituted from its constituent discourses. As mention before, the link between tax policy with fiscal sustainability have led fiscal trilemma and in turn have to choose options available: generate states revenues, or justice in tax collection, or the rise of economic growth (Alm and Sheffrin, 2013). In the context of Indonesia, those three objectives explicitly expressed as tax policy goal. It is stated that "... extensification and intensification of tax revenue while maintaining the business investment climate, economic stability and purchasing power" (<https://media.kemenkeu.go.id/getmedia/151a6abd-2678-427d-9d6f-ba3d61b2b70a/buku-i-undang-undang-nomor-9-tahun-2020-tentang-apbn-ta-2021.pdf>).

Based on the literature review and research data, the discussion is contrary to the existence of Financial Memorandum as an integral part of the budget document proposed by the government to the parliament of each fiscal year. Article 11 on paragraph (1) of the Indonesian Government Regulation 21/2004 concerning The Preparation of Work Plan and Budget of Ministry/Agency defines that Financial Memorandum ("Nota Keuangan") as a summary of the general policy and budget priorities in order to deliver the draft of state budget law with attachments of work plans and budget of each ministry/agency used state budget funds. In authors' view regarding this research objective, Financial Memorandum is a document that provides a relatively complete text-context about things underlined how the government came to the conclusion about numbers proposed in State Budget. These documents cover various issues relevant to tax policy as well as fiscal sustainability.

5.2. Tax Policy: Institutions and its constituents

Tax policy is an institution with a variety of text-discourse supporters, as a means of actions of the actors to achieve social outcomes such as fiscal sustainability. These discussions will be elaborated further: (1) how text-discourses shape tax policy as institutions; (2) how tax policy as an institution becomes a means of the action of the actors to achieve fiscal sustainability. Based on both elaborations, the writers interpretively reflect on using a conceptual framework that has been built to include a broad range of experience and knowledge of the authors as practitioners or taxation academics.

The authors use the model of interactive data model analysis as presented in Figure 1 to achieve a text determination in Financial Memorandum or other supporting documents related to tax policy. Table 2 presents the text that identified (column 1) and dominant discourses that discovered from a variety of text interpretations according to the authors' interpretation based on analysis towards collected data (column 2).

Table 2. Tax Policy as Institutions and Underlying Text

Related and associated text (1)	discourse identified (2)
strengthening the rule of law for smuggling of tax (tax evasion) (the Financial Memorandum 2014)	tax compliance strategy and taxing the hard-to-tax
improve regulations which broaden tax base to increase tax revenues	
increasing the synergy with police and prosecutors in the implementation of law enforcement in the taxation field	
Seventh, strengthening the rule of law for tax evasion, by improving the quality and quantity of inspection, examination of preliminary evidence, investigations, and tax collection (the Financial Memorandum 2015)	
... Improvement of tax administration system to improve tax compliance, including through (a) the improvement and expansion of e-filing for taxation ... (Financial Memorandum 2014)	efforts to facilitate the strengthening of tax administration
First, the improvement of tax administration system to improve tax compliance by implementing the use of electronic tax invoices (e-invoice) in the value added tax administration (VAT) and the submission of annual income tax returns (SPT) through e-filing to provide taxpayers convenience in making and reporting annual tax returns to the (DGT) easier, faster, and cheaper, so in the long run taxpayers' compliance is expected	

to increase ... (Financial Memorandum 2015)

explore tax potential directly from strategic economic transactions through the online system development with institutions that administer strategic economic transactions; (5) improve the effectiveness of auditing and collection (Financial Memorandum 2015)

Sixth, optimizing data usage and/or information related to taxation with other institutions and foreign tax authorities through an optimization of the implementation of Article 35A of the KUP Law and improve international tax cooperation in information exchange (Financial Memorandum 2015)

It had appeared a provision in the Presidential Decree of the Republic of Indonesia Number 72 of 2004 about the amendment of Presidential Decree No. 42 of 2002 about Guidelines for the Implementation of the State Budget whose "magnitude" is enhanced by removing the content substances into articles in the KUP Law (Article 35A) about data and information for tax purposes. This decree added Article 18A which states that:

(1) *To integrate and synergize data and information referred to in Article 18 paragraph (1), Government formed the National Data Bank and a Single Identity Number*

(2) *The establishment of the National Data Bank and a Single Identity Number as referred to in paragraph (1), implemented by the Ministry of Finance in coordination with the departments/agencies and local governments.*

(3) *Departments/institutions, local governments, office/work unit, project/part of the project and state/local enterprises to provide data and information that is under the authority of the Minister of Finance to the attention of the*

Director General of Taxation, as well as taking necessary steps according to the task, functions and each authority for the establishment of the National Data Bank and referred Single Identity Number.

(4) *The type of data and information referred to in paragraph (3), is set by the Minister of Finance.*

... Granting authority to local governments to levy a tax (taxing power) is an important instrument in the implementation of decentralization. ... (Financial Memorandum 2014)

The division of taxing authority between central and local governments.

5.3. Reflection upon Findings

Based on the analysis of research data, the authors propose a reflection on various findings as an effort to establish a research framework that is expected to contribute to the methodology development, the analytical framework or model of tax policy formulation. The discovery of dominant texts which later become discourses as constituting institutions will facilitate an understanding of the existence of institutions. Referring to Phillips et al. (2004), the existence of institutions cannot be separated from the political will of the actors involved with institutions. It means, there is a factor of power and authority that will decide how the role and position of an institution. What to do with these institutions? Whether they maintained, repaired or removed, depend on what understand by the actors toward text-discourses which form the institution.

The four dominant discourses proposed by the authors that forming tax policy as the institution of course definitely have influence with one another. The authors finally conclude that discourses of taxing the hard-to-tax are the most dominant discourse. In more specific term, most of the measures chosen are how to deal with the hard-to-tax. This term is used to describe a group of enterprises (either small, medium or large) should be included in the tax system but in fact seeks to avoid paying taxes as the way they should, in various ways. Some of them may not make a proper transaction record-keeping as required by tax law, involved in "underground economy", or even (Romanov 2003; Bird and Wallace 2004; Arbex et al., 2014).

The authors agree with that opinion, and it also occurs in a case for Indonesian situation. Even until the latest moment, this research was written, the issue of Tax Amnesty Law (Law 11/2016), in our opinion is

still struggling in the discourse. As the Head of FPA said that:

" ... 'We know that enormous potential sources of tax which have not been utilized and dig effectively. From 250 million population of Indonesia is only 28 million TIN (Taxpayer Identification Number/'NPWP' - authors). From that 28 million who have a TIN, only 10 million submit their tax return every year. From that 10 million tax returns, less than 1 million, have their returns with payment. Surely there are something wrong with the way we manage taxes. That is why we offer a tax amnesty,' said Head of the Fiscal Policy Agency ('BKF'), Suahasil Nazara, ... "

<http://finance.detik.com/ekonomi-bisnis/3295380/hanya-28-juta-orang-ri-punya-npwp-kemenkeu-ada-yang-nggak-benar> - translated by authors

From all types of tax policy that has been established since tax administration reform was initiated in 1983, the most dominant discourse is taxing the hard-to-tax. Various efforts were implemented to deal with parties that are difficult to impose taxes, for example by enabling complex bookkeeping requirements into a simple recording and the income tax imposing to the calculation norm. Finally, there was a drastic step, the income tax on certain businesses with a circulation of less than IDR 4.8 billion (about USD 364.000) per year on business subject to 1% of income tax of from the gross income amount, instead of profit. Various efforts did not contribute too much effect on increasing the tax ratio which did not move to a greater percentage, with less than 14% by the year 2015. It means that tax base in a tax subject was not changed respectively.

From its earlier stage of tax reform started in 1983, the most dominant discourse in term of tax policy actually is taxing the hard-to-tax. Various attempts were made to deal with the parties this hard-to-tax, for example by applying a presumptive income tax (Bawazier 2011), on different types of income that perceived by the tax authority will be hard to collect using normal income tax collection mechanism. Those type of incomes includes: interest on bank deposits, income from securities transactions in the capital market, as well as the sale of real property (land/building). In this sense, for reasons of convenience in VAT collection, implemented with mechanisms that actually were not commonly known in the imposition of VAT as: VAT collection made by buyer instead of seller, in the case of the purchaser use state's budget funds, or imposition of VAT due to someone that made building (construction) for his/her own interest.

The difficulty of taxing entrepreneurs; small/medium enterprise drives tax authority to introduce a simpler method of transaction recording based only on business turnover, instead of more complex financial accounting system comply with accounting standards. Some complex requirements in

accounting converted into a simpler recording mechanism and the imposition of income tax will be done using a "calculating norm". Even more, tax authority eventually took drastic measures, income tax on certain business, i.e.: its gross sales less than IDR4.8Miliar (approximately USD364,000 by September 2016) per year is subject to income tax of 1% of some gross sales, instead of business profit. However, actually, that various measures were not too much increase the tax ratio, that until 2015 is still less than 12% (LKPP 2014). This number means that the tax base is basically not much changed.

On the other side, the discourse on taxation services mainly based on information technology and the establishment of tax information as a form of counter data to what has been declared by taxpayers in their annual tax returns is a discourse that follows the first one. One of the efforts to overcome the problem of hard-to-tax is to provide an excellent service. Also, supervision systems that make taxpayers feel that the tax authorities would find a fraud of annual tax returns they have been conveyed. Such situation is also exacerbated by the difficulty of tax authorities to obtain taxpayers bank account because of the bank secrecy. Let us consider the following statement of one of tax officers:

" ... Director General's demand is based on a valid foundation. When referring to the General Stipulation and Tax Laws Act which is set out in Article 35A, paragraph 1 and 2 in which all agencies Institutions/Ministry, business entities, and individuals have to give their data to DGT, however in reality there is no institutions which input data and until now DGT experiences a difficulty. 'The easiest way is we take from the bank's database. That is the easiest way, and therefore we are proposing, '... It would be difficult due to the Banking Law about the bank secrecy. 'Therefore we are proposing, ' ... "

<http://www.neraca.co.id/article/39485/ditjen-pajak-usulkan-tembus-data-nasabah>

- translated by authors.

It is an unusual situation because the self-assessment tax system is a system that is largely based on a comparative data to test the validity of annual tax returns reported by taxpayers. The most vital comparative data is the flow of incoming/outgoing money in the bank. However, this data was not owned by the tax authorities. Even parliament members are not entirely able to gain access to banking information for tax authority. This problem can be seen from this statement:

"... Vice Chairman of Commission XI of the House of Representatives, Harry Azhar Aziz. He refused on the proposal that Directorate General of Taxes is authorized to open the bank account of all bank customers because it could threaten the banking industry business. The discussion result of the Banking Law draft is that there are several changes related to the confidentiality of banking data confidentiality for

tax purposes. However, data requests cannot be made automatically without any background of tax fraud cases. If the customer has a bank account can be opened at any time by a particular party, then bank customer may feel unsafe. Therefore, it cannot be done automatically without any special reason in the opening of bank customer account data, '...' "<http://www.neraca.co.id/article/39485/ditjen-pajak-usulkan-tembus-data-nasabah>

– translated by authors

Interesting research findings related to this study theme is what conveyed by Rosid et al. (2016a; 2016b) who found that acts of non-compliance in the term of tax obligations was influenced by taxpayers' perception of corruption, either general (governmental-) corruptions or more specific, tax corruptions. This circumstance means that non-compliance could be triggered not solely by tax policy such as tax rates, or tax officer services, but also involves the perception of corruption in bureaucracy as part of the whole government system. A situation which would be difficult if only tackled purely as technical-tax administration matters.

The discourse of tax collection by local governments (provincial/district/city) is conceptually types of local taxes more localized, high visibility, immobile tax objects, and there is a close relationship between the taxpayer and who enjoy the fruits of such tax. Meanwhile, the discourse on local taxes can be regarded as a separate discourse of the three discourses that had been described. The argument most likely from this situation are local taxing power is an absolute consequence of their decentralized government system prevailing in Indonesia. That is, with the local taxing power of local governments also have a role in their efforts to achieve fiscal sustainability at least in relation to the acceptance of the structure of local taxes in accordance with the potency that there is going to reduce the level of dependence of the region to the central government to provide funds to the budget through a transfer mechanism intergovernmental fund.

Reflections on these research findings may ultimately lead the authors to a lesson learned obtained from situations as described above. Taxing the hard-to-tax and compliance issues are crucial to achieving fiscal sustainability. However, in the end, tax revenues will pay for all public spending, including pay to public debt made by deficit fiscal policy, ensuring that all of the economic activities continued and running normally. The problem then is how to show up this situation to all stakeholder so that they realize that eventually tax payment will make national development sustain. From this standpoint, we propose to associate tax payments with their related public expenditures. Explicitly linking tax revenues with expenditures will probably further increases the awareness of taxpayers. There is a firm understanding of the tax definition which "does not give direct

benefits to taxpayers". As a result, up to some extents, there is no business for the tax authority to unravel in more detail on expenditures that comes from tax revenues. The purpose of this action is at least taxpayers really know the purposes of their money. Certainly, this is not just a job of tax authorities but rather on integrating with budgeting and treasury systems. However, all activities are still under the control of the Minister of Finance as state Chief Financial Officer (CFO). Technically, this goal can be achieved by the implementation of fund accounting as a part of the mechanism of state financial management. Legally, it is also made possible by the provisions that regulate the Government Accounting Standards. This proposal became eligible for consideration as a part of efforts to boost the awareness of taxpayers to provide information on the utilization of taxes they have paid.

5. CONCLUSION AND SUGGESTION

The result of this study provides a lesson-learned that an understanding of texts that shape discourses and then institutions will facilitate an understanding of why and how public policy formulated and implemented. Discourses establish institutions, which then allows human as the actor uses institutions as a means of social exchange. Tax policy as a legal document is an aggregate of all norms about who has to pay, how much and how to pay, composed from dominant discourses that constitute it. In the context of contemporary Indonesia, forming discourses include: (1) tax compliance strategy and taxing the hard-to-tax; (2) efforts to facilitate the strengthening of tax administration; (3) the establishment of information databases as a tool to examine the compliance of taxpayers; (4) the division of taxing authority between central and local Governments.

Fiscal sustainability can be regarded as public goods. They shall be provided and can be enjoyed by those who do not even pay. Fiscal authorities as part of the government system shall create fiscal sustainability as an effort to ensure the sustainability of all economic aspects in the country. Several points of view seek to provide an understanding of this term. The difference comes from an emphasis on what will be explained, does tend to be on the side of revenues, expenditures, or financing. Alternatively, more comprehensive efforts should be conducted to gain an understanding of these three aspects and then connect it with other economic variables.

The study findings have contributed to methodological aspects, theoretical or practical tax policy. From an aspect of methodology, the use of interpretive policy analysis as part of a discourse analysis provides possibilities of new findings in the study of public policy, especially tax policy as part of state finance management. Meanwhile, theoretically, from the analytical framework about the relevance of

texts-discourses-institutions found an empirical support in the context of tax policy formulation and its relation to fiscal sustainability. While in practical aspects of tax policy, tax policy makers need to think about and explore how various discourses to form an institution into its constituent text to then design a tax administration solution which is capable of solving problems that still exist.

6. IMPLICATION AND LIMITATION

This research proposes suggestions that might be a little unusual in looking at the relationship between tax policy with fiscal sustainability. Efforts to improve tax compliance, taxing the hard-to-tax should be done in every possible way and accordance with the existing legal provisions. However, the effort seems to give too much emphasis on technical aspects of the tax administration (tax rate, tax base, law enforcement, and so forth) which have not shown optimal results.

Therefore, the authors tried to develop a proposal to elicit a policy that allows transparency and accountability in details about the use of tax collection by implementing fund accounting as a part of recording mechanism and reporting state revenues/expenditures from taxes. Definitely, it is an offer that requires a thorough and deeper study.

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