

Impact of VAT on Agriculture Sector in Indonesia: a SAM Approach

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The Value Added Tax (VAT) is one of the main sources of tax revenue in Indonesia. Over the last few decades, VAT revenue contributed as the second largest tax revenue after income tax. The proportion of VAT revenue also continued to increase in recent years. In nominal, VAT revenue significantly increases. In 2004 VAT revenue only IDR102 trillion (USD7.1 billion), then in 2017, VAT revenue has reached IDR481 trillion (USD33.4 billion). However, the Indonesia tax ratio is one of the lowest in the region and the world. Currently, the tax revenue is one of the fiscal risks that must be mitigated by the Government, since it never reached the target in the last ten years except in 2008. One discourse being raised to increase tax revenue is to charge VAT on all goods and services, including the agriculture sector. This paper uses the latest of Indonesian social accounting matrix (SAM) multiplier model to quantify the economic impact of the imposition of VAT on the agriculture sector, which is currently being exempted from the imposition of VAT. At present, there is no one calculating the economic impact of imposing VAT on the agricultural sector in Indonesia although the value of the VAT exempted has been calculated in the tax expenditure report of Indonesia.