



The Effectiveness of Law No. 2 of 2020 concerning the Fiscal Policy Strategy of the Government of the Republic of Indonesia in Dealing with the Impact of the Covid-19 Pandemic

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ABSTRACT

This study aimed to analyze the effectiveness of Law No. 2 of 2020 as a fiscal policy strategy set by the government of the Republic of Indonesia in dealing with economic problems emerging driven by the Covid-19 pandemic. A total of eight people were informants of this study. Data were collected through observation, interviews, and documentation. The stages of data analysis were collecting, reducing, and presenting the data, followed by concluding. The novelty of this research is shown by the disclosure of the effectiveness of Law No. 2 of 2020 as a government fiscal policy strategy in overcoming the impact of the COVID-19 pandemic. The results showed that three functions, namely convenience, stability, and change, are dimensions of the regulatory function of the law in question, which can have a positive impact on restoring economic activities during the Covid-19 pandemic. The law, including as one of the national economic recovery program, can be said to be effective during the pandemic.

Keywords: Covid-19 pandemic, Fiscal Policy, Law No. 2 of 2020



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INTRODUCTION

The world is currently facing an attack by a novel virus that causes a disease named the coronavirus disease 2019 (Covid-19). The Covid-19 outbreak first appeared at the end of 2019 in the city of Wuhan, China. This virus has spread to all countries. The World Health Organization (WHO) has announced that it becomes one of the infectious disease outbreaks or can be called a global pandemic (WHO, 2020), which significantly affects the state and economic system which has implications for economic, social, and welfare aspects in all countries, including Indonesia.

The pandemic has harmed the world's economy, as shown by the decline in state revenues and income, the slowdown in the economy, and the higher state spending and financing. Large-scale

social restrictions or regional quarantines in various regions also have implications for domestic business activities. The policies have led the income of business actors to decrease and even led them to bankruptcy due to economic pressures (Thaha, 2020; Saputra and Salma, 2020).

According to data provided by the Central Statistics Agency (2020), Indonesia's economy grew by 4.97%, 2.97%, and -5.32% in Q4-2019, Q1-2020, and Q2-2020, respectively. These numbers indicate a significant economic decline or contraction due to the Covid-19 pandemic, bringing Indonesia to a recession due to the consecutive decrease or contraction during the periods (Nasution et al., 2020).

The decline in national economic growth also hit micro, small, and medium enterprises (MSMEs), which are the backbone of the national economy. The pandemic hit the total production, trade value, and number of workers (Sugiri, 2020). Unemployment out of control can cause economic problems and slow down economic activities.

In overcoming this problem, the government has sought to mitigate the risks caused by the COVID-19 pandemic by issuing laws and regulations, as juridical instruments, by combining the authority of laws and regulations, policy regulations, government officials, and, of course, support from the bureaucracy as a policy-implementing organ (Juliani, 2020). Legislation needed by the government was government regulation in place of Law No. 1 of 2020, which was later promulgated into Law No. 2 of 2020.

Law No. 2 of 2020 comes as a reflection of the government's policies in the fiscal and monetary fields in tackling the impact of the Covid-19 pandemic on the economy. When the wheels of the country's economy tend to slow down, followed by low economic growth and rising unemployment, appropriate fiscal and monetary policies are expected to encourage the economic growth to be faster and minimize unemployment (Pardamean, 2013). Fiscal policy can make changes in taxation or spending to bring the country to deal with economic problems (Sukirno, 2015).

Based on the explanation above, to explore more deeply Law No. 2 of 2020, which reflects fiscal policy in dealing with the impact of the Covid-19 pandemic, previous research results that are relevant and still related to fiscal policy strategies are necessary, such as those by Aulawi (2020), Feranika and Haryati (2020), and Silalahi and Ginting (2020).

The results of Aulawi's research (2020) stated that the Government Regulation in place of Law No. 1 of 2020 and tax relaxation are considered effective in overcoming state financial problems and economic instability due to the Covid-19 pandemic. Meanwhile, the results of Feranika and Haryati's research (2020) stated that government financing should refocus or revise the existing budget in the State Budget to optimize its use during the Covid-19 pandemic.

The results of the research by Silalahi and Ginting (2020) state that in terms of revenues, the government must pay attention to the contribution of revenue from value-added tax and corporate income tax, which has been the government's mainstay. In terms of expenditures, the government must pay attention to the realization of the use of these funds to be right on target and prioritize priority activities in preventing the effects of the Covid-19 pandemic to lower the budget deficit for financing.

The findings of previous research were found to be mixed with monetary policy and not yet focused on fiscal policy. The uniqueness of our research is our attention to updating research topics, especially regarding the effectiveness of Law No. 2 of 2020 as a fiscal policy strategy in dealing with the impact of the Covid-19 pandemic. The research that is relevant to this research is still rarely done, so it is necessary to compile this research based on academic research. The

contribution of this research is as a new consideration or as a reference for the government in making laws and regulations that can restore economic activity in the future.

The theory used in this research is the theory of effectiveness, state revenue, state expenditure, and fiscal policy through law number 2 of 2020. The context in this research is the theory used, namely the existence of 3 main functions in the legislation. namely the easy functions, then the functions and finally the change functions. Based on this, it strongly supports the theory used in this study in revealing the effectiveness of Law No. 2 of 2020 as a fiscal policy strategy for the government of the Republic of Indonesia in dealing with the COVID-19 pandemic. So, the problem formulated in this study was “Is Law No. 2 of 2020, as a fiscal policy strategy of the government of the Republic of Indonesia in dealing with the impact of the Covid-19 pandemic, effective?”

METHOD

This study used a qualitative approach using a constructivist research paradigm. The research design used in this study was interpretive. In conducting the ideal informant, there are four criteria to determine informants (Neuman, 2014), namely people who are still involved in the field and also have experience, then people who are currently involved in the field, and people who can spend time with researchers. The informants in this study were 8 people, in which the determination of the informants was very ideal by taking into account the 3 criteria for determining the informant: one informant (TRH) involved in the field and had experience as a tax researcher in Jakarta; one informant (EPH) involved in the field as an employee of the tax service office in Surabaya, and; six people who spent time with researchers to be interviewed. Of these six people, two informants were living in Malang. They were TE, a restaurant’s owner, and AP, a staff of an accounting and tax consultant company. Two others were living outside Malang, namely PN, a manager of a hotel in Batu City, and SJ, an assistant manager of a mining company in Barito Utara District. The last two others (BP and RYE) were of the general public. Furthermore, data collection was obtained from observation, interviews, and documentation to be analyzed under the following steps: data collection, data reduction, data presentation, and conclusion drawing.

RESULTS AND DISCUSSION

The researchers conducted interviews with the informants through voice recorders and made observations related to the effectiveness of Law Number 2 of 2020 as a fiscal policy strategy in dealing with the impact of the Covid-19 pandemic. Reduction of the collected data was done by taking only important statements of the eight informants, by considering that Law no. 2 of 2020 is a statutory regulation that has three functions, namely convenience, stability, and change, which are indeed functions of legislation that has social-legal functions (Qamar and Rezah, 2020). The important statements by the informants and the meaning obtained regarding Law No. 2 of 2020 are shown in the following Table 1:

Table 1. Important statements of informants and meanings obtained regarding Law No. 2 years 2020

No	Informant	Important Statement (Information)	Meaning
1	EPH	“Concerning Law No. 2 of 2020, the government’s main objectives, apart from helping business actors, are to expand the taxation database for PMSE (Trading Through the Electronic System) and investment in the form of tax exemptions on dividends. However, for business actors, the government has maximally implemented its derivative regulations, namely the Minister of Finance Regulations concerning tax incentives, like PMK110/2020”	Convenience Function
2	AP	“We are given convenience. Especially during this pandemic, it is very beneficial if we can take advantage of tax incentives”	
3	PN	“The tax is reduced. If the rate is reduced, then it is reduced. If you get an amnesty, then you don’t have to pay taxes at all”	
4	SJ	“Regarding late payments during the pandemic, there is a policy called the abolition of sanctions. When we make a late payment, we are subject to a fine. After the fine is issued, we can apply for the abolition of the fine”	
5	BP	“The tax subsidy is actually very helpful for taxpayers, because the current income of SMEs has decreased drastically”	
6	RYE	“In fact, people really expect tax reductions or subsidies, because the pandemic has resulted in their minimal income”	
7	RYE	“If there were tax or other subsidies, I think the community would be very helpful”	
8	EPH	“Regarding Law No. 2 of 2020, the most important thing is the accelerated return of excess tax. The corporate income tax rate cut is only valid for the 2020 tax year, where the deadline for the tax return is April 2021”	
9	EPH	“to provide a stimulus to or, at the very least, reduce the costs incurred by, business actors, and on a macroeconomic basis to avoid or emerge from a recession ”	Stability Function
10	EPH	“subsidies or tax incentives can encourage consumption and investment so that the national economy can recover quickly ”	
11	TE	“This law must be very useful because everyone in this world feels the tax is still a burden. Subsidy means a reduction in the burden of both individuals and business entities”	
12	TRH	“Of course it takes a shortcut: a special regulation that must be made by the government so that the state budget becomes dynamic in conducting financing. Well, finally there the government decided the existence of Perppu No. 1 of 2020, which became the forerunner of Law No. 2”	Change Function

Source: processed by researchers

After reducing the data in the three themes regarding Law No. 2 of 2020, namely the convenience, stability, and change functions, the data are presented. Tax incentives, or tax subsidies, are part of fiscal policy and are included in state spending. They are given to taxpayers, both individuals and entities, by cutting the tax rates or taxes borne by the government to overcome economic problems in the macroeconomy due to the negative impact of the Covid-19 pandemic. The economic stimulus is a step taken by the government in restoring the macroeconomy through the fiscal policy contained in the national economic recovery program (PEN).

Special regulations are regulations that must be made by the government when there is a compelling urgency, such as Government Regulation in place of Law No 1 of 2020, which was promulgated into Law No. 2 of 2020. The goal is for the State Budget to be dynamic in carrying out financing during the Covid-19 pandemic by providing subsidies and social safety nets, which can be called social assistance.

After that, an analysis was carried out on the third part of the theme, namely Law No. 2 of 2020 into Law No. 2 of 2020 as a fiscal policy strategy for the government of the Republic of Indonesia in dealing with the impact of the Covid-19 pandemic. This was based on important statements by informants that contained the meanings of Law No. 2 of 2020, using key information on the functions of laws and regulations which include convenience, stability, and change functions..

In this case, the informant TRH (2021) started to explain about Law Number 2 of 2020 based on the function of change, by stating “Of course it takes a shortcut: a special regulation that must be made by the government so that the state budget becomes dynamic in conducting financing. Well, finally there the government decided the existence of Perppu No. 1 of 2020, which became the forerunner of Law No. 2.”

The informant EPH (2021) explained the convenience function of Law No. 2 of 2020 by stating “Concerning Law No. 2 of 2020, the government’s main objectives, apart from helping business actors, are to expand the taxation database for PMSE (Trading Through the Electronic System) and investment in the form of tax exemptions on dividends. However, for business actors, the government has maximally implemented its derivative regulations, namely the Minister of Finance Regulations concerning tax incentives, like PMK110/2020.”

The informant AP (2021) added the previous informant’s statement regarding the convenience function of Law No. 2 of 2020, by stating “We are given convenience. Especially during this pandemic, it is very beneficial if we can take advantage of tax incentives.”

The informant PN (2021) added the previous statement related to the convenience function, by stating “The tax is reduced. If the rate is reduced, then it is reduced. If you get an amnesty, then you don’t have to pay taxes at all.”

This was also corroborated by the informant SJ who stated “Regarding late payments during the pandemic, there is a policy called the abolition of sanctions. When we make a late payment, we are subject to a fine. After the fine is issued, we can apply for the abolition of the fine.”

Furthermore, the informant BP (2021) also added about the convenience function, by stating “The tax subsidy is actually very helpful for taxpayers, because the current income of SMEs has decreased drastically”

The informant RYE confirmed the previous statement regarding the convenience function, by stating “If there were tax or other subsidies, I think the community would be very helpful”

Finally, regarding the convenience function contained in Law No. 2 of 2020, the informant EPH (2021) confirmed by stating: “Regarding Law No. 2 of 2020, the most important thing is the accelerated return of excess tax. The corporate income tax rate cut is only valid for the 2020 tax year, where the deadline for the tax return is April 2021”

Next, an explanation of the stability function contained in Law Number 2 of 2020 was started by the informant EPH (2021) who stated: “to provide a stimulus to or, at the very least, reduce the costs incurred by, business actors, and on a macroeconomic basis to avoid or emerge from a recession”

The informant EPH (2021) again added about the stability function, by stating “subsidies or tax incentives can encourage consumption and investment so that the national economy can recover quickly”

Finally, regarding the stability function contained in Law Number 2 of 2020, the informant ET (2021) stated: “This law must be very useful because everyone in this world feels the tax is still a burden. Subsidy means a reduction in the burden of both individuals and business entities”

These findings are in line with the literature of Firdaus et al. (2020) and Novianti et al. (2020) that the Government Regulation in place of Law No. 1 of 2020, which is currently Law no. 2 of 2020, is the government’s step in making adjustments on the revenues and expenditures and implementing policy rationality in terms of projected tax revenues, spending by ministries and institutions, transfers to regions (Firdaus et al., 2020), and national economic recovery (PEN), which accommodates the fiscal policy strategy such as the provision of tax incentives and tax relaxation to continue to encourage economic activities (Novianti et al., 2020).

Furthermore, before providing research findings, the effectiveness of Law No. 2 of 2020 needs to be considered. According to Pekei (2016), effectiveness is a relationship between output and/or output with goals. Effectiveness is also closely related to the success of a policy in the public sector. A policy can be said to be effective if it has a major influence on the planned targets. Meanwhile, according to Mardiasmo (2009), effectiveness is the relationship between cause, outcome, and income in achieving a goal. In other words, effectiveness is a measure of the success or failure of achieving a predetermined goal; something is said to be effective if its goal has been successfully achieved.

Based on the research findings, supporting literature, and the theories of effectiveness above, it appears that the convenience, stability, and change functions, which are dimensions of the regulatory function of Law No. 2 of 2020, can have a positive impact on restoring economic activities during the Covid-19 pandemic.

Furthermore, the findings would be more concrete if strengthened by providing incentives to business actors as stated in the Minister of Finance Regulation No. 185/PMK.03/2020 concerning the costs needed for handling the impact of Covid-19 through the 2020 national economic recovery program and the implementation of the 2020 State Budget, as depicted in Figures 1 and 2 as follows:



Figure 1. 2020 National Economic Recovery Program
Source: Ministry of Finance of the Republic of Indonesia



Figure 2. Implementation of the State Budget for Fiscal Year 2020
Source: Ministry of Finance of the Republic of Indonesia, 2020

Figure 1 shows that the government has provided costs for handling Covid-19 through the 2020 national economic recovery program amounting to 695.2 trillion rupiahs for health and social protection sectors, ministries or institutions, local governments, micro, small and medium enterprises, corporate financing, and business incentives.

Then, the implementation of the State Budget for the 2020 fiscal year can be seen more detailed in Figure 2. Based on the realization of the state revenue and expenditure budget for the 2020 fiscal year, state expenditure in 2020 rose 12.2% compared to that in 2019. Then, the state budget posture related to the realization of the national economic recovery program can be said to be very significant in helping the handling of Covid-19 and its impact on the community and the business

world. It was as much as 579.8 Trillion Rupiah after originally budgeted at 695.2 Trillion Rupiah, as shown in Figure 1. So, it can be concluded that Law No. 2 of 2020 including the national economic recovery program is effective during the Covid-19 pandemic.

CONCLUSION

The implications of this research are in line with the research findings, which are input for the government of the republic of Indonesia, especially regarding the importance of laws and regulations such as Law Number 2 of 2020 in restoring future economic activity. Because in laws and regulations such as Law Number 2 of 2020 it has a social and legal function consisting of a convenience function, a change function, and a stability function that can create effectiveness in fiscal policy through state tax revenues and state expenditures in the form of subsidies, namely tax incentives. , so that it can stabilize people's purchasing power, ease the burden of business activities whose turnover has decreased, become a solution to overcome unemployment due to layoffs and ease the burden of employees whose income has been cut through tax relaxation which is useful for restoring economic activity during the COVID-19 pandemic.

The theoretical implications for researchers are that research findings strengthen the concept of fiscal policy involvement in dealing with the impact of the COVID-19 pandemic, and enrich the repertoire of the model Law Number 2 of 2020 as the government's fiscal policy strategy in dealing with the impact of the COVID-19 pandemic, particularly regarding the effectiveness of the Act. -Law Number 2 of 2020 as a fiscal policy strategy for the government of the republic of Indonesia in dealing with the impact of the COVID-19 pandemic. As for this research, it can also be a reference material for further researchers regarding Law Number 2 of 2020 as a fiscal policy strategy and other research topics that are still related to fiscal policy strategies.

From the results of the research and discussion of the previous chapter, it can be concluded that the convenience, stability, and change functions, which are dimensions of the regulatory function of Law No. 2 of 2020, can have a positive impact on restoring economic activity during the COVID-19 pandemic. Besides, Law No. 2 of 2020, including the national economic recovery program, can be said to be effective during the Covid-19 pandemic.

This research has limitations, namely in terms of not distinguishing the informants from middle to lower and upper middle business activities. Then, in this case, the informants from the middle to lower and upper middle business activities who have been interviewed have been processed into a general conclusion from the results of interviews that have been conducted regarding Law No. 2 of 2020 as a fiscal policy strategy for the government of the republic of Indonesia in dealing with the impact of the COVID-19 pandemic.

Based on the research that has been carried out with conclusions obtained, the researchers provide recommendations, namely fiscal policy changes from time to time and this policy is issued by the government under certain conditions. So for further researchers who are interested in researching related to the government's fiscal policy strategy, they must first understand the purpose, meaning, and meaning of the issuance of government fiscal policy, because this is closely related to state expenditures and revenues which can change over time. then for further researchers who are interested in researching law number 2 of 2020 and fiscal policy strategies, they can discuss other research topics that can be researched and are still related to fiscal policy strategies, both using qualitative and quantitative approaches, namely regarding the effectiveness of the socialization of the republican government. Indonesia, which in this case is the obligation of the Directorate General of Taxes (DGT) regional offices and the Ministry of Finance of the Republic of Indonesia regarding the provision of tax incentives to taxpayers (WP) so that later taxpayers can take full advantage of the tax incentives issued by the government and generate benefits, and The results of

this study can be a new consideration or as a reference for the government in making laws and regulations that can restore economic activity in the future.

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