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The State Budget based on Prudent Affirmative Action

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Abstract

This article is to examines the state budget based on Affirmative Action carried out by considering the needs and fiscal capabilities after 100 days of administration performance from the new cabinet President of the Republic of Indonesia, and the main objective of affirmative action is to promote equality and justice for all public servants and government agencies regardless of the underlying differentiation. This study uses a theoretical framework stating that the State Budget, State Finance Law, Global Minimum Tax, Core Tax, and Accountability are important indicators of national economic growth.

A qualitative descriptive method with a Phenomenological study approach by using primary data (in-depth interviews with experts and practitioners) and secondary data from relevant sources of information was used in this research. The budget savings policy seems to be off-target, which actually has a greater impact on the State Civil Apparatus at the middle to lower levels. The current government also does not hesitate to appoint new Special Staff which actually makes this budget efficiency policy contradictory because of the formation of a "fat" cabinet with a greater number of ministers and additional special staff than the previous government. This study also underlines the importance of integrating the State Budget, State Finance Law, Global Minimum Tax, Core Tax, and Accountability into the operational framework of National Economic Growth. The government needs to reconsider so that government assistance and infrastructure spending are excluded from the 2025 budget efficiency policy. Budget efficiency must be accompanied by bureaucratic reform, which should reduce the number of ministries and special staff, rather than fattening the number of ministers and special staff which has an impact on increasing bureaucratic spending.

Keywords: Stated Budget, State Financial Law, Global Minimum Tax, Core Tax, Accountability.

1. Introduction

Every country is trying hard to save its national economic growth from the trap of the weakening global economy. Indonesia is no exception, which is targeting economic growth of 8% in the period 2028-2029. This ambitious target must be achieved in the next 4-5 years. That means, economic growth in 2025, the first year the wheels of this government began to move, becomes the foundation that determines how smoothly the 8% target is achieved. The 2025 State Budget has set a number of critical macroeconomic assumptions, namely economic growth of 5.2%, an inflation rate of 2.5%, a rupiah exchange rate of Rp16,000 per US dollar, a 10-year Government Securities (SBN) interest rate of 7%, Indonesian Crude Oil Price (ICP) of US\$ 82/barrel, and oil and gas lifting of 605,000 barrels per day (bpd) and 1,005 million barrels of oil equivalent per day, respectively.

Meanwhile, the 2025 State Budget sets a tax revenue target of IDR2,189 trillion, up 13.91% compared to the 2024 outlook of IDR1,921.9 trillion. The government's targeted tax revenue in 2025 is seen as ambitious. Why not? Because the growth of the target figures stated in the 2025 fiscal posture is far above the natural denominator. If policies are not carefully formulated, the

opportunity for policy makers to reach the target denominator is very small. Both on a local and global scale, the same situation is predicted to recur in 2025, with various challenges that accompany it. As is known, the Government has officially implemented a Global Minimum Tax Rate of 15% for large-scale multinational corporations starting in 2025. Although it can increase tax revenue for the country, this policy will have consequences for the provision of tax incentives which have so far been a "stimulus" to attract foreign investors to Indonesia. Through this policy, large-scale multinational corporations/entities operating in a country are required to pay income tax (PPh) with an effective rate of at least 15% on the income they earn from the relevant market country.

On the other hand, various basic critical macro assumptions mentioned in the Transitional State Budget are claimed with a spirit of sustainability and optimism. However, behind that, there are signals of caution regarding the implications of dynamics that are still occurring, both in the global and international environment. Facing the situation in accelerating the increase in state revenue, namely in the form of tax revenue - the challenge of accommodating economic and political interests, it is hoped that the Tax ratio will increase significantly. Indonesia over the past decade has recorded a relatively low ratio achievement compared to countries in Southeast Asia, only surpassing Laos. Of course,

this reality has not escaped the government's observation, and this is in line with what Jha (2016) said that one of the functions of the government, through its fiscal and monetary policies, is to redistribute or relocate income (Jha, 2016).

In state practice in Indonesia, fiscal policy is a joint decision between the Government and the House of Representatives regarding revenue, expenditure and loans as implemented in the state budget which is determined with the intention of directing the Indonesian economy to achieve certain conditions - as stipulated in the General Guidelines of State Policy, the Five-Year Development Plan or called Proenas (Proposed National Development). With such an understanding, it is conventional if fiscal policy always changes from year to year or changes in line with the term of office of the government cabinet or changes in line with the government regime.

2. Literature Review

2.1 Policy and Science Analysis

Policy analysts and advisors apply their intellectual skills in studying public problems. Usually, they are not trained in pure science (natural science), although they produce knowledge that is relevant to policy even though they do not study the public problem itself. Policy analysis is more directly related to the social sciences, especially political science, economics, history, sociology, anthropology, and law. This becomes clearer when considering that policy analysis focuses on public problems or problems related to how society organizes itself and conducts its affairs. According to this view, policy problems are related to social problems and human problems, not on what is done but on what should be done about the public problem (Widodo, 2018).

Geva-May et al (2018) distinguishes policy analysis into two categories, namely applied policy analysis and academic policy analysis. It is also stated that there are three elements or components in the policy process that may be in accordance with the target of the analysis. First, there are main determinant factors in every policy that produces policy. These determinant factors may come from external environmental forces, such as the level of economic growth, political culture that drives public opinion, conflicts between parties, between interest groups and pressure groups, and exposure between mass media. Second, there is the content of the policy which may include the intent and purpose of the policy, problem definition, and government policy instruments. Third, there is the impact of the policy. The impact of the policy is divided into 2 types; namely the expected impact and the unintended impact for the target group of the policy. As in the

political system in the form of legitimacy in the economic system seeking productivity and competition, while in the social system in the form of community cohesion.

Types of academic policy analysis are not exclusive. The academic analysis type focuses more on the relationship between policy determinants and policy content. In other words, academic policy analysis attempts to explain the nature, characteristics, and profile of policy. The orientation or focus of this type of policy analysis is usually on political science, history, and sociology. Although it has provided guidance and is normative, economics has a bias because its assumptions are related to the efficiency of the market system. In addition, economics is able to measure something in a financial context. Therefore, economics focuses on the impact of public intervention on market mechanisms. Academic policy analysis tries hard to explain public policies that generally cross space and time so that they are comparative. Some social scientists currently believe that they cannot find the laws of human behavior, but they try to explain certain examples in which they themselves identify through general theories.

Meanwhile, applied policy analysis can be characterized by only a slight exaggeration of the opposite. Applied policy analysis focuses on the relationship between policy content and policy impacts. Applied policy analysis asks different key questions: Does the policy do what it is proposed to do? Is the policy implemented efficiently? Are there better policy alternatives? These questions are evaluation questions concerned with determining the effectiveness of the policy. There are no explanatory questions. Applied policy analysis focuses more on the content and issues of a particular policy with the intention of evaluating policy impacts rather than explaining policy content. The approach is contextual. That is, applied policy analysis examines a particular policy in a particular setting rather than situating issues in a theoretical terrain. The goal of such evaluation is to improve and change policy and to politically use methods that academic policy analysis does not.

Applied policy analysis is usually conducted on a contractual basis with policymakers or clients involved in the policy process. The process is often hectic and turbulent, so applied policy analysis needs to be conducted quickly. Ultimately, applied policy analysis has no illusions about the objectivity that clients have when they have particular values and interests. Applied policy analysis often adopts the value positions of those clients. At the very least, applied policy analysis sees policy as an effort to assist in making better decisions.

The differences between academic policy analysis and applied policy analysis can be described as shown in the following table;

Tabel: 2.1 Summary of Differences, Academic, and Applied Policy Analysis.

	Academic Policy Analysis	Applied Policy Analysis
Focus	Theory "Big Question"	Specific Policy: Specific Problem
Mode of Analysis	Explanation	Evaluation
Cost	Understand policies	Change policies
Research Agenda	Independent	Client determined
Duration of Analysis	Lengthy	Short
Value Orientation	Strive for "objectivity" Neutrality	Accept client values: Advocate "improvement"

Source: Geva-May et al, Policy Analysis. 2018.

The two types of policy analysis are fundamentally different in terms of their service and purpose. Most academic policy analysis

is conducted by universities and some independent think tanks, such as the Institute for Research on Public Policy. In contrast,

applied policy analysis works in government, private company consultants, and interest groups.

Academic policy analysis produces theoretical information, and models that can be used in policy-making practice. Meanwhile, applied policy analysis produces information that can be useful for early researchers in universities, even though academic policy analysis is not suitable for providing advice in the policy process. For example, the issue of educational institution policy, university scientists will explain how the issue appears on the government agenda, how the constellation of community interests, such as policy outcomes using theories of power and influence. In this case, no one helps or advises the authorities to make decisions for educational institutions to be closed.

2.2. Regulatory Reform

Regulatory reforms in developing countries are needed not only because of “a lack of adequate legal and socio-economic framework”, but also because of “a lack of dependable legislative enforcement” (Kapoor, 1995 in Setiyono 2014). Therefore, the agenda for reform in the legal field generally covers the following areas;

- i. Creation of a system that prevents arbitrariness and guarantees “the independence of the judiciary”.
- ii. Capacity building implementation of legal training and judicial infrastructure to strengthen the legal profession, such as judges, prosecutors, court administration, and police.
- iii. Increasing legal access and legal awareness for marginalized groups (including women, workers, farmers).

On the contrary, bureaucratic reform can be said to be successful if it is able to create synergy of relations and collaboration between the government, society and business world, especially in the form of transparent, fair and accountable public services. Bureaucratic reform will be successful if it can change the mindset, behavioral culture (culture set) and bureaucratic management.

2.3. Fiscal Reform

Activities in fiscal reform have various types of programs, especially in the framework of reduction of public spending (capital expenditure). Among them are reduction (cutting) of socio-economic programs of Health, Education, food, business subsidies, and others, as well as profit-making of public services (garbage, water, waste, electricity, etc.). Fiscal reform both in the field of revenue and authority to sub-national (regional), as well as reform of the tax system which is considered fairer. On the other hand, as is known, tax services sometimes become more expensive and do not meet the standards of justice due to the inclusion of motivation to increase tax revenue in services, such as tax amnesty policy. In addition, the increasing flow of trade between countries in the international business world has the consequence of the occurrence of increasingly large world financial transactions which have an impact on tax interests between countries. Income earned from anywhere in the world can be considered as domestic income of a country so that it can result in a conflict of tax collection rights because each country will prioritize the interests of its respective countries. Moreover, there are differences in collection procedures and differences in views on determining the type of tax. Therefore, it is necessary to understand taxation not only domestic regulations, but also a good understanding of international taxation in efforts to increase domestic tax revenues obtained from international transactions.

Studies from the International Monetary Fund (IMF, 2021) show that the instability of the tax administration system is intertwined with the increasing informal economy and weakening tax compliance in many countries. It is also stated that if tax modernization is indeed a complete goal, the main step that must be taken is not to change regulations repeatedly, but rather CoreTax really works as it should.

2.4. Accountability and Public Participation

Accountability which is the agenda of Public Sector Management in developing countries has two inseparable aspects: (1) administrative accountability; namely accountability related to the implementation of consistent regulations and a reliable system in public service which can ensure rational use of resources; (2) political accountability which emphasizes the government's responsiveness to public aspirations, which is carried out through political leaders in representative institutions.

The accountability process demands a greater public role in the process of government administration, both in the decision-making process and policy implementation. Therefore, in the budgeting process (state budget), for example, many third world countries (such as Argentina, Brazil, and Mexico) have also implemented the concept of participatory budgeting (World Bank, 1997). In addition, in the process of organizing public services (for example, handling abandoned children, the elderly, people with disabilities, various countries (for example: Latin America, South Africa, the Philippines, Thailand) involve NGOs and Civil Society to take care of them with government funds (Baviera, 2017).

In Indonesia, one form of transparency and accountability in state financial management is the submission of government financial accountability reports that meet the principles of being timely and are prepared in accordance with generally accepted government accounting standards. The State Finance Law clearly regulates the deadline for submitting reports from the Central Government to the People's Representative Council and reports from regional governments to the Regional People's Representative Council. The financial reports of the (central) government that have been audited by the Audit Board must be submitted to the People's Representative Council no later than 6 (six) months after the end of the relevant budget year. Likewise, the financial reports of regional governments that have been audited by the Audit Board must be submitted to the Regional People's Representative Council no later than 6 (six) months after the end of the relevant budget year.

2.5. Isomorphic Organizational

To further accelerate efforts to improve public management performance, it is necessary to consider the opinion of Mkasiwa et al (2014) who stated that there are three ways (mechanisms) that produce changes (isomorphic) in public sector management, namely: (1) coercive isomorphism, (2) mimetic isomorphism, and (3) normative isomorphism. Coercive isomorphism is a change that is produced by political pressure, both formally and informally, carried out by institutions outside the bureaucracy (Extra-bureaucracy). Mimetic isomorphism is a change that is produced by the intelligence of organizational exponents to respond to uncertainty and limitations. When the technology and facilities owned are poor, the country's goals are unclear, the budget is uncertain, and the career of civil servants (ASN) is unstructured, then an organization will usually do something to overcome the situation that befalls it. Normative isomorphism is an organizational change related to the professionalization process. Two aspects of professionalization that are important sources of

normative isomorphism are: Formal education and training, and also the existence of professional networks that schedule innovative changes. However, the three organizational isomorphics will not occur if the environment in which the organization is located does not stimulate change. Therefore, in addition to the willingness of public institutions to change, it is important that public and state support change public sector management is also something that is no less important.

3. Method

A qualitative descriptive method with a Phenomenological study approach by using primary data and secondary data was used in this research. Primary data has been obtained from the results of in-depth interviews with experts and practitioners who have adequate understanding of fiscal policy (state budget and taxes) so that we have great confidence in being able to determine the current real situation and national economic growth, while secondary data is collected from literature studies, from the official websites of the Directorate General of Taxes and the Ministry of Finance of Indonesia, books, and other relevant sources of information.

According to Creswell (2018), Descriptive Qualitative research is a research design where the researcher surveys the people to describe the attitudes, opinions, behaviors, or characteristics that concerns with the problem exist recently. Descriptive research is "research that seeks to describe a symptom, event, event that is happening at the present time" (Sudjana et al. 2004). And Sekaran et al (2016) stated that descriptive study is research that describe the variables in a situation of interest to the researcher. Phenomenological research tries to explain/reveal the meaning of concepts or phenomena of experience based on the awareness that occurs in several people/apparatus. It is carried out in a natural situation so that there are no limitations in understanding the phenomena being studied. Husserl in Widianingsih (2018) argues that human phenomena cannot be explained through pure scientific methods. This is because humans do not only react to external stimuli, but also to their internal interpretation of something. In this study, there are two measures of research quality applied, namely validity and reliability. As for the quality measurement criteria (Stahl et al, 2022) that the criteria include; credibility, transferability (applicability or transferability), dependability (Dependability or consistency) and Confirmability (confirmability).

In conducting this research, researchers used primary data and secondary data. Primary data by conduct in-depth interviewing several executive officials at the Directorate General of Taxes and the Ministry of Finance to find common themes among the experiences. While secondary data was obtained from the Annual Report, Performance Report and Financial Report of the Directorate General of Taxes and the Ministry of Finance during

2022 - 2025, scientific articles, books, information from the mass media or organizations (OECD, IMF, Asian Development Bank) and other relevant sources of information. Researcher focus on the concept of establishing a state revenue agency that is directly responsible to the president as an effort to increase Indonesia's tax ratio which has not reached the ideal tax ratio level.

Data collection activities in this study were carried out by researchers after determining the main informants and data collection which relied on data triangulation resulting from three methods, namely observation, interviews, documentation. The data taken is in the form of mindset, perceptions and experiences of informant and other relevant supporting data to complete and to increase the possibility that this research phenomenon is understood from several perspectives (points of view). Researcher uses a questionnaire to informant who take part to determine their opinion of current DGT and the Ministry of Finance performance and followed by in-depth interviews. Then researcher analyze those DGT and The Ministry of Finance data. The tax ratio analyzed by a quantitative analysis. Furthermore, a comprehensive analysis was carried out to analyze the important of a state revenue agency outside the Ministry of Finance and directly report to the President.

3.1 State Expenditure Efficiency Policy

This policy includes the implementation of the cost system and the shift of the APBN in the Development budget, which is related to optimization efforts at the planning and implementation stages of the state budget. These efforts include; (i) determining basic policies, (ii) determining macro assumptions, (iii) determining adequate planning steps, and (iv) determining implementation provisions. These four efforts must be implemented synergistically in order to support the success of efficiency. Optimization of the implementation of the state budget is largely determined by how the budget implementer/user determines adequate planning steps and involves budget planning organizations (Ministry of Finance, Non-Ministerial Technical Government Institutions, and Regional Governments), through policies in implementing a cost system (State spending according to the standardization of activity components including unit prices. In addition, budget implementation must also comply with the provisions that have been set, including regarding organizational principles, budget preparation flow, prohibited matters and so on. Cost shifting in the APBN is possible through Presidential Decree No. 42 of 2002 concerning Guidelines for the Implementation of the State Revenue and Expenditure Budget, as amended by Presidential Decree No. 72 of 2004, and decided by the Minister of Finance c.q. Director General of Budget. However, shifting cannot be done from (a) capital expenditure to supporting expenditure, (b) physical to non-physical capital expenditure, and (c) exceptions to points a and b must have the permission of the Minister of Finance.

Tabel 3.1 List of Government Agencies that are not affected by Budget Efficiency

NO	INSTITUTION NAME	Initial budget (billion Rp)	Efficiency target (billion Rp)	Saving Percentage (%)	0 (Zero) Budget Efficiency
2	National Nutrition Agency	71000.00	0,00	0,00	V
3	State Intelligence Agency	7049,69	0,00	0,00	V
11	National Narcotics Agency	2455,08	0,00	0,00	V
19	Supreme Audit Agency	6154,59	0,00	0,00	V
23	Financial and Development Supervisory	2473,74	0,00	0,00	V
31	State Treasurer	1932536.53	0,00	0,00	V
34	House of Representatives	6690,35	0,00	0,00	V
35	Attorney General	24276,15	0,00	0,00	V
41	Ministry of Creative Economy	279,61	0,00	0,00	V
59	Coordinating Ministry for Political and Security Affairs	268,28	0,00	0,00	V
74	Ministry of Defense	166265,93	0,00	0,00	V
81	Indonesian National Police	126641,92	0,00	0,00	V
83	Corruption Eradication Commission	1237,44	0,00	0,00	V
92	Supreme Court	12684,12	0,00	0,00	V
93	Constitutional Court	611.48	0,00	0,00	V
94	People's Consultative Assembly	969.20	0,00	0,00	V
99	Financial Transaction Reports and Analysis Center	354.56	0,00	0,00	V

Source: The Ministry of Finance, 2025

The existence of government agencies that are not affected by the 2025 budget efficiency could create budget imbalances, differences in performance quality, differences in the quality of public services, and potential problems in state financial management. This has the potential to create disharmony in communication between government institutions/agencies. Agencies that are not affected by efficiency may continue to run programs with the same budget, while other agencies must save their budget.

3.2 Supervision of State Financial Management

Based on the provisions of the 1945 Constitution and Law No. 17 of 2003 concerning State Finance, it is stated that the Audit Board of Indonesia is the only external supervisory apparatus for state financial management. Referring to this basic foundation, there are several scenarios for supervision of state financial management: first, the Audit Board of Indonesia does not only examine the State Budget, but also examines the Regional Budget and State-Owned Enterprises/Regional-Owned Enterprises. The results of the examination of state financial management will be submitted to the House of Representatives (DPR) and the Regional House of Representatives (DPRD) respectively. Looking at this map, it is the obligation of the Audit Board of Indonesia to optimize the competence and quantity of its apparatus so that the audit objectives can be achieved. Second, the internal supervisory institution at the central level (in this case the Inspectorate General) conducts audits of ministries/Non-Ministerial Government Institutions (LPNK) and is responsible to authorized officials in each agency. In this context, the effectiveness and economy of the implementation of government at the Ministerial Level. Third, the Financial and Development Supervisory Agency (BPKP) is the eyes and ears of the president, so BPKP is indeed right to conduct audits on all government agencies and is responsible to the President. However, the concept of the role of BPK is not the same as the concept of BPKP supervision in the New Order era, where

BPKP played a role up to the technical audit of all government agencies and BUMN, which actually caused overlapping audits. The role of BPKP as a supervisory apparatus should be limited to being a coordinator for the Internal Supervisory Apparatus. Thus, BPK does not need to carry out technical audit tasks on all agencies in each Ministry. The technical audit function in each Ministry is sufficient to be carried out by the Inspector General of the Ministry/LPNK and BPKP obtains a copy of the audit results to be reviewed and then used as accountability material to the President. In order to achieve similarity in audit standards, BPKP as the Coordinator of the Internal Supervisory Apparatus needs to create audit standards that apply to each Inspector General of the Ministry/LPNK. Fourth, at the regional level, the Government Internal Supervisory Apparatus is carried out by the Regional Supervisory Agency called Bawasda, both at the provincial and district levels. Bawasda is the one who will be the eyes and ears of the Regent/Mayor and Governor. While the external supervisory apparatus, in accordance with the mandate of the constitution and the law, the role is carried out by the BPK. Although it has external and internal supervisory and audit institutions both at the central and regional levels, this does not mean that the government cannot use audit services from other parties.

3.3 Legal Aspects in Determining State Finances (Aspek Hukum dalam Penetapan Keuangan Negara)

The State Finance Law clearly regulates the objectives and functions of government budgeting, affirmation of the DPR/DPRD and government messages in the process of preparing and determining the budget, integration of the performance accountability system in the budgeting system, refinement of budget classification, budget unification and use of a medium-term expenditure framework in budget preparation. The state budget is

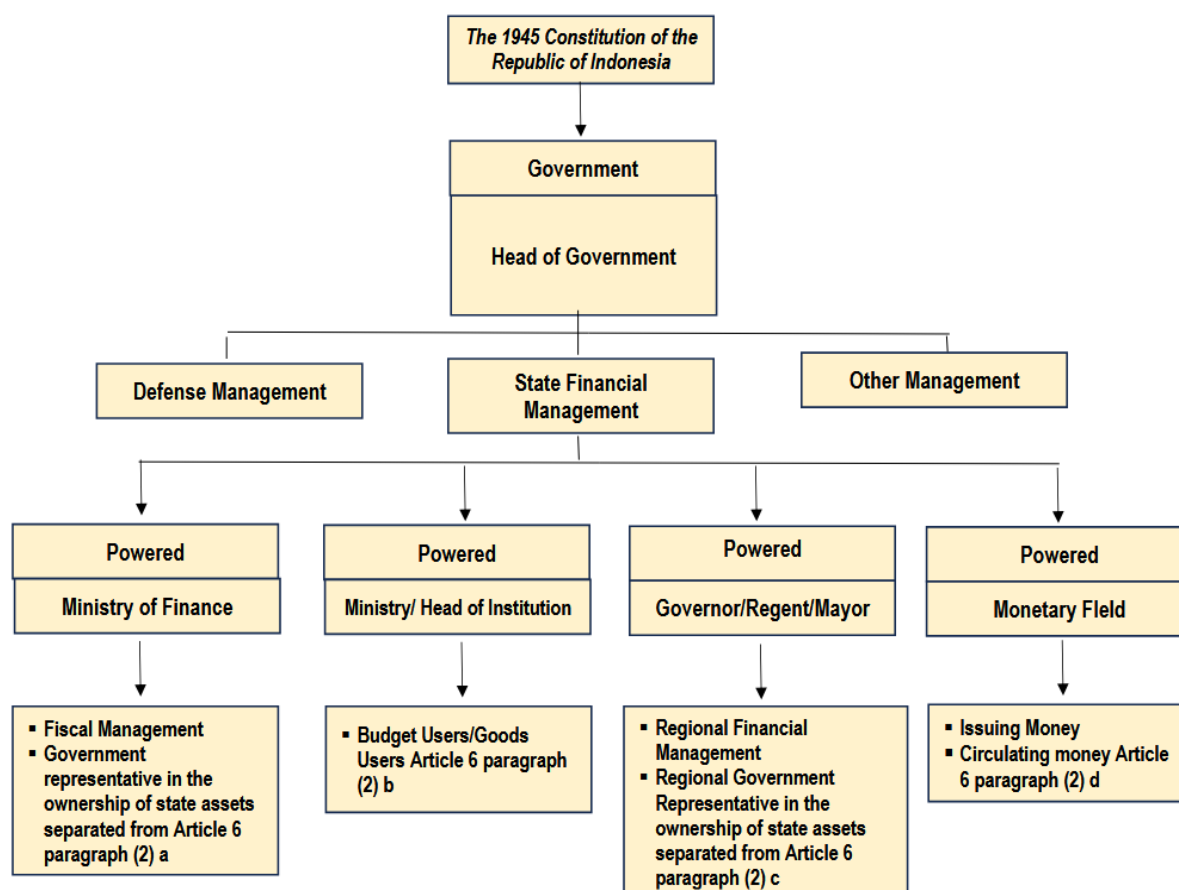
implemented in detail each year by law, while the regional budget is stipulated in regional regulations on the regional budget.

In addition to embodying the mandate of Article 23 C of the 1945 Constitution into general principles of state financial management such as the annual principle, universality principle, unity principle, and specialization principle, the State Finance Law also adopts principles that reflect the preparation of good principles

(best practices) in state financial management, including results-oriented accountability, professionalism, proportionality, transparency in state financial management and financial audits by an independent and autonomous auditing body.

Overall, state financial management based on the 1945 Constitution and the Law on State Finance can be described as follows:

Figure: Structure and Legal Position of the State Financial Management Law



Source: Fiscal Policy – Thoughts, Concepts and Implementation. (2004). Legal Aspects in Determining State Financial Policy. By Agus Haryanto.

Thus, the State Finance Law becomes a legal basis for regulating budgeting that is able to support a good budget preparation process because:

- Contains regulations on medium-term work plans and budgets related to the government's macroeconomic management priorities b.
- Includes regulations on annual expenditure restrictions for both functions and organizations that reflect government priorities.

4. Result and Discussion

4.1. Global Minimum Tax

Global Minimum Tax (GMT) is the result of an international tax agreement by more than 140 countries in the world which aims to

minimize unhealthy tax rate competition between countries (race to the bottom) and the GMT mechanism ensures that large-scale multinational corporations are required to pay minimum tax to the country where the corporation operates.

32 Global Minimum Tax (GMT) is the result of the Pillar 2 agreement: Global Anti-Base Erosion Rules (Globe) and Subject to Tax Rule (STTR) which will be implemented in 2025. GMT is 15% and is imposed on multinational corporations with a gross turnover threshold above 750 euros per year. This GMT regulation is stated in the Regulation of the Minister of Finance (PMK) Number 136 of 2024. GMT is an international tax agreement that has been jointly agreed upon by more than 140 countries in the world, including Indonesia which began implementing it in 2025. The GMT initiative aims to minimize unhealthy tax rate competition between countries (race to the bottom). The GMT

mechanism ensures that large-scale multinational corporations are required to pay minimum tax to the country where the corporation operates. With the implementation of GMT in 2025, multinational corporations that have been paying Corporate Income Tax below the effective rate of 15% are required to pay additional tax (top up) on the tax difference no later than the end of the following tax year, or December 31, 2026 for payments for the 2025 tax year.

Regarding reporting obligations, for the first year of implementation, the government provides flexibility for the tax reporting deadline no later than 18 months after the end of the tax year, aka June 30, 2027 for the 2025 tax year. Next, the mandatory reporting deadline is earlier, which is no later than 15 months after the end of the tax year. So, for the 2026 tax year, mandatory reporting must be carried out no later than March 31, 2028. On the other hand, there are at least three fiscal policies that have colored the first quarter of Prabowo's administration. First, the government's decision to annual the increase in Value Added Tax rates in general after a long polemic. Second, fiscal stimulus in the amount of the limit disbursed by the government to maintain the purchasing power of the community and the business world. Third, President Prabowo Subianto's instruction to all levels of central and regional government to save the budget of up to IDR 306.7 trillion in the 2025 budget year. This directive is contained in Presidential Instruction Number 1 of 2025 which was signed by Prabowo on January 22, 2025.

On the other hand, the budget saving policy has a greater impact on the State Civil Apparatus at the middle to lower levels. Meanwhile, officials at the upper levels up to the Ministerial Level still have no enthusiasm for budget savings. Top-level officials still receive escort facilities and luxurious official cars with very large engine capacities. Their rooms are still cool with air conditioning (AC), while ASN officials at the lower levels are forced to find a place outside the office just to "cool down" from the hot air temperature in the work room. If this budget saving inconsistency continues, it is feared that the government's good intentions so that many priority programs can be realized according to their targets will not be achieved.

On the other hand, the preparation and administration of taxation at the DGT (Core Tax DJP) has been rolling for a month. However, the development of the system that has swallowed up the state budget of around Rp1.3 trillion is still drawing criticism. Not only from WP (Tax payers), criticism also came from IT observers, especially regarding the slow way the system works. Signals of minimal education to the public regarding the use of CoreTax are widely expressed by tax practitioners.

Core Tax is a term used in the context of taxation, especially in the international tax system. The core of CoreTax is to ensure that multinational companies pay fair and proportional taxes on profits generated in a country, without avoiding taxes through various means such as transfer pricing or the use of invalid tax letters. In this context, CoreTax has several objectives, including: 1. Increasing tax revenue 2. Preventing tax avoidance by multinational companies. 3. Increasing transparency and fairness in the tax system.

Although still not optimal, CoreTax in Indonesia is not suspended, but the old administration system (SIADJP) is still running simultaneously (parallel) with the implementation of CoreTax. However, if CoreTax is postponed, several problems

may occur;

- Delays in modernizing the tax system: CoreTax is a system designed to improve efficiency and effectiveness in tax management. Delays in implementing CoreTax can hinder efforts to modernize the tax system in Indonesia.
- Constraints in managing tax data; CoreTax is designed to integrate tax data from various sources. Delays in implementing CoreTax can cause constraints in managing tax data, thus affecting the accuracy and speed of tax data processing.
- Impact on tax revenue: Delays in implementing CoreTax can affect tax revenue, because the old system may not be effective in collecting taxes.

Thus, currently the Indonesian Government is implementing two taxation systems in 2025 as a consequence of the uncertainty of the Core Tax Administration System (CoreTax). This step is considered as the right middle way for now. The Ministry of Finance also promised to improve the CoreTax system.

To patch up the significant decline in tax revenues at the beginning of this year, the Ministry of Finance targeted 2000 taxpayers to optimize state revenues in 2025. However, this effort is only considered a partial solution if it is not balanced with comprehensive tax administration system reform. As is known, tax revenues in February 2025 were recorded at IDR187.8 trillion or 8.6 percent of the 2025 State Budget target. This achievement fell 30.19 percent compared to last year's tax revenues, which were IDR269.02 trillion or 13.53 percent of the 2024 State Budget target.

There is a fundamental question, namely whether focusing on 2000 specific taxpayers is enough to outwit the growth of the underground economy, which includes activities hidden for financial reasons (avoiding taxes and social contributions), or institutional (corruption and weak law enforcement). Based on the Eleventh Meeting of the Forum on Tax Administration in 2017 in Oslo, Norway, it is known that the size of the Underground Economy practice in developing countries has been above 10% to 20% of Gross National Product (DDTC, 2019). For Indonesia during the 2016-2019 period, it was in the range of 475.634 billion to 750.839 billion or an average of 627.541 billion per quarter or equivalent to 17.65% of nominal GDP. The potential for lost taxes due to underground economic activities in Indonesia during the 2016-2019 period showed an increasing trend, this indicates that there are still many economic activities that are not detected by the government so that the potential for lost taxes is still high. The underground economy does have the potential to be taxed. However, from the perspective of tax officers, efforts to attract tax revenues from this sector are very difficult to do.

4.2. The essence of efficiency in the implementation of the State Budget.

Many countries are trying to save budget. Cutting the number of ministries/state institutions and state civil apparatus is an option. Budget efficiency can be an opportunity to increase the effectiveness of the State Civil Service Agency as well as to measure the effectiveness of the integrated ASN information system

The essence of efficiency in the implementation of the State Budget is basically the optimization of the State Budget concerning the value of money, which includes not only the value of efficiency but also effectiveness and economy. Efficient, namely the aspect of benefits or optimal results must be achieved at a relatively smaller cost. So, the budget can achieve the predetermined target, or with the same cost can increase the results achieved. While effective, namely that which is achieved from an expenditure of funds so that it can achieve the predetermined target. So, effectiveness reflects the ability to achieve "on target". As for economy, namely a way of working that is efficient and wise, or every action is called economic if the use of available funding sources can obtain benefits with maximum quality and quantity (Ritonga, 2004).

The state spending efficiency policy includes the policy of implementing the cost system and shifting the state budget in the development budget, which concerns optimization efforts at the stages of planning and implementing the state budget. These efforts include: (i) determining basic policies, (ii) determining macro assumptions, (iii) determining adequate steps, and (iv) determining implementing provisions. These four efforts must be implemented synergistically in order to support the success of efficiency. Optimal implementation of the state budget is largely determined by how the budget implementers/users determine adequate planning steps and involve budget planning organizations (Ministry of Finance, Non-Technical Departmental Government Institutions, and Regional Governments), through policies in implementing the cost system (state spending according to the standardization of activity components including unit prices). In addition, budget implementation must also comply with the provisions that have been set, including principles, organizations, budget preparation flows, prohibited matters, etc. Shifts in the state budget are possible through Presidential Decree No. 42 of 2002 concerning Guidelines for the Implementation of the State Budget, as amended by Presidential Decree No. 72 of 2004, and decided by the Minister of Finance c.q. Director General of Budget. However, shifts cannot be made from (a) capital expenditure to supporting expenditure, (b) physical to non-physical capital expenditure, and (c) exceptions to points a and b must have the permission of the Minister of Finance.

Basically, budget efficiency must be carried out to improve the health of state finances. When the APBN is tight, budget reallocation is the most accountable fiscal solution to finance priority government programs without increasing debt. However, the government's method of implementing budget efficiency is far from optimal. This is because there is no technocratic, systematic study with clear and measurable indicators on which spending items need to have their budgets cut. The government simply averages out spending on goods and operations so that in the end it also cuts essential spending.

Budget Efficiency Inconsistency

Ideally, efficient government budget policies, both central and regional, need to be supported. If necessary, the policy is monitored by the public and monitored to ensure consistency. The reason is simple, so far there have often been state budget leaks due to malpractice, waste, embezzlement and corruption.

However, even though President Prabowo Subianto has issued special instructions regarding budget savings, in its implementation the policy is not easy to realize. The public tends to see the government as inconsistent in implementing budget savings policies. In the last few days, there have been central government policies that are contradictory to efficiency efforts and instead seem to waste the budget. The appointment of special staff in a number of ministries to the retreat activities of the Elected Regional Heads are far from the impression that the government is serious about saving the budget.

In addition, the President's instructions regarding budget savings issued at the beginning of his term may be somewhat at odds with the larger posture of his government's cabinet compared to the previous government. Although it could be that the President wants to focus more on handling various problems, so that there is an addition of portfolios in the Red and White Cabinet.

However, increasing the number of ministries with Ministerial and Deputy Ministerial posts filled by politicians supporting the government feels more like a spirit of political accommodation rather than an effort to resolve various problems faced by the community. The bureaucratic posture should remain lean and simple so that it is more efficient and effective in working. The recruitment of special staff by a number of Ministers clearly ignores the essence of a lean and efficient bureaucracy.

The government can actually learn from other countries in implementing budget efficiency policies, for example Vietnam implements budget savings with the spirit of cutting bureaucracy. Bureaucratic reform can consider the need for public services can be implemented as one of the budget efficiency policies (Tang My Sang, 2019) and (Thui et al, 2019). The spirit is not to further enlarge the bureaucratic posture.

State Budget Performance Anomaly

The last three weeks, the government has carried out a "budget reconstruction" or changed the budget efficiency policy again. This decision was ordered by President Prabowo in Presidential Instruction (Inpres) No. 1 of 2025 on January 22, 2025 and followed up by the Ministry of Finance through the Minister of Finance's Letter S-37/MK.02/2025 on January 22, 2025.

Through the reconstruction, there was a change in the budget portion and in a number of Ministries and Institutions. The efficiency value that must be carried out by most Ministries and institutions was reduced. So, all Ministries and institutions were affected by budget efficiency to be fair. Regarding the budget reconstruction in the middle of the road, it was also revealed that it had to be done because there was miscommunication between the Ministry of Finance and each Ministry and Institution. Budget reconstruction was carried out to Re-arrange efficiency policies while determining spending items that could be cut in detail.

The performance of the first two months of the State Budget is considered to show an anomaly because the State Budget deficit has occurred since the beginning of the year. The deficit as of February 28, 2025 was recorded at IDR 31.2 trillion or 0.13 percent of GDP. This deficit widened from IDR 23.5 trillion (0.10 percent of GDP) as of January 2025 and is feared to continue to swell with the existence of various populist government programs, all of which require financing support from the State Budget.

53 State revenue in January – February was recorded at IDR316.9 trillion (10.5 percent of the 2025 revenue target), down 20.8 percent from the same period in February 2024. Meanwhile, spending realization was IDR348.1 trillion or 9.6 percent of the total 2025 state spending plan. Tax revenue as of February 2025 was IDR187.8 trillion, down drastically by 30.2 percent compared to February 2024. VAT revenue realization in January fell drastically by 92.75 percent (YoY), while Corporate Income Tax and Employee Income Tax plunged by 77.14 percent and 43.64 percent.

The effects of weakening commodity prices, the cancellation of the 12 percent Value Added Tax, the new mechanism for the average effective rate of PPh 21, and the implementation of the new taxation system – CoreTax which is still problematic – are the causes of the sharp decline in tax revenues.

Deficit payments with larger debts at the beginning of the year (this was done to accommodate various policy breakthroughs by President Prabowo. For the same needs, the government previously had to drastically cut the budget of ministries from local governments by Rp306.7 trillion. A series of populist government programs - some of which are more political than economic - are feared to threaten economic growth if not supported by a strong fiscal strategy and basis. It is not only fiscal sustainability that is at stake, but also the ballooning debt burden. The government's debt position as of the end of January 2025 was recorded at Rp8,909.14 trillion, an increase of Rp108.05 trillion from the end of 2024. However, the debt ratio so far has been maintained below 40 percent of GDP, which is 39.6 percent as of January 2025. Government Securities (SBN) debt due this year reached Rp800.33 trillion and for the next five years the debt burden that must be paid by the government will reach Rp3,783 trillion.

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Finally, the two postponements of the announcement of the state budget performance in the Prabowo era (October 2024 and January 2025) naturally raise questions regarding the transparency of the state's financial performance and fiscal credibility. Amid high public distrust, every step taken by the government is suspected and criticized and affects investor sentiment in the market.

5 Conclusion

Instead of committing to improving CoreTax, the government seems to be backing down and admitting that CoreTax is not ready. This is made worse by the uncertainty of when this transition period will end. It is no wonder that this step creates a dual attitude. On the one hand, the government asks taxpayers to prepare for the digital taxation era. On the other hand, until now the government cannot guarantee when CoreTax will truly function without any obstacles.

Tax reform that should bring certainty instead leaves uncertainty and confusion for the majority of the community. Psychologically, this can trigger resistance. Tax compliance is no longer seen as an obligation but as a troublesome burden. Rather

than encouraging compliance and efficiency, an unprepared digital tax system is at risk of becoming an additional burden for the business world, hampering economic growth, and worsening tax compliance. When the government chooses to compromise with regulations rather than focus on improving CoreTax, tax policy is actually moving further away from the true essence of taxation.

Ultimately, a fair tax policy must side with the interests of the wider community, not just accommodate a handful of elites. To that end, the government needs to create a tax policy that is not only oriented towards state revenue, but also towards social justice and the social welfare of all groups, both the elite and the mediocre class.

If the government plans to make budget efficiency a “new culture” and will repeat the same policy next year, there needs to be a major overhaul. The results of budget efficiency and reallocation must be able to provide socio-economic returns. The government must be honest and transparent in presenting data. It is important to explore whether the creation of budget efficiency policies is in accordance with the general principles of good governance? Because, it does not stop at the budget issue that ultimately strangles, the public is also squeezed by policies that have a bad impact on the public. The government's work, along with its budget, should be made in the formation of policies. The problem is, policies are often only seen as a way for the government to work, again without morality.

In the public sphere, everything must be based on public morality, namely considerations for the public interest, the people, not the interests of the elite or the ambitions of the rulers. Therefore, the state budget is a public budget. It is not just a chronology of numbers, but also a reflection of the perspectives and values that are used by the government. Economists who prepare the budget describe what is decided politically. This is “budget politics”, namely the political process that occurs in determining and allocating the public budget. Credible steps are needed, including solid fiscal management, to restore public trust.

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Acronims

ACRONIM	CLARIFICATION
ICP	Crude Oil Price
STTR	Subject to Tax Rule
GMT	Global Minimum Tax
PPh	Pay Income Tax
SBN	Government Securities