

Expanding the Tax Base to Improve Efficiency of Vehicle Tax: The Need for “Consumption Base”

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Abstract

Vehicle Tax is the prima donna in local tax revenue in all province in Indonesia (Haryanto, 2014). However, the collection of vehicle tax considered still not comparable to the growth of motor vehicles. Not to mention from aspect of regulerend function, vehicle tax policy now is still not been optimal in reducing the growth of motor vehicles and in addressing externality caused by the rapid increase in the use of motor vehicles such as pollution and congestion. Inefficiency in this vehicle tax collection raise question, what is not right in the policy and its implementation? Hence, problem focused in this paper are about theoretical and practical review of vehicle tax base in Indonesia, alternative policy that can be taken to solve the problem in vehicle tax base determination, and policy implementation of vehicle tax in other countries to overcome similar problems. Theories that are used in this paper are efficient taxation, vehicle tax base, wealth base, consumption base, and policy implementation. This research conducted with post-positivism paradigm and sequential explanatory strategy. Data collected by in-depth interview, existing statistic data analyze, focused group discussion, and literature study. Results show that there is inconsistency between theoretical and practical in determining vehicle tax base in Indonesia. Theoretically, vehicle tax bases are (1) vehicle's market value (2) a weight that relatively reflects level of the damage and pollution of the environment as a result of the use of motor vehicle. Thus, it can be concluded that the tax base is not only from the wealth or possession value but also from externality inflicted of the use of motor vehicle (consumption base). Meanwhile in practical, as stated in local tax law, vehicle tax base is possession and/or mastery of a motor vehicle. Referring to factual condition in the habit of the use of motor vehicle and the level of externality to environment, then consumption base has been duly used for expansion of a basis besides wealth base. The purpose of tax base expansion is to enhance vehicle tax efficiency both in terms of budgeter and regulerend function. In addition, by applying consumption base then aspect of justice in tax collection will be more guaranteed. Learning from other country practice with consumption base, for

example Kilometer Tax in Sweden, it can be concluded that it is time for Indonesia to change its vehicle tax policy. To acquire optimum result, policy changes must be accompanied by coordination, investment, and transportation infrastructure improvement. Good preparation and strong commitment are needed to make the tax base expansion feasible. Changes should be maintained in Indonesia from now on for better transportation.

Keywords: Vehicle Tax, Efficient Taxation, Wealth Base, Consumption Base, Kilometer Tax, Policy Implementation.