DIJEFA
DINASTI INTERNATIONAL JOURNAL OF ECONOMICS, FINANCE & ACCOUNTING
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FISCAL FACILITIES TO IMPROVE EXPORT PERFORMANCE

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ARTICLE INFORMATION
Received: 17th March 2020
Revised: 28th March 2020
Issued: 25th April 2020

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DOI: 10.38035/DIJEFA

Abstract: The Indonesian government, issued a number of policies to help exporters to be able to compete in the world market by exempting import duties or returning import duties on imported goods for export purposes in the form of Bonded Zone and KITE.The policy is aimed at attracting foreign investment and increasing exchange rates, as a laboratory for economic reform and technology transfer, as well as increasing labor force in unproductive areas. Providing facilities provided by the government During 2017 to 1,606 companies valued at Rp 57.28 T from that year. In that year, the total value of exports produced was Rp. 780.8 T, or covering 47.23% of the total national manufacturing exports. The existence of KB and KITE facilities has stimulated the formation of gross fixed capital of IDR 178.17 trillion throughout 2017. From the spillover effect, companies receiving facilities in KB and KITE involve as many as 95,251 business networks, including 68,234 in KB that absorb labor 1.13 million people work and 27,017 business networks in KITE with a workforce of 292.2 thousand people. The presence of companies in KB and KITE contributed to the creation of indirect economic activity of 268,508 businesses, the majority of companies that obtain KB and KITE facilities come from the Western Region of Indonesia, where the number of recipients is concentrated in Java with the largest percentage of companies receiving facilities of 90.35 percent. While, West Java is the province with the largest percentage of KB and KITE facility recipients, which is around 43.90 percent. These results are in accordance with current conditions, where West Java Province is a province that has the most industrial estates in Indonesia, namely 25 industrial estates or equivalent to 33.8 percent of the total 74 industrial estates in Indonesia.

Keywords: Performance Ekspor, Tax Incentif, Exports, Bonded Zone, Manufacture

INTRODUCTION

Economic growth is one measure of the success of government performance. The key to success in increasing economic growth is to improve the performance of the domestic industrial sector. The performance of domestic industries is an aggregate of the company's performance from these industries.

This is consistent with Porter's research, 1991 which states that industrial performance is influenced by corporate strategy, while the structure of the industry has an important role of company performance. The company's strategy to gain competitive advantage and position in a competitive market is also a focus in improving company performance.

The performance of the industry is not optimal because it is suspected that the competitiveness of Indonesian products is still low. Competitiveness according to Castro et al. (2004) is the company's ability to compete in its business environment. Therefore, in order for a company to be considered to have competitiveness from an operational perspective, the company must design strategies to meet the following conditions: competitive prices, superior quality products, and high level of service to customers (speed & variety). Porter (1990) mentions that competitiveness is the result of a combination of country conditions and corporate strategy. If we look at the porter's opinion, there are 2 factors that form the competitiveness factors, namely external factors and internal factors. External factors are the business environment that can be formed by the government and internal factors in the form of strategies developed by companies. In increasing industrial competitiveness, the Indonesian government issued a number of policies to help exporters to be able to compete in the world market.

The government makes regulations and policies that encourage increased export competitiveness. Some government policies that can improve the competitiveness of Indonesia are in the form of exemption from import duties or the return of import duties on imported goods for export purposes. This is in accordance with research from Markus Hassler (2004) states that the increase in economic growth is caused by the import duty exemption policy or the return of import duties that allows replacing local products that were previously protected so that the price is cheaper with more competitive imported products with the exemption of duties enter. with this facility manufacture products which are exported become more competitive.

The Government of Indonesia provides two types of import duty exemption facilities namely Bonded Zone (KB) and Ease of Importation of Export Purposes (KITE). Based on PMK No. 131 / PMK.04 / 2018 concerning Bonded Zone, KB is a Bonded Piling Place for hoarding imported goods and / or other goods originating from other places in customs blood to be processed or combined before being exported or imported for use.

Regulation of the Minister of Finance No. 160 / PMK.04 / 2018 Regarding the Exemption of Import Duties and No Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods on the Import of Goods and Materials to be Processed, Assembled, or Installed on Other Goods for the Purpose of Exporting mentions dividing the process of giving 2 KITE facilities namely KITE Exemption and Return. Exemption KITE is exemption from Import Duty, and Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable is not levied on the import or import of Goods and Materials originating from outside the

customs area to be Processed, Assembled, or Installed on other goods for the purpose of being exported . Returning KITE is the return of import duties that have been paid for the import or import of goods and materials from outside the customs area to be processed, assembled, or installed on other goods for the purpose of export.

LITERATURE REVIEW

The Export Processing Zone (EPZ) is a special area for manufacturing companies with export destinations. Generally EPZ is a facility from the government aimed at investors to build export-oriented companies. With this facility the company benefits in the form of reduced costs from import duties and taxes in the framework of import (import VAT and import tax).

Engman, M., O. Onodera and E. Pinali (2007) stated that the first function of EPZ is as a special policy tool to increase labor, attract foreign investment and increase exchange rates. The second function of EPZ is as a laboratory for economic reform. And the third function is to increase labor in unproductive areas.

In Indonesia EPZ is given in several schemes in the form of Free Port Zones (Free Trade Zone), Special Economic Zones (KEK) and Bonded Zones (KB). In addition to these facilities, the Government of Indonesia Provides a Postponement of payment of import duties and taxes for export-oriented companies in the form of Ease of Importation of Export Purpose (KITE). In 2018, there were 1,606 manufacturing companies in Indonesia receiving import duty and tax exemption facilities. The facility is provided on the condition that new goods imported after processing will be re-exported.

Table 1

Companies receiving import duty and tax facilities

type of industry	KB	KITE	TOTAL
textiles,clothing,yarn	465	79	544
Plasticgoods, paper, wood	128	55	183
electronic	159	15	174
Food and Drink	102	25	127
metal goods	83	22	105
footwear	69	14	83
motorized vehicles / components	52	30	82
chemical material	48	12	60
Furniture	31	15	46
household needs	23	5	28
Pharmacy	6	8	14
others	78	82	160

Generally, the performance of EPZ has been evaluated in a number of studies (Spinanger 1984; Warr 1989; Chen 1993; Farole 2011) in the last 2 decades there was no

agreement regarding net outcomes. Research from Warr 1989; ILO 2003; Jayanthakurmaran 2003 shows that many EPZ have succeeded in increasing exports and manpower, and the cost-benefit performance is quite good even though there are EPZs that have failed to achieve their goals. many economists (Madani 1999; Blomstrom 2002) consider that EPZ is a solution to increase competitiveness.

RESEARCH METHODS

This research is classified as Business Research. is providing or systematically managed investigations, based on critical, objective and scientific data on a specific problem, which aims to find a solution. therefore this research is included in the descriptive and verification research.

The research method used is a survey research method, through data collection in the field. it aims to find out the relationships contained in the business model.

FINDINGS AND DISCUSSION

The purpose of the establishment of EPZ according to Engman, M., O. Onodera and E. Pinali (2007) states that the first function of EPZ is 1. as a special policy tool to increase labor, attract foreign investment and increase exchange rates, 2. The second function of EPZ is a laboratory for economic reform, 3. the third function is to increase the workforce in unproductive areas.

1. Number of Import Facilities

The total KB-KITE facilities provided to companies in 2007 amounted to 57.27 trillion rupiah. Of this amount, 97 percent of them are facilities provided to companies receiving KB or as much as 55.3 trillion rupiah. While the facilities provided to KITE recipient companies are 3 percent or 1.97 trillion rupiah. The total export contribution generated from KB and KITE recipients in 2017 amounted to 780.83 trillion rupiah. In the previous year the total export value of companies receiving KB and KITE was 737.77 trillion rupiah. There was an increase of around 43 trillion rupiahs in one year.

2. Export Performance

The contribution of export recipients of the KB-KITE facility to total national exports in 2017 was 34.37 percent, while the contribution in 2016 amounted to 37.76 percent. Total exports of 780.83 trillion rupiah also showed a contribution of 47.23 percent of the total exports of the manufacturing industry sector.

Companies located in the Bonded Zone are companies in the export-oriented manufacturing sector. In theory and empirically, only companies with high productivity are able to export (self selection), given the additional sunk costs to enter the international market (Melitz, 2003). While the increase in productivity due to export activities is called the learning by exporting mechanism. This mechanism causes the company to benefit from buyers in foreign markets. Buyers will share their knowledge about the latest design specifications and production techniques that do not yet exist in developing countries (Blalock & Gertler, 2004). The difference in productivity of companies located within and outside the Bonded Zone is not affected by the large intensity of exports carried out. In this case companies within the Bonded Zone remain more productive than companies outside the

Bonded Zone (Suharyani, Raksaka 2018). However, the productivity gains of companies within the Bonded Zone are mainly due to industrial agglomeration within the region, with or without tax incentives. It is necessary to consider that Indonesia's economic policy is directed towards regional-based policies because it is proven to be able to increase productivity. The results showed that the high intensity of exports actually reduced the growth of company productivity in the Bonded Zone, so it needs to be reviewed policy of providing tax incentives based on export intensity limits (Suharyani, Raksaka 2018).

3. Large Investment

Indicators of contribution to investment are measured using the total value of Gross Fixed Capital Formation (PMTB) of companies receiving KB-KITE facilities. In 2017 the total PMTB value of companies receiving KB-KITE facilities was IDR 178.47 trillion. In 2016 the total PMTB value of companies receiving KB-KITE facilities was 168 trillion rupiah or an increase of 10.47 trillion rupiah or 6.23 percent. Of the total PMTB in 2017, 39 percent of them were PMTB coming from companies receiving KITE facilities and around 61 percent were from KB receiving companies.

4. Labor Absorption

The KB-KITE facility absorbed 1.95 million workers in 2017, as many as 1.2 million were female and 730 thousand were male. Cling, Razafindrakoto and Roubaud (2007) explained that there were more female workers in family planning compared to male workers. Even in Asian countries there has been a significant increase in the number of female workers in the new export sector (Ghosh 2007).

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Even in Asian countries there has been a significant increase in the number of female workers in the new export sector (Ghosh 2007). As compared to the Indonesian workforce, companies receiving KB-KITE facilities accounted for 1.61 percent of the total national workforce, while those of the industrial sector workers contributed around 11.4 percent. If elaborated in more detail, as much as 97 percent (1.9 million) of the workforce absorbed by companies receiving KB-KITE facilities are local workers and the other 3 percent (50 thousand) are foreign workers. If specified by expertise, only 19 percent of the local workforce is educated and 39 percent of the local workforce is trained. In addition, for foreign workers, 42 percent are educated workers and 26 percent are trained workers. The percentage of workers who are not educated or untrained in the local workforce is greater when compared to foreign workers. More detailed classification of labor according to expertise can be seen in table 2

Labor		KB	KITE	% KB	% KITE
Lokal Labor		1.546.832	349.292	100	100
	Educated	291.312	60,869	18,8	17,4
	Trained	579.053	168,947	37,4	48,4
	Others	676.467	119,476	43,7	34,2
Foreign Labor		47.849	1.914	100	100

Educated	20.199	997	42,2	52,1
Trained	12.139	623	25,4	32,5
Others	15.511	294	32,4	15,4

5. Contribution to State Revenue

The company receiving the KB-KITE facility contributed 85.49 trillion rupiah to the central tax revenue and 5.26 trillion rupiah to the local tax revenue. Judging from the contribution to state revenue, the contribution of family planning to central and regional taxes is greater than that of KITE. KB's contribution to the central tax was 72.98 percent, while that to the regional tax was 63.81 percent. While KITE's contribution to the central tax was only 27.02 percent and regional tax was 36.19 percent.

6. Location of Facility Receiving Company

The KB and KITE facilities provided by the Ministry of Finance through the Directorate General of Customs and Excise (DJBC) are aimed at several export-oriented industrial companies in Indonesia. Based on the analysis results per region, the majority of companies that obtain KB and KITE facilities are from the Western Region of Indonesia, where the number of recipients is concentrated in Java with the largest percentage of companies receiving facilities of 90.35 percent. While West Java is the province with the largest percentage of KB and KITE facility recipients, which is around 43.90 percent.

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