

ANALYSIS THE IMPLEMENTATION OF INDONESIAN SUPERTAX DEDUCTION INCENTIVE FOR APPRENTICESHIP AND TRAINING PROGRAMS

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ABSTRACT

Background: In Indonesian National Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah/RPJM N IV*) from 2020-2024, one of the Indonesian Government's agenda is increasing the quality and competitiveness of the Indonesian human resources. The available labour force is considered adequate. Based on BPS data, Indonesian labour force numbers have kept growing and reached more than 144 million in 2022, with a participation rate of around 69,06%.

Aim: The research would like to analyze the implementation of Indonesian supertax deduction incentive for apprenticeship and training programs.

Method: This study uses a post-positivism paradigm. This study is descriptive. This study is based on the policy performance evaluation criteria by William Dunn using Nugroho's dimensions and indicators of policy effectiveness. Both theories can explain the evaluation of policies and provide comprehensive information.

Findings: The STD incentive policy for apprenticeship and training programs has been implemented in Indonesia since 2019 through the issuance of GR 45/2019 and PMK 128/2019. As of September 2022, only 65 taxpayers have received approval for the application for this tax facility. Among the 65 taxpayers, only 14 taxpayers have received tax benefits from using the STD incentive facility. Of the five criteria for public policy effectiveness, namely the right policy, the right implementation, the right on target, the right environment, and the right on process have been fulfilled.

KEYWORDS

supertax deduction, Indonesia, apprenticeship, training programs



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INTRODUCTION

In Indonesian National Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah/RPJM N IV*) year 2020-2024, it is stated that one of the Indonesian Government's agenda is to increase the quality and competitiveness of the Indonesian human resources. The available labour force is considered adequate. Based on BPS data, Indonesian labour force numbers have kept growing and reached more than 144 million in 2022, with a participation rate of around 69,06%. Contrary to this, the quality of human resources is still challenging for Indonesian. Based on the UNDP database (2021), Indonesia's Human Development Index (HDI) is still relatively behind compared to other countries. Indonesia's HDI rating was ranked 114th globally and considered in the "medium" category. This rank was lower than other countries in the ASEAN region. The low level of the human development index shows the low quality of workers. It causes the competitiveness of Indonesian workers is still inadequate compared to other countries. In addition, from the

Indonesian Skills Development Project Report from the World Bank (2019), by 2017, 21,5% of Indonesian workers were low-skilled workers, 62% were semi-skilled workers, and 16,5% were high-skilled workers. Most workers reported experiencing difficulties in occupying highly skilled positions, which need strong leadership, good communication, and good relationship management. The Indonesian workers do not meet these demands.

In addition, the Asian Productivity Organization (APO) Databook publication (2022) states that Indonesian worker productivity ranks 27th out of 39 countries. The most significant cause of the low level of productivity is partly due to education and qualification factors. The low level of education shows that the competitiveness of the Indonesian labor force is still lacking. Elementary school graduates and below still dominate the Indonesian labor force. Seeing the challenges in the future, Indonesia can no longer maintain this trend. Due to the increasing labour costs, Indonesia cannot rely on labour-intensive in the long term.

One reason the industry often complains about is a mismatch between the school curricula and the industry's needs. The educational mismatch can occur both vertically and horizontally. Vertical mismatch occurs when the level of education and job requirements do not match. Meanwhile, the horizontal mismatch occurs when the competencies taught at school are not following the job. A horizontal mismatch is a current phenomenon that causes vocational graduates to be unable to work immediately. It happens because the competencies taught in vocational education do not match the skills needed in the industry. According to Hirsch et al. (2012) education provides human capital in general and particular fields of study that produce specific skills suitable for jobs in the labour market. However, in most areas of Indonesia, educational competencies do not match the position offered.

To solve this, through Presidential Instruction No. 9 of 2016, the President of Indonesia mandated that every ministry and institution must coordinate to revitalize vocational education through a link-and-match program. The link-and-match policy is supposedly no longer oriented to the supply side but adjusts to the needs of the demand side. Ideally, the link-and-match program is a form of collaborative governance that requires a commitment between the education sector, government institutions, and the business world. It is necessary to reduce the gap between the world of education and business and industry to increase the number of graduates who can be absorbed in the labor market. The efforts to reduce the gap include increasing work practices, apprenticeships, and training activities for students and teachers at vocational high schools, diploma higher education, and vocational training centers.

In 2019, the Indonesian Government issued Government Regulation No. 45 of 2019, referred to as GR45/2019, which provides three new incentive schemes. One of the incentive is supertax deduction incentive, after this refers to as STD, for apprenticeship and training programs. The Government design specific this tax incentive instrument to stimulate the role of the business world and the industrial world in the context of providing higher-quality human resources as a follow-up to the link-and-match program. Following up on the issuance of GR45/ 2019, as referred to in Article 29B GR45/2019, the Government issued Ministry of Finance Regulation No. 128 of 2019, after this refers as PMK 128/2019. This regulation regulates the detail of the mechanism for submitting and utilising facilities, including the competencies of the apprenticeship and training programs entitled to the tax facility.

However, since the issuance of this regulation in 2019 until September 2022, based on the Tax Expenditure Report (Ministry of Finance, 2021), only 65 taxpayers have granted the STD incentive for apprenticeship and training programs. The estimated cost of the apprenticeship and training programs is around IDR 970 billion through 772 training cooperation agreements.

The amount of STD incentive utilization is said to be diminutive even though the STD incentive policy has been in effect for three years compared to the number of coaching clinic participants organized by the Ministry of Industry. From the vocational information system (SIVA - KEMENPERIN, 2023) there are 523 companies joined the coaching clinic of STD for the year 2020-2022, but only 65 taxpayers granted STD incentive. There were 4.987 cooperation agreements from 2017 to 2019 under the Ministry of Industry's monitoring system from that vocational information system, but only 772 cooperation agreements granted the STD incentive.

In addition, the use of the STD incentive itself is still minimal. This can be seen from the amount of tax expenditure. The amount of tax expenditure is the amount of lost tax revenue caused by utilizing a tax incentive. In other words, the amount of tax expenditure is the tax savings the taxpayer obtains. Until 2021, the amount of tax expenditure from providing vocational STD incentive for apprenticeship and training programs is only IDR 4 billion. This figure is small compared to tax spending for other tax facilities, such as tax holidays and allowances that reach more than 1 trillion rupiahs yearly. In 2022, the estimated tax expenditure from the vocational STD incentive for apprenticeship and training programs will be around IDR 6 billion (Ministry of Finance, 2022).

In term of research gap, many previous studies on the benefits of apprenticeship and training programs have been conducted locally, nationally, and internationally. In local and national scope, the study conducted by Clark and Fahr (2021), Hollenbeck and Huang (2017), and Boothby et al. (2010) focus on the positive impact of implementing apprenticeship and training programs. A wider-scale study conducted by Muehlemann and Wolter (2014), and Blaise and Rivière (2020) also show the positive impact of implementing apprenticeship and training programs toward employment and education.

On the other hand, regarding tax policies for apprenticeship and training programs, researcher have collected international journals, national journals, and theses in a literature review. The studies that have the same focus on incentive are conducted by Leuven and Oosterbeek (2006), Heaton (2018), and Becht et al. (2019). Several studies conducted by Neumark and Wascher (2011) and Turner (2016) focus on the impact of tax incentives on apprenticeship and training programs using interpretivism and post-positivism approaches. Furthermore, a study by Făiniși and Gruia (2017) uses a descriptive method to analyse tax policies related to apprenticeship and training programs in the European Union. Contrary to that, this study will focus on providing a tax incentive for apprenticeship and training programs in Indonesia.

In Indonesia, there have been several previous studies on tax incentive policies for apprenticeship and training programs. A study conducted by Aziz (2019) has similarities with this study which focus on a tax incentive for apprenticeship and training programs in Indonesia and uses qualitative data collection methods. Although there have been several studies on tax incentives for apprenticeship and training programs, there is no research on the

effectiveness of STD incentive for apprenticeship and training programs in Indonesia. This opportunity can be the novelty of this study. Therefore, the novelty aspect is hoped to contribute to a wider range of discussion on the specific topic surfaced by the researchers.

METHOD

This study used a post-positivism paradigm with descriptive method to evaluate the effectiveness of the implementation of Indonesian supertax deduction incentive for apprenticeship and training programs. This study was based on the policy performance evaluation criteria by William Dunn using Nugroho's dimensions and indicators of policy effectiveness. Both theories can explain the evaluation of policies and provide comprehensive information.

Based on the time dimension, the research is a cross-sectional study because it is carried out at a particular time and has no comparisons. This study observes the effectiveness of the income tax policy from 2019 to 2022. Activities related to obtaining information in literature and document studies are planned to end in April 2023. Meanwhile, based on the data collection technique, this study uses a mixed method. Researchers use the qualitative data from interview and documentation review. While the quantitative data from the secondary data.

RESULTS AND DISCUSSION

The STD incentive policy for apprenticeship and training programs is a tax policy which aims to supports larger government policies. With the addition of an allowable deduction of up to 200% for the apprenticeship and training programs, taxpayers will get tax savings from reducing the taxes that must be paid. This facility aims to increase business involvement in human resources development. The STD incentive policy is in line with efforts to develop human resources through vocational education. This effort began with the issuance of Presidential Instruction No. 9 of the Year 2016 followed by the signing of a Memorandum of Understanding (MoU) five ministers, which are: the Minister of Industry, the Minister of Education and Culture, the Minister of Research and Technology, the Minister of State-Owned Company, and the Minister of Labour. Implementation of this commitment is manifested through the proposed provision of tax incentives. To evaluate the effectiveness of the STD incentive policy's implementation, researchers using the criteria proposed by Riant Nugroho (2011) which are right policy, right implementation, right target, right environment, and right on process.

Right Policy

Based on the GR 45/2019 General Explanation, the main objective of providing STD incentives for apprenticeship and training programs is to increase business involvement in the development of Indonesia's human resources. The participation is realized through apprenticeship and training programs. The STD policy is in line with the link and match program, which is to increase the involvement of the business world in dealing with mismatch issues between education and industry. There is a gap between supply and demand in the skills of the workforce in Indonesia. The link and match program itself is one of the

steps to revitalize vocational education in Indonesia to be able to produce graduates who have the competencies needed in the industry.

Friedrich (2007) states that public policy as a direction of action proposed by a person, group, or government in a certain environment that provides obstacles and opportunities for the proposed policy to use and overcome in order to achieve goals or realize a specific goal or purpose. The STD incentive policy for apprenticeship and training programs was created by providing an opportunity in the form of a smaller tax imposition through the provision of allowable deductions. The imposition of a higher allowable deduction will eventually result in a lower tax imposition. It is hoped that this opportunity will attract the business world to be more involved in organizing apprenticeship and training program activities in Indonesia.

Grindle and Thomas (1989) states that it is important to consider the context of administrative action which involves factors such as the political institutional structure and the character of the regime being served. Therefore, the STD incentive implementation environment is also very affected by this. STD incentive policy uses a tax scheme to influence the amount of fees to conduct apprenticeship and training programs. This tax policy will lead to a reduction in the amount of tax. Even though the main purpose of a tax policy is as a source of state revenue, the provision of tax incentives places more emphasis on certain other goals set by the government. As the opinion of Bratić (2006) that the revenue loss becomes inevitable because of this reduction and this loss is acceptable.

However, since the implementation of the STD incentive policy for apprenticeship and training programs in September 2019, only 65 companies have received approval for STD incentives as of September 2022. According to the informant, the number of taxpayers has not been effective in several ways:

- 1) The level of redundancy ratio where 34 taxpayers (Approximately 52,31%) who have conducted apprenticeship and training programs before the STD incentive policy was implemented; and
- 2) The level of participation is still low when compared to companies participating in coaching clinics organized by the Ministry of Industry. There are 65 taxpayers granted the STD incentive, while the participants of coaching clinic during that time reached 523 companies (Approximately 12,43%).

United Nation (2018) states that in term of tax incentive programs (TIP), several terminologies and measurement are involved in cost benefit analysis which are redundancy ratio, displacement ratio, and crowding out effect. Furthermore, United Nation defines redundancy ratio as: *“The amount of investment that is within the TIP target but would be in place even without the TIP... the higher this redundancy ratio, the more wasteful is the TIP. That is, a higher redundancy ratio indicates a smaller additionally associated with the given TIP and hence a smaller benefit and greater revenue loss of a TIP; and vice versa.”*

Based on the definition given by the United Nation, if the redundancy ratio is greater than zero, it indicates a sizeable loss of potential revenue. Since the redundancy ratio of STD incentive is approximately 52,31%, this is considerably high. In addition, it means that more than half companies which are granted the STD incentive will still deliver an apprenticeship and training programs even without the incentive.

Contrary to this, the number of companies cannot be used as the only benchmark for the effectiveness of the implementation of this incentive. The business involvement in

developing the quality of Indonesian human resources must be seen from several factors, such as the number of cooperation agreement, the amount of apprenticeship and training programs cost, and the number of programs' participant. The cost of administering the apprenticeship and training programs will later be used as a deduction from the tax payable. If using a tax rate of 22%, there will be a tax deduction of up to 220 billion rupiah in the programs if the planned costs can be fully realized. Furthermore, effectiveness is also seen from the sector of business actors who utilise the STD incentive. Table 1 below shows the distribution of the STD incentive.

Table 1. The Distribution of STD Incentive by Sector

Sector	Number of cooperation agreement granted the STD incentive	%
Manufacture	734	95,08%
Tourism and creative industry	19	2,46%
Agribusiness	8	1,04%
Health	5	0,64%
Digital economy	3	0,39%
Migrant worker	2	0,26%
Mixed	1	0,13%

Source: Indonesian Tax Expenditure Report 2021, Ministry of Finance (2022), reprocessed by the researcher (2023)

From the table above it can be seen that most of the apprenticeship and training programs that receive STD incentive facilities are in the manufacturing sector. Apart from the number of cooperation agreements, STD incentive utilization can also be seen from the utilization of eligible competencies to obtain facilities. The table below shows the utilization of eligible competencies to obtain facilities based on PMK 128/2019.

Table 2. The Utilization of Eligible Competencies

Institution	Sector	Eligible Competencies	Competency Granted STD incentive	%
SMK/MAK	Manufacture	73	45	61,6%
	Health	7	1	14,3%
	Agribusiness	30	2	6,7%
	Tourism and Creative Industry	17	5	29,4%
Diploma	Manufacture	124	53	42,7%
	Health	31	0	0,0%
	Agribusiness	64	4	6,3%

	Tourism and Creative Industry	26	5	19,2%
	Digital Economy	23	1	4,3%
	Manufacture	19	9	47,4%
	Agribusiness	15	0	0,0%
BLK	Tourism and Creative Industry	13	0	0,0%
	Digital Economy	7	0	0,0%
	Migrant worker	4	0	0,0%
	Total	453	125	

Source: Processed by researcher (2023)

Based on the Table 1 and Table 2, the manufacturing industry is the sector with the most competence that is entitled to STD incentive facilities. This is in line with the highest utilization of competence in the manufacturing sector from apprenticeship and training program activities in Indonesia. The average competency utilization in the manufacturing sector that receives facilities reaches around 50.57% for apprenticeship and training programs in the three types of institutions. It is also in accordance with the contribution of the manufacturing sector to Gross Domestic Product (GDP) which relatively high. According to BPS, the contribution of the manufacturing sector to GDP in 2022 reached 20.47%. Based on data from the Ministry of Manpower, the number of people working in the manufacturing industry is the third largest after agribusiness and trade. In 2022, the population working in the manufacturing sector is 13.6% of the total working population (17,823,568 residents). Therefore, in terms of sectoral utilization, the utilization of this incentive is in accordance with the objectives of this policy issuance

According to Viennet and Pont (2017) the achievements and results provided by policies are adjusted to the needs of the community. The policy is considered effective if the achievement of the policy objectives plays a major role in solving problems in society. Based on this, the justification of income tax incentives for apprenticeship and training programs is seen from whether the policy is based on needs or problems that are developing and whether the policy is able to solve these problems.

The background behind the issuance of the STD incentive for apprenticeship and training programs is to create a workforce that is ready to work through the involvement of the business world and the industrial world. High involvement of the business world and industrial world is expected to minimize the mismatch that occurs between the competencies needed in the world of work and the competencies taught in schools. This mismatch creates a gap in terms of skill and experience of the graduates. Increasing the competence of the participants is expected to reduce the unemployment rate and have an impact on employment.

The eligible competencies to obtain STD facilities for apprenticeship and training programs are adjusted to the workforce needs of the government's six priority sectors. It becomes the government's main focus in solving the skill gap problem in the Indonesian labour market. In addition, the STD incentive policy also aimed at reducing the contribution of vocational education graduates to the unemployment rate in Indonesia. The workforce needs of the six-priority sector is shown in Table 3 below.

Table 3. The Workforce Needs of the Six-Priority Sectors, Yearly

Sector	The Number of Workforce Needs (Person)
Manufacture	859.703
Agribusiness	289.799
Tourism and creative industry	2.305.009
Health	72.217
Digital economy	498.084
Migrant worker	342.810

Source: Coordinating Ministry of Economic Affair (2023)

From this point of view, even though the utilization of STD incentive is still diminutive, but the STD policy has fulfilled some criteria of the right policy.

Right Implementation

According to Nugroho (2004), there are three executor components in implementing public policies, namely the government, the government with the community, and the community. The correct implementation of the STD incentive for apprenticeship and training programs affects the effectiveness of the STD incentive policy. It is related to the suitability of the actors involved in providing these incentives. In the provision of tax incentives, the party most involved in the process of providing these incentives is the government, which involves more than one agency (Cross-sector). According to Tavares-Lehmann et al. (2016), tax incentives are tax breaks for taxpayers to increase investment activities in specific sectors. As a manifestation of the regulation function of taxation, the government issues tax policies that aim to encourage or limit people's behaviours according to the desired behaviour. According to Knoepfel et al. (2007), the key elements that form the basis of analysis in public policy are the actors involved, resources, regulations and the substance of the policy itself. Related to the involvement of actors in the implementation of public policy according to Knoepfel, the policy of providing STD incentives for apprenticeship and training programs has reflected the relationship between the roles of public policy actors, namely:

- 1) Government as the political administrative authorities. This can be seen from the collaboration of several government institutions in implementing the STD policy;
- 2) Companies and academic institutions as target groups, namely as a group of people who become a reference/target in solving problems; as well as
- 3) Public as the end beneficiary. Where the general public will receive benefits from this STD policy.

The STD incentive policy for apprenticeship and training programs is based on the issuance of Presidential Instruction Number 9 of 2016 which mandates 12 Ministries and Institutions down to the local government level, to collaborate according to their respective duties and authorities to revitalize SMKs with the aim of increasing the competitiveness of human resources Indonesia. The issuance of the STD incentive policy for apprenticeship and training programs itself involves the participation of the Ministry of Finance (Directorate General of Taxes, and Fiscal Policy Agency), the Ministry of Investment, as well as technical ministries as the sector-coordinated ministry such as the Ministry of Industry, the Ministry of Education, the Ministry of Religion, the Ministry of Labour.

The Ministry of Investment functions as a gateway for providing STD incentive policies for apprenticeship and training programs because the Ministry of Investment is responsible for providing online single submission (OSS) where taxpayers apply for incentives. On the other hand, the Directorate General of Taxes has a very important role in implementing STD incentive policies for apprenticeship and training programs. This does not only play a role in deciding whether the taxpayer granted the incentive, but also plays a role in monitoring the use of incentives, receiving realization reports from taxpayers, and playing a role in providing an understanding of the STD incentives to the external and internal environment. According to the informant, out of 1395 submissions for granting incentives, there were 840 cooperation agreements that were approved for incentives. Some of the reasons for the rejection of the taxpayer's application are as follows:

- 1) Taxpayers do not meet the cooperation agreement criteria required in PMK 128/2019. Based on Article 7 number 3 PMK 128/2019, there are eight components that must be included in the cooperation agreement made by taxpayers with the academic institutions. Furthermore, representatives from the Directorate General of Taxes stated that most of the components that are not included in the cooperation agreement are the name and taxpayer identification number of the academic institutions, the estimated cost, and the estimated participants;
- 2) Taxpayer do not attach the SKF. Some factors may affect this reason such as an error in the tax systems, an error in the OSS, or the taxpayer forget to click the attachment in the system;
- 3) Taxpayers carry out apprenticeship and training programs with competencies that are not in accordance with PMK 128/2019. There are 453 competencies of apprenticeship and training programs which eligible to be granted the STD incentive. If the taxpayer conducts the apprenticeship and training programs beside those competencies, the Directorate General of Taxes will reject the taxpayer application;
- 4) Taxpayer carry out apprenticeship and training programs with the academic institutions that not in accordance with PMK 128/2019.

Apart from the government, the other actor involve in the implementation of the STD policy for apprenticeship and training program are the companies. Companies actually have no obligation to organize apprenticeship and training programs that are not aimed at improving the quality of their workforce. However, the link-and-match program requires companies to take a bigger role in the success of the program. The company plays a role in organizing activities to improve the quality of human resources. This role is manifested in the form of providing equipment that allows participants to improve their skills in using

equipment and technology according to the needs of the company. In addition, the company can also provide opportunities for participants to apply the theory acquired at school. This is expected to reduce the skill gap of school graduates with the skills needed by the industry. Based on interviews with taxpayers, the apprenticeship and training programs is not only benefitted the participants but also indirectly benefit the companies.

According to utilization of the STD incentive for apprenticeship and training programs, there are only 65 taxpayers granted the STD incentive during 2019 to 2022 and only 14 taxpayers who already utilize the incentive. According to the interviews with the several informants, there are some reasons for the low participation rate:

The Effect of Covid-19 Pandemic

The occurrence of the Covid-19 pandemic in 2020 caused the implementation of apprenticeship and training programs to be not optimal. Based on Article 4 paragraph (1) Government Regulation No. 21 of the Year 2020 concerning Large-Scale Social Restrictions in the Context of Accelerating the Management of Corona Virus Disease 2019 (COVID-19), starting March 31, 2020 there are restrictions on community social activities. The government calls on the public to limit large-scale social activities which include closure of schools and workplaces, restrictions on religious activities; and/or limitation of activities in public places or facilities.

These restrictions have had a huge impact on all aspects of society such as economic conditions, the implementation of education, including the psychological aspects of society. The pandemic that has occurred since March 2020 has made the economy down that year. This can be seen from the growth in GDP which was recorded -2.07% in 2020. In the previous year, GDP still grew up to 5.02%. The results of a survey by the Ministry of Labour stated that around 88 percent of companies affected by the pandemic over the first six months were generally in a state of loss.

The Taxpayer is in a State of Fiscal Loss

According to Article 5 PMK 128/2019, additional reductions in gross income cannot cause a fiscal loss in the current tax year. Therefore, if based on the calculation of the fiscal report, the taxpayer suffers a loss which results in no tax debt, then the taxpayer cannot take advantage of the STD incentive. The condition of taxpayers who experience losses can be caused by the impact of the Covid 19 pandemic or due to decreased productivity of taxpayers.

Lack of Socialization

One of the problems expressed by taxpayers related to this STD incentive policy is the lack of socialization. This causes the community's understanding regarding the types of policies and benefits that will be obtained by companies is still lacking. Even though the Ministry of Industry has regularly held coaching clinics to assist companies in the application process, this has not been able to cover all business actors in Indonesia. According to BPS data, the number of medium and large-scale industries in 2020 will reach 29,363 companies. Meanwhile, the coaching clinic only had 523 participants.

The third parties involved in implementing the STD policy for apprenticeship and training programs are educational institutions. With the collaboration between the

government, the business world, and educational institutions in developing these human resources, it is hoped that educational institutions can produce graduates who are in line with industry needs. The implication of publishing this link and match program is that educational institutions can better align the education curriculum with the needs of human resources. In addition, these vocational participants will also receive certificates that will be useful for applying for jobs in the future.

Right on Target

The involvement of the business world in improving human resources has actually been running since 2016 through the issuance of Presidential Instruction Number 9 of 2016. Since that year, many companies have held apprenticeship and training programs. The table 4 below shows the implementation of apprenticeship and training programs by companies under the guidance of the Ministry of Industry.

Table 4. The Apprenticeship and Training Programs Before the STD Incentive

Year	The Number of Companies	The Number of Cooperation Agreements
2017	449	2.228
2018	195	923
2019	388	1.836
Total	1.032	4.987

Source: The Ministry of Industry, reprocessed by the researcher (2023)

Based on the data above, many companies have organized apprenticeship and training programs before the issuance of the STD incentive policy. this shows that the companies as targets of the STD incentive policy are actually in a ready condition to be able to carry out apprenticeship and training programs. This is because apprenticeship and training programs are not new activities. Table 5 shows the number of SMK as an academic partner for apprenticeship and training programs of the companies under the supervision of the Ministry of Industry before the establishment of STD incentive policy.

Table 5. The Number of SMK as a Participant of Apprenticeship and Training Programs Before the STD Incentive Policy

Year	The Number of SMK
2017	1.265
2018	502
2019	845
Total	4.379

Source: The Ministry of Industry, reprocessed by the researcher (2023)

Furthermore, since the establishment of STD incentive policy, the Ministry of Industry has also been holding coaching clinics since 2020 to assist companies in understanding the STD incentive policy rules. The number of companies participating in the coaching clinic can be seen in the table 6 below.

Table 6. The Number of the Coaching Clinic Participant

Year	The Number of companies
2020	148
2021	273
2022	102
Total	523

Source: the Ministry of Industry, reprocessed by the researcher (2023)

Based on the Tables 4, 5, and 6 above, the involvement of the business world in improving the quality of human resources has been running before the STD incentive policy was given. Therefore, the target for the issuance of STD incentives is ready to be realized. The same thing happened to academic institutions which become another target in the STD incentive policy. However, not all educational institutions can become partners in the implementation of apprenticeship and training programs that are eligible to obtain this STD incentive. The purpose of limiting this type of educational institution is so that this incentive does not become a tool for carrying out aggressive tax planning in order to reduce the burden of tax payable.

Furthermore, according to Nugroho (2004), public policy is considered right on target if there is no overlap with other realizations and does not conflict with other policy realizations. The STD incentive policy for apprenticeship and training programs is a policy issued to support human resource development. This incentive policy is not the only income tax incentive given to support government programs. Tax incentive policies have been introduced in Indonesian taxation system since 1967. Table 7 below shows the income tax incentives that have been issued by the Indonesian government.

Table 7. The Indonesian income tax incentives

Tax Incentives	Legal Basis	The Aim of Providing Tax Incentive
Tax holiday	Government Regulation No. 94 of the Year 2010 as amended with Government Regulation No. 45 of the Year 2019 Ministry of Finance Regulation No. 130 of the Year 2020	To encourage investment in pioneer industries
Tax allowance	Government Regulation No. 78 of the Year 2019 Ministry of Finance Regulation No. 11 of the Year 2020	To encourage investment in certain business fields and/or in certain areas
Tax holiday and tax allowance for	Government Regulation No. 12 of the Year 2020	To increase the investment and accelerating investment

investment at the Specific Economic Zone	Ministry of Finance Regulation No. 237 of the Year 2020 as amended with the Ministry of Finance Regulation No. 33 of the Year 2021	implementation in the Specific Economic Zone
Tax Holiday and Tax Allowance for investment at Industrial Zone	Government Regulation No. 142 of the Year 2015 Ministry of Finance Regulation No. 105 of the Year 2016	To increase the investment in industrial zone
Investment allowance	Government Regulation No. 45 of the Year 2019 Ministry of Finance Regulation No. 16 of the Year 2020	To encourage investment in labour-intensive industries to increase the creation of new jobs
Supertax deduction for apprenticeship and training programs	Government Regulation No. 45 of the Year 2019 Ministry of Finance Regulation No. 128 of the Year 2019	To stimulate the role of the business world and the industrial world in the context of providing higher-quality human resources as a follow-up to the link-and-match program
Supertax deduction for research and development	Government Regulation No. 45 of the Year 2019 Ministry of Finance Regulation No. 153 of the Year 2020	To encourage research and development activities in Indonesia to increase the competitiveness of the Indonesian industrial climate

Source: Reprocessed by the researcher (2023)

Based on the table above, it can be seen that each type of incentive has a different purpose. However, a company may be able to benefit from more than one type of incentive as long as the associated costs are not charged more than once. Regarding STD incentives for apprenticeship and training programs, costs for organizing special physical facilities in the form of training places and other supporting costs can be financed as part of the allowable deduction which is entitled to an additional reduction of up to 200%. Nonetheless, in Article 5 letter i PMK 128/2019, it is stated that: “i. additional gross income reduction for costs as referred to in Article 4 letter a cannot be provided in the event that the physical facility used is part of an investment that has received a net income reduction facility as referred to in:

- 1) Article 31A Law Number 7 of 1983 concerning Income Tax as amended several times, most recently by Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983; or
- 2) Article 29A Government Regulation Number 94 of 2010 as amended by Government Regulation Number 45 of 2019 concerning Calculation of Taxable Income Tax and Payment of Income Tax in the Current Year.”

Therefore, it can be seen that the STD incentive policy for apprenticeship and training programs does not conflict with other income tax incentive policies because it is clear that the cost can not be deducted more than once to claim several tax incentives.

Another thing that needs to be considered in assessing public policies that are right on target according to Nugroho is to ensure that the implementation is new (Original) or updating previous policies. Regarding the cost of developing human resources and development, there have been arrangements related to this before the issuance of the STD incentive policy for apprenticeship and training programs. These arrangements are contained in Article 6 paragraph (1) letter g and l Income Tax Laws. According to Article 6, expenses incurred in the context of providing scholarships, apprenticeships and training, including donations in the form of education facilities which is stipulated by a Government Regulation, can be deducted from gross income. However, the STD incentives for apprenticeship and training programs are different from the two previous incentives. These differences can be shown by table 8 below.

Table 8. The Arrangement of STD Incentive for Apprenticeship and Training Programs Comparing with the Previous Arrangement in Income Tax Law

Legal Basis	Types of Deductible Expenses	The Amount of Reduction	Similarity to STD Incentives	The Difference with STD Incentives
Article 6 letter g Income Tax Law	Scholarships, apprenticeships, and training expenses	100%	Both can reduce costs related to Scholarships, apprenticeships, and training	Beneficiaries are employees of the company concerned. Meanwhile, STD incentives are aimed at participants from certain educational institutions The amount of STD incentive is 200%
Article 6 letter l Income Tax Law	Donation in the form of education facilities	100%	Both can reduce costs related to education facilities	There is no obligation to transfer knowledge and transfer of skills for companies to educational institutions receiving donations. Whereas in the STD incentive, there is a transfer of knowledge and skills to the participants. The amount of STD incentive is 200%

Source: Reprocessed by the researcher (2023)

Based on the table above, it can be seen that the STD incentive for apprenticeship and training programs is a new type of tax incentive that is different from the previous tax

incentives. Based on this, there has been an update in the STD incentive for apprenticeship and training program policy which is different from other tax incentives as well as arrangements for human and resource development costs previously in the Income Tax Law.

Right Environment

The internal environment related to the STD incentive policy is the policy formulation and policy implementing agency. The institution for formulating policy regulations for STD incentives for apprenticeship and training programs is an executive agency, in this case the Fiscal Policy Agency and Directorate General of Taxes. The two agencies play a role in formulating policies at the level of government regulation and ministry of finance regulation. Meanwhile, the implementing agencies are the Directorate General of Taxes, the Ministry of Investment, and other related ministries. Relations between regulatory agencies and STD incentive policy implementers are well coordinated. However, there are problems related to this policy evaluation process, where ministries that can carry out evaluations based on PMK 128/2019 do not receive data on facility utilization.

External support for policies that are able to encourage the success of STD incentive policies are academics and tax practitioners. Academics should play a role in providing input related to STD incentive policies. Meanwhile, tax practitioners can become media to educate the public about STD incentives.

Right on Process

In terms of strategic readiness, public policy is considered effective if the public is ready to implement or become part of the policy, implementing bureaucrats are ready to implement policies. In other words, the STD incentive policy for apprenticeship and training programs is considered effective if it is supported by appropriate resources and technology. According to the taxpayer, the obstacles encountered in the field related to the STD incentive for apprenticeship and training programs are the lack of understanding of the tax authorities and the slow service delivery. As a result, companies do not take advantage of this incentive.

In addition, technology also plays an important role in determining policy effectiveness. Technology plays a very vital role because with technological developments, the role of communication will become increasingly dominant in community empowerment efforts, especially in carrying out the functions of public organizations in the country. The provision of STD incentives for apprenticeship and training programs is carried out through the OSS system. OSS is a Business Permit issued by the OSS Institution for and on behalf of ministers, heads of institutions, governors or regents/mayors to Business Actors through an integrated electronic system. Based on Law No. 11 of the Year 2020 concerning Job Creation, OSS has changed to become Risk-based Online Single Submission (OSS). Based on Article 7 of PMK 128/2019, notifications to taxpayers can be given after the complete application process is received. The taxpayer will then receive a notification regarding the approval of the STD incentive application if the taxpayer meets the criteria and can be charged an additional gross income reduction directly in the same fiscal year. However, there are several obstacles related to the use of OSS in the provision of STD incentives for apprenticeship and training programs, namely migration of OSS 1.1 to OSS RBA was not

smooth, so at the beginning of the migration process manual input was still required, and some system problems such as failed notifications.

The company as the target group is considered to have readiness if the level of understanding of STD incentive regulations and understanding of the mechanism for submitting requests for facilities. However, some companies choose not to apply for STD incentives. Based on the results of interview with several informants, apart from trust issues, other things that taxpayers complain about are as follows.

Incentive Benefits Felt to be Less Significant for the Company

Even though the government has provided an additional reduction in gross income of up to 200% for apprenticeship and training programs, this is still considered to have not provided significant benefits. It is due to the relatively low cost of holding apprenticeship and training programs. In PMK 128/2019, there are five types of costs that can obtain additional gross income deductions, namely cost for provision of physical facilities, cost of instructors or teaching staff, cost of goods or materials for the purposes of implementing programs, honorarium or payment to participants; and certification fee.

Taxpayers will gain significant benefits if they organize physical facilities in the form of teaching factories. Teaching factory is a production/service-based learning model in SMK that refers to the standards and procedures that apply in the industry and is carried out in an atmosphere like what happens in the industry. Table 9 below shows the range of costs for holding apprenticeship and training programs from the taxpayer granted STD incentive.

Table 9. The Range of Apprenticeship and Training Costs

The Range of Costs for Holding Apprenticeship and Training Programs	The Number of Taxpayer Granted STD Incentive
Less than 1 billion rupiahs	25
1 billion rupiahs to up to 5 billion rupiahs	20
5 billion rupiahs to up to 10 billion rupiahs	10
More than 10 billion rupiahs	10
Total	65

Source: Reprocessed by the researcher (2023)

Table 9 shows that the majority of taxpayers who obtain approval for applications for STD incentives for apprenticeship and training programs have program implementation costs of less than 1 billion rupiah. The smaller the implementation costs, the smaller the tax savings that will be obtained by the taxpayer.

Additional Administrative Requirements Burdening the Company

Even though the implementation of apprenticeship and training programs is nothing new for the industry, PMK 128/2019 requires several criteria for taxpayers who will take advantage of the STD incentive. The first arrangement is a form of cooperation agreement which must contain several things such as the name and taxpayer identification number of the academic institution, fee plans, participant plans and so on. Cooperation agreements that have

been made by taxpayers before the issuance of STD incentives do not have a standard format. Therefore, if the taxpayer is going to apply for an STD incentive for apprenticeship and training programs, the taxpayer needs to amend the cooperation agreement.

The next thing that according to the taxpayer is quite burdensome is the obligation to make a realization report based on Article 8 PMK 128/2019, especially if the taxpayer uses the same assets as those used in the production process. If this happens, the taxpayer requires to carry out a proportional calculation of the asset. This will burden the company because there is no certainty about the amount of costs that get additional reductions in gross income. for the same reason, taxpayers prefer to only submit additional gross income deductions for easily separated cost components such as honorarium and payments to participants and instructors.

CONCLUSION

The STD incentive policy for apprenticeship and training programs has been implemented in Indonesia since 2019 through the issuance of GR 45/2019 and PMK 128/2019. As of September 2022, only 65 taxpayers have received approval for the application for this tax facility. Among the 65 taxpayers, only 14 taxpayers have received tax benefits from using the STD incentive facility. Of the five criteria for public policy effectiveness, namely the right policy, the right implementation, the right on target, the right environment, and the right on process have been fulfilled. Even so, several indicators were not fulfilled in terms of effectiveness such as indicators related to achievement of the goals set and strategic readiness from the taxpayer side.

The reasons for not optimally utilizing the STD incentive for apprenticeship and training programs are the effect of the Covid-19 pandemic, taxpayers in the state of fiscal loss, lack of socialization, and trust issues. Some taxpayers also choose not to apply for STD incentives even though they organize apprenticeship and training programs. This is caused by the benefits of STD incentives which are considered less significant for taxpayers and there are additional administrative burdens that must be met by taxpayers.

To optimize the utilization of the STD incentive for apprenticeship and training programs, more massive socialization is needed. This socialization is needed to be able to provide understanding to taxpayers regarding the benefits of the STD incentive policy and the procedures and procedures for submitting STD incentive applications. Socialization is also needed to the internal environment of the Directorate General of Taxes to be able to increase understanding of fiscus. Regarding the regulation of STD incentives for apprenticeship and training programs, several proposals for regulatory changes can be considered for changes such as more flexible criteria for cooperation agreements. Another recommendation is related to the input form for the realization report which can be connected automatically by the system. This can facilitate taxpayers in fulfilling the obligation to submit utilization reports.

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