

# Tax Policy Analysis for a Business Model Recycle

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## ABSTRACT

The waste problem is a very complicated problem to solve. In Indonesia itself, the waste problem is very worrying. Based on data from *ScienceMag*, it is stated that Indonesia is the second-largest contributor to plastic waste to the sea after China, followed by the Philippines, Vietnam, and Sri Lanka. This study analyzes the types of policies that are appropriate to support the handling and prevention of increasing waste. The data used in this research is qualitative data in the form of descriptive analysis. The results of the study indicate that the imposition of a waste tax to parse waste problems that occur in urban areas so far can be an alternative that can be done by local governments.

**Keywords:** Tax Policy, Tax Payer, Waste.

## 1. INTRODUCTION

The waste problem is a very complicated problem to solve. In Indonesia itself, the waste problem is very worrying. Based on data from *ScienceMag*, it is stated that Indonesia is the second country that contributes plastic waste to the sea after China, followed by the Philippines, Vietnam, and Sri Lanka [1]. According to data taken from the National Waste Management Information System (SIPSN) of the Ministry of Environment and Forestry, it is stated that the amount of waste produced by the Indonesian people reaches 22,728,880.94 (tonnes/ year) [2].

Waste management itself is one of the problems that are currently a big challenge for the government. No wonder the government lately has always promoted the 3R (Reduce, Re-use, Recycle) program to reduce the amount of waste produced.

In addition to the 3R program, the Waste Recycling Industry is also the answer to the problem of waste management. In addition to providing positive impacts such as improving social and economic conditions for business actors, the waste management industry itself has been recorded to have contributed to the handling of

waste problems with the amount of waste that has been handled as much as 11,281,843.89 (tons/year).

The waste recycling industry, including the plastic waste recycling industry, is an industrial link that can reduce the growth rate of the waste. In the plastic waste recycling industry, the sorting of plastic waste is generally done by scavengers.

Plastic waste that has been successfully separated from other types of waste is processed into plastic pellets, which can be used as raw materials for certain plastic products in the next cycle. The plastic recycling industry has a long process and involves a lot of labor. The Indonesian Plastic Recycling Association (ADUPI) estimates that in 2013 this industry will be able to process up to 5.4 million tons of plastic waste per year or around 15 thousand tons per day, involving more than 780 thousand workers. In the upstream part of the plastic recycling industry, there are scavengers who play a role in sorting plastic waste from other types of waste.

Scavengers collect plastic waste discarded by the community and sell it to collectors. The collectors collect the plastic waste produced by the scavengers and deposit it into the plastic waste grinder. The job of the grinder is to process plastic waste into a very thick

liquid. The next stage is the molding of the liquid into plastic pellets, which are ready to be used as raw materials in the plastics industry.

In accordance with the Law of the Republic of Indonesia Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, plastic raw materials include VAT subject to taxable goods (BKP). There is no difference between new plastic raw materials and recycled plastic raw materials, both of which are BKP VAT. The difference is that since 2009 new imported plastic raw materials have received the DTP VAT facility, while domestically produced new plastic raw materials and recycled plastic raw materials do not receive the same facilities. This is the reason for the plastic recycling association to propose a VAT exemption for plastic ore products from recycled products. The tight price competition for plastic pellets has forced plastic waste recycling entrepreneurs to choose a shortcut, namely reducing the price of plastic waste from scavengers rather than collecting VAT from buyers.

Law Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 reads that tax is a mandatory contribution to the state owed by an individual or entity that is coercive under the law. By law, without receiving direct compensation and being used for the purposes of the state for the greatest prosperity of the people.

Tax is a contribution paid to the state by taxpayers who spread their obligations according to applicable regulations without obtaining returns, which can be directly appointed for the purpose of financing general expenses related to the state's duty to administer the government [3].

Related to this, it is known that taxes have a very important role in the life of the state, especially as a source of financing and state development. There are two tax functions according to [4], namely:

1. The Function of Budgetair (Source of State Finance)

Taxes are one source of government revenue to finance expenditures, both routine, and development. As a source of state finance, the government tries to put as much money as possible into the state treasury.

2. Regular end Function (Managers)

Taxes are a tool to regulate or implement government policies in the social and economic fields and achieve certain goals outside the financial sector.

Taxes are a fiscal instrument used to finance development. Taxes are coercive and are stated in the law and many policies that regulate taxes so that the

management of the tax itself goes well. Tax-related policies are classified as Fiscal Policies which are an economic policy made by the government to direct the economy with changes in government spending and income. The main instruments used in Fiscal Policy are government spending/state spending and taxes.

To implement fiscal policy, the government can impose taxes on labor income, profits, and consumption [5]. The role of fiscal policy, especially tax policy, is to increase the economic growth of a country.

According to Law Number 18 of 2008 concerning Waste Management, what is meant by waste is the residue of human daily activities and/or natural processes in solid form. This waste is generated by humans every time they carry out their daily activities.

Waste management in Indonesia has become an actual problem along with the increasing rate of population growth which has an impact on the increasing amount of waste produced. Several studies have analyzed the causes of problems that occur in waste management in Indonesia. [6] analyzed the problems faced in waste management in Indonesia, including the lack of a firm legal basis, inadequate waste disposal sites, lack of effort in composting, and lack of proper TPA management.

[7] said that the problem of waste management in Indonesia is seen from the following indicators, namely, the high amount of waste produced, the level of waste management services is still low, the final waste disposal site is limited in number, waste management institutions and cost problems.

## 2. METHODS

This research was conducted on the owner of the waste recycling industry as a taxpayer. This research uses qualitative research methods. Qualitative research is defined as a research method based on postpositivism or interpretative philosophy, used to examine the condition of natural objects, where the researcher is the key instrument, and the data collection technique is done by triangulation. Using descriptive analysis method [8]. The descriptive method is research conducted to describe independent variables, either only on one or more variables (stand-alone variables) without making comparisons and looking for that variable with other variables [9]. This research data collection technique uses a literature study that utilizes journals, books, and other readings as references.

## 3. RESULTS AND DISCUSSION

Based on several previous studies such as (Hertomo et al., 2018) found that the contribution of Bekasi City's waste retribution to PAD is still very small due to low tariffs, limited human resources, and low public

awareness and participation in paying user fees. This has an impact on waste management that is not optimal. In addition, [10] also found that the seven-year implementation of garbage retribution collection in the Gianyar Regency was less effective due to the lack of clear enforcement of legal sanctions, so the level of compliance in paying retribution was low. The reality on the ground shows that user fees have not been able to effectively improve waste management and increase PAD. Therefore, an alternative policy in the form of imposing a waste tax is considered to be more effective in supporting waste management in urban areas. In addition, the waste tax will encourage people to be more responsible and wiser in managing waste because they are worried that they will be taxed or taxed in large amounts.

Reflecting on foreign experiences, one of which is the imposition of a garbage tax in Switzerland or pricing garbage by the bag (PGB), it was found that its implementation is quite effective in reducing waste. At the beginning of the implementation of this policy, the public assumed that the application of the tax would be unfair and unsuccessful. However, over time, the PGB policy was able to reduce unsorted waste per capita by 40 percent, as well as increase the recycling of aluminum and organic waste without causing excess waste to flow to the surrounding area. This success is inseparable from the principle of fairness applied in this environmental tax, where those who produce more waste are those who pay more [11].

The imposition of a waste tax to parse waste problems that occur in urban areas so far can be an alternative that can be done by local governments. However, the addition of this new type of tax surely will cause pros and cons in society. There are some points that need to be anticipated by the government in implementing this waste tax policy is the practice of tax avoidance by independently disposing of their household waste to places that should not be or to areas that have not implemented a waste tax, which will result in the generation of new waste. In addition, the implementation of this waste tax will certainly have a direct impact on the economy of the community, which has been sluggish due to the pandemic. If the waste tax cannot be implemented in the near future, local governments are expected to change the old pattern to parse waste problems, especially in urban areas, namely from the old pattern (collect-and-dispose) to a circular economy concept, which is to maximize the economic value of waste by implementing reduce, recycling, recycle (3R).

#### 4. CONCLUSIONS

The imposition of a tax on waste is quite effective in reducing waste. So that in its implementation, it can unravel the waste problem that has occurred in urban

areas so far, it can be an alternative that can be done by local governments. However, of course, the addition of this new type of tax will cause pros and cons in society. However, what the government needs to anticipate in implementing this waste tax policy is the practice of tax avoidance by independently disposing of their household waste to places that are not supposed to be or to areas that have not implemented a waste tax, which will result in the generation of new waste.

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