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The Effect of Realized Tax Revenue on Investment and Economic Growth

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Abstract
Economic growth is a long-standing issue in the economy and is influenced by many factors. The aim of this research is to analyze the impact of realized tax revenues on investment and economic growth. The data used comes from the Central Statistics Agency (BPS). Tax revenues have a positive influence on economic growth, while tax revenues have a negative influence on investment. To increase economic growth in Indonesia, the government can take various steps, including maximizing national tax revenues as a source of development financing and controlling investment levels.

Keywords: *Tax Revenue, Investment, Economic Growth*

A. Introduction

Economic growth is a situation where a country continuously experiences an increase in production over a certain period of time. In general, the level of economic growth is influenced by the level of income in a country. However, a low level of economic growth does not always mean a low level of income, although there are many theories which state that income inequality can affect a country's economic growth. Therefore, a country's income is usually obtained by tax revenues.

Taxes have an important role as a source of state income that supports development financing and can influence the smooth functioning of government. Taxes are also the basis for a country to face global competition. Therefore, the government in a country maximizes tax revenues, especially income tax, to meet state needs so that state loans from other parties can be minimized.

Research Background

There are two macro variables that influence tax revenues, namely investment and economic growth. If the level of tax revenue is high, it will reduce the profits obtained by investors. On the other hand, if tax revenue is low, it will increase the attractiveness of investing because investors will gain greater profits.

If taxes are used appropriately, they can help encourage or increase economic growth in a country. However, in general, if taxes are too high it will have a negative impact on economic growth because it can reduce the income earned and increase the cost of living for consumers. On the other hand, if taxes are too low, the government will automatically experience difficulties in financing all the state's needs

B. Research Methods

The effect of tax revenue realization on investment and economic growth using quantitative research methods. In general, quantitative methods focus more on providing meaning that is related to statistical and sterile interpretation rather than authentic and civilized meaning. In this research we took some accurate data, data taken from the Central Statistics Agency (BPS). In addition, the reference sources used in this research come from various types of literature, such as journals and other references relevant to the topic being researched.

C. Result and Discussion

The Effect of Realized Tax Revenue on Investment

The effect of taxes on investment can vary, according to certain factors including fiscal policy, investment climate, according to the overall economic situation and others:

1. Fiscal Policy

   Fiscal policies implemented by the government, such as tax rates, tax exemptions, and investment incentives, can influence investors' interests and decisions. The government can use tax policy to encourage investment by reducing the tax burden or providing incentives to strategic sectors.

2. Stability of Tax Regulations

   Legal uncertainty or frequent changes in tax regulations can create uncertainty for investors. Regulations that are clear, consistent and stable in the long term can provide certainty to investors and increase their confidence in investing.

3. Tax Efficiency and Transparency

   Efficiency in collecting and using tax revenues, as well as transparency in tax management, can help create a good investment climate. If taxes are collected efficiently and managed well for infrastructure development and public services, this can increase the attractiveness of investment.

a. Level of Corruption

High levels of corruption can hinder investment, including tax revenues that should be used for development. If the taxes collected are ultimately used for personal gain or corruption, this can harm investment and hinder economic growth.

b. External Factors

The effect of tax realization on investment can also be influenced by external factors, such as global economic conditions, political stability, technological developments, and other factors that influence the overall investment climate (Idham et al., 2021).

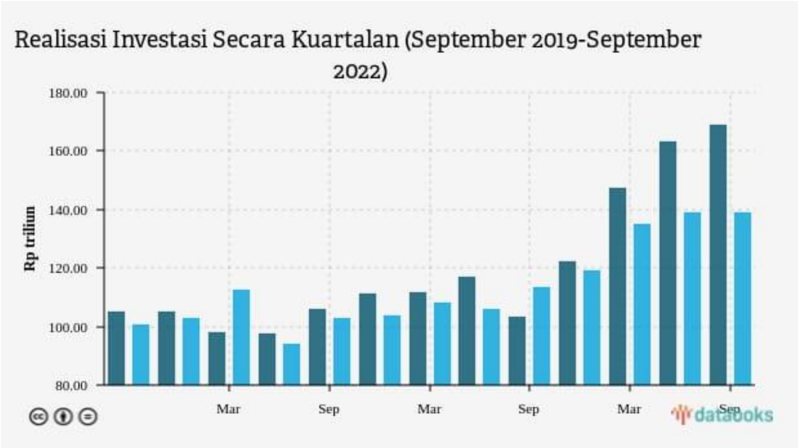
Apart from that, there are several possible effects of tax realization on investment. If taxes are imposed too high, it can affect investment levels and reduce investors' interest. This is due to the lack of profits obtained by investors. However, on the other hand, if taxes and public finances are run efficiently it will create stability and certainty for investors. And if the tax revenues are channeled or used for infrastructure projects or plans in economic development, then investors will be interested in investing in a particular sector (Dewi & Triaryati, 2015).

Picture 1. BPS (Central Statistics Agency) data on tax revenues for 2021-2023

Sumber Penerimaan - Keuangan	Realisasi Pendapatan Negara (Milyar Rupiah)		
	2021	2022	2023
I. Penerimaan	2 006 334,00	2 435 867,10	2 443 182,70
Penerimaan Perpajakan	1 547 841,10	1 924 937,50	2 016 923,70
Pajak Dalam Negeri	1 474 145,70	1 832 327,50	1 960 582,50
Pajak Penghasilan	696 676,60	895 101,00	935 068,60
Pajak Pertambahan Nilai dan dan Pajak Penjualan atas Barang Mewah	551 900,50	680 741,30	740 053,60
Pajak Bumi dan Bangunan	18 924,80	20 903,80	31 311,00
Bea Perolehan Hak atas Tanah dan Bangunan	0,00	0,00	0,00
Cukai	195 517,80	224 200,00	245 449,80
Pajak Lainnya	11 126,00	11 381,40	8 699,50
Pajak Perdagangan Internasional	73 695,40	92 610,00	56 341,10
Bea Masuk	39 122,70	43 700,00	47 528,50
Pajak Ekspor	34 572,70	48 910,00	9 012,70
Penerimaan Bukan Pajak	458 493,00	510 929,60	426 259,10
Penerimaan Sumber Daya Alam	149 489,40	218 493,10	188 744,80
Pendapatan dari Kekayaan Negara yang Dipisahkan	30 496,80	40 405,30	44 068,10
Penerimaan Bukan Pajak Lainnya	152 504,00	149 013,40	110 429,80
Pendapatan Badan Layanan Umum	126 002,80	103 017,70	83 016,40
II. Hibah	5 013,00	1 010,70	409,40
Jumlah	2 011 347,10	2 436 877,80	2 443 592,20

Source: BPS data (Central Statistics Agency) in 2021

Picture 2. Quarterly Investment Realization (September 2019-September 2022)



Source: BPS data (Central Statistics Agency)

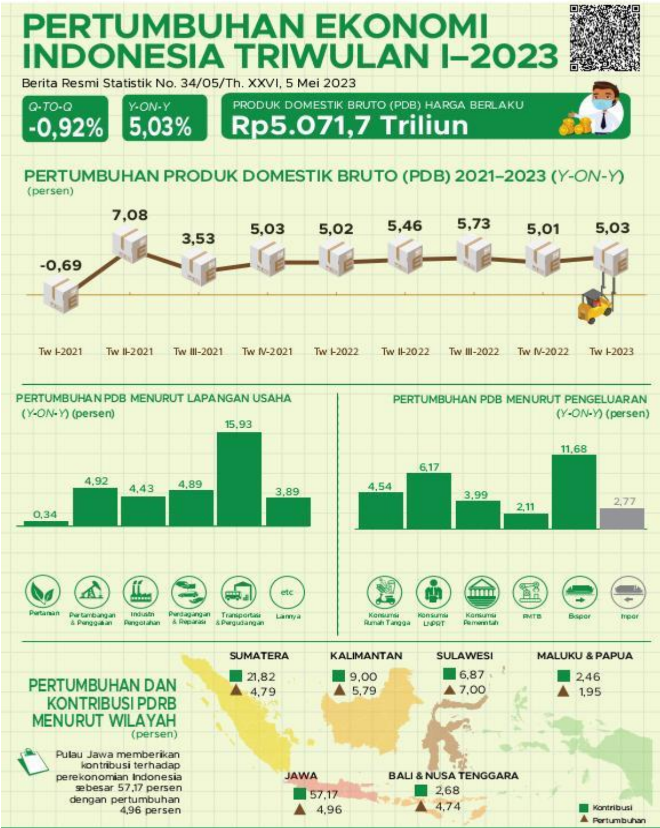
The Effect of Realized Tax Revenue on Economic Growth

The increase in tax revenues that occurred in various regions is proof of the success of tax reform. The impact is increased economic growth, as found in research by Gebreegziabher (2018) which states that tax revenues have a positive influence on economic growth. However, according to research conducted by Mdanat (2018), it was found that an increase in tax revenue does not always mean an increase in economic growth. This can occur due to the use of tax revenues for unproductive expenditure. However, if tax revenues are used to finance productive activities or projects, it will have a positive impact on the economic growth of a region or country.

The realization of tax revenues contributes positively to the growth of Indonesia's Gross Domestic Product (GDP), both in the short and long term. This shows that the higher the tax revenue that is realized, the economic growth in Indonesia will increase. In a short period, every 1 percent increase in tax revenue will result in national income growth of 0.2242 percent. Meanwhile, in the long term, every 1 percent increase in tax revenue will contribute to an increase in national income of 0.4464 percent.

In order to increase state funding sources, the government is trying to increase tax revenues. However, the increased tax burden imposed on entrepreneurs could weaken a company's ability to generate income. This decrease in company income has the potential to cause a reduction in the number of companies, which in turn will have an impact on reducing tax revenues. Another impact is the weakening of people's purchasing power, which results in a decline in economic growth. Concretely, the higher the tax level, the greater the reduction in economic activity, which will ultimately reduce state revenues.

Picture 3. Economic Growth in Quarter 1 of 2023



The Indonesian economy based on the size of Gross Domestic Product (GDP) at current prices in the first quarter of 2023 reached IDR 5,071.7 trillion and at constant 2010 prices IDR 2,961.2 trillion.

The Indonesian economy in the first quarter of 2023 compared to the first quarter of 2022 grew by 5.03 percent (y-on-y). In terms of production, the Transportation and Warehousing Business Field experienced the highest growth of 15.93 percent. Meanwhile, in terms of expenditure, the Goods and Services Export Component experienced the highest growth of 11.68 percent.

The Indonesian economy in the first quarter of 2023 contracted by 0.92 percent (q-to-q) compared to the previous quarter. From the production side, the deepest growth contraction occurred in the Health Services and Social Activities Business Field at 14.56 percent. Meanwhile, in terms of expenditure, the Government Consumption Expenditure Component (PK-P) experienced the deepest growth contraction of 45.38 percent.

The group of provinces on the island of Java in the first quarter of 2023 recorded dominance in Indonesia's economic structure spatially with a role of 57.17 percent with economic performance experiencing a slowdown in growth of 4.96 percent compared to the first quarter of 2022 (y-on-y)

D. Conclusion

Taxes are state income which greatly influences economic growth and investment. Taxes are closely related to investment, where if the level of tax revenue is high then investors will decrease, and vice versa if the level of tax revenue is low then investors are interested in investing because they get high profits. Meanwhile, tax revenue is positively related to economic growth, if tax revenue increases then economic growth will increase.

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