

Tax Update Webinar – Universitas Indonesia

CORE TAX ADMIN SYSTEM (CTAS)

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Andreati Yohannes

AGENDA

- ❖ Introduction
- ❖ Primary goals
- ❖ Areas of growth
- ❖ Timeline
- ❖ Summary

INTRODUCTION

Hi!

I'm Rea Yohannes and I'm a Director in Deloitte Consulting Organization Transformation Consultancy. I'm also involved as Project Management and Quality Assurance (PMQA) in DGT's Core Tax Admin System (CTAS) implementation.

It's a once-in-a-lifetime opportunity and I'm honored to be part of the Indonesian Tax Office journey to embark digitalization to increase tax revenue and continue contribute to sustainable public services and nation building.



PRIMARY GOALS

BACKGROUND

- Indonesia collects both total revenues and tax revenues **below most of its regional peers and other big emerging economies**. These challenges are caused by the large informal sector and low level of taxpayer compliance, as well as tax administration.
- The existing core tax system, which is primarily in-house developed, **is no longer responsive enough for the staff to make quick strategic and operational decisions due to lack of confidence about the integrity and timeliness of the tax databases** and current core tax system has a major impact on DGT's ability to deliver streamlined business process.

OBJECTIVE

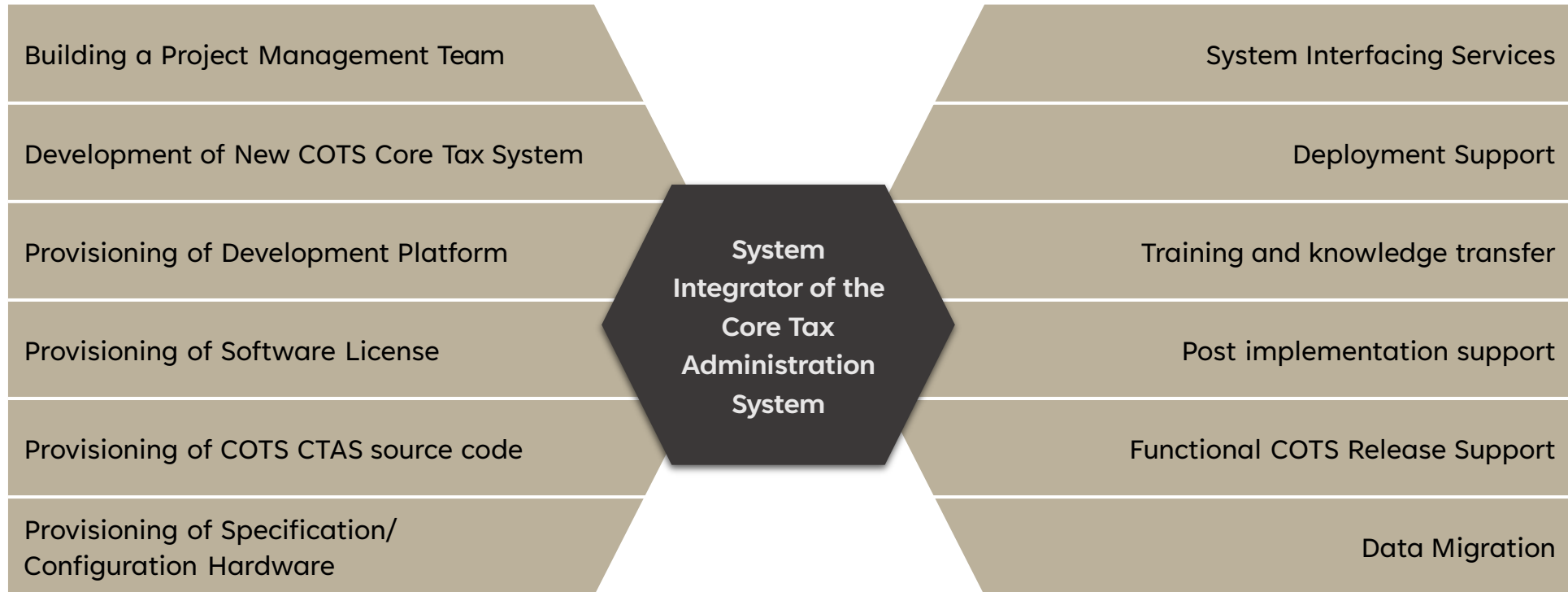
- Increase **Tax Revenues** by:
 - Increasing Taxpayer's compliance
 - Identifying non-compliant Taxpayers
 - Having a unified view of the Taxpayers throughout DGT
 - Reduce administrative cost by:
 - Minimising paperwork
 - Increasing the availability of Taxpayer's information
 - Designing efficient work procedures
- Monitoring and reallocating **workload** within the DGT
- Provide Taxpayers the best possible service to enable them **to comply with their tax obligations**, in the most user friendly and efficient way.

PROJECT OVERVIEW

- 1. Presidential Regulation of the Republic of Indonesia No.40 2018, on modernization of the Tax Administration System:**
DGT initiated implementation of new core tax system named Modernization of Core Tax Administration System (CTAS) project, embarked the project using Commercial Off-the-Shelf (COTS) solutions due to the aging and incompatibility of the current legacy system to support the growing need of tax administration. Such as:
 - DGTax system is not holistic, i.e., SI-DJP custom developed software only covers the Registration, Return Tax Processing, and Payment processes.
 - Manually processed making it challenging to close the gap between user registration and subsequent collections.
 - Standalone dashboards are not integrated and are split by system leading to high Tax Receivables which may be mismatched to the collection.
- 2. CTAS project is a complex, multilayer, international scale, and multivendor undertaking that requires extensive business process re-engineering.** The project is planned to be implemented within seven years.
- 3. This implementation requires dedicated human resources to manage and monitor day-to-day project management, vendor and contract management, and quality assurance (PMQA).** A Professional consultant in the form of Owner's Agent in the PMQA (OA-PMQA) is expected to assist DGT in implementing good project management based on international leading practice, managing project contract and vendor engagement, and ensuring the new CTAS will satisfy the DGT's Requirements.
- 4. It is increasingly common to hire individual or a firm to act as an owner representative in a complex IT project, to manage vendor performance, project progress, and to support with resolution of any disputes and issues.**

MAIN ELEMENTS

There are 12 main elements of this project alongside 6 types of tax administered by DGT



TAX TYPES

Six (6) of Indonesia's tax types are administered by DGT and in scope of CTAS Project

Personal Income Tax	Progressive with 4 rates: 5%, 15%, 25%, 30%
Corporate Income Tax	General rate is 25%, small/medium business eligible for 0.5% final tax on gross income, extensive tax incentives
Withholding Taxes	Income tax collection mainly through withholding tax system. Remuneration payers responsible for withholding/collecting tax from salaries and other compensation.
Value Added Tax	General tariff is 10% unless exempted
Sales Tax on Luxury Goods	Applied to deliveries or imports of certain manufactures goods on top of VAT.
Land and Building Tax	DGT administers land and building tax for plantation, forestry, and mining sectors.

PROJECT REQUIREMENTS*

PMQA will ensure the CTAS delivered by the SI vendor meets DGT's functional and non-functional requirements

REQUIREMENTS

Functional Requirements (FR)

Business Processes covered

- | | |
|--------------------------------|--------------------------------|
| 1. Registration | 11. Audits |
| 2. Tax Return Processing | 12. Valuation |
| 3. Payments | 13. Non-Objections |
| 4. Taxpayer Services | 14. Objections and Appeal |
| 5. Extensification | 15. Collection |
| 6. Third-Party Data Processing | 16. Criminal Investigation |
| 7. Exchanges of Information | 17. Operational Intelligence |
| 8. Taxpayer Account Management | 18. Document Management System |
| 9. Compliance Risk Management | 19. Data Quality Management |
| 10. Tax Supervisoryz | 20. Business Intelligence* |
| | 21. Knowledge Management** |

*Requirements partially covered by COTS

** Requirements out of scope COTS

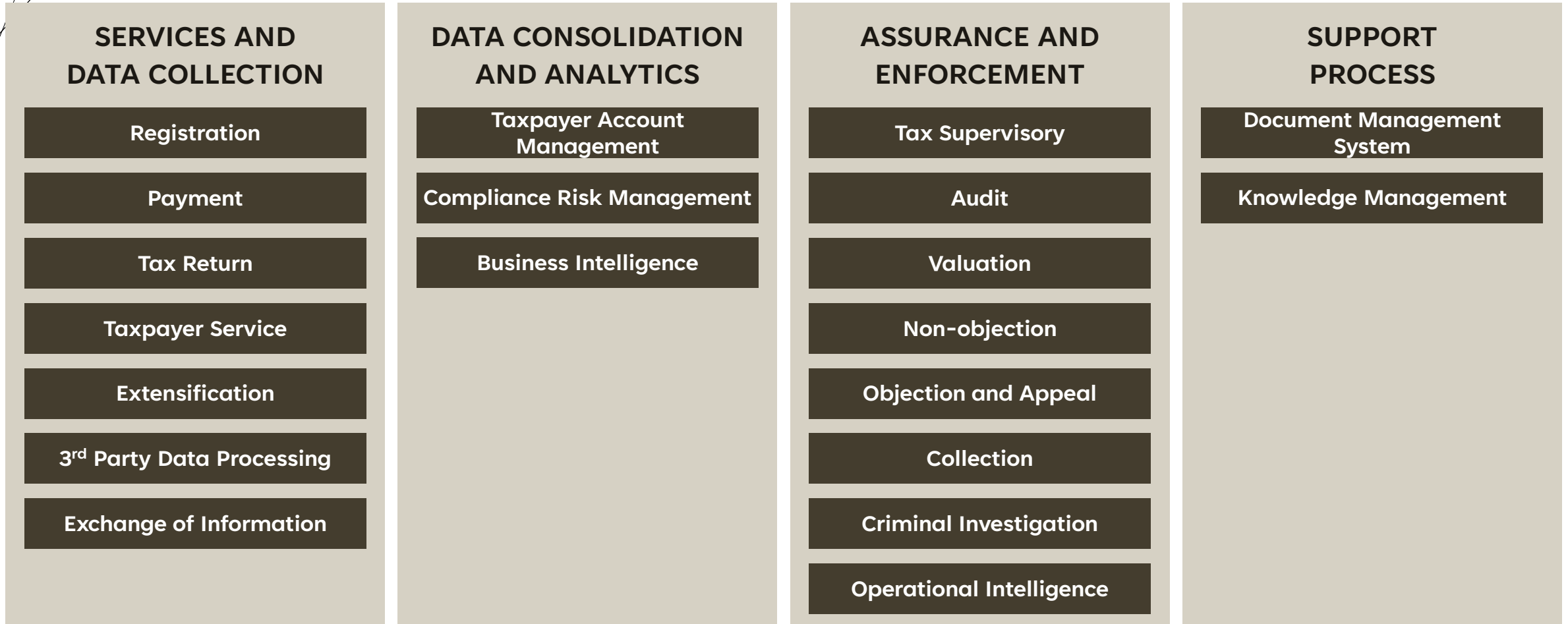
Non-functional Requirements (NFR)

Requirements covered

- Performance Requirements (PR)
 - Response Times
 - Throughput Requirements
 - Capacity
- Requirements System Interface (SI)
 - Hardware
 - Software
 - Database Elements Languages, Dates, and Numbers Accessibility and Usability
- Recovery and Continuity (RC)
 - System Backups
 - DC/DRC
 - Security Parameters (SP)
 - Mitigating Unauthorized Access
 - Service Exploitation
 - Leakage of Confidential Information
 - Audit

BUSINESS PROCESSES*

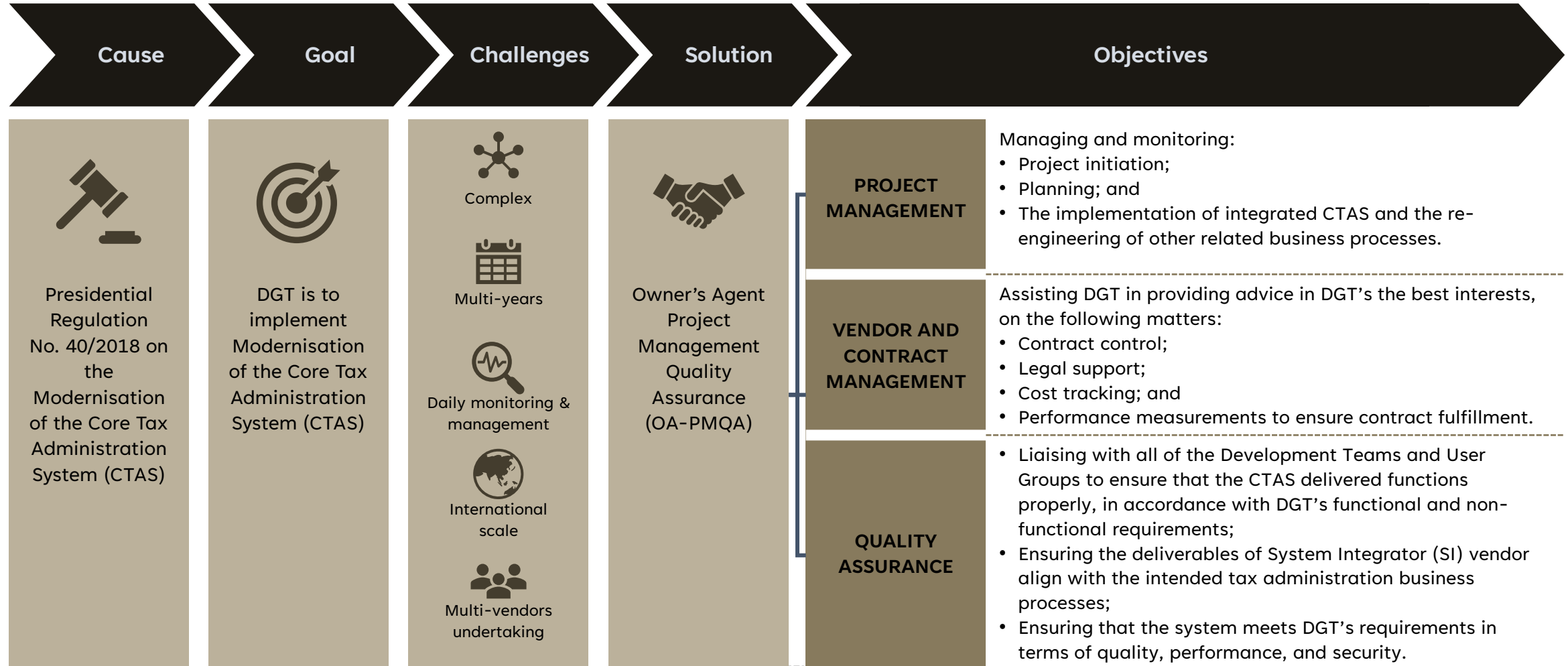
The 21 business processes are divided into 4 broad areas



* Source: Publication materials

PROJECT BASELINES

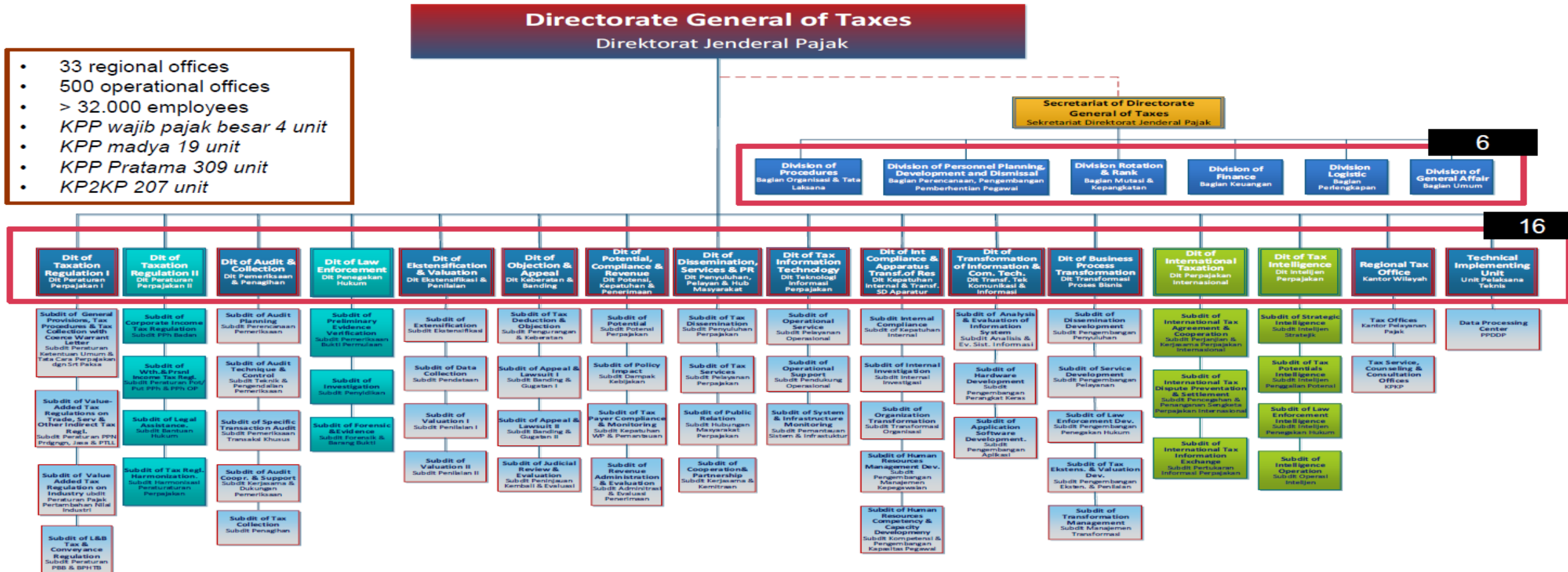
Project cause, goals, challenges, solutions and objectives of the PMQA for CTAS project.



PROJECT STAKEHOLDERS

There are many DGT stakeholders involved in the CTAS project

- 33 regional offices
- 500 operational offices
- > 32.000 employees
- KPP wajib pajak besar 4 unit
- KPP madya 19 unit
- KPP Pratama 309 unit
- KP2KP 207 unit



PROJECT COVERAGE

CTAS Project being done from 2021 up to 2023

TAX COVERAGE



There are a total of **583 tax offices** to be implemented across Indonesia



There are a total of **22,489 users** that will use the new system that consist of **Staff(s) to Director(s)**

LIST OF RTO

1. Kanwil DJP Aceh
2. Kanwil DJP Bali
3. Kanwil DJP Banten
4. Kanwil DJP Bengkulu dan Lampung
5. Kanwil DJP Daerah Istimewa Yogyakarta
6. Kanwil DJP Jakarta Barat
7. Kanwil DJP Jakarta Khusus
8. **Kanwil DJP Jakarta Pusat**
9. Kanwil DJP Jakarta Selatan I
10. Kanwil DJP Jakarta Selatan II
11. Kanwil DJP Jakarta Timur
12. Kanwil DJP Jakarta Utara
13. Kanwil DJP Jawa Barat I
14. Kanwil DJP Jawa Barat II
15. Kanwil DJP Jawa Barat III
16. Kanwil DJP Jawa Tengah I
17. Kanwil DJP Jawa Tengah II
18. Kanwil DJP Jawa Timur I
19. Kanwil DJP Jawa Timur II
20. Kanwil DJP Jawa Timur III
21. Kanwil DJP Kalimantan Barat
22. Kanwil DJP Kalimantan Selatan dan Tengah
23. Kanwil DJP Kalimantan Timur
24. **Kanwil DJP Kepulauan Riau**
25. Kanwil DJP Nusa Tenggara
26. Kanwil DJP Papua, Papua Barat, dan Maluku
27. Kanwil DJP Riau
28. Kanwil DJP Sulawesi Selatan, Barat, dan Tenggara
29. Kanwil DJP Sulawesi Utara, Tengah, Gorontalo dan Maluku Utara
30. Kanwil DJP Sumatera Barat dan Jambi
31. Kanwil DJP Sumatera Selatan dan Kep. Bangka Belitung
32. Kanwil DJP Sumatera Utara I
33. Kanwil DJP Sumatera Utara II
34. Kanwil DJP Wajib Pajak Besar

TRANSACTION SCALE

The new Core Tax system will handle 40M+ Taxpayers and tax return documents

2022



TOTAL TAX REVENUE*

1,448.2
trillion (IDR)

* Source: DGT
(updated as of Nov 2022)

REGISTERED TAXPAYER**

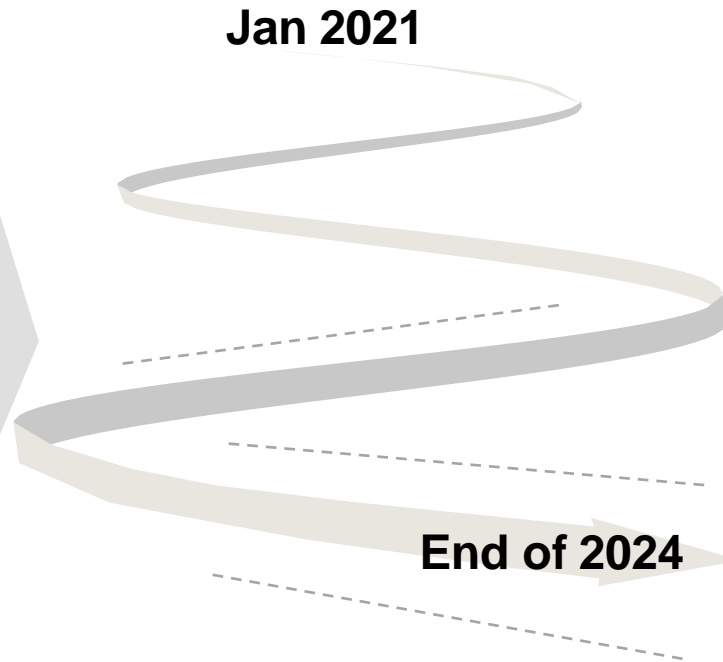
** Source: DGT database
(updates As of Feb 2020)

	INDIVIDUAL	CORPORATE	TREASURY	TOTAL
2018	38,806,595	3,129,395	467,966	42,403,956
2017	35,644,770	2,910,428	457,530	39,012,728
2016	33,108,373	2,711,968	437,666	36,258,007
2015	30,284,998	2,472,682	412,206	33,169,886
2014	27,571,471	2,322,686	563,314	30,457,471
AVG. GROWTH	8.92%	7.74%	-3.46%	8.63%

PROJECT TIMELINE

High level timeline of SI implementation

Preparation & Design
1. Building a Project Management Team
2. Provisioning of Development Platform
3. Provisioning of Software License
4. Provisioning of Specification Requirements and Installation/ Configuration of Hardware
Build & Initial Rollout
5. Development of New COTS Core Tax System (CTAS)
6. System Interfacing Services
7. Deployment Support
8. Provisioning of COTS CTAS source code



Post Go-Live & Rollout Support
10. Post Implementation Support A. Service Desk B. Incident and Problem Management C. Change Management D. Release Management E. Configuration Management
11. Functional COTS Release Support (optional)



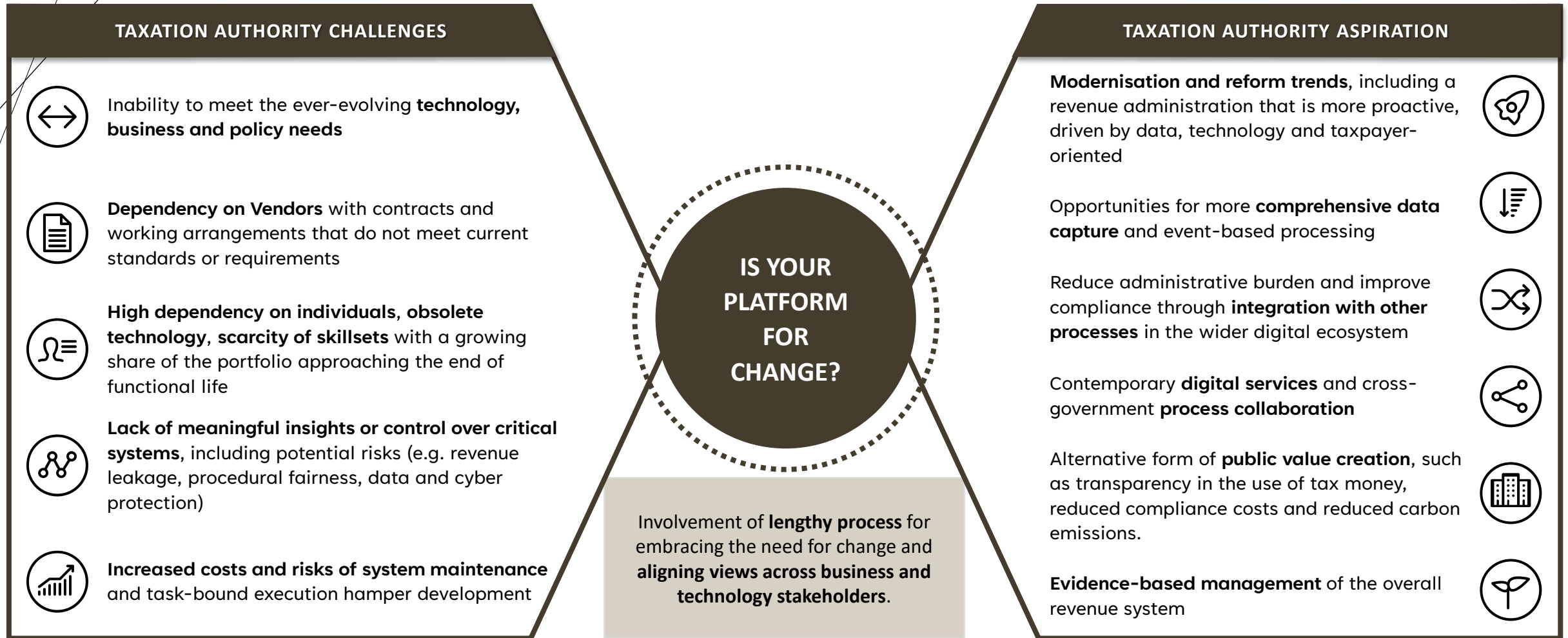
Training and knowledge transfer
Data migration

* The system must be fully implemented successfully within at least all offices within **2 regions**

* Source: Publication Materials

MODERNISATION DRIVER FOR TAXATION AUTHORITY

System transformation are usually driven by various factors which should be integrated into comprehensive platform.



* Source: Publication Materials

INTERNATIONAL EXPERIENCES IN TRANSFORMATION

Reference from other authority could serve as insights and inspiration, however, every journey and goal is unique



- New tax authority was established in 2005 by merging the authority of **direct tax and indirect tax**
- **Optimisation of office network, structure, and process from the previous organisation which took a while**
- **Contract of older supplier was rather expensive and not aligned with the latest business**
- Through adequate planning, a significant transformation programme had been conducted since 2012 to take over the control through various strategy.
- Programme along with **business transformation based on domain** which were partly driven by digital agenda of all governments.

- **Platform for change: internal platform that was unstable, unsupported and couldn't fulfil business requirement and policy**
- Business transformation guided by **future state blueprints and principles** focusing on user-centric, business value and flexibility
- Strong focus on **change management, stakeholder engagement, and external legitimacy**
- Transformation is accompanied by **policy reforms** to improve relevance and enable effective digital administration
- The next step involves **organisational redesign**, assigning employees into capability-based roles, based on transferable skills such as customer service, digital literacy and data and analytics.

- **Platform for change:** The increasing **maintenance costs for legacy system and inability to meet business needs**
- **Modernisation programme** started in 2014 for IT modernisation (in-house):
 - **Encapsulation and decoupling** of existing system to increase flexibility and align with future architecture
 - Introduced robust **technology portfolio management** based on shared IT and business vision
- Modernisation focused on reducing **technical debt** with little emphasis on business value

MAIN OBJECTIVE

- The understanding of **organisation's strategy, business vision and drivers** (the "platform" for change) is a critical aspect for successful transformation.
- Effective modernisation programme require **considerable preparation time**
- Consideration for changes in technology, organisational structure, business processes, strategies and taxpayer policies where relational interaction need to be considered together

KEY THEMES IN TAX ADMINISTRATION DEVELOPMENT

Journey towards future tax administration best-practice beyond the TADAT phase

SHORT-TERM OBJECTIVE

Mature and high performing tax administration against all TADAT performance outcome areas



FOCUS ON BEST-PRACTICE TAX ADMINISTRATION

- Self-reporting and Self-assessment through electronic filing
- Increasing level of electronic-based taxpayer service
- Heavy reliance on voluntary compliance
- Automated risk assessment
- Effective tax dispute resolution
- Effective registration management for taxpayers
- Transparent and accountable revenue management

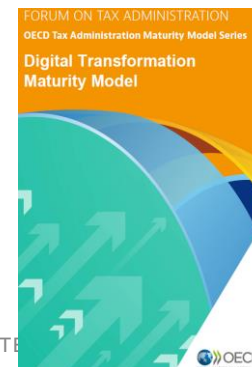
SHORT-TERM OBJECTIVE

Mature and high performing tax administration against all TADAT performance outcome areas



NEW MINDSET TO THRIVE IN THE DIGITAL ECONOMY

- Comprehensive **digitization** of workflows, communication channels and infrastructure (e.g. OECD Digital Transformation Maturity Model)
- Accessing value through the **analysis and use of robust taxpayer data**
- Innovative **workforce development** to drive new skills and utilise **machine-assisted labour**
- Improving **customer experience**, moving from compliance burden to "tax just happens"
- Understanding, monitoring and developing policies to implement new tax business models effectively (e.g. e-commerce and gig economy)
- **Collaboration** with the broader local and global tax ecosystem to prevent erosion of tax base
- Maintaining balance in **embracing innovation** while respecting legacy processes and boundaries





TAX ADMINISTRATION IN INDONESIA NEEDS TO MODERNIZE

Customers are getting used to a new level of Customer Experience that, at the same time, corresponds to COVID-19 conditions: **frictionless access** and use, **best-in-class technology, constant iterations**, thereby challenging Tax Administration to catch up. The stakes are high.

Indonesia's tax-to-GDP ratio at 12.9% in June 2022 is the lowest in the region. CTAS needs to provide Indonesia Tax Office with the ability to **analyze and decide on real-time** reporting of data, **integrated** taxpayer data, to continually **increase its tax revenue** for the purpose of **sustainable public services** and **nation building**.



THANK YOU!

Andreati Yohannes (Rea)

ayohannes@deloitte.com/ andreati.yohannes@gmail.com

+62811965053

www.linkedin.com/in/andreatiyohannes/