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:
  o Increasing Taxpayer’s compliance
  o Identifying non-compliant Taxpayers
  o Having a unified view of the Taxpayers throughout DGT
  o 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.

Building a Project Management Team
Development of New COTS Core Tax System
Provisioning of Development Platform
Provisioning of Software License
Provisioning of COTS CTAS source code
Provisioning of Specification/Configuration Hardware

System Integrator of the Core Tax Administration System

System Interfacing Services
Deployment Support
Training and knowledge transfer
Post implementation support
Functional COTS Release Support
Data Migration

Personal Income Tax
Corporate Income Tax
Withholding Taxes
Value Added Tax
Sales Tax on Luxury Goods
Land and Building Tax
## TAX TYPES

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

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>Progressive with 4 rates: 5%, 15%, 25%, 30%</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>General rate is 25%, small/medium business eligible for 0.5% final tax on gross income, extensive tax incentives</td>
</tr>
<tr>
<td>Withholding Taxes</td>
<td>Income tax collection mainly through withholding tax system. Remuneration payers responsible for withholding/collecting tax from salaries and other compensation.</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>General tariff is 10% unless exempted</td>
</tr>
<tr>
<td>Sales Tax on Luxury Goods</td>
<td>Applied to deliveries or imports of certain manufactures goods on top of VAT.</td>
</tr>
<tr>
<td>Land and Building Tax</td>
<td>DGT administers land and building tax for plantation, forestry, and mining sectors.</td>
</tr>
</tbody>
</table>
PMQA will ensure the CTAS delivered by the SI vendor meets DGT’s functional and non-functional requirements.

**Functional Requirements (FR)**

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

*Requirements partially covered by COTS
**Requirements out of scope COTS

**Non-functional Requirements (NFR)**

- **Performance Requirements (PR)**
  - Response Times
  - Throughput Requirements
  - Capacity

- **Requirements System Interface (SI)**
  - Hardware
  - Software
  - Database Elements
    - Languages, Dates, and Numbers
    - Accessiblity and Numbers
    - Accessibility and Numbers
    - Usability

- **Recovery and Continuity (RC)**
  - System Backups
  - DC/DRC
  - Security Parameters (SP)
  - Mitigating Unauthorized Access
  - Service Exploitation
  - Leakage of Confidential Information
  - Audit

* Source: Publication materials
BUSINESS PROCESSES*

The 21 business processes are divided into 4 broad areas

**SERVICES AND DATA COLLECTION**
- Registration
- Payment
- Tax Return
- Taxpayer Service
- Extensification
- 3rd Party Data Processing
- Exchange of Information

**DATA CONSOLIDATION AND ANALYTICS**
- Taxpayer Account Management
- Compliance Risk Management
- Business Intelligence

**ASSURANCE AND ENFORCEMENT**
- Tax Supervisory
- Audit
- Valuation
- Non-objection
- Objection and Appeal
- Collection
- Criminal Investigation
- Operational Intelligence

**SUPPORT PROCESS**
- Document Management System
- Knowledge Management

* Source: Publication materials
## PROJECT BASELINES

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

<table>
<thead>
<tr>
<th>Cause</th>
<th>Goal</th>
<th>Challenges</th>
<th>Solution</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| Presidential Regulation No. 40/2018 on the Modernisation of the Core Tax Administration System (CTAS) | DGT is to implement Modernisation of the Core Tax Administration System (CTAS) | Complex | Owner’s Agent Project Management Quality Assurance (OA-PMQA) | Managing and monitoring:  
• Project initiation;  
• Planning; and  
• The implementation of integrated CTAS and the re-engineering of other related business processes. |
| | | Multi-years | | |
| | | Daily monitoring & management | | |
| | | International scale | | |
| | | Multi-vendors undertaking | | |

- **PROJECT MANAGEMENT**
  - Assisting DGT in providing advice in DGT’s the best interests, on the following matters:  
    • Contract control;  
    • Legal support;  
    • Cost tracking; and  
    • Performance measurements to ensure contract fulfillment.  
- **VENDOR AND CONTRACT MANAGEMENT**
  - Liaising with all of the Development Teams and User Groups to ensure that the CTAS delivered functions properly, in accordance with DGT’s functional and non-functional requirements;  
  - Ensuring the deliverables of System Integrator (SI) vendor align with the intended tax administration business processes;  
  - Ensuring that the system meets DGT’s requirements in terms of quality, performance, and security.  
- **QUALITY ASSURANCE**
There are many DGT stakeholders involved in the CTAS project.
PROJECT COVERAGE
CTAS Project being done from 2021 up to 2023

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).

### TAX COVERAGE

- Kanwil DJP Aceh
- Kanwil DJP Bali
- Kanwil DJP Banten
- Kanwil DJP Bengkulu dan Lampung
- Kanwil DJP Daerah Istimewa Yogyakarta
- Kanwil DJP Jakarta Barat
- Kanwil DJP Jakarta Khusus
- Kanwil DJP Jakarta Pusat
- Kanwil DJP Jakarta Utara
- Kanwil DJP Jawa Barat I
- Kanwil DJP Jawa Barat II
- Kanwil DJP Jawa Barat III
- Kanwil DJP Jawa Tengah I
- Kanwil DJP Jawa Tengah II
- Kanwil DJP Jawa Timur I
- Kanwil DJP Jawa Timur II
- Kanwil DJP Jawa Timur III
- Kanwil DJP Kalimantan Barat
- Kanwil DJP Kalimantan Selatan dan Tengah
- Kanwil DJP Kalimantan Timur
- Kanwil DJP Kepulauan Riau
- Kanwil DJP Kepulauan Riau
- Kanwil DJP Nusa Tenggara Barat, dan Maluku
- Kanwil DJP Papua, Papua Barat, dan Maluku
- Kanwil DJP Riau
- Kanwil DJP Sulawesi Selatan, Barat, dan Tenggara
- Kanwil DJP Sulawesi Utara, Tengah, Gorontalo dan Maluku Utara
- Kanwil DJP Sumatera Barat dan Jambi
- Kanwil DJP Sumatera Barat dan Jambi
- Kanwil DJP Sumatera Selatan dan Kep. Bangka Belitung
- Kanwil DJP Sumatera Utara I
- Kanwil DJP Sumatera Utara II
- Kanwil DJP Wajib Pajak Besar

### 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 Utara
10. Kanwil DJP Jawa Barat I
11. Kanwil DJP Jawa Barat II
12. Kanwil DJP Jawa Barat III
13. Kanwil DJP Jawa Tengah I
14. Kanwil DJP Jawa Tengah II
15. Kanwil DJP Jawa Timur I
16. Kanwil DJP Jawa Timur II
17. Kanwil DJP Jawa Timur III
18. Kanwil DJP Kalimantan Barat
19. Kanwil DJP Kalimantan Selatan dan Tengah
20. Kanwil DJP Kalimantan Timur
21. Kanwil DJP Kepulauan Riau
22. Kanwil DJP Nusa Tenggara Barat, dan Maluku
23. Kanwil DJP Papua, Papua Barat, dan Maluku
24. Kanwil DJP Riau
25. Kanwil DJP Sulawesi Selatan, Barat, dan Tenggara
26. Kanwil DJP Sulawesi Utara, Tengah, Gorontalo dan Maluku Utara
27. Kanwil DJP Sumatera Barat dan Jambi
28. Kanwil DJP Sumatera Barat dan Jambi
30. Kanwil DJP Sumatera Utara I
31. Kanwil DJP Sumatera Utara II
32. Kanwil DJP Wajib Pajak Besar
## TRANSACTION SCALE

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

**TOTAL TAX REVENUE***

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual</th>
<th>Corporate</th>
<th>Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>38,806,595</td>
<td>3,129,395</td>
<td>467,966</td>
<td>42,403,956</td>
</tr>
<tr>
<td>2017</td>
<td>35,644,770</td>
<td>2,910,428</td>
<td>457,530</td>
<td>39,012,728</td>
</tr>
<tr>
<td>2016</td>
<td>33,108,373</td>
<td>2,711,968</td>
<td>437,666</td>
<td>36,258,007</td>
</tr>
<tr>
<td>2015</td>
<td>30,284,998</td>
<td>2,472,682</td>
<td>412,206</td>
<td>33,169,886</td>
</tr>
<tr>
<td>2014</td>
<td>27,571,471</td>
<td>2,322,686</td>
<td>563,314</td>
<td>30,457,471</td>
</tr>
</tbody>
</table>

**AVG. GROWTH**

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual</th>
<th>Corporate</th>
<th>Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.92%</td>
<td>7.74%</td>
<td>-3.46%</td>
<td>8.63%</td>
</tr>
</tbody>
</table>

**TOTAL TAX REVENUE*** (updated as of Nov 2022)

**REGISTERED TAXPAYER**

<table>
<thead>
<tr>
<th>Taxpayer Type</th>
<th>Individual</th>
<th>Corporate</th>
<th>Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>38,806,595</td>
<td>3,129,395</td>
<td>467,966</td>
<td>42,403,956</td>
</tr>
<tr>
<td>2017</td>
<td>35,644,770</td>
<td>2,910,428</td>
<td>457,530</td>
<td>39,012,728</td>
</tr>
<tr>
<td>2016</td>
<td>33,108,373</td>
<td>2,711,968</td>
<td>437,666</td>
<td>36,258,007</td>
</tr>
<tr>
<td>2015</td>
<td>30,284,998</td>
<td>2,472,682</td>
<td>412,206</td>
<td>33,169,886</td>
</tr>
<tr>
<td>2014</td>
<td>27,571,471</td>
<td>2,322,686</td>
<td>563,314</td>
<td>30,457,471</td>
</tr>
</tbody>
</table>

**AVG. GROWTH**

<table>
<thead>
<tr>
<th>Taxpayer Type</th>
<th>Individual</th>
<th>Corporate</th>
<th>Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8.92%</td>
<td>7.74%</td>
<td>-3.46%</td>
<td>8.63%</td>
</tr>
</tbody>
</table>

**Source:** DGT database (updates As of Feb 2020)
**PROJECT TIMELINE**
High level timeline of SI implementation

<table>
<thead>
<tr>
<th>Preparation &amp; Design</th>
<th>Build &amp; Initial Rollout</th>
<th>Post Go-Live &amp; Rollout Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>D. Release Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E. Configuration Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11. Functional COTS Release Support (optional)</td>
</tr>
</tbody>
</table>

* Source: Publication Materials

**Training and knowledge transfer**

Data migration

* The system must be fully implemented successfully within at least all offices within 2 regions
Involvement of lengthy process for embracing the need for change and aligning views across business and technology stakeholders.

**TAXATION AUTHORITY CHALLENGES**

- Inability to meet the ever-evolving technology, business and policy needs
- Dependency on Vendors with contracts and working arrangements that do not meet current standards or requirements
- High dependency on individuals, obsolete technology, scarcity of skillsets with a growing share of the portfolio approaching the end of functional life
- Lack of meaningful insights or control over critical systems, including potential risks (e.g. revenue leakage, procedural fairness, data and cyber protection)
- Increased costs and risks of system maintenance and task-bound execution hamper development

**TAXATION AUTHORITY ASPIRATION**

- Modernisation and reform trends, including a revenue administration that is more proactive, driven by data, technology and taxpayer-oriented
- Opportunities for more comprehensive data capture and event-based processing
- Reduce administrative burden and improve compliance through integration with other processes in the wider digital ecosystem
- Contemporary digital services and cross-government process collaboration
- Alternative form of public value creation, such as transparency in the use of tax money, reduced compliance costs and reduced carbon emissions.
- Evidence-based management of the overall revenue system

*Source: Publication Materials*
### INTERNATIONAL EXPERIENCES IN TRANSFORMATION

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

<table>
<thead>
<tr>
<th><strong>HM Revenue &amp; Customs</strong></th>
<th><strong>Inland Revenue Te Tari Taake</strong></th>
<th><strong>Belastingdienst</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• New tax authority was established in 2005 by merging the authority of <em>direct tax</em> and <em>indirect tax</em></td>
<td>• <strong>Platform for change</strong>: internal platform that was unstable, unsupported and couldn’t fulfil business requirement and policy</td>
<td>• <strong>Platform for change</strong>: The increasing maintenance costs for legacy system and inability to meet business needs</td>
</tr>
<tr>
<td>• Optimalisation of office network, structure, and process from the previous organisation which took a while</td>
<td>• Business transformation guided by <em>future state blueprints and principles</em> focusing on user-centric, business value and flexibility</td>
<td>• <strong>Modernisation programme</strong> started in 2014 for IT modernisation (in-house):</td>
</tr>
<tr>
<td>• Contract of older supplier was rather expensive and not aligned with the latest business</td>
<td>• Strong focus on change management, stakeholder engagement, and external legitimacy</td>
<td></td>
</tr>
</tbody>
</table>
  — Encapsulation and decoupling of existing system to increase flexibility and align with future architecture |
| • Through adequate planning, a significant transformation programme had been conducted since 2012 to take over the control through various strategy. | • Transformation is accompanied by *policy reforms* to improve relevance and enable effective digital administration |  
  — Introduced robust *technology portfolio management* based on shared IT and business vision |
| • Programme along with *business transformation based on domain* which were partly driven by digital agenda of all governments. | • 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. | • 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

*Source: Publication Materials*
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

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

* Source: Deloitte Materials
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/