

Tax Incentive Policy for National Economic Recovery in the Tourism Industry Sector in Indonesia

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ABSTRACT: The national economy dynamics are influenced by various factors, including the global pandemic such as Covid-19. Indonesian tourism industry sector as the third largest source of foreign exchange (after the oil and gas sector, and palm oil exports) experienced a very significant decline as a result of the pandemic. The government, through relevant ministries, created various policies and took concrete steps to save the Indonesian tourism sector. Using socio-legal methods, this study aims to explain the urgency of tax incentive policies and their implementation for the economic recovery of the tourism sector after the Covid-19 pandemic. The results of the study are: 1) The urgency of tax incentive policies is for the economic recovery of the tourism industry sector considering that the tourism sector is a pillar industry in Indonesia that has great value and benefits for local and global economic development; and 2) The implementation of tax incentives for the economic recovery of the tourism sector is the implementation of fiscal stimulus policies in the form of tourism grants and tax incentives for the tourism sector. Fiscal stimulus policies I to III are mitigation and anticipatory measures by the Government which are expected to be able to support the national economic recovery due to the Covid-19 pandemic. As a recommendation, the researcher considers the need for: 1) transparent and accountable accountability for the implementation of tax incentives for national economic recovery; 2) supervision by independent institutions and community initiatives regarding accountability for the implementation of tax incentive policies; and 3) evaluation of the implementation of tax incentive policies for more optimal disaster mitigation and anticipation.

KEYWORDS: Economic recovery, Tax incentives, Tourism

INTRODUCTION

The national economy is dynamic and vulnerable to decline due to changing macroeconomic conditions, including the recent global pandemic of Covid-19. Countries around the world, including Indonesia, have been unable to avoid the various impacts that have occurred, creating a domino effect on social, economic, and financial aspects. In terms of health, the rapid, easy, and widespread spreading of Covid-19 has resulted in a health crisis for individuals and the public, as no cure or vaccine has been found to cure or prevent its spread and transmission to other individuals at that moment (Kementerian Pariwisata, 2021).

In contrast to normal conditions, the COVID-19 pandemic has caused a sharp decline in economic performance, disrupting the consumption sector, hampering investment, contracting exports and imports, and slowing or sharply declining economic growth. On the other hand, volatility and turmoil in the financial sector were immediately felt after the COVID-19 outbreak was discovered, as investor confidence declined in various business and service sectors. (Juoro, 2020).

The tourism sector is one of the sectors directly impacted by the Covid-19 pandemic. The website of the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency (Kemenparekraf/Baparekraf) records that the number of foreign tourists entering Indonesia has experienced a drastic decline since February 2020, peaking in April 2020 with only 158,000 tourists (Kementerian Pariwisata, 2021).

The government has established many laws and regulations and policies in order to prevent the spread of the Covid-19 pandemic and National Economic Recovery to help tourism sector business actors, namely Government Regulation in lieu of Law Nr.1/2020 which was later stipulated as Law Nr.2/2020 concerning State Financial Policy for Handling the Covid-19 Pandemic, Presidential Decree Nr.11/2020 concerning the Covid-19 Pandemic Emergency, Government Regulation Nr.21/2020 concerning Large-Scale Social Restrictions, and Government Regulation Nr.23/2020 concerning National Economic Recovery (PEN).

The government has provided various tax incentive instruments in various sectors to address the Covid-19 pandemic impact. The government has also allocated stimulus funds and fiscal relaxation, which are expected to benefit medical personnel, the

public, and business actors in the real and financial sectors, including micro, small, medium, large businesses, and cooperative as well.

The government has issued policies for national economic recovery, supported by the state budget. Through the PEN program, the government is striving to integrate various measures to minimize the impact of Covid-19 on the economy, from the individual to the corporate level. The highly disruptive economic impact of Covid-19 must also be responded to with extraordinary, even unprecedented, policy measures (Kementrian Keuangan, 2020). In general, there are six main policies of the PEN program: health care, social protection, business incentives, support for Micro, Small, and Medium Enterprises (MSMEs), corporate financing, and sectoral programs of Ministries, Institutions, and Regional Governments. The government has approved the allocation of funds in the form of additional spending and financing from the State Budget amounting to IDR 405 trillion and widening the budget deficit to 5.07% of GDP. This widening budget deficit policy is a calculation of the weakening in the fiscal and monetary sectors, which is expected to require a long time to recover national and global economic growth.

The government also issued tax exemptions, debt relief, and several hotels to accommodate medical personnel during the COVID-19 pandemic to support tourism businesses. MSMEs in the tourism sector were also provided with assistance through the PEN stimulus program. To support tourism workers, the government is distributing basic food packages from the Ministry of Tourism and Creative Economy and the Pre-Employment Card program to provide training and incentives. The government is also providing tourism grants as budget support to local governments under the PEN Program (Handoko, 2020).

To anticipate the short, medium, and long-term impacts of the COVID-19 pandemic, the government, through relevant ministries, has developed various policies and implemented concrete measures to safeguard Indonesia's tourism sector. The government, through the Ministry of Tourism, is specifically supporting sustainable ecotourism (GSTC, 2025). There are three phases of "rescue" carried out by the Ministry of Tourism, namely emergency response, recovery, and normalization. The government has implemented various policies and concrete steps to save Indonesian tourism through relevant ministries.

The Ministry of Finance has specifically focused on and established various policies to help the tourism sector recover from the impact of the Covid-19 pandemic. Government policies, through the Ministry of Finance, are being implemented. In the form of providing stimulus aimed at re-energizing the tourism sector, this is quite diverse, such as discounts on airline tickets to tourist destinations, hotel or restaurant tax incentives, including online food vouchers (to strengthen aggregate demand) (Handoko, 2020). The government's tax incentives and stimulus measures are beginning to show benefits or impact on the tourism sector, as evidenced by the improvement of several tourism indicators, although they remain far from pre-pandemic levels. The government's implementation of these incentives and economic stimulus policies, coupled with the implementation of the new normal, has encouraged human movement in several locations, as well as the limited reopening of restaurants and tourist attractions, which is expected to lead to a recovery in the tourism sector.

Based on the research background as above mentioned, the focus of this research is "Tax Incentive Policy for National Economic Recovery in the Tourism Industry Sector in Indonesia." This research study aims to explain the main issues regarding the urgency of tax incentive policies and their implementation for the Tourism Industry Sector in Indonesia.

APPROACH METHOD

This research study uses a normative or doctrinal approach method that focuses on the analysis of doctrines or thoughts in legal science with the aim of explaining that positive legal norms and legal rules must be able to provide solutions to concrete problems in a society that often changes and is dynamic (Irianto, 2002).

RESULTS AND DISCUSSION

A. The Urgency of Tax Incentive Policies in the Tourism Industry Sector: National Economic Recovery Post-Covid-19 Pandemic

The tourism sector is a key driver of the economy, boosting the business climate, absorbing a significant workforce, increasing regional and national economic growth, and contributing to local revenue and state revenue. Economically, the tourism sector has a significant impact on (Kementrian Pariwisata, 2021):

- a. accelerate and expand the business opportunity process
- b. accelerate the process of income equality.



- c. increase state revenue through taxes and regional revenue through levies.
- d. encourage growth and development in regions with limited natural resources
- e. increase the country's foreign exchange and create many jobs

United Nations World Tourism Organization (UNWTO, 2024) and the World Bank is of the view that the tourism industry is a very important factor in economic and social activities in people's lives. The tourism industry is important because it generates significant foreign exchange for the country, so this industry needs to be developed to improve the country's economy.

The tourism sector plays a significant role in the Indonesian economy, both in terms of added value, foreign exchange earnings, as well as job creation and community empowerment. The COVID-19 pandemic, which has affected most country worldwide, including Indonesia, has had a significant impact on Indonesian tourism. The decline in tourist numbers, particularly international ones, due to the implementation of social restrictions, as well as the closure of international access from various countries, has devastated the tourism industry.

Similar with global trend, Indonesia's tourism has also been hit hard by the pandemic. The number of foreign tourists visiting Indonesia in 2020 was only around 4 million, a 75% decrease compared to 2019's more than 16 million (Giani, 2023). From January to May 2020, the number of foreign tourists visiting Indonesia dropped drastically by 56%, and tourism export revenues lost up to US\$320 million (Santika, 2023).

One indicator of the impact of the Covid-19 pandemic on the tourism industry is hotel occupancy rates (ROR=room occupancy rate), particularly in tourist destinations. Since the Covid-19 pandemic, ROR have dropped drastically. This is due to several factors, including policies restricting activities and mobility locally, regionally, and even internationally. Furthermore, most people have reduced travel, including visiting and touring various tourist destinations, to avoid the spread of Covid-19 (Mediana, 2021).

When the Covid-19 pandemic was announced in Indonesia, only 75.61 million room nights sold in 2019. Compared to 2018, there was a decrease of 27.77 million (26.86%) room nights in 2019. The decline occurred across most star-rated hotel classes. The highest decline occurred in 5-star hotels, reaching 32.31% (BPS, 2021). At the beginning of 2019, ROR for star-rated hotels reached 51.47%. Although it declined to 43.53% in May, the overall rate continued to rise, reaching 59.39% by the end of 2019. This trend quickly reversed with the outbreak of the Covid-19 pandemic, although it had not yet affected Indonesian citizens. At the beginning of 2020, ROR was 49.17%, lower than the same period of previous year. This figure dropped sharply in March, when the first COVID-19 cases were reported in Indonesia, and continued to fall to the lowest at 12.67% in April 2020. This occurred as the pandemic spread and spread throughout Indonesia, including tourist destinations. The increase from May to December 2020 only reached 40.79%, a contraction of 8.38% from the start of the year.

The lowest point of ROR occurred as a result of the rapid increase in the spread of the Covid-19 virus, which caused people to postpone various activities and mobility across regions, including tourism. In addition, the Government has also implemented stricter policies to limit people's activities and/or mobility to leave the house, carry out activities and work from home (WFH) for private employees and government employees (BPS. 2021).

In 2021, tourist visits to Indonesia fell by 62%, to just 1.56 million people. This led to a further decline in ROR, reaching 22.38% in July 2021. Only in early 2022 did the number of foreign tourist visits to Indonesia slowly increase. Between January and November, the number of foreign tourist visits to Indonesia reached 4.58 million, a 228.3% increase compared to the same period in 2021 (Kementerian Pariwisata, 2022). The impact of the Covid-19 pandemic on Indonesia's tourism sector is also evident in reduced working hours. Approximately 12.91 million people in the tourism sector have had their hours reduced, and 939,000 are temporarily unemployed. This was primarily due to the policy of Indonesia and other countries closing airports to international flights, which caused a plummet in tourist arrivals to Indonesia. BPS recorded a 7.62% decline in international tourist arrivals in January 2020, the period when COVID-19 began to spread globally. Consequently, according to the Ministry of Manpower, many hotel owners in Bali and Batam were forced to lay off their employees. The COVID-19 pandemic also had a direct impact on various jobs in the tourism sector. According to 2020 BPS data, approximately 409,000 workers in the tourism sector lost their jobs due to the COVID-19 pandemic.

It can be said that in 2021, the COVID-19 pandemic continued to impact cities serving as centers of economic activity and trade, as well as tourist destinations. Using the occupancy rate of star-rated hotels as an indicator at the beginning of the year, a continuous decline was recorded from 2019 to 2021 (BPS, 2021)

According to data published by BPS and released by the Ministry of Tourism, ROR of star-rated hotels across Indonesia reached 59.39% in early 2019. This figure is 3.76 points lower than the 2018 figure of 58.75% (Kementrian Pariwisata, 2020).

Similarly, according to data from 2020, ROR for star-rated hotels throughout Indonesia was only 54.79%. In 2021, amidst the ongoing Covid-19 pandemic and a sluggish and unrecovered economic climate, the ROR for star-rated hotels throughout Indonesia fell again to 25.07%, far below the figure at the same time in 2020 (BPS, 2020).

The implications of the sluggish tourism sector, including the decline in people visiting various tourist destinations, are felt by all, including job losses and a wave of layoffs among workers in the tourism industry and services. This, of course, has impacted people's purchasing power. The cessation of various business sectors, and the decline in business, industrial, and market growth from upstream to downstream. The development and recovery of the economy, businesses, and services in the business sector can be seen from the ROR in each tourist destination area (Mediana, 2021).

Viewed by tourist destination in five provinces: Bali, Yogyakarta, East Nusa Tenggara, West Java, and Jakarta, Bali recorded the lowest rate in the third quarter of 2020, at 3.84%. As of the third quarter of 2021, the ROR for star-rated hotels in Bali remains the lowest compared to cities in the other four provinces. This condition occurred as a result of the Large-Scale Social Restrictions policy implemented by the government as an effort to prevent the spread of Covid-19 (BPS, 2020).

Chart 1. Development of Hotel Room Occupancy Rates by Star Classification During the Covid-19 Pandemic Period 2019-2021 (percent)



Data source: processed from various data sources from BPS and Kompas Daily

During the third quarter of 2020, the ROR for star-rated hotels across Indonesia reached 33.79%. This figure is 21.02 points lower than the 2019 figure of 54.81%. Specifically, comparing the ROR among the centers of economic activity, government, and tourist destinations, shown in Chart 2, Bali recorded the lowest ROR at only 3.84%, while Jakarta recorded the highest at 38.72%. In the second quarter of 2021, the ROR for star-rated hotels in Bali, 12.37 % was recorded as the lowest compared to the other four provinces. Despite an increase of more than 300%, it remains low compared to the ROR for star-rated hotels in the other four provinces. Similarly, in the third quarter of 2021, those number in Bali still recorded as the lowest one at only 6.49%, while Jakarta, the nation's capital, recorded the highest at 35.05% (Mediana, 2021).



Chart 2. Hotel Room Occupancy Rates in Several Tourist Destination Cities (Bali, DI Yogyakarta, NTT, West Java, and DKI Jakarta) per Quarter



Data source: processed from various data sources from BPS and Kompas Daily

Hotels serve as a benchmark for determining the number of tourists visiting an area. During the Covid-19 pandemic, the average length of stay for foreign guests decreased by 0.27 days, from 2.90 days in 2018 to 2.63 days in 2019. The decrease in the average length of stay for foreign guests occurred in almost all hotel classes, except for 1-star hotels. The longest average length of stay for foreign guests was in 5-star hotels, at 2.67 days, and the shortest was recorded in 2-star hotels, at 2.53 days (BPS, 2020).

The decline in visits by foreign and domestic tourists, the low of ROR during the Covid-19 pandemic, has had a significant impact on the tourism business and services sector, services relevant to the tourism industry, the economic level of the community, tourism-supporting business activities, and the MSME sector (Kementerian Keuangan, 2020). On the other hand, it also affects regional revenues from the economic and business sectors as well as tourism services, both in the form of central taxes, non-tax state revenues, local taxes and retributions. Furthermore, it impact national and regional economic growth as tourist destinations, because the tourism sector's contribution to GDP has also decreased. Contribution from tourism sector's to Indonesian GDP when Covid-19 pandemic outbreak and all activities were tightened was economically valued only IDR 346 trillion, plummeted to 2.24% (Santika, 2023).

The tourism sector can attract new infrastructure investment to support sustainable tourism development in various tourist destinations. The development of the tourism industry is also a contributing factor to increasing national income and tourism destinations as well. Tourism is a pillar industry in Indonesia that has significant value and benefits for local and global economic development. Therefore, tourism is listed as one of the major industries in Indonesia and even globally. It is an economic sector with very rapid economic growth and provides numerous job opportunities.

Considering that the tourism industry is a very strategic sector for national economic growth, is a business sector that absorbs a lot of labor, and is one of the business chains that can support the economic business activities of the community in tourist destination areas, the Government has established a stimulus policy and tax incentives for national economic recovery in anticipation of the impacts arising from the Covid-19 pandemic.

B. Implementation of Tax Incentives for National Economic Recovery (PEN) in the Tourism Sector in Indonesia

Explicitly, based on the Preamble to the 1945 Constitution of the Republic of Indonesia (UUD NRI 1945), the Republic of Indonesia adheres to the welfare state, also known as the big state, which views the state as a public welfare provider responsible for economic distribution and equitable development. This big state concept is also stated in the Indonesian Constitution. The UUD NRI 1945 mandates the government—as the executive body—to have the function and responsibility of administering government and public services to realize the general welfare (Basah, 1986).

Based on this constitutional mandate, the State and Government, as administrators of governance and public services, are being tested by the COVID-19 pandemic. As the sole entity granted constitutional and statutory legitimacy, the Government possesses



extraordinary authority and can act as a civil bureaucracy with administrative reach throughout Indonesia (Dunn, 2010). With such great authority, the government is also able to mobilize its human resources and wealth to overcome the pandemic. The Covid-19 pandemic outbreak that has hit almost all regions of Indonesia demands a fast and massive response from all organizations and institutional hierarchies of the government (Juliawan, 2020). The performance of the government bureaucracy is tested by emergency disaster conditions to act effectively in providing various public needs and services in all areas (Dwiyanto, 2010). The rapid spread of the Covid-19 pandemic has focused the government's energy on handling and mitigating the spread of the disease.

In these abnormal or unusual circumstances (extraordinary conditions), the government requires special arrangements in the administration of government, so that state functions can continue to work effectively. Based on the legitimacy of laws and various regulations established in conjunction with the Legislative Institution, the Government has established various tax incentive and fiscal stimulus schemes for the public and businesses affected by the COVID-19 pandemic. To address the impact, the Government has established a state financial policy that allows for a fiscal deficit exceeding 3% of GDP (Republic of Indonesia, 2020). The government has allocated stimulus funds and fiscal relaxation, which are expected to benefit medical personnel, the public, and business actors in the real sector and the financial sector, including micro, small, medium, large, and cooperative businesses, more evenly.

Based on the authority granted by the Law, the Government can use the authority based on freedom of action (*freies ermesen*), establish implementing regulations, and create administrative regulatory policies (*beleidregels*) to collect, bill, provide incentives or tax stimulus needed to resolve a case or legal event that is dynamic in nature so that general welfare can be implemented or realized. The actions of the government/agency/administrative office in the form of policies in the field of taxation according to the utilitarian view must consider various aspects related to the benefits and usefulness for the implementation of general welfare (Friedman, 1959).

The Indonesian government has implemented extensive stimulus policies to address the COVID-19 pandemic and prevent an economic crisis. These include tax incentives, social security measures, loan guarantees, interest rate cuts, and quantitative easing. State budget reallocations, fiscal, monetary, and financial sector stimulus measures, were implemented as initial steps to rescue the economy from the pandemic. Stimulus policy packages I through III were released to strengthen social and economic protection against the impact of COVID-19 (Aini, 2020).

The first stimulus policy focused on strengthening the domestic economy in 2020 through spending. This included accelerating the disbursement of capital expenditures, social assistance, regional transfers and village funds, expanding staple food cards, housing interest subsidies, tourism sector incentives, and pre-employment cards. Furthermore, the second stimulus policy focused on maintaining public purchasing power and facilitating exports and imports. This second policy was implemented through fiscal and non-fiscal policies. Relaxation of Income Tax (PPh) Article 21 for workers in the manufacturing industry sector and Article 22 for 19 sectors, reduction of PPh Article 25 by 30%, and relaxation of VAT restitution for 19 sectors are carried out as fiscal policy measures (Aini, 2020).

On the other hand, the government also established non-fiscal policies such as simplifying limited export and import restrictions and improving and accelerating export-import services. To support this Fiscal Stimulus Policy II, the government allocated additional funds from the 2020 State Budget for spending and financing of IDR 405.1 trillion to prevent worsening health, social, economic, and financial conditions. As a consequence of this budget allocation for the Fiscal Stimulus Policy II, the State Budget deficit widened (Aini, 2020).

As a follow-up to national economic recovery, the government has established the Third Fiscal Stimulus Policy. The launch of the Third Fiscal Stimulus Policy focuses on health care, social assistance, business support, and economic recovery. This combined stimulus was created to prevent a prolonged and deepening economic crisis. Additional spending and financing in the health sector amounted to IDR 75 trillion. This budget was used to subsidize tariff adjustments for non-wage and non-employee workers (IDR 3 trillion), incentives for central and regional medical personnel (IDR 5.9 trillion), death benefits for health workers (IDR 0.3 trillion), and healthcare spending (IDR 65.8 trillion) (Aini, 2020).

Fiscal stimulus policies I to III are one of the mitigation and anticipatory measures that are expected to be able to support national economic recovery as a result of the Covid-19 pandemic, including the tourism business sector which is one of the pillars of the economy and the community's business climate (Kementerian Keuangan, 2020).



According to Law Number 10 of 2009 concerning Tourism, there are 13 types of tourism businesses, including accommodation, travel services, entertainment and recreation. These tourism sectors and types of businesses mentioned in the Tourism Law have been directly and indirectly impacted by the COVID-19 pandemic.

During the Covid-19 pandemic, visits by both international and domestic tourists to various tourist destinations in Indonesia, which was originally targeted at 18 million in 2020, plummeted to only around 2.8 million-4 million. The loss of revenue in the Indonesian tourism sector is estimated to reach USD 10 billion in 2020. As one of the sectors hardest hit by the Covid-19 pandemic, the government believes that the tourism and MICE (meetings, incentives, conventions, and exhibitions) sectors will be one of the sectors in the economy that will recover fastest, in addition of transportation and trade sectors (Kementerian Keuangan, 2020).

The potential recovery of the tourism industry requires a workforce equipped with the competencies and skills to adapt to behavioral changes caused by the COVID-19 pandemic. Fluctuations in the number of positive cases and death rates due to COVID-19 determine government policies in both countries of origin and destination regarding tourist mobility to various tourist destinations during the current COVID-19 pandemic. Considering that the recovery of foreign tourist visits following the COVID-19 pandemic is predicted to take a long time and the tendency for foreign tourist movement to remain stagnant, the government is preparing stimulus packages for tourism and creative economy businesses amid the COVID-19 pandemic. In addition, the government is preparing a social protection program for tourism and creative economy workers.

The government is rolling out stimulus in the form of tourism grants. The government has rolled out various incentive policies to support the tourism sector which has been affected by the Covid-19 pandemic (Kementerian Keuangan, 2020) including:

- a. a 25% discount on ticket prices from the number of aircraft seats allocated by the Government amounting to IDR 443.9 billion;
- b. Avtur discounts at 9 airports that are tourist destinations;
- c. incentives for international tourists including airlines and agents, promotions, media relations and influencers;
- d. Zero percent relaxation of hotel and restaurant taxes for 10 tourist destinations and subsidies in tourist areas affected by the Covid-19 pandemic

This Fiscal Stimulus Policy I (first) is part of the government's anticipatory measures to deal with the impact of the Covid-19 pandemic on the tourism sector and business actors who are correlated with the tourism services sector.

The amount of the budget issued by the Government has increased, after the Government established the Fiscal Stimulus Policy Volume II (two) and III (three) to increase incentives for the tourism sector, considering that based on the evaluation conducted by the Government and input from tourism business actors, the fiscal stimulus in the form of incentives for the tourism sector in the form of discounts on airline tickets and hotel and restaurant tax relief is considered less effective. The incentive policies implemented by the Government for the business sector and tourism actors which began to be rolled out on February 25, 2020 are:

- a. Providing a special tourism incentive package by adding incentives for foreign tourists amounting to IDR 298.5 billion;
- b. Incentives for foreign tourists include:
 - 1) airlines and travel agents,
 - 2) joint promotion scheme,
 - 3) tourism promotion,
 - 4) *familiarization trip*(fantrip), and
 - 5) activity funds for influencers;
- c. Incentives for domestic tourists include:
 - 1) 30 % flight discount for 10 (ten) tourist destinations,
 - 2) Flight discounts are valid for 3 (three) months, namely: March to May 2020,
 - 3) 10% discount on aviation fuel from Pertamina,
 - 4) 5.64% discount from Angkasa Pura and Airnav, and
 - 5) tax and restaurant incentives amounting to IDR 3.3 trillion in 10 (ten) tourist destinations, namely by providing subsidies or grants to Regional Governments affected by the reduction in hotel and restaurant taxes which came into effect on March 4, 2020.



In the third fiscal stimulus policy, the government also allocated funds for national economic recovery (PEN). The government's national economic recovery policy budgeted funds from the state budget, including:

1. Income Tax (PPh) Article 21 relaxation of IDR 8.60 trillion,
2. Income Tax (PPh) Article 22 relaxation of IDR 8.15 trillion,
3. Income Tax (PPh) Article 25 relaxation of IDR 4.2 trillion,

The validity period of the incentive in the form of relaxation of Article 22 and Article 25 Income Tax is 3 (three) months.

4. Value Added Tax (VAT) refunds for certain sectors amounted to 1.97 trillion.
5. Simplification and reduction of types of prohibitions and restrictions on export activities,
6. Simplification of import activities, especially raw materials,
7. The policy of restructuring all credits without considering the ceiling limits/types of debtors.

The rapid and widespread spread of the Covid-19 pandemic across the world has impacted global economic growth. At that time, the global economy was projected to experience negative growth or a recession in 2020. Global financial market shocks were evident, among other things, in capital outflows and currency pressures. Fiscal stimulus policies and tax incentives are implementations of the government's mitigation and anticipation of the impacts arising from the Covid-19 pandemic (Aini, 2020).

Before the COVID-19 pandemic, Indonesian tourism ranked third among foreign exchange earners in 2019, behind oil and gas revenues and palm oil exports. If managed more professionally, with improvements to various superstructure facilities and infrastructure, the tourism sector could become a promising business sector capable of contributing more optimally to state revenue.

After the Covid-19 pandemic, the global macroeconomic environment is believed to continue to shift tourist spending patterns. Developments in the Asia-Pacific region are driving much of the momentum for economic recovery in various sectors, particularly in relation to the relaxation of travel restrictions and China's Zero-COVID policy, which occurred earlier than experts predicted (Kementerian Pariwisata, 2024).

In 2022, the Ministry of Tourism estimates the tourism sector will contribute US\$6.72 billion in foreign exchange, contributing 3.6% to GDP. The tourism sector is also estimated to employ 22.89 million people. In the creative economy sector, the added value of the creative economy is estimated to reach 1,280 trillion rupiah, with a total creative economy export value of US\$26.94 billion. The creative economy sector is expected to employ 23.98 million people (Kementerian Pariwisata, 2024 page 8).

The target for achieving the value of tourism foreign exchange in 2023 increased to USD 7.08 - 9.99 billion. As of the first semester of 2023, the value of tourism foreign exchange had reached USD 6.08 billion. The determination of the target added value of the creative economy of 1,279 trillion rupiah is estimated to have been achieved at 342.92 trillion rupiah in the first quarter of 2023. Likewise, the value of creative economy exports, the Ministry of Tourism is optimistic to reach the figure of USD 26.46 billion, which in the first semester was achieved at USD 11.82 billion. The Ministry of Tourism is also committed to continuing to expand workforce absorption in the tourism and creative economy sectors with a target of absorbing a workforce of 21.93 million people in the tourism sector and 24.34 million people in the creative economy sector (Kementerian Pariwisata, 2024 page 10).

Post-COVID-19 pandemic, the tourism sector recorded foreign exchange earnings of USD 4.72 billion, representing total foreign exchange earnings from 2020 to 2024, with a workforce absorption capacity of 22.29 million people. The recovery of the tourism climate is a key factor supporting business growth in the tourism sector, which has begun to revive since 2022, resulting in a flood of international and domestic tourists visiting various tourist destinations. The Ministry of Tourism stated that foreign tourist visits during the period 2022 to 2023 amounted to 5.98 million people, while domestic tourists reached 734.86 trips (Kementerian Pariwisata, 2024 page 18).

Beyond the tourism sector, the post-COVID-19 pandemic revival is also being felt in the creative economy (ekraf) sector. The added value of the creative economy is predicted to reach IDR 1,280 trillion, a 4.48% year-on-year increase, driven by the continued stability of public purchasing power, the recovery of public mobility, and consistently expansive production activities. The positive performance of the creative economy sector is also reflected in its product export figures. The Directorate General of Customs and Excise at the Ministry of Finance recorded an export value of US\$26.94 billion, a 12.81% increase from 2021. The fashion, crafts, and culinary subsectors remain the highest contributors to exports, accounting for 99.94% of the total export value of creative economy products in 2022 (Kementerian Pariwisata, 2024 page 18).

On the demand side, the United States was the largest contributor (39.04%) to exports, valued at US\$10.52 billion, followed by Switzerland, Japan, China, and Singapore. On the supplier side, West Java contributed the most (33.64%), followed by Central Java,



East Java, Banten, and Jakarta. These figures only reflect goods exported between countries; the export figures for non-goods creative economy products—such as animation and music—have not yet been accurately calculated (Kementerian Pariwisata, 2024 page 18).

The momentum of Indonesia's creative economy and tourism sector continued in 2023. Foreign tourist visits to Indonesia reached 6.31 million by July 2023, a 196.85% increase compared to the same period in 2022. The largest foreign tourist contributions came from Malaysia, Australia, Singapore, China, and Timor Leste. This increase in foreign tourist visits is in line with tourism foreign exchange earnings (travel exports) reaching US\$6.08 billion in the first half of 2023, a 236.78% year-on-year increase. Domestic market conditions remain stable, reflected in increasing public mobility and the achievement of 433.57 million domestic tourist trips—a 12.57% increase from 2022. Meanwhile, the creative economy sector saw exports reaching US\$11.82 billion from January to June 2023, or 44.67% of the annual target of US\$26.46 billion. The fashion sub-sector remains the main contributor to creative economy product exports with a value of US\$6.56 billion (55.52%), followed by culinary at US\$4.46 billion (37.70%) and crafts at US\$792.67 million (6.71%) (Kementerian Pariwisata, 2024 page 40).

The tourism industry in 2023 is predicted to continue to reach pre-COVID-19 pandemic (2019) levels. The UNWTO noted that international tourism grew by 86%, reaching 235 million international trips in the first quarter of 2023. The global recovery, which will gradually occur throughout 2023, is supported by pent-up demand, the gradual restoration of air connectivity, and the reopening of several countries, such as China and other key destinations in Asia (Kementerian Pariwisata, 2024 page 41).

Indonesia's stunning landscape, composed of islands and diverse cultures, ethnicities, and languages, offers significant potential for tourism development and is a major draw for visiting tourists. Post-COVID-19, the tourism sector has demonstrated developments that support economic growth, with a focus on the macroeconomic impacts of tourism. First, tourism has a direct impact on the economy, including job creation, income redistribution, and strengthening the balance of payments. Tourist spending, as an alternative to exports, contributes to foreign exchange earnings (balance of payments) and revenues generated from tourism expansion. Second, it has induced effects on specific product markets, the government sector, and taxes, as well as an imitation effect on local communities. One of the primary benefits expected from tourism for local communities is its significant contribution to the regional economy, particularly increased income and new jobs. Local businesses, of course, directly benefit from tourist spending.

Tourism is one of the development sectors developed by the government, as it is considered to play a crucial role in Indonesia's development, particularly as a source of regional and national revenue. In addition to being an economic driver, tourism is considered capable of reducing unemployment. Within the national economy, tourism is expected to increase revenue through foreign exchange earnings. The increase in the number of foreign tourists visiting Indonesia has resulted in increased foreign exchange earnings from tourism accommodations in Indonesia.

Increasing foreign exchange earnings from the tourism sector indirectly contributes to state revenue for governance, public services, and improving public welfare. With the recovery from the COVID-19 pandemic and the return of public activity to various activities that support economic growth and revitalization, it is the government's responsibility and duty to provide various facilities and infrastructure to support and facilitate the needs for improving public welfare.

C. CONCLUSION

From the results of the research and discussion, the conclusions of this research are as follows:

- 1) The urgency of the tax incentive policy for economic recovery in the tourism industry is essentially to anticipate the impacts of the Covid-19 pandemic and the national economic recovery of the tourism industry sector. Tourism has significant value and benefits for local economic development, plays a significant role in the national economy, generates foreign exchange, creates jobs, and empowers communities. Tourism is one of the sectors directly impacted by the Covid-19 pandemic, as the decline in tourist numbers, particularly international ones, due to the implementation of social restrictions, as well as the closure of international access from various countries, has crippled the tourism industry.
- 2) The implementation of tax incentives for the economic recovery of the tourism sector in the form of tourism grants, a policy established by the Government in the form of fiscal stimulus. The Government provides incentives for the tourism sector in the form of discounts on airline tickets and tax breaks on hotels and restaurants. The Fiscal Stimulus Policy in the form of tax incentives rolled out by the Government for the tourism sector due to the Covid-19 pandemic is part of the Government's steps to anticipate the impact of the Covid-19 pandemic on the tourism sector and business actors related to the tourism



service sector. Fiscal Stimulus Policies I to III are one of the mitigation and anticipatory measures that the Government hopes will support national economic recovery from the Covid-19 pandemic.

D. RECOMMENDATIONS

Based on the research results and discussion, the recommendations of this research are:

- 1) There needs to be accountability report for the implementation of tax incentive policies for national economic recovery that is transparent and accountable;
- 2) There needs to be accountability oversight of the implementation of tax incentive policies by independent institutions and community initiatives.
- 3) There is a need for an evaluation of the implementation of tax incentives for better and optimal disaster management mitigation and anticipation.

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