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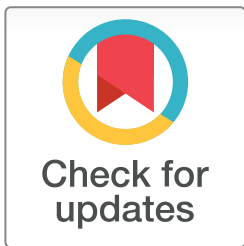
Collaborative Governance in the Optimization of Tax Revenue

Case Study in Yogyakarta

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Abstract: Yogyakarta Regional Tax Office always has difficulty satisfying tax revenue targets year by year. For example, Yogyakarta's DGT could not meet the revenue target in the last three years, while DGCE always exceeded the target. Reflecting on this condition, Yogyakarta Regional Tax Office needs help from other agencies in the form of collaborative governance that might help them achieve the set targets. Meanwhile, there is a lot of research on Collaborative Governance, but robust generalizations to link theory and practice are still being sought. In order to complement between theory and practice of collaboration, this study discusses the implementation of Collaborative Governance for optimizing state revenues by conducting case studies at the Directorate General of Taxes (DGT) and the Directorate General of Customs and Excise (DGCE) in Yogyakarta. The qualitative method was used with data acquisition through interviews and literature studies. Based on the results, it was found that Collaborative Governance in Yogyakarta is following the [Emerson, Nabatchi, and Balogh framework \(2012\)](#) since it has several system contexts and strong drivers. Resource Conditions and Socio-Economic Conditions are the system context behind the collaboration between the two agencies. Meanwhile, Leadership, Dependence, and Uncertainty are the drivers that trigger Collaborative Governance. Furthermore, by using data matching, the researcher identified the potency of tax revenue from the bonded zone that could be elaborated in Yogyakarta. Finally, we identified several obstacles and challenges to implementing Collaborative Governance in Yogyakarta and formulated practical and theoretical recommendations for them.

Keywords: Collaborative Governance; DGT; DGCE; Bonded Zone; Yogyakarta

1. Introduction

Yogyakarta is well known as a student city in Indonesia. This explains the high human development index (HDI) in this province which is ranked second nationally in 2020 with a score of 79.97 (Yasyi, 2020). Meanwhile, this Province's Minimum Wage (IDR1,704,607) is one of the lowest in Indonesia. This situation is an anomaly considering that HDI should have a negative impact on poverty levels in Indonesia (Samputra & Munandar, 2019). This, along with other factors, has made the industrial sector underdeveloped in the DIY Province.

Tourism and household consumption are the leading sectors in DIY Province (Muti'ah & Anwar, 2021). The DIY economy, dominated by the tourism sector and the MSME industry, has been hit hard by the COVID-19 pandemic. The government's lockdown policy has made mobility and the number of tourists to Yogyakarta plummet. This situation makes the tax base in Yogyakarta also reduced along with the sluggish economy.

In the 2021 budget outlook, tax revenue is targeted at IDR1,444.5 trillion. This amount is 83% of the total state revenue target. This tax revenue target is divided into Tax Revenues of IDR1,229.6 trillion and Customs and Excise of IDR215 trillion. With the 2021 macroeconomic framework that carries a high risk of uncertainty, the targets set for this year will be more challenging. Without synergy and extra efforts from various parties, the 2021 target will be even more difficult to achieve.

Cooperation between government organizations has many benefits (Entwistle, 2014). First, this form of organizational collaboration is widely considered more conducive to the creation and circulation of knowledge. Second, a collaboration between organizations operating in the same area will provide different but complementary services. Third, cooperation between similar public institutions in the same geographical area can increase the efficiency of economies of scale. Besides, network expansion can be a strategy for improving government transparency (Subhan, 2016).

Yogyakarta DGT Regional Office always seems to have difficulty achieving the tax revenue target. In 2021, the realization was 89.2% or around IDR4.62 trillion. Meanwhile, in 2020, tax revenue grew negatively by -9.78% compared to 2019. The realization in 2020 was only IDR4.74trillion. This number fell drastically compared to the realization of 2019 revenues of IDR5.25 trillion (Yogyakarta Regional Tax Office, 2021).

Contrasting with what happened at DGT, on the other hand, KPPBC TMP B Yogyakarta always recorded positive achievements. In the last three years, the realization of state revenues has always exceeded the set target. In 2019-2021, this office reaches 100%, 102.31%, and 116.07% respectively. The difference in realization achievement, plus the specific advantages of the DGCE agency in the field of transaction data, should be the impetus for the two agencies to transfer knowledge.

To pursue the revenue gap and implement the value of synergy, the Yogyakarta Tax Regional Office needs to collaborate with other vertical unit units of the Ministry of Finance in this Province. One of the agencies that play an important role in this collaboration is KPPBC TMP B Yogyakarta. This study will discuss the implementations and barriers of collaboration faced by the DGT and DGCE in Yogyakarta.

This research will use the collaborative governance framework proposed by Emerson, Nabatchi, and Balogh (2012). Their framework is appropriate for this research. It provides a broad conceptual map for locating and exploring components of cross-border governance systems that range from policy or program-based intergovernmental cooperation to regional, venue-based collaboration with non-governmental stakeholders for public-private partnerships. The framework integrates knowledge of individual incentives and barriers to collective action, collaborative social action, learning and conflict resolution processes, and institutional arrangements for cross-border collaboration. It is presented as a general framework

that may be applied to analysis at different scales, in different policy arenas, and with varying complexity.

The study of collaborative governance has attracted attention and has become the research object of various parties. However, the empirical literature still struggles to find strong generalizations linking theory and practice (Douglas et al., 2020). This research, along with other empirical research, will contribute to the study of the implementation of the theory with the processes and outcomes of collaborative governance.

As a literature review, most governments worldwide have adopted a collaborative approach to managing public services to solve problems, improve services, and reduce costs. Collaboration has a huge advantage in Wales, which is considered very important for its entire community (Entwistle, 2014). Collaboration has been fully integrated into government as a public service reform. In Indonesia, many researchers have concluded that various local governments need to collaborate with another party to achieve the desired results, such as achieving SDGs in Serang City (Nurfindarti, 2019), disaster recovery in Palu (Riadi & Erdiyansyah, 2021), or stunting eradication in Bandung City (Essa et al., 2021).

However, not all organizations are suitable for collaboration (Andhika, 2017). Several parties still face significant challenges in implementing collaboration, like China's conditions in 2012 for Natural Resources Management. China cannot emulate collaborative governance for this sector mainly because of the absence of an incentive system (DuPraw et al., 2013).

In line with the importance of collaboration in public services, evaluation to assess collaboration in public policy delivery and identify challenges for policy and program evaluation is also important (Gray et al., 2017). Gray et al. (2017) conducted studies in various countries such as the UK, Netherlands, Israel, Denmark, Scandinavian countries, Canada, and various other OECD members. The study aims to broaden the contribution of evaluation to the government. One of the results suggests that government collaboration can increase trust, flexibility, and empowerment.

Government collaboration should begin with developing rules that unite inter-agency (Cope & Goodship, 1999). It is important to control and influence the agencies they govern as well as be a catalyst for collaboration.

2. Methods

This research is qualitative research using case study method. The case studied in this research was Collaborative Governance in Yogyakarta between DGT and DGCE, both of which are institutions of the Ministry of Finance.

In order to explore Collaborative Governance in Yogyakarta, data collection and analysis were carried out. Data and/or information related to the implementation of Collaborative Governance were obtained from various sources. The primary data comes from interviews. Interviews were conducted with the Head of KPPBC TMP B Yogyakarta and several employees involved with the Collaborative Governance process. Secondary data comes from the two agencies' performance reports, prosecution data, and companies that obtain bonded zone facilities. The analysis method used is data matching. This method compares data from both institutions, finds the differences, and interprets these differences using a potential exploration guide.

The data and information obtained were then processed using the Emerson, Nabatchi, and Balogh framework (2012). This framework was chosen for several reasons. First, it complements previous frameworks by adding to the emergence of collaboration from multi-stakeholder initiatives without central instruction. This is considered relevant to the conditions of collaborative governance in Yogyakarta because of several obstacles and challenges. In addition, the execution of cases from the DGT headquarters also did not result satisfactorily. Second, the similarity of the

system context and the availability of drivers in Yogyakarta have become suitable for collaboration between both institutions.

3. Results and Discussion

3.1. Theoretical Basis

3.1.1. Ministry of Finance Synergy

The Ministry of Finance has formulated “synergy” as one of the values adopted through KMK-312/KMK.01/2011. This value is the basis for an attitude that requires all employees of the Ministry of Finance to be committed to building and ensuring productive internal cooperation and harmonious partnerships with stakeholders to produce valuable and quality work (Ministry of Finance of the Republic of Indonesia, 2020). Although this value is the inspiration for the main code of conduct in the form of mutual trust to jointly achieve organizational goals, the realization of this value has not run optimally in many areas in the country. The implementation of the synergy value of the Ministry of Finance is still limited to symbols and the implementation of informal and ceremonial events. Meanwhile, real activities in the form of data exchange in potential exploration are relatively rare.

Furthermore, KMK 210/ PMK.01/2021 emphasizes the importance of synergy between vertical units of the Ministry of Finance. Not only at the head office, but the implementation of this regulation should also be carried out in all work areas considering that each region has several similarities. On average, all regions have several work units of the Ministry of Finance, which are equally burdened with revenue targets, identical taxpayers/partners, and interrelated business processes.

3.1.2. Collaborative Governance

Emerson, Nabatchi, and Balogh (2012) define collaborative governance as the process and structure of public policy and management decision-making that engages people constructively across the boundaries of public, government, and/or public, private, and civic bodies to carry out common goals that can't be achieved in other ways. According to them, the definition and scope of collaborative governance are broader than those offered by Chris Ansell and Gash (2007). This definition allows collaborative governance to be a broader analytic construct in public administration and allows distinctions between different applications.

Based on this definition, it differs from Chris Ansell and Gash (2007) in several important points. They do not limit collaborative governance to formal, state-initiated arrangements between governmental and non-governmental stakeholders. The scope includes partnerships between the state, private sector, civil society, and communities.

3.1.3. Emerson, Nabatchi, and Balogh Collaborative Governance's Framework

Emerson, Nabatchi, and Balogh (2012) developed the framework by reviewing other relevant frameworks. After comparing the various frameworks, they found considerable overlaps and variations. The variations come from the different research traditions, policy arenas, and scales these researchers work. They also perceive a lack of generalizability to other frameworks, i.e., their applicability across multiple settings, sectors, geographic and temporal scales, policy arenas, and process mechanisms.

Briefly, their framework incorporates various dimensions and their respective components. They combine it with other frameworks and present general propositions about how these dimensions, components, and elements interact.

This framework departs from a system of diverse contexts (backgrounds) such as resource conditions, legal policy frameworks, the experience of failure, levels of conflict/trust, political dynamics, network linkages, and socio-economic/cultural diversity. From this background, a driving force arises leadership factors, incentives that follow, interdependence, or the uncertainty of the conditions faced. Furthermore,

in the dynamics of collaboration, there is a bond of principles, sharing of motivation, and the capacity to take joint action between entities. The outputs generated from this collaboration depend on the context and target but can include joint endorsements, enforcement of rules, sharing of staff and resources, and so on. The outcome of this collaboration process can also vary depending on the context and targets set. In the next stage, it is projected that there will be an adaptation process for each party.

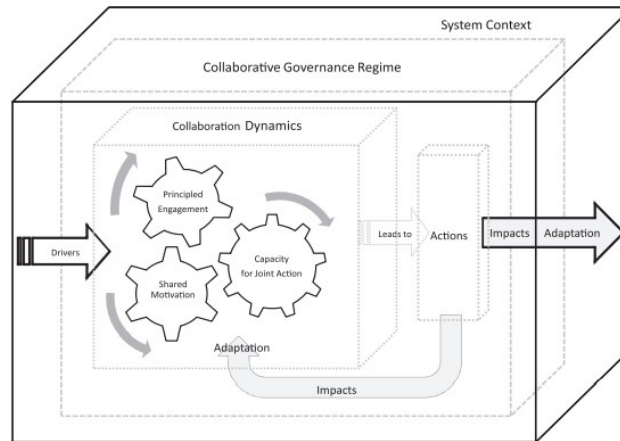


Figure 1. Collaborative Governance Framework

Source: Emerson, Balogh, and Nabatchi (2012)

A Diagnostic or Logic Model Approach to Collaborative Governance

Dimension and Components	System Context	Drivers	The Collaborative Governance Regime			Outputs Collaborative Actions	Collaborative Outcomes	
			Principled Engagement	Shared Motivation	Capacity for Joint Action		Impacts	Adaptation
Elements within Component	- Resource Conditions - Policy - Legal Frameworks - Prior Failure to Address Issues - Political Dynamics/Power Relations - Network Connectedness - Levels of Conflict/Trust - Socio-economic/Cultural Health & Diversity	- Leadership - Consequential Incentives - Interdependence - Uncertainty	- Discovery - Definition - Deliberation - Determination	- Mutual Trust - Mutual Understanding - Internal Legitimacy - Shared Commitment	- Procedural/Institutional Arrangements - Leadership - Knowledge - Resources	Will depend on context and charge, but might include: - Securing Endorsements - Enacting Policy, Law, or Rule - Marshalling Resources - Deploying Staff - Siting/Permitting - Building/Cleaning Up - Enacting New Management Practice - Monitoring Implementation - Enforcing Compliance	Will depend on context and charge, but aim is to alter pre-existing or projected conditions in System Context	- Change in System Context - Change in the CGR - Change in Collaboration Dynamics

Figure 2. Logic Model Approach to Collaborative Governance

Source: Emerson, Balogh, and Nabatchi (2012)

3.2. Yogyakarta Economic Overview

The economy of Yogyakarta Province is dominated by household consumption. This condition is reflected in the Bank Indonesia report, which states that the highest component of Regional GDP is the consumption sector. The same report states that in terms of business fields, the food and beverage industry is the largest share of the processing industry in this province (Bank Indonesia, 2021).

In 2021, the information and communication business fields, agriculture, processing industry, and construction contributed to growth. Meanwhile, the service sector originating from education and tourism has not yet recovered due to the impact of the Covid-19 pandemic. These two sectors are the leading sectors that support economic growth in Yogyakarta.

3.2.1. Yogyakarta Taxpayer Overview

Based on the external sources and the 2020 Performance Report, the work area of the Yogyakarta Tax Regional Office covers the entire province. There are five local tax

offices located in five regencies/cities. Individuals and retail dominate taxpayers in Yogyakarta. Most taxpayer businesses have a small to medium turnover, so they are included in the MSME category. This is in line with the economy of Yogyakarta Province, which is dominated by consumption.

Up to now, there are five main sectors of tax revenue collection in the Yogyakarta Regional Office. The five sectors are wholesale and retail trade, financial services and insurance, government administration, construction, and manufacturing. This office is one of the regional offices with the lowest tax revenue targets in Indonesia.

3.2.2. Yogyakarta Customs and Excise Service Users Overview

Based on the Performance Report of KPPBC TMP B Yogyakarta in 2020, the working area of KPPBC TMP B Yogyakarta covers the entire territory of the DIY Province (Bantul, Sleman, Kulon Progo, Yogyakarta, and Gunungkidul). Several services are carried out, including export, import, delivery services, passenger luggage, bonded zones, KITE IKM, supervision of tobacco excise, retail sales of beverages containing ethyl alcohol (TPE MMEA), and other services (KPPBC TMP B Yogyakarta, 2021).

There is no large processing industry in Yogyakarta for the tobacco product excise control business process. There are only a few home industries that still have the status of MSMEs. If a violation is found, immediate action will be taken, and payments (if necessary) are made instantly. So far, KPPBC TMP B Yogyakarta has not administered the results of excise on illegal tobacco products, especially for the names and tax identification numbers. One of the reasons is that most of those who pass on the highway are couriers/drivers who do not know the details of the owner/manufacturer of the goods.

For the monitoring business process of the retail place of alcoholic beverages (TPE MMEA), Yogyakarta, as a tourist destination, has many hotels and night club. Therefore, it is a perfect place for potential exploration. However, TPE's turnover has decreased drastically or even closed over the past year due to the pandemic and the lockdown.

For the business process of bonded storage facilities, there are 19 bonded zones, two bonded warehouses, and one bonded logistics center in the work area of KPPBC TMP B Yogyakarta. These 19 bonded zones cover one long-standing company each. However, there has been no increase in the number in recent years due to the difficulty of licensing business locations in Yogyakarta province. Apart from being constrained by the high purchase/rental price of land, the status of the sultan's ground in Yogyakarta makes it difficult for new investors to enter Yogyakarta. According to the Head of KPPBC TMP B Yogyakarta, this condition is unfavorable considering that this province has a low minimum wage and high HDI workforce advantage.

3.3. Potential Exploration of Bonded Zone

3.3.1. Legal Basis

Some of the relevant legal bases for extracting potential bonded areas are as follows:

- a. Law No. 16 of 2009 concerning General Provisions and Tax Procedures;
- b. Law No. 36 of 2008 concerning Income Tax;
- c. Law No. 42 of 2009 concerning PPN and PPnBM;
- d. PP 85 of 2015 concerning amendments to PP 32 of 2009 concerning Bonded Storage;
- e. PMK-120/PMK.04/2013 concerning the third amendment to PMK-147/PMK.04/2011 concerning Bonded Zones;
- f. PMK-31/PMK.04/2020 concerning Additional Incentives for Companies Recipient of Bonded Zone Facilities and/or Ease of Import for Export Purposes for Handling the Disaster Impact of Corona Virus Disease (Covid-19).

Bonded Zone is defined as a Bonded Stockpiling place to store imported goods and/or goods originating from other places outside the customs area (TLDDP), which are processed or combined, the results of which are mainly for export.

Bonded Zone Operator (PKB) is a legal entity that carries out activities to provide and manage Bonded Zone exploitation activities. Bonded Zone Entrepreneur is a Legal Entity that carries out Bonded Zone exploitation activities. Entrepreneur in Bonded Zone concurrently Bonded Zone Operator (PDKB) is a legal entity that carries out Bonded Zone exploitation activities located in Bonded Zone belonging to Bonded Zone Operator whose status as a different legal entity.

In general, PDKB sells for re-export. Therefore, the import of taxable goods gets a VAT facility that is not collected. Purchases from TLDDP receive VAT facilities that are not collected. PDKB exporting is subject to VAT at a rate of 0%. If the production of the bonded zone is sold domestically, the VAT facility is not collected on imports and must pay the purchase of goods. The sale is subject to VAT (Output Tax).

3.3.2. Exploring the Potential of the Tax Avoidance Mode

Several modes of tax evasion carried out by taxpayers in the bonded zone sector are as follows:

- a. It is not reporting part/all of Import Purchases with Facilities in the Periodic VAT Tax Return and Corporate Income Tax Return;
- b. It is not reporting part/all of Export Sales;
- c. It is not depositing VAT on imported purchases if the imported goods are partially sold domestically.
- d. Reported purchases of facilitated imports and purchases from overseas were too large so that the cost of goods sold became too large.

The method of extracting potential taxpayers in bonded zones is more dominant by using the "data matching" method. This method compares the export, import, and local delivery data obtained from DGCE with the VAT Period Tax Return and financial reports according to the Annual Income Tax Return. The comparative documents required to perform data matching are described in [Table 1](#).

Table 1. Comparative Document of Bonded Zone Matching Data

No.	Data	Comparison	
		DGCE Document	DGT Document
1.	Tangible Taxable Goods Import Data into Bonded Zones	KP.BC.2.0 and 2.3	VAT Period Tax Return appendix B1 and B3
2.	Tangible Taxable Goods Export Data	KP.BC. 3.0	VAT Period Tax Return appendix A1
3.	Local Acquisition/Purchase Data	KP.BC.2.5, 2.6.2, 2.7, 4.0	VAT Period Tax Return appendix B2 and B3
4.	Local Sales Data	KP.BC.2.5, 2.6.1, 2.7, 4.1	VAT Period Tax Return appendix A2

Source: processed from secondary data

Based on the comparison of the data, there are several possible conditions that could be a red flag, as shown in [Table 2](#).

3.4. Logic Model Approach for Collaborative Governance in Yogyakarta

Based on the model developed by [Emerson, Nabatchi, and Balogh \(2012\)](#), the elements of collaborative governance between DGT and DGCE in Yogyakarta can be identified as follows:

3.4.1. System Context

System Context is the background that describes the conditions in both instances. Based on the 2020-2024 strategic plan of DGT and DGCE, information was obtained

Table 2. Red Flag of Data Matching Result

No.	Conditions	Probabilities
1.	PEB (Export Notification) > Appendix A1 Form 1111	a. There is a potential for export delivery that has not been reported by the taxpayer; b. The difference in exports is a correction in sales turnover.
2.	PEB (Export Notification) < Appendix A1 Form 1111	a. There is potential VAT on local deliveries reported as export sales; b. Overall sales turnover has not changed.
3.	PIB (Import Notification) > Appendix B1+B3 Form 1111	a. There are indications of purchases that have not been reported in the Periodic VAT Return or Corporate Annual Tax Return; b. There are unreported sales from these unreported purchases.
4.	PIB (Import Notification) < Appendix B1+B3 Form 1111	a. There are indications that purchases reported in the Tax Return are too large so that the COGS is too large (gross profit is too small); b. The difference in purchases is an additional profit for the related year.
5.	Documents of entry and exit of goods vs Appendix A2 dan B2+B3 Local Form 1111	a. This test is carried out to see the correctness of local purchases and sales; b. It is necessary to examine the physical documents due to differences in recognition. DGCE records all income and expenditure of goods, while DGT only recognizes sales and purchases.

Source: *processed from secondary data*

that there are several conditions to encourage collaboration between the two agencies.

a. Resource Condition

Most DGT employees have a bachelor's degree education background (35.5%). 47.6% of DGT employees are in class III in terms of rank. Meanwhile, DGCE is dominated by employees with Diploma I-III graduates (57.67%). 65.49% of DJBC employees are in class II in terms of rank. The striking difference in background and education between these two agencies can be a driving force for collaboration between the two.

b. Socio-Economic Condition

Yogyakarta has unique characteristics as a special region in Indonesia with the leadership of the "sultan" as governor. There are many national best educational institutions in this province. Therefore, the provincial HDI is classified as very high. However, the high quality of human beings is not accompanied by the high income of the population. The Regional and Provincial Minimum Wages of Yogyakarta are the lowest in Indonesia. Likewise, regional income per capita is left behind other places in Indonesia. The economy is supported by consumption with the MSME industrial structure. This situation makes exploring the tax revenue of the two agencies in the Yogyakarta region very challenging. The common conditions faced making collaboration important.

3.4.2. Drivers

Within the framework of Emerson, Nabatchi, and Balogh (2012), several things encourage collaboration in Yogyakarta, namely leadership, dependence, and uncertainty. Three of four triggers can be found in Yogyakarta with the following description:

a. Leadership

The existence of key actors (Soesanto, 2017) and fluent communication is excellent progress in collaboration (Furqoni et al., 2019). At the level of echelon II and III work units (Tax Regional Office, Local Tax Office, and KPPBC) in Yogyakarta, the leaders of both agencies show mutual trust through openness and the abolition of barriers. Employees in both agencies have reached the level of informal data exchange without the need for formal meetings or cover letters for data requests.

The commitment of the leadership in Yogyakarta is seen in terms of openness and readiness to support whatever is required by other Ministry of Finance agencies.

b. Dependence

The tax collection system in Indonesia is self-assessment. Therefore, tax officials need to analyze the correctness of the Tax Report submitted by the Taxpayer to test the correctness of the Taxpayer's reporting and payment. Meanwhile, customs and excise collections are transactional. Settlement is carried out immediately when the Service User makes a transaction. Many business processes of taxpayers are in contact with service users. Especially for some taxpayers engaged in customs (such as export-import) and excise (such as cigarettes or MMEA). With the transactional DGCE database, data on taxpayers involved in customs and excise can be guaranteed by the validity of the data held by DGCE. This is a potential strength that will be very large when combined.

c. Uncertainty

The COVID-19 pandemic has made most companies experience a decline in turnover (Santia, 2020). With Yogyakarta's economic condition that relies on MSMEs and tourism, the COVID-19 pandemic has certainly eroded the tax base of taxpayers. Likewise, the decline in exports and imports has reduced the potential for receipt of import and export duties for KPPBC TMP B Yogyakarta. The MMEA excise income, usually mostly obtained from hotels or entertainment venues in Yogyakarta, has also decreased drastically since the pandemic. The similarity of uncertainty conditions faced by DGT and DGCE in Yogyakarta is an effective mover to be able to think about strategies together for optimizing state revenues during the pandemic.

d. Collaborative Dynamics

Based on the interviews, KPPBC TMP B Yogyakarta has implemented cooperation with various vertical units of the Ministry of Finance in Yogyakarta and its surroundings. The vertical units include the state wealth management office and auction (KPKNL-DJKN), state treasury management office (KPPN-DJPb), and Tax Office (DGT). Cooperation is carried out following the main tasks of each institution.

KPPBC TMP B Yogyakarta is structurally an echelon III unit under the Regional Office of Central Java and Yogyakarta Province. At the same time, DGT has one echelon II unit and five echelons III units in DIY Province. In general, the unequal division of work areas between DGCE and DGT does not hinder the collaboration process between the two agencies. However, this difference occasionally creates "confusion" about the collaborative approach that should be taken. The Yogyakarta Regional Tax Office should coordinate with Central Java and Yogyakarta DGCE Regional Offices. Meanwhile, KPPBC TMP B Yogyakarta can collaborate with one or several Local Tax offices within this province.

The flow of data requests between KPPBC TMP B Yogyakarta and the Yogyakarta Regional Tax Office and Local Tax Office units went smoothly. Data exchange has taken place informally via e-mail or WhatsApp in many cases.

Based on information from the DGT Head Office, out of 928 Large Analysis Target Lists (DSAB) in 2019, Yogyakarta Regional Tax Office only received one taxpayer on behalf of PT X, registered at KPP Pratama Sleman. PT X's mode is export. On this target, the follow-up has been carried out without realization.

3.5. Joint Analysis Development

Based on the initial data and information collection that has been carried out, the author decided to explore the potential of the bonded area and related to delivery activities to bonded zones. The reasons are as follows:

- a. According to information from Yogyakarta Regional Tax Office, exploring the potential for bonded zones in Yogyakarta is still rarely carried out. According to

- DGT's perspective, taxpayers who get bonded zone facilities are relatively more obedient in fulfilling their tax obligations;
- b. According to information from KPPBC TMP B Yogyakarta, based on field observations, several companies in the bonded zone have been established for a long time, actively running a business. Still, the turnover, costs, or other components of financial statements are suspected to be inconsistent with actual conditions.

3.6. Joint Analysis Potential Exploration of Bonded Areas

Subsequently, an initial data request was made to KPPBC TMP B Yogyakarta to identify a list of companies that received facilities in the bonded zone. From this initial data request, 21 Taxpayers were obtained, as attached in Appendix. Of the 21 companies that received bonded zone facilities, the selection was made with the following criteria:

- a. The headquarter is registered in Yogyakarta;
- b. Has a difference between the Periodic VAT SPT and the export and/or import document.

With these criteria, two samples were obtained that were registered at KPP Pratama Bantul and KPP Pratama Sleman. Furthermore, the following stages of analysis are carried out:

- a. Internal and external profile tracking;
- b. Data Matching to find the difference between the DGT and DGCE data. Data can be obtained through the data exchange.

3.6.1. Internal and External Profile Search

a. Company A

Based on internal data searches, information was obtained that company A was registered at KPP Pratama Sleman with a Classification of Business Fields as "Measuring Instruments and Manual Testing Equipment Industry." This taxpayer was registered in 1998 and registered as a Taxable Entrepreneur (PKP) in 1999. Based on the Annual and Periodic Tax Return reporting, company A is categorized as the compliant taxpayer.

Based on external data tracking, until 2020, company A has exported to more than 40 countries. Company A has around 600 employees. Taxpayers are concerned about sustainable research CSR and are actively open to outside research such as company visits. The company's main products are various types of health support equipment such as patient beds, cabinets and lockers, patient examination and surgery tables, hospital trolleys, transfer solution beds, equipment in the waiting room, and various hospital accessories.

b. Company B

Based on internal data searches, information was obtained that company B was registered at the KPP Pratama Bantul with a Classification of Business Fields as "Industry of Garments from Textiles". This taxpayer registered himself as well as registered as a PKP on 2008. Company B is also categorized as the compliant taxpayer.

Based on external data tracking, until 2020, company B has a factory area of 20,000 m² with a factory building area of around 10,000 m². There are 750 machines and 2,000 employees employed. The products of company B include clothes, dresses, and children's t-shirts.

3.6.2. Data Matching

Based on the matching data in [Table 3](#), in the two companies, there are differences between the export data (PEB) and the data in sales VAT (Appendix A1). These

Table 3. Data Matching Sample Companies

Name	PEB (DGCE)	Appendix A1 (DGT)	Difference	Condition	PIB (DGCE)	Appendix B1 (DGT)	Difference	Condition
company A	90.3 B	105 B	14.7 B	Appendix A1>PEB	18.5 B	23.3 B	4.8 B	Appendix B1>PIB
company B	215.7 B	276 B	60.3 B	Appendix A1>PEB	-	2.9 B	2.9 B	PIB data doesn't exist

Source: processed by author

preliminary results indicate the VAT potency on local deliveries reported as export sales where VAT is not collected (0% rate). Meanwhile, it was found that there were differences between import data (PIB) and purchase VAT (Appendix B1) in the two sample taxpayers. This indicates that purchases reported in the SPT are too large, so the COGS is too large (gross profit is too small). However, this initial data still needs to be reconfirmed to the two relevant agencies to validate the truth/update of the data found.

From these indications, an estimate of the potential VAT and Corporate Income Tax of the two Taxpayers can be calculated as shown in Table 4. From Table 4, the difference in Appendix A1, which is greater than PEB, indicates a potential VAT on local delivery of IDR1.47 billion for company A and IDR6.02 billion for company B. The difference in attachment B1, which is greater than the PIB, indicates the COGS reporting is too large, so there is a potential for Corporate Income Tax to be paid on the difference in taxable income. There is a corporate income tax potency of IDR1.19 billion for company A and IDR0.74 billion for company B.

Table 4. Calculation of Potential VAT and Corporate Income Tax

Taxpayer Name	Appendix Difference A1>PEB	VAT potential	Difference in Attachment B1>PIB	Potential Corporate Income Tax
A	14.7 B	1.47 B	4.8 B	1.05 B
B	60.3 B	6.03 B	2.9 B	0.6 B

Source: processed by author

3.7. Identify Barriers and Challenges

In DIY Province, there is one Regional Tax Office (echelon II) and 5 Local Tax Office/KPP Pratama (echelon III). Meanwhile, there is only one KPPBC (echelon III) here. This hierarchical difference makes formal cooperation often hampered. In many cases, this imbalance of powers could lead to a serious problem (Amin et al., 2021). Theoretically, Kanwil DJP DIY should coordinate with Kanwil DJBC Jateng dan DIY. Practically, KPPBC TMP B Yogyakarta understands the movements of Service Users and has more relevant data than the Regional Office in Semarang. However, the initiation of cooperation programs is sometimes hampered by hierarchical authority.

In conducting profiling to explore potential taxpayers in bonded areas, some taxpayers are registered with tax offices outside DIY. Of the 21 companies that received bonded zone facilities, only 12 were registered at the KPP Pratama within the Regional Office of DJP DIY. For taxpayers who are registered outside Yogyakarta, it is a challenge to request data and confirmation from the Account Representative, which may not be done directly.

In order to explore the potential for excise duty on tobacco products (HT) and beverages containing ethyl alcohol (MMEA), there are obstacles in identifying taxpayers. This happened because an NPWP did not accompany the excise document (CK-6). Therefore, the DGT must ensure who is the responsible tax subject. This process requires a lot of time to confirm. Based on experience, it is often found that those registered with TPE MMEA NPPBKC are not the actual beneficial owners or taxpayers. Therefore, it would be better if the CK document and other BC documents included the Taxpayer Identification Number as a unified tax identity to facilitate joint analysis in the future.

Meanwhile, the results of the action taken by the KPPBC TMP B Yogyakarta on HT and MMEA excise often cannot be followed up by the DGT to explore the potential for two reasons. First, the value of the findings is less material so the handling costs may be greater than the realization of revenue. Second, service users identified in prosecution are often only their employees (couriers/drivers) who do not know who the actual owner of the goods is. Therefore, it is difficult for the DGT to determine the responsible tax subjects.

Collaborations could be complicated and challenging (Berardo et al., 2020; Bryson et al., 2015). Another issue related to collaborative governance is the absence of material incentives for program success. There is no legal based at the Ministry of Finance as a basis for providing incentives for parties who successfully collaborate. Whereas the outcome of this activity is the optimization of state revenues in the form of realization. Meanwhile, in many previous studies, incentives played an important role in program sustainability (Christopher Ansell et al., 2020; Douglas et al., 2020).

4. Conclusion

The collaboration between DGT and DGCE in Yogyakarta has been going quite well. There are strong system contexts behind the importance of cooperation between DGT and DGCE agencies in Yogyakarta. The system context is supported by many activators that can trigger collaboration between agencies. For example, factors of Leadership, Dependence, and Uncertainty are activators that can be found in Yogyakarta. Based on these drivers, the collaboration framework in Yogyakarta is more suitable to use the framework introduced by Emerson, Balogh, and Nabatchi (2012).

There are several challenges and obstacles in the collaboration process in DIY. First, the difference in regional hierarchy between DGT and DGCE in Yogyakarta creates confusion regarding which parties should be invited to collaborate formally. Second, specifically for exploring the potential for bonded areas, almost half of the taxpayers who have bonded areas in Yogyakarta are registered outside Yogyakarta Tax Office. Third, the materiality of cases/findings of prosecution carried out by KPPBC TMP B Yogyakarta is relatively small, so further investigations are constrained by collection costs which may be higher than actual. Fourth, the completion of the enforcement of cigarette excise and/or MMEA is carried out on the spot. Finally, with limited information on the good's owner (including the absence of Taxpayer Identification Number), it is hard for Tax Officer to pursue the realization of tax revenue. As a limitation, the scope of collaboration was only investigated between DGT and DGCE. Further research can target more comprehensive objects.

There are several policies and practical recommendations regarding the obstacles faced by DGT and DGCE collaboration in Yogyakarta. The Ministry of Finance needs to apply a single identity in every document. This policy is important to reduce redundancy in identifying tax subjects by one party who intends to follow up on data exchange. A legal-based material incentive for collaboration must also be created for the program's sustainability. The relevant practical recommendation is implementing joint action between the two agencies. This combined action will be more cost and resource efficient.

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