

# Effectiveness of Tax Intensification Through The Examination in Efforts to Increase Value Added Tax

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**Abstract:** The purpose of the study was to determine the effectiveness of the implementation of tax intensification through examination at Medan PoloniaTax Office for the period 2013 - 2017. The research site was in Medan PoloniaTax Office and the period of observance-added taxation was from 2013 - 2017. The object of the research was intensification activities through examination. The type of research was a field study of the data collection techniques through observance-added taxation, interviews, and documentation. The data analysis technique used was descriptive qualitative. Based on the results of the study, in 2013 the Medan Polonia Tax Office had a percentage that was included in the category quite sufficient for the effectiveness of tax intensification through examination from the realization of the tax audit order and had increased to more than 100% so that the category is very active. The tax intensification activity through the examination results of the issuance of Notice of Tax Underpayment Assessment in the effort to collect the value-added tax arrears was still below the target with the category ineffective for 2013-2014 and 2016 - 2017.

**Keywords:** Effectiveness, Tax Intensification, Examination, Value Added Tax revenue

## 1. Introduction

Value-added tax is a tax that is imposed on value-added that arises due to the use of factors of production of each company line. Every item and service will be subject to value-added tax unless otherwise stipulated by law. As a result, if the level of public consumption was higher, then the level of value-added tax became higher as well. Law no. 42 of 2009 stated that every transaction related to the delivery of taxable goods and taxable services must take into account value-added tax. (laws of the republic indonesia no.42 2009)

the value-added tax has a significant role in the State Budget as a source of state revenue and has a substantial impact on the Indonesian economy. It can be seen from the consumption level of Indonesian people which from year to year experienced growth. Judging from the State Budget in 2013, the Financial Note and the State Budget in 2014 that state revenues derived from Value-Added Tax and Sales Tax on Luxury Goods amounted to Rp.423, 9 trillion. (Ministry of Finance of the Republic of Indonesia 2014 n.d.)

The potential for value-added tax revenue will continue to increase along with the increase in trade and consumption of the Indonesian people. However, based on data from the minister of finance in 2016, the increase in value-added tax revenues in 2016 experienced a slowdown, the realization of income was only rp 412.205 trillion, it meant that the percentage rate of value-added tax receipts decreased by 2.8% compared to value-added tax receipts in 2015 amounting to rp. 423.710 trillion. while the amount of value-added tax revenue in 2015 compared to 2014 experienced an increase of 28.3%.(Ministry Of Finance Of The Republic Of Indonesia 2016)

according to the results of the annual tax report in 2016, the ministry of finance of the republic of indonesia stated that the decline in the rate of growth of value-added tax receipts was due to the economic slowdown situation which caused a decrease in the level of public consumption. besides, the decline in the rate of value-added tax receipts was due to the lack of compliance and awareness of taxpayers in the tax reporting and depositing. this was in line with the results of aprilia's study that some inhibiting factors in handling income tax and value-added tax taxes were the lack of compliance and awareness of taxpayers to carry out tax obligations and the lack of an internal directorate general of taxes system to provide the proper data for online businesses and transaction circulation (Aprilia 2015). Other conditions, indications of value-added tax non-compliance were found in each production line including in the supply chain. De Paula and Scheinkman found that firms' tax noncompliance is correlated to the informality of their suppliers or customers. Thus, when there is a high tolerance for the informality of firms in one production stage, tax noncompliance in the downstream and upstream stages would increase . This result. Confirms the impact of value-added tax in spreading tax noncompliance (De Paula, A., & Scheinkman 2010).

Pomeranz shows that value-added tax noncompliance behavior cascades through the production and distribution chains (Pomeranz 2015). basically, all taxes face problems of noncompliance. some of these take a particularly striking form in the case of the value-added tax, with fraud potentially leading not merely to an inappropriate reduction in tax liability towards zero but outright cash payment to the fraudster (Smith, S., & Keen 2007). Based on research reports by Barbone, that one of the factors contributing to the decrease in value-added tax receipts is non-compliance (European Commission 2013).

As the tax collection system in Indonesia imposed a self-assessment system, whereby taxpayers had the freedom to calculate, reported and paid their taxes. The implementation of this system will run smoothly in line with taxpayer's awareness and compliance. However, this system had a weakness. There was a blemish on the taxpayer for tax evasion. Wahyuni concluded that there was a wide open gap in the self-assessment system that triggered the practice of tax evasion which proved by the large number of taxpayers who deliberately committed fraud and neglect their determined obligations, resulting in tax arrears which impacted in reduced tax revenues (Wahyuni 2011).

Decreasing the potential for tax revenue will cause low funds for national development, infrastructure, and community welfare. There have been many efforts made by the Directorate General of Taxes to explore the potential of tax revenue, especially value-added tax. One of the efforts undertaken by Directorate General of Taxes was the implementation of tax intensification. Intensification was carried out through efforts to increase tax revenues based on taxpayers who were registered in DGT administration data to overcome taxpayers who disobey their tax obligations to reduce the state's deficit of tax revenue. Tax intensification in each tax office based on the issuance of circular of the director general of taxation no. se - 06 / pj.9 / 2001 concerning the implementation of taxpayer extensification and tax intensification on income tax article 25, income tax article 21, and value-added tax.

Excavalue-added taxion of tax revenue potential carried out by the directorate general of taxes through the tax intensification was considered quite useful in the effort to extract tax revenues in the last few years. based on the results of siahaan'sresearch which stated the implementation of tax intensification was able to increase tax revenue (Siahaan 2013). silvia's study also supported the results of this study which revealed that the implementation of tax intensification programs could effectively increase tax revenues (Selvia and abriandi 2015).

Based on the director general of tax circular no.se - 06 / pj.9 / 2001, tax intensification activities consisted of determining the amount of value-added tax that must be paid in the

current year, establishing the amount of value-added tax owed for sales transactions, conducting audits, issuing notice of tax underpayment assessment of value-added tax, holding consultations about the calculation and payment of value-added tax. efforts made by dgt to reduce tax evasion and other frauds committed by taxpayers or taxable entrepreneurs in the tax intensification activities were examinations consisting of the implementation of the tax audit order and tax arrears billing results from issuing Notice of Tax Underpayment Assessment products. both of these activities were considered useful in efforts to increase tax revenue following the results of research conducted by panga that audit and notice of tax assessment were effective in increased tax revenue (Panga 2015). reported by worlu and nkoro, the examination provides a significant influence on value-added tax receipts.(worlu christian n & emeka Nkoro 2012)

The business sector in medan has rapidly progressed as seen from the emergence of various small and medium-sized businesses from multiple business sectors. based on the regulation of medan mayor no.40 of 2012 concerning the medan regional government work plan, for the 2013 budget year, stated that in 2007 to 2011, the economy of Medan was seen from gross regional domestic product reaching 93.611 trillion rupiahs. The main dominant business field contributions in economic growth are trade, hotels, and restaurants followed by the industrial sector. This situation was an excellent opportunity for the Directorate General of Taxes in value-added tax revenue on goods and services because of the high turnover of businesses, especially in the trade, hotels, and restaurant business in Medan (The Regulation of Mayor of Medan 2012).

However, value-added tax revenue for the provincial level of North Sumatra in 2007 which was supposed to rise due to rising economic growth but decreased to 664.7810 billion rupiah compared to 2006 reached 698.4100 billion rupiah, which was around 4.8%. The city of Medan was the city that has the most significant contribution in value-added tax revenue for the provincial level of north sumatra because medan is the centre of trade, industry, hospitality, and restaurants. so, the decline in value-added tax revenues in north sumatra province was influenced by a decrease in value-added tax revenue in medan. in addition to this condition, registered taxpayers were still dominated by large-scale business actors compared to medium and small-scale business people who met the requirements of being a taxpayer, whereas the most significant contribution to the economy in Medan was the business in the small and medium sectors.

Medan Polonia Tax Office was a tax office that had the most significant value-added tax revenue compared to other tax offices located in the working area of medan. the various efforts and activities carried out by medan polonia tax office, but the number of taxable enterprises who paid their value-added tax obligations was still under the amount of taxable enterprises that registered in medan polonia tax office. also value-added tax revenue in 2016 decreased by 24.27% from 2015. even though in the Medan Polonia Tax Office working area there were various business sectors dominated by the business sector with large and medium-sized businesses. Based on the above background, this research was conducted to determine the effectiveness of tax intensification through examination at the Medan Polonia Tax Office for the period 2013 – 2017.

## **2. Literature Review**

### **2.1 The Defenition of Value Added Tax**

Tax according to Article 1 of the Republic of Indonesia Law No. 28 of 2007 (In Official, 2014), is the compulsory contribution to the state which is owned by an individual or

corporate that is forced by law, with no direct reward and used for state purposes for maximum prosperity to the peoples (Laws of the Republic of Indonesia No. 28. 2007).

Whereas Value Added Tax according to the Indonesian Republic Law Number 42 of 2009, the value-added tax is a tax on the consumption of goods and services within the Customs Area that is subject to each stage of production and distribution line. Value-added tax is a tax that is assessed incrementally, based on the increase in the value of products or services in the circulation from producer to consumer (Laws of the Republic Indonesia No.42 2009).

Value Added Tax is a broad-based business tax imposed at each stage of production and distribution process typically designed to tax final household consumption. It is a type of indirect tax that is imposed on goods and services which plays an essential role in the economic development of a country by influencing the rate of revenue accruable and consumption (Jayakumar 2012).

## 2.2 Tax Intensification

According to the Director General of Tax Circular No.se - 06/pj.9/2001 stated that the tax intensification is an activity of optimizing tax revenue on tax objects and subjects that have been registered in the dgt administration, and from the results of the implementation of taxpayer extensification so that the tax intensification activity consisted of determining the amount of value-added tax that must be paid in the current year. the determination of the amount of value-added tax owed for sales transactions, especially for the taxable enterprise of retail merchants, and other economic centers; audit; issuednotice of tax underpayment assessment of value-added tax; hold consultations on the calculation and payment of value-added tax (Circular of the Director General of Taxes No. SE – 06/PJ.9/2001 2001).

Tax intensification activities that can reduce tax evasion and provide a deterrent effect to the Taxable Enterprises that misused the tax rights and obligations were examinations consisted of the realization of the tax audit order and the results of tax arrears collection from the issuance of Notice of Tax Underpayment Assessment products. The investigation is a series of activities to track, collect and process data or evidence carried out objectively and professionally based on an inspection standard to test compliance with tax obligations or for other purposes to implement the provisions of tax laws and regulations (Suandy 2011) .

The examination consisted of the realization of the tax audit order and collection of value-added tax tax arrears from the results of the investigation with the issuance of notice of Tax Underpayment Assessment products conducted by the inspection section.

## 2.3 Effectiveness

Effectiveness was a measure that illustrated how far the target could be achieved (Sedarmayanti 2009). Based on the definition of the experts, the method of calculating effectiveness formulated as follows:

$$Effectiveness = \frac{Realisation}{Target} \times 100 \quad (1)$$

## 2.4 Value Added Tax Revenue

According to Suryadi, the definition of Tax Revenues were all principal sources of state financing for routine expenditure and development (Suryadi 2006). Whereas according to the Law of the Republic of Indonesia No.4 of 2012 article 1 number 3 concerning the State

Budget in 2012, tax revenues are all State revenues consisting of domestic taxes and international trade taxes. The indicator of value-added tax revenue from tax intensification activities through inspection was the amount of value-added tax arrears collected by the audit section of the issuance of notice of tax underpayment assessment of value-added tax (Laws of the Republic of Indonesia No. 4. 2012) .

### 3. Methodology

The location of the study conducted at the Medan Polonia Tax Office with years of observalue-added taxation from 2013-2017. The object of the study was the implementation of value-added tax intensification as measured from the execution of audits consisting of realization of reviews and collection of value-added tax tax receivables arrears through the issuance of notice of Tax Underpayment Assessment. The research subject was the head of the examination section. Data type was primary data. Data collection techniques were field studies through observalue-added taxation to the location of the Medan Polonia Tax Office, especially in the examination section, interviews conducted directly to the head of the inspection and documentation section. The data analysis matrix used in this study was a qualitative description method by describing every activity during the research carried out by identifying problems and appropriate practices, making comparisons and evaluated actions taken by tax officers in the implementation of tax identification (Sugiyono 2013).

Then compared several indicators and results obtained from the implementation of tax intensification, namely: between the target and realization and explained the increase in value-added tax revenue at the medan polonia tax office. The model used to measure the effectiveness of the implementation of tax intensification was the effectiveness measurement as follows:

$$\text{Effectiveness} = \frac{\text{Realization}}{\text{Target}} \times 100\% \quad (2)$$

This effectiveness measurement model will be converted into each measurement indicator of the implementation of tax intensification based on the Circular of the Director General of Taxation No. SE - 06 / PJ.9 / 2001 which developed through strategic objectives and the Ministry of Finance - One Directorate General of Taxes' key performance indicators in 2014, as follows:

1. The effectiveness of the examination based on the tax audit order:

$$\text{Examination Effectiveness} = \frac{\text{Examination Realization}}{\text{Examination Proposal}} \times 100\% \quad (3)$$

2. The effectiveness of collection of tax receivable arrears from the results of the examination based on the issuance of the Notice of Tax Underpayment Assessment of value-added tax:

$$\text{VAT collection effectiveness} = \frac{\text{Total VAT Arrears from NTA issued}}{\text{The Value of Activities}} \times 100\% \quad (4)$$

While the percentage of assessments produced will be classified based on the assessment criteria following the provisions of the Ministry of Internal Affairs, the Ministry of Internal Affairs No.690.900.327, 1996 (Kurnia 2015), as follows:

Table 1. The Classification of the Effectiveness Criteria

Percentage	Criteria
>100%	Very effective
90%- 100%	Effective
80%-90%	Fairly Effective
60%-80%	Less Effective
<60%	Ineffective

Source : the Ministry of Internal Affairs, the Decree of the Ministry of Internal Affairs No. 690.900.327, year of 1996 (Kurnia 2015)

## 4. Results And Discussion

### 4.1 Results Of The Research

Medan Polonia Tax Office is one of the tax service offices in Medan City which located on Sukamulia No. 17A, Aur, Medan Maimun, Medan. Based on the Regulation of the Minister of Finance No. 210 / PMK.01 / 2017 On 29 December 2017 concerning the Organization and Work Procedure of the Vertical Institution of the Directorate General of Taxation, the Medan Municipality Tax Office has a working area or is called a government administrative area consisting of Medan Polonia, Maimun, Baru sub-districts. Selayang, Tuntungan, Johor. Medan Polonia Tax Office including the Tax Office which has the highest value-added tax revenue in medan.

The efforts made by the medan polonia tax office to increase tax revenues, especially value-added tax, were tax intensification activities. tax intensification is the activity of optimizing tax revenue against tax objects and subjects that have been registered in the DGT administration, and from the results of the implementation of taxpayer's extension. One of the tax intensification activities was following the Circular of the Director General of Taxes No. SE - 06 / PJ.9 / 2001 which can reduce tax evasion and other frauds committed by taxpayers or taxable enterprises in an effort to increase tax revenue was an examination divided into two parts, namely the realization of the tax audit order and collection of tax receivable arrears from the results of the inspection by issuing notice of tax underpayment assessment which will be presented as follows:

#### a. *The realization of the Tax Audit Order*

The tax audit order was issued based on the account representative proposal which based on indications of disobedience of the Taxable Enterprises such as non-conformity of data from e-invoices and the e-tax return of value-added tax, te did not report and deposited tax. The examinations were carried out to improve TE compliance. The realization data of the survey at the Medan Polonia Tax Office in 2013 - 2017 were as follows:

**Table 2.** The Data of The Realisation of The Examination in Medan Polonia Tax Office in the Year of 2013 - 2017

Year	Examination Proposal or TAO	Examination Realisation	The Difference in Examination Realization
2013	266	229	-37
2014	214	216	2
2015	178	194	16
2016	289	311	22
2017	625	645	20

Source: Medan Polonia Tax Office 2013 - 2017

Based on the data in the table above, in 2013 the amount of inspection realization was still below the audit target, namely the audit proposal through the issuance of the tax audit order, which amounted to 37 taxable enterprises which still needed further examination. Whereas in 2014 - 2017, the total realization of the audit exceeded the number of proposed inspections because of the investigation in 2013 and the previous years which examined in the current year would be recorded in the current year.

*b. The collection of value-added tax receivable arrears from audit results with the issuance of notice of Tax Underpayment Assessment.*

Through the examination results, the Taxable Enterprises that had the underpayment of value-added tax will be issued a notice of tax underpayment assessment of value-added tax to collect the arrears on value-added tax tax receivables. herewith the following data on the revenue of value-added tax tax arrears at the Medan Polonia Tax Office in 2013 – 2017:

**Table 3.** The Data on the revenue of Value-Added Tax arrears from audit results with the issuance of notice of tax underpayment assessment medan Polonia Tax Office in 2013 – 2017

Year	The Value of Notice Of Tax Underpayment Assessment Of Value-Added Tax	Total Value-added tax revenue from Notice Of Tax Underpayment Assessment Value-Added Tax Value	The Amount of Value-Added Tax Arrears
2013	30.608.470.026	4.470.144.107	26.138.325.919
2014	69.596.124.545	37.139.887.290	32.456.237.255
2015	24.602.348.258	15.566.879.305	9.035.468.953
2016	3.766.996.460	970.423.851	2.796.572.609
2017	10.009.426.484	1.820.376.094	8.189.050.390

Source: Medan Polonia Tax Office 2013 - 2017

Based on the table above, it stated that the amount of value-added tax revenue from Notice of Tax Underpayment Assessment issuance was still far below the amount of value-added tax receivables arrears. the most significant value-added tax arrears were in 2014 which experienced an increase in value-added tax arrears of 24.17% from 2013.

## 4.2 Discussion

### 4.2.1 The effectiveness of the investigation

The examinations were conducted to investigate the truth between the data from the reports of the Taxable Enterprises and the actual Taxable Enterprises data. The primary objective of the investigation of the Taxable Enterprises was to increase taxpayer compliance. The inspection activities will provide a deterrent effect to the Taxable Enterprises that misuse the tax rights and obligations. The examination was essential to be done so that the Tax Office has concrete and valid data about the business conditions and finances of the Taxable Enterprises. Inspection activities divided into three, namely routine, specialized and other examinations. The examination was carried out based on the examination proposals derived from the findings of the Account Representative and the head of the office. When Account Representative found indications of non-compliance with the Taxable Enterprises concerning reporting and payment, a discrepancy between the tax invoice and the value-added tax return

period, the ar will submit a proposal to the examination section. The following was the percentage of effectiveness of inspection activities at the Medan Polonia Tax Office:

**Table 4.** The effectiveness of the examination in Medan Polonia Tax Office Period 2015 – 2017

Year	Examination Proposal	Examination Realisation	% Effectiveness	Category
2013	266	229	86,09%	Fairly Effective
2014	214	216	100,93%	Very Effective
2015	178	194	108,99%	Very Effective
2016	289	311	107,61%	Very Effective
2017	625	645	103,20%	Very Effective

Source: Medan Polonia Tax Office 2013 - 2017

Based on the data in the table above, in 2013 the percentage of effectiveness of intensification through examination at the Medan Polonia Tax Office reached between 80% - 90% included in the category of quite healthy, but there were still 37 Taxable Enterprises that have not been examined. In 2014 - 2017 the percentage of tax intensification effectiveness through examination at the Medan Polonia Tax Office increased to reach more than 100% so that it categorized as very effective. The realization of the investigation at the Medan Polonia Tax Office from 2014 - 2017 was higher than the audit target (audit proposal) since there were still several Taxable Enterprises who still needed regular checks every year. Besides, several Taxable Enterprises required a considerable amount of time to be examined so that the inspection data last year entered the examination realization data in the current year. Regarding the number of Taxable Enterprises examined by the number of proposed examinations, the inspection process classified as very effective, but concerning time, the implementation of the investigation was still relatively ineffective because it took a long time. It happened because of some reasons. Firstly, many Taxable Enterprises were not willing to be examined and openly refused to be considered. Secondly, from the results of the examination, there were double documents that required a long time to trace the real records and the truth of the transaction data. Thirdly, The Taxable Enterprises were challenging to meet. The next reason, Taxable Enterprises was not the actual business owner, and the last was the ability and understanding of officers in conducting Taxable Enterprises real data tracking and approach, as well as the validity of Taxable Enterprises data.

#### **4.2.2 The effectiveness level of collection of tax receivable arrears from the results of the examination based on the issuance of the Notice of Tax Underpayment Assessment of Value-Added Tax**

Notice of tax underpayment assessment of value-added tax was one of the media to collect tax arrears, especially value-added tax arrears from the results of the examination. The underpayment of value-added tax arises from the difference between input value-added tax and output value-added tax, where the value-added tax output was higher than the input value-added tax. Analyses carried out when taxable enterprises did not report and pay taxes. Taxable enterprises said that its business conditions suffered losses and reported zero or value-added tax overpayment. Whereas according to the results of real field observalue-added taxions that the taxable enterprises were concerned worthy of paying taxes. Besides, the taxable enterprises which based on the results of the inspection found that the amount of value-added



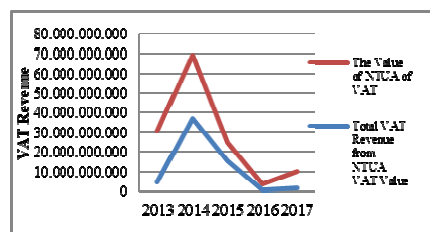
tax overpayment that contained in the tax return was not following the tax invoice, supporting documents and findings in the field. When the results of the examination stated that taxable enterprises had value-added tax underpayments rather than overpayment of value-added tax or zero value-added tax or loss, notice of tax underpayment assessment value-added tax will be issued to taxable enterprises to collect tax arrears due to misuse of tax rights and obligations. The following was the percentage of the effectiveness of collecting tax arrears from the results of the examination based on the issuance of notice of tax underpayment assessment ppn (notice of tax underpayment assessment of value-added tax):

**Table 5.** The effectiveness of collecting tax arrears from the results of the examination based on the issuance of Notice Of Tax Underpayment Assessment Of Value-Added Tax

Year	The value of notice of tax underpayment assessment of value-added tax	Total value-added tax revenue from notice of tax underpayment assessment value-added tax value	% Effectiveness	Category
2013	30.608.470.026	4.470.144.107	14,60%	Ineffective
2014	69.596.124.545	37.139.887.290	53,36%	Ineffective
2015	24.602.348.258	15.566.879.305	63,27%	Lesseffective
2016	3.766.996.460	970.423.851	25,76%	Ineffective
2017	10.009.426.484	1.820.376.094	18,19%	Ineffective

Source: Medan Polonia Tax Office 2013– 2017

Based on table 5, a comparison between the revenue target of value-added tax arrears from the value of notice of tax underpayment assessment value-added tax and the realization of value-added tax revenue in the medan Tax Office can be described in graph 4.1 as follows:



**Fig.1.** Graph of Revenue of Tax Receivable Arrears from Inspection Results Based On Notice Of Tax Underpayment Assessment Value-Added Tax Issuance

Based on the table and graph above, in 2013 the collection of tax arrears from the results of the examination by issuing notice of tax underpayment assessment at the medan polonia tax office was still ineffective because the amount of value-added tax collected were only 14.60% of the total tax arrears listed from notice of tax underpayment assessment of value-added tax was published. In 2014 the percentage of value-added tax revenues from notice of tax underpayment assessment issuance increased by 38.76% from the collection in 2013. The remembrance of value-added tax revenue from value-added tax arrears collection also occurred in 2015, reaching 9.91% from 2014 in the less effective category despite an increase in revenue value-added tax arrears were not as high as in 2014. But in 2016 the revenue from value-added tax arrears decreased by 37.51% from 2015 with the category of ineffective and the amount of tax arrears that unsuccessfully billed reached 74.24%. The receipt of value-

added tax arrears dropped again in 2017 by 7.57% from 2016 with the category of ineffective, so that tax arrears that unsuccessfully collected amounted to 81.81%. The revenue of value-added tax arrears was still below the revenue target stated in the notice of tax underpayment assessment value-added tax value. Also, value-added tax revenue from inspection results through notice of tax underpayment assessment continued to decline from 2016 - 2017. It showed that there was still an ineffective effort made by the tax officers to increase value-added tax revenue from the tax intensification side through the results of examinations by issuing notice of tax underpayment assessment. Besides, there was still a lack of compliance and awareness of the taxable enterprises to fulfil tax obligations, especially value-added tax.

#### **4.2.3 Barriers to Tax Intensification in the Medan Polonia Tax Office**

There were several obstacles experienced by the medan polonia tax office tax officers while carrying out tax intensification duties, especially examinations to increase value-added tax revenue. The following were various obstacles experienced by the strategy tax officers in the process of implementing tax intensification including:

1. The non-compliance and lack of awareness of the taxable enterprises to carry out tax obligations reflected in the attitude of the taxable enterprises that did not support the implementation of tax intensification. Based on the results of the interview, several taxable enterprises were challenging to meet, and some who were openly refused to be attended by the officers during the visit did not provide documents requested by the officers for inspection purposes to tax intensification. Many of the taxable enterprises have not fulfilled the tax arrears seen from the number of notice of tax underpayment assessment of value-added tax issued by the tax officials. From the results of the interview, the tax officer stated that the taxable enterprises had second proof which made it difficult for officers to carry out the inspection process to determine the receivables and tax arrears especially value-added tax. Also, there were the taxable enterprises who were not the real business owner.
2. Data limitations in the dgt system at the medan polonia tax office for the tax intensification. Sometimes the address of the taxable enterprises and the prospective taxable enterprises was not following the dgt data system. In other words, the dgt data system was not up to date. So the officers had difficulties in visiting the location of the taxable enterprises and the prospective taxable enterprises. Besides, the taxable enterprises and the potential taxable enterprises did not notify the tax office of moving their business units. The tax officer once found the taxable enterprises reporting value-added tax not the actual owner of the business unit but listed in the report as the owner.
3. Limitations possessed by tax officers in carrying out tax intensification, especially inspection activities. Based on the interview results, sometimes tax officers forgot to bring the identity of the tax officer or the assignment letter at the time of the examination so that the taxable enterprises did not give the opportunity to the officers to carry out inspection activities. Several tax officers had difficulties in examining because there was still a lack of experience and knowledge of officers to conduct the inspection process. Because of the high rate of taxation among tax officials, so there was a need for adjustments. The tax officer appointed to lead the examination unable to approach the taxable enterprises. Sometimes the officers did not check the address or ownership status of the business unit provided by the taxable enterprises and the prospective taxable enterprises so that officers were difficult to make visits and examinations.

#### **4.2.4 Some efforts to overcome the obstacles of the Implementation of Tax Intensification in Medan Polonia Tax Office**

To overcome the obstacles of the implementation of tax intensification as explained above, the tax officers from the Medan Polonia Tax Office carried out several policies and actions such as follows:

1. Conducting a friendly approach personally to develop te's and prospective te's willingness to fulfil its obligations.
2. Building the awareness of te and prospective te through tax advertising, news, and social media.
3. Check the data in the dgt data system periodically to determine the accuracy and validity of the data, making it easier for officers to conduct visits and examinations.
4. Issue and apply the rules relating to the acceleration of the audit period, namely the director general of taxes circular number se-06 / pj / 2016 concerning the inspection policy and the appointment of a new functional tax inspector.
5. Issue the legal procedures that attract the attention of te and prospective te to fulfill their tax obligations such as tax amnesty or other policies.
6. Enforce the tax law to improve te compliance so that they paid value-added tax following the tax provisions especially for te and prospective te who misuse their tax rights and te who did not cooperate with the tax officials so that it does not take much time in the visit process, security and inspection.

#### **5. Conclusion**

Based on the results of the study, it concluded that in 2013 the medan polonia tax office had a percentage of tax intensification effectiveness through examination. Especially in the realization of the tax audit order which was categorized as fairly effective and experienced an increase in 2014 - 2017 with a percentage of more than 100% so that it was categorized very effective. However, regarding time, the implementation of the examination was still classified as ineffective because it took quite a long time due to there were several tes that still need regular inspections every year and required a long time to examine. So the examination data last year, entered into the realization data in the current year. While the tax intensification activity through the examination results of notice of tax underpayment assessment issuance to collect value-added tax arrears was still below the target (notice of tax underpayment assessment value-added tax value) with the category of ineffective for 2013-2014 and 2016 - 2017. While in 2015 value-added tax arrears collection was fairly effective. The number of value-added tax revenues from tax arrears collection decreased from 2016 - 2017 due to the ineffectiveness of the efforts made by tax officers in increasing value-added tax revenues from the side of tax intensification through audit results by issuing notice of tax underpayment assessment. It also caused by a lack of compliance and awareness of the tax enterprises to fulfil tax obligations, especially value-added tax.

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