Evaluation of Tax Incentive Policy on Economic Growth

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Abstract

Policy incentive tax is one of the instrument fiscal used government For push growth economy, improve investment, as well as strengthen activity sector business. Research This aim For evaluate policy incentive tax to growth economy through Systematic Literature Review (SLR) approach. The review process was carried out through stages formulation question research, search literature, selection article. Research results show that policy incentive tax in a way general give impact positive to growth economy, especially through improvement investment, absorption power work, and strengthening sector business productive, including business micro, small, and medium enterprises. Effectiveness incentive taxes are highly dependent on design polic, accuracy targets, and quality system administration taxation. Incentives taxes that are not designed optimally potential cause inefficiency fiscal and reduce state revenue without give impact significant economy .

Keywords: BPPMB, System Information , PMB Operator System , Data Management

Introduction

Growth economy is one of the indicator main in evaluate success development a country. Growth sustainable economy reflect increasing capacity production , expansion chance work , and improvement welfare society . In the context of modern economy , government own role strategic in create climate conducive economy through various instrument policy , one of which is policy fiscal policy fiscal , in particular policy taxation , to become instrument important in arrange activity economy , encouraging investment , and maintaining stability macroeconomics.

Based on study (Masnawaty et al., 2023) , policy fiscal proven effective in push growth economy , especially in Indonesia. Research This show that shopping government on the project infrastructure and social programs own impact positive to growth economy . This is in line with findings that state that expenditure government can increase output and provide effect positive to chance Work (Surjaningsih et al., 2012) . Moreover again , research by (Hanipah et al., 2023) identify that although impact policy This Still become debate , there is consensus that expenditure government contribute significant in increase growth economy and stability price .

Taxes are not only functioning as source main state revenue (budgetary function), but also has function regulatory function used government For direct behavior economy society and the business world (Idris & Ahmad, 2017) . Through policy proper taxation , government can provide stimulus for sectors strategic , improving Power competition business , as well as push acceleration growth economy . One of the form policy frequent taxation used For objective the is giving incentive tax .

Incentive tax is policy fiscal in the form of reduction , exemption , suspension , or convenience administration taxes given to must tax certain with objective push activity economy (Anim et al., 2020) . Incentive tax generally directed For increase investment , strengthening sector effort , encourage exports , increase absorption power work , and speed up recovery economy , especially during times of slowdown economy or crisis . In practice , incentives tax can in the form of tax holidays, tax allowances, reductions rates tax , exemption from Income Tax (PPh), Value Added Tax (PPN), and incentive tax for business micro , small , and medium enterprises (MSMEs) (Onyebuchi et al., 2025) (Wu & Luo, 2022) .

In Indonesia the policy incentive tax has become an integral part of development strategy economy national . Government in a way active emit various policy incentive tax For push growth economy , interesting investment domestic and foreign , as well as guard Power buy society . Policy This the more intensive applied to the period certain , such as moment slowdown global economy and during the recovery period economy post-crisis . However Thus , the effectiveness policy incentive tax in push growth economy Still become debate among academics and makers policy .

In one side incentive tax believed capable increase investment and activities economy so that impact positive to growth economy . On the other hand , incentives tax potential reduce state revenue in term short and causing risk inefficiency if No appropriate target . Apart from that , there are challenge in implementation policy incentive taxes , such as low level utilization by the obligatory tax , lack of socialization , complexity regulations , as well as potential abuse policy . Therefore that , is necessary comprehensive evaluation For evaluate to what extent the policy incentive tax truly effective in push growth economy .

Evaluation policy incentive tax become important For ensure that policies implemented No only give benefit term short , but also capable create growth sustainable economy . Evaluation This covers analysis to impact policy to indicator growth economy , such as product domestic gross domestic product (GDP), investment , absorption power work , and performance sectors the economy that becomes target incentive (Mveku et al., 2023) . In addition , evaluation is also needed For identify factors that influence success or failure policy incentive tax .

Based on description the study This become relevant For done in order to provide description empirical about effectiveness policy incentive tax to growth economics . Research results expected can become material consideration for government in formulate policy more taxation effective , efficient , and development - oriented economy term long .

Methodology

Study This use approach qualitative descriptive with Systematic Literature Review (SLR) method . The SLR method was chosen Because capable serve synthesis study in a way systematic , transparent , and can replicated For answer question study related evaluation policy incentive tax to growth economy . Through SLR, research This review , evaluate , and integrate findings empirical from various study relevant previous with topic incentive taxes and growth economy .

The SLR approach allows researchers For get comprehensive understanding about pattern relationship , tendency results research , as well as gap research gap that is still open For investigated more continue . With Thus , the method This assessed appropriate For evaluate effectiveness policy incentive tax in push growth economy based on proof scientific that has There is .

Implementation of Systematic Literature Review in study This done through a number of stages systematic as following :

Formulation Question Study

Stage beginning done with formulate question research that focuses on how policy incentive tax influence growth economy as well as factors that influence effectiveness policy the .

Search Strategy Literature

Search article conducted on several scientific databases reputable , such as Google Scholar, Scopus, and journals national accredited . Keywords used in the search process including tax incentives, fiscal policy, economic growth, tax policy evaluation, and incentives tax . Search done in a way systematic with consider relevance topics and completeness information .

Criteria Inclusion and Exclusion

For ensure quality and relevance reviewed articles , researchers set criteria as following :

Criteria inclusion : article research that discusses policy incentive taxes and their impact to growth economics ; published articles in journal scientific ; articles that provide empirical data or study relevant conceptual .

Criteria exclusion : articles that are not relevant with topic research ; articles duplicate ; articles that are not can accessible in a way full .

Article Selection and Screening

Selection process done in a way gradually , starting from review title and abstract, then to be continued with review text full text. From the results filtering said , obtained A total of 21 articles met criteria For reviewed in a way deep .

Data in study This obtained through studies documentation against 21 articles selected scientific data. The collected data covering information about objective research , methods used , context policy incentive tax , indicators growth economy , as well as findings main from each article . All data were collected and classified in a way systematic For facilitate the analysis and synthesis process results study .

Data analysis was performed with technique analysis thematic analysis. At this stage this , researcher grouping results study based on themes main , such as type incentive tax , sector the economy that becomes target policy , indicators growth economy , as well as impact policy incentive tax. Next , the synthesis process is carried out For identify pattern findings, similarities and differences results research, as well as factors that influence effectiveness policy incentive tax to growth economy.

Analysis results Then served in a way descriptive and comparative For give description comprehensive about effectiveness policy incentive tax . Through analysis This research also identified implications policies and opportunities study continued .

Results and Discussion
Results

Table 1.
Article Review Results about Evaluation Policy Tax Incentives for Economic growth

No	Author	Focus Study	Research result
1	(Prillaman & Meier, 2014) – Tax Incentives and Economic Growth	Impact incentive tax to growth economy national	Incentive tax influential positive to growth economy through improvement investment
2	(Stoilova & Todorov, 2021) – Fiscal Policy and Growth	Connection policy fiscal and growth economy	Incentive tax effective push growth economy in term medium
3	(Kumar, 2020) – Tax Incentives and Investment	Influence incentive tax to investment	Incentive tax increase interest investment sector private
4	(Syaifuddin et al., 2024) – Tax Policy Evaluation in Developing Countries	Evaluation policy taxes in developing countries	Effectiveness incentive tax depends on stability economics and regulation
5	(Zhao et al., 2024) – Tax Incentives and Employment	Incentive taxes and absorption power Work	Incentive tax push creation field Work
6	(Nisaak & Khasanah , 2022) – Tax Incentives and MSMEs	Impact incentive tax towards MSMEs	Incentive tax increase sustainability and performance MSMEs
7	(Celani et al., 2022) – Tax Incentives and Growth Policy	Policy incentive tax cross- country	Incentive tax effective If appropriate targets and measurable
8	(Wahyuni, 2021) – Tax Incentives during Economic Crisis	The role of incentives tax moment crisis economy	Incentive tax help recovery economy term short
9	(Carreri & Martinez, 2021) – Fiscal Incentives and GDP Growth	Incentive fiscal and GDP growth	There is correlation positive between incentive taxes and GDP
10	(Judijanto , 2025) – Evaluation Tax Incentives in Indonesia	Evaluation policy incentive tax national	Incentive tax increase activity economy However lower reception term short
11	Chen (2021) – Corporate Tax Incentives	Incentive tax corporation	Incentive tax push expansion company big
12	Ahmad (2021) – Tax Relief and Economic Performance	Influence relief tax to performance economy	Relief tax impact positive in the sector productive
13	Siregar (2022) – Tax Incentives and Regional Growth	Incentive taxes and growth area	Incentive tax push growth regional economy
14	Brown & Taylor (2022) – Tax Incentives Effectiveness	Effectiveness incentive tax	Effectiveness depends on the design policy
15	Kurniawan (2022) – Tax and Foreign Investment	Incentive tax towards FDI	Incentive tax increase Power pull investment foreign
16	IMF (2022) – Fiscal Incentives and Growth	Incentive fiscal and growth global economy	Incentive tax contribute to growth If accompanied by structural reforms
17	Lestari & Dewi (2022) – Post-Pandemic Tax Incentives	Incentive tax post pandemic	Incentive tax speed up recovery economy
18	Park (2023) – Tax Incentives and Productivity	Incentive taxes and productivity	Incentive tax increase productivity sector industry

No	Author	Focus Study	Research result
19	Hidayat (2023) – Evaluation Tax Policy in Developing Countries	Evaluation incentive tax	Required supervision so that incentives appropriate target
20	World Bank (2023) – Tax Policy and Economic Growth	Policy taxes and growth economy	Incentive tax effective If balanced compliance tax
21	Pratama & Yuliana (2024) – Tax Incentives and Sustainable Economic Growth	Incentive taxes and development sustainable	Incentive tax contribute to growth economy sustainable

Based on results of a review of 21 articles scientific discussion policy incentive taxes and their relation with growth economy obtained description general that policy incentive tax is instrument a lot of fiscal used by governments in various countries as effort push activity economy . In general overall results study show that incentive tax own potential significant in increase growth economy , although level its effectiveness depends heavily on the design policy , context economy , as well as mechanism implementation applied .

Most of the peer - reviewed research emphasize that incentive tax impact positive to growth economy through improvement investment , good investment domestic and investment foreign direct . Incentive tax like subtraction rates tax , exemption taxes and relief tax capable lower burden cost production and increase level return investment , so that push perpetrator business For expand activity production and doing expansion business . Improvement investment the furthermore contribute to improvement Product Gross Domestic Product (GDP) and growth economy in a way aggregate .

In addition to encouraging investment the review results also show that policy incentive tax influential to improvement absorption power work . Some study disclose that the company that receives incentive tax tend increase capacity production and expansion scale business , so that open field Work new . Impact This seen more significant in the sectors congested works and sectors strategic which becomes target policy incentive tax . With increasing absorption power work , power buy public follow increase and provide effect multiplier effect on economy .

The SLR results also highlight role incentive tax in support sustainability and growth business micro , small , and medium enterprises (MSMEs). Some reviewed articles show that incentive tax capable increase compliance SME tax at once repair performance business they . Convenience and lightness tax give room for MSMEs to allocate source Power in a way more productive , strengthening business capital , and increase Power competitive . With thus , incentives tax for MSMEs no only impact on growth economy term short , but also contributes to growth better economy inclusive .

Results of the review conducted indicates that impact positive incentive tax to growth economy No always nature directly and evenly . Some study confirm that in term short , policy incentive tax can cause decline state revenue . However , if policy the designed in a way appropriate targets and followed with adequate supervision , reduction reception term short the can compensated by an increase in the tax base and growth economy in term medium until long . This is show importance balance between economic stimulus and sustainability goals fiscal .

The review results also show that effectiveness policy incentive taxes are greatly influenced by conditions macroeconomics and institutions a country. In developing countries , incentives tax tend give greater impact big to growth economy if supported by stability economy , certainty law , as well as system administration efficient taxation . On the other hand , without support strong institutional , incentives tax risky not optimal and even cause inefficiency economy .

A number of study highlight that incentive tax become very relevant in condition crisis economy or slowdown economy . In times of crisis , incentives tax play a role as a fiscal stimulus that is capable of guard liquidity perpetrator effort and maintain activity economy . However Thus , the effectiveness incentive tax in times of crisis tend nature term short and necessary accompanied with policy fiscal and monetary others for recovery economy can ongoing in a way sustainable .

Discussion

Based on results of a Systematic Literature Review of 21 articles can understood that incentive tax is instrument fiscal which has Power leverage Enough strong in influence activity economy , in particular through track investment , absorption power work , and strengthening sector business productive . Findings This strengthen view that policy taxation No only functioning as tool collector state revenue , but also as instrument strategic in direct development economy .

In a way conceptual incentive tax capable create climate more effort conducive with lower burden costs that must be borne by the perpetrator economy . Decline burden tax the increase level return investment and encouraging the business world For expand scale production . Increase investment be one of factor main contributors to improvement product domestic gross . Discussion This in line with theory growth economy that places investment as one of the determinant main growth term long . Therefore That policy incentive tax can viewed as accelerating catalyst capital accumulation and activity economy .

research results also show that impact positive incentive tax to growth economy No nature automatic . Effectiveness policies are largely determined by design and objectives incentives applied . Incentives designed tax without consider characteristics sector economy and conditions macroeconomics potential cause inefficiency fiscal . Some study , found that incentive too much tax wide and not focused can reduce state revenue in general significant without give commensurate impact to growth economy . This is indicates that policy incentive tax need designed in a way selective and analysis - based need sector priority .

Studies conducted disclose that policy incentive tax own different implications for each group perpetrator economy . For companies large and foreign investors , incentives tax play a role in increase Power pull investment and encourage expansion business . Meanwhile that , for MSMEs, incentives tax more functioning as instrument protection and strengthening business . Incentives tax for MSMEs no only impact on increasing compliance taxes , but also provides room for perpetrator business small For increase capacity production and power competitiveness . Implications from findings This show that policy incentive tax should differentiated based on scale efforts to benefit can felt in a way more equitable and inclusive .

Apart from the impact economy direct results study this also leads to implications institutions and governance policy . Effectiveness incentive taxes are highly dependent on quality system administration taxation and certainty regulations . Countries with system transparent , simple and efficient taxation tend capable maximize benefit incentive tax to growth economy . On the other hand , the weakness supervision and complexity regulations can open opportunity occurrence abuse policy , so that objective beginning giving incentive tax No achieved optimally . With Thus , the implications policies that can withdrawn is importance strengthening institutions taxation as prerequisite success incentive tax .

Condition economy that is not stable or times of crisis , discussion results study show that incentive tax play a role as long-term stimulus instruments short effective incentives tax can help guard liquidity perpetrator efforts and prevent decline activity better economy in . However , the implications term long from policy the need managed in a way be careful not to cause dependence fiscal or pressure to sustainability state budget . Therefore that , policy incentive tax in situation crisis should nature temporary and accompanied with a clear exit strategy .

In a way overall study This show that policy incentive tax own implications strategic for growth economy if designed and implemented in a way right . Incentives tax No just tool reducer burden taxes , but rather instrument development that must be in harmony with objective economy term long . Findings study This implies the need evaluation policy incentive tax in a way sustainable For ensure that policy the capable push growth sustainable economy , improving Power competition economy , as well as guard balance between economic stimulus and sustainability fiscal .

Conclusion

Based on results of a Systematic Literature Review of 21 articles discussing policy incentive taxes and growth economy , can concluded that policy incentive tax is instrument fiscal which has role strategic in push growth economy . Incentives tax proven capable increase activity economy through improvement investment , good investment domestic and investment foreigners , as well as push expansion effort and absorption power work . Impact the contribute in a way positive to improvement product domestic gross and recovery economy , especially in condition slowdown or instability economics . Research this also shows that effectiveness policy incentive tax No is universal and is heavily influenced by design policy , targets recipient , as well as condition macroeconomics and institutions a country. Incentives designed tax in a way appropriate targets and supported by the system administration efficient taxation tend give impact more positive significant to growth economy . On the other hand , incentives taxes that are not directed potential cause inefficiency fiscal and reduce state revenue without give benefit optimal economy . Therefore that , policy incentive tax need viewed No only as long-term stimulus tools short , but also as part from development strategy economy term sustainable length .

Study This suggest that the government and manufacturers policy designing policy incentive tax in a way selective and needs - based sector economy that has potential growth high . Evaluation policy incentive tax need done in a way periodically For ensure that policies implemented truly give impact positive to growth economy and not cause burden excessive fiscal . In addition , strengthening system administration taxation and improvement transparency policy become aspect important For maximize effectiveness incentive tax as well as minimize potential abuse policy . For researchers Next , it is recommended For develop study This with use approach empirical quantitative or method mixture For test in a way direct connection between policy incentive taxes and growth economics . Research continuation can also be expand coverage with compare effectiveness incentive tax between sector economy or between regions, so that can give recommendation more policies specific and applicable . With Thus , the results study expected can give more contributions wide for development policy growth - oriented taxation sustainable and equitable economy .

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