


**ESTIMATING INTELLECTUAL CAPITAL VALUE ADEQUACY - A CASE STUDY IN
DIRECTORATE GENERAL OF TAXES (DGT) INDONESIA**

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 15 May 2023</p> <p>Accepted 11 August 2023</p>	<p>Purpose: The article describes about concepting of intellectual capital value adequacy for sustainable tax reform. Concern with capability problem has fluctuated tax revenue dramatically over last decade. Sustainable tax revenue is an inherent of intellectual capital.</p>
<p>Keywords:</p> <p>Directorate General of Taxes; Intellectual Capital; Value-Added Intellectual Coefficient; Economic Analysis of Law; Chicanery Kleptocratic; Organizational Capabilities.</p>	<p>Theoretical framework: Theoretical case for a positive relation between VAICTM disclosure, tax reform and net worth method rest on the assumption that the responsibility devolved upon apparatus.</p> <p>Design/Methodology/Approach: Descriptive Quantitative Method. Primary data through interviews with several elite informants and auditors. Secondary data from Annual Report, Performance Report and Financial Report during 2017 – 2021, to calculate the value creation efficiency of DGT’s tangible and intangible assets.</p> <p>Findings: This research finds out the variables to estimate the intellectual capital value and adequate implementation of an institution. Furthermore, to build an adequate intellectual capital concept for the public sector, researcher offer the concept of intellectual capital as its components elaborating the VAICTM and the Net Worth Method.</p>
	<p>Research, practical & social implications: It is recommended by using VAICTM and Net Worth Method can be used to estimate value added intellectual capital coefficient and adequate at DGT.</p> <p>Originality/Value: Elaboration of Value-Added Intellectual Capital Coefficient and Net Worth Method can be used as a new concept in DGT.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i8.3347</p>

**ESTIMATIVA DA ADEQUAÇÃO DO VALOR DO CAPITAL INTELECTUAL - UM ESTUDO DE
CASO NA DIREÇÃO-GERAL DE IMPOSTOS (DGT) INDONÉSIA**

RESUMO

Objetivo: O artigo descreve sobre a concepção da adequação do valor do capital intelectual para uma reforma fiscal sustentável. A preocupação com o problema de capacidade tem flutuado drasticamente na receita fiscal na última década. Receitas fiscais sustentáveis são inerentes ao capital intelectual.

Estrutura teórica: O caso teórico de uma relação positiva entre a divulgação da VAICTM, a reforma fiscal e o método do patrimônio líquido assenta no pressuposto de que a responsabilidade recaiu sobre o aparelho.

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Projeto/Metodologia/Abordagem: Método Quantitativo Descritivo. Dados primários por meio de entrevistas com vários informantes e auditores de elite. Dados secundários do Relatório Anual, do Relatório de Desempenho e do Relatório Financeiro durante 2017-2021, para calcular a eficiência da criação de valor dos ativos tangíveis e intangíveis da DGT.

Resultados: Esta pesquisa encontra as variáveis para estimar o valor do capital intelectual e a implementação adequada de uma instituição. Além disso, para construir um conceito de capital intelectual adequado para o setor público, os pesquisadores oferecem o conceito de capital intelectual como seus componentes que elaboram a VAICTM e o Método do Patrimônio Líquido.

Pesquisa, implicações práticas e sociais: É recomendado usando VAICTM e Método de Patrimônio Líquido pode ser usado para estimar o coeficiente de capital intelectual de valor agregado e adequado na DGT.

Originalidade/Valor: Elaboração do Coeficiente de Capital Intelectual de Valor Agregado e Método do Patrimônio Líquido pode ser usado como um novo conceito em DGT.

Palavras-chave: Direção Geral de Impostos, Capital Intelectual, Coeficiente Intelectual de Valor Agregado, Análise Econômica do Direito, Chicanery Kleptocratic, Capacidades Organizacionais.

ESTIMACIÓN DE LA ADECUACIÓN DEL VALOR DEL CAPITAL INTELECTUAL - UN ESTUDIO DE CASO EN LA DIRECCIÓN GENERAL DE IMPUESTOS (DGT) INDONESIA

RESUMEN

Propósito: El artículo describe la concepción de la adecuación del valor del capital intelectual para una reforma tributaria sostenible. La preocupación por el problema de la capacidad ha fluctuado drásticamente los ingresos tributarios en la última década. El ingreso tributario sustentable es inherente al capital intelectual.

Marco teórico: El caso teórico de una relación positiva entre la divulgación del VAICTM, la reforma tributaria y el método del patrimonio neto descansa en el supuesto de que la responsabilidad recayó sobre el aparato.

Diseño/Metodología/Enfoque: Método Descriptivo Cuantitativo. Datos primarios a través de entrevistas con varios informantes de élite y auditores. Datos secundarios del Informe Anual, Informe de Resultados e Informe Financiero durante 2017-2021, para calcular la eficiencia de creación de valor de los activos tangibles e intangibles de la DGT.

Hallazgos: Esta investigación busca conocer las variables para estimar el valor del capital intelectual y la adecuada implementación de una institución. Además, para construir un concepto adecuado de capital intelectual para el sector público, los investigadores ofrecen el concepto de capital intelectual como sus componentes, elaborando el VAICTM y el Método del Patrimonio Neto.

Investigación, implicaciones prácticas y sociales: Se recomienda mediante el uso de VAICTM y el Método del Patrimonio Neto se puede utilizar para estimar el valor agregado del coeficiente de capital intelectual y adecuado en la DGT.

Originalidad/Valor: Elaboración del Coeficiente de Capital Intelectual de Valor Añadido y Método del Patrimonio Neto puede ser utilizado como un nuevo concepto en DGT.

Palabras clave: Dirección General de Impuestos, Capital Intelectual, Coeficiente Intelectual de Valor Agregado, Análisis Económico del Derecho, Cleptocracia de la Chicanería, Capacidades Organizacionales.

INTRODUCTION

Historically, public sector activities were conducted mainly in the context of bureaucratic models of modern public administration. Modern administration based tax offices prosecute apparatus management that is different than the current existing tax offices. The different include recruitment system, performance measurement, compensation improvement, and apparatus ‘code of conduct practice’. As stated by **Radovic (2018) in Ullum 2022** that Intellectual Capital (IC) is one of the most important factors of economic growth and development, especially in a global environment where the success of organizations in

international markets can only be achieved by continuously increasing their knowledge and innovation. Other observers of public sector management **Guthrie and Dumay (2015)** more explicitly link intellectual capital and Gross Domestic Product (GDP) by suggesting that in any country the public sector contributes significantly to GDP.

Taxes are the Epicentrum of growth, have a critical and strategic function in the development of a nation (**Scientax, 2023**). Taxes are the primary source of state revenue that must be consistently maintained to support the nation. Directorate General of Taxes is a government entity with the jurisdiction and responsibility to collect taxes from Indonesian society, this is in accordance with its main mission is to support self-sufficiency in financing state budget. But on the other hand, public sector organizations have long been valued as nests of waste, state budget inefficiencies, sources of leakage of funds, and institutions that are always losing money (**Mardiasmo, 2021**).

To anticipate this matter, DGT begins to implement a reform to improve its performance and establish a new paradigm, which are to create working attitude, ethic and quality. Since the economic crisis in 1998, the Indonesian public sector has been implementing various reforms to enhance its accountability and transparency in relation to performance outcomes. In the efforts to carry out this reform it is needed to unite the ideas of all apparatus regarding the direction and objective of the reform. In that case, it is required to build a direction for all apparatus of DGT, so they have an integrated forethought in the forms of vision and mission.

As of its function and role, DGT becomes one of the institutions that are highly concerned by the society, this is proven in many comments or inputs, which come from the experts or the society and are exposed in journal and other publication. They acknowledge that the DGT performance is still far from the expectation. In accordance with it, the improvement effort of performance measurement is conducted through a practicing for IC concept who are going to be assigned as Tax Auditors at tax offices. This concept is conducted for echelon 4 (four) level offices which are auditors. This function-based organization structure drives them to work hard and expand the capacity in tax area for each business type (each type of business process). The handling of intellectual capital in public sector cannot be separated from bureaucratic reform which is an effort to create a bureaucracy that is competent, professional, has integrity, high performance, free from corruption, collusion and nepotism, aims to serve the public and adheres to the basic values and code of ethics of the apparatus.

Tax administration has an important role as one of the factors determining the ease of doing business according to the World Bank. The ease of paying taxes in Indonesia has

continued to increase from time to time but is still lagging behind other countries (**World Bank in Susilo, 2021**).

According to the Human Development Index (HDI) or the Human Development Index compiled by the United Nations shows Indonesia as a developing country (**Kompas, 2022**). As in many other developing countries, corruption remains a serious problem in Indonesian public sector institutions. **Issues of ethics and integrity are still a critical issue in Indonesian public sector institutions, including DGT**. Chicanery Kleptocratic is a complex and serious matter in the DGT. This is proven by the disclosure of several cases such recently as the case of the DGT's apparatus Angin PA and Rafael A Trisambodo who was dragged into the kleptocratic chicanery case in 2023. Chicanery kleptocratic have a major impact on public trust, especially in paying taxes. The success achieved by public organizations will have an impact on increasing public trust and support. On the other hand, if a public organization continues to provide performance that is not optimal, it will result in a decrease in the level of public trust (**Mahmudi 2019**). The issue of DGT apparatus is quite challenging to research, because human capital is a strategic issue, while the strategic goals that DGT wants to achieve in 2020 – 2024 for agile, effective and efficient bureaucracy and public services are with optimal human resources. The DGT tax auditor is a reflection of DGT's face, because the DGT tax auditors is one of the elements of the DGT apparatus that meets directly with the public, through service activities the DGT examiner apparatus is expected to be able to understand the process of changing the government system as an effort to realize "Good Governance" (**Tjiptoherijanto, 2018**).

The Indonesian government has offered integrity zones since the issuance of Presidential Regulation Number 81 of 2010 concerning the Grand Design of Bureaucratic Reform which regulates the implementation of the Bureaucratic Reform program. The regulation targets three main results to be achieved, namely increasing organizational capacity and accountability, clean and corruption collusion and nepotism free government, and improving public services. The Integrity Zone has been implemented and has become a role model for Bureaucratic Reform in upholding integrity and providing quality services. Thus, the development of the Integrity Zone becomes an important aspect in the context of preventing corruption in government. Even though the integrity zone program has been implemented in public sector institutions, corruption and fraud still occur, including at DGT. The issue of ethics and integrity in research is a global issue. Indonesian public sector institutions need methods or tools that can support and ensure the application of good ethics and high integrity from their

apparatus as expected. Therefore, this study offers an explanation of the VAIC method and the Net Worth Method.

In the last few years in line with the tax reform agenda, DGT has always been proactive in improving its employee empowerment (DGT's Public Servant/ASN). Eureka (2014) states that even though Indonesia's tax revenue has increased nominally, it has not been able to increase its tax ratio significantly. The directorate, which is currently improving in consensus building, has 45,652 employees as of December 31, 2021 spread throughout Indonesia (**DGT Annual Report, 2021**). Stated by Mulyani (Minister of Finance) that "The Directorate General of Taxes (DGT) should carefully map out the empowerment function to achieve and develop the potential of its human resources" (**DGT Annual Report, 2021**). The public sector has a very large contribution in order to improve people's welfare and support the country's economy. The good or bad performance of the public sector will have an impact on other sectors, so that all parties have an interest in the public sector so that it is managed properly and produces optimal performance (**Mahmudi, 2019**).

One of the crucial pillars that needs to be built by public sector agencies such as DGT, in facing globalization and multidimensional disruption due to digitalization, is the revitalization of the intellectual capital (IC) of the apparatus. Managing knowledge-based apparatus, creativity and information technology can be a strategic choice to deal with the uncertainty and complexity of existing problems. Indonesia has many experts who are qualified and able to produce masterpieces for the progress of the nation and state. They need space to maximize their intellectual capital and the state appreciates their work (**Brodjonegoro. Kompas, 2021**).

DGT's performance in the past year (2021) has indeed exceeded the target, but it is still not optimal as indicated by the many demands of tax payer to obtain agile and credible services, plus there are still limitations including infrastructure, quality of human capital, imperfect information technology (IT) systems where all of which are components of intellectual capital. Research that focused on DGT's human capital using primary data was conducted by **Sumardjito (2015)**, his research findings found that human resource reforms have not been effective in improving DGT employee performance. According to him, working professionally through team work, being innovative and having high integrity will not automatically improve tax revenue. Eureka (2014) states that even though Indonesia's tax revenue has increased nominally, it has not been able to increase its tax ratio significantly, and this phenomenon reflects that tax reform has not been optimal. **Hanna, Olken and Basri (2021)** found that the

limited number of DGT apparatus made the apparatus tend to focus on several tax payer with high income potential. Human capital includes knowledge, wisdom, expertise, intuition, and the ability of individuals to realize national tasks and goals (C. Y. Lin, 2018). Optimizing the role of the DGT apparatus is an urgent agenda that needs to be carried out, given the urgent implications for tax revenues. Therefore, researching human resources who are at the forefront of this state revenue mission is expected to find its usefulness.

Implementation IC concept is counter balanced with a code of conduct practices for all apparatus in modern based tax office. Auditors who work as tax offices must sign Apparatus Code of Conduct and it have to be maintained and implemented consistently and firmly. No matter how good the system applied, it will not operate satisfactory without support of high code of conduct. In order to increase the apparatus' integrity, a preventive action is required through code of conduct program.

DGT's public servants who work directly with tax revenues are Tax Auditors. Based on DGT's 2021 annual report data, the number of active tax auditors on a national scale is 6,337 auditors, compared to the number of tax payers who must be tested for compliance of approximately 46,380,119 WP who have submitted their notification letters (SPT), of course this ratio becomes disproportionate, namely 1:2,000.

The main issue in this research is how the perceptions of the audit participants and executives managing DGT core business regarding intellectual capital. Based on the core problem, the research problem is formulated as follows: a). Reveal and understand the experiences of informants related to intellectual capital at DGT to build a more reliable, fit, and applicable intellectual capital model configuration at DGT to increase DGT's organizational capabilities, and b). Reveal and understand participants' responses related to Chicanery Kleptocratic.

THEORETICAL FRAMEWORK

Intellectual Capital (IC)

“Intellectual capital in the public sector is important, because in fact management in the public sector is more intangible than in the private organizations, because public administrations tend to achieve several goals of a non-financial, also, between productive resources for example; knowledge, raw materials, machinery and human resources, in addition, public administration entities intensively use the two first ones which are intangible, in addition, public administration product is a service, hence this is considered essentially intangible” (Cinca, et al, 2003).

“Good organizational performance means that the public sector organization is effective and efficient in providing public goods and service. Therefore, the reform of public sector has the aim to make and ensure that procedures and government structures are effective, in order to realize programs and development policies for the benefits of citizens” (Bhuiyan & Amagoh, 2011). Suci, *et al* (2012), In his research conducted in Romania, public institutions are reluctant to change compared to the private sector. The absence of competition in public entities, the service quality of public institutions is inversely proportional to the value paid, and social and political factors make the public entity system very bureaucratic and rigid and slow to respond to change. But Mouritsen (2006) in his research on the government sector in Denmark which discusses the role of intellectual capital in building New Public Management. The results suggest the Danish government to use the intellectual capital activity model in building New Public Management with strategies and models that have been implemented in the private sector, so that there is added value. as private corporations, in developing their business. Research in the Danish government shows that the role of intellectual capital shows an increase. Intellectual Capital is defined as organizational capacity in placing and utilizing resources to fulfill the desires and results desired by the institution (Sampurno, 2013).

Every organization, no matter how big or small, strives to enhance its performance in order to succeed and preserve a respectable reputation in the current environment of organizational competition. Building a strong team is crucial to an organization's efficient operation (Onoriode, O. H., Samuel, A. P., 2023). Intellectual capital is a source of economic efficiency for organizations. However, empirical evidence showed the relationship between intellectual capital and the operating efficiency of public sector organizations is insufficient (Cohen and Vlimass, 2013). Modern public sector management and concern for service quality also required intellectual capital as a new approach to increase efficiency and effectiveness in implementing its programs (Ramirez, 2010). In line with the opinion of public sector management experts from India (Chahal and Bakshi, 2014) who stated that intellectual capital is considered as a crucial source of competitive advantage for an institution. Sumah (2018) . In his research revealed; “Among the most common causes of corruption are the political and economic environment, professional ethics and morality and of course, habit, custom, tradition and demography. Its effect on the economy (and also on the wider society) is well researched society, but still not completely. Corruption that inhibits economic growth affects business operations, employment and investment. It also reduces tax revenue and the effectiveness of various assistance programs, the wider society is influenced by a high degree of corruption in

the term of lowering trust in the law and the rule of law, education and accordingly the quality of life. (Access to infrastructure, healthcare)".

Tax Administration

According to Bird and Jantscher, as quoted by Nasucha (2004), argued that changes in tax policy without the support of changes in tax administration are meaningless. Changes in the field of taxation must be in line with its administrative capacity, because tax administration is a policy in the field of taxation that has an inseparable relationship. argues that "the issue of the success of tax administration reform in the future is the capacity of the tax administration to implement the tax structure efficiently and effectively (Nasucha, 2004). This includes developing human resources, information technology, organizational structure, processes and procedures, as well as adequate financial resources and incentives. The goals of tax administration are (1) increasing taxpayer compliance, and (2) implementing uniform tax provisions for maximum revenue at optimal costs.

DGT is the government in carrying out the tax collection function and all related activities, including control and supervision of tax revenues (Tuanakota, 2013). Tax auditors receive mandates and pressure from the agency/fiscus (DGT) to understand tax reform, namely significant and holistic changes in the taxation system which include administrative reforms, improved tax regulations and increased tax bases. Professional bureaucracy is a condition needed to support the progress of a country. Canada, Finland, Norway, Singapore and Switzerland are examples of developed countries that rely heavily on the bureaucracy as a public servant catalyst that supports the country's competitiveness. The five countries in 2017 were the highest ranked countries in the Government Effectiveness index, leaving Indonesia far behind in the 95th world ranking (Gumilang, 2018).

On the basis of such a view, apparatus management needs to develop a critical theory paradigm to self-criticize the mindset that is developed as part of self-criticism, sharpening and clarifying the concepts developed and providing input on various perspectives designed to achieve optimal DGT performance. Of course, this can be realized if it is supported by quality human resources, namely competent and professional apparatus (Basyar, 2018).

Knowledge related to intellectual capital must be shared with all employees at DGT. Organizations need to support the implementation of knowledge sharing by providing space, even if it is necessary to provide rewards for people who donate knowledge, this is important because with knowledge donations, knowledge will be more easily obtained at a lower cost and

will greatly assist the organization in carrying out effectiveness and efficiency development of human resources (Mayastinasari, V., Suseno, B., 2023).

VAIC Calculation

Accumulating intellectual capital values in Directorate General of Taxes (DGT), despite their cost and their impacts on other business process variables, provides some benefits. DGT is an institution of public sector has been profoundly affected by the new public management agenda of governments. Hence, facing a complicated fiscal condition, DGT should adopt an intellectual capital (IC) concept that can help apparatus improve their quality of performance. Some of the public sector the world has applied the concept of IC. One of dimension in IC is Value Added Intellectual Coefficient (VAIC).

The VAICTM calculation steps to present information content regarding the Value Creation Efficiency of tangible and intangible assets are as follows;

- 1) Step 1, Assessing the capability of the institution in creating added value (VA). Pulic argues that VA is the difference between output (out) and input (in).

$$\mathbf{VA = Output - Input \dots\dots\dots (1)}$$

In this case,

Output = tax revenue

Input = All operating expenses, except for the salaries of auditors.

- 2) Step 2 in measuring VAICTM is to assess the connectivity between VA and total equity (CA). The large shock of new value generated by a single monetary unit invested in total equity is reflected by the Value-Added Capital Employed Coefficient (VACA). The relationship between VA and CA shows the ability of internal capital to create value for the institution. The greater the CA used; the added value generated will also be higher. VACA calculation is calculated by the formula,

$$\mathbf{VACA = VA/CA \dots\dots\dots (2)}$$

- 3) Step 3 to calculate VAICTM is to assess the relationship between VA and human capital (HU). The relationship between VA and HU shows the ability of human capital to create added value for the institution. Big VA shocks are created by one monetary

unit invested in the device represented by the Value-Added Human Capital Coefficient (VAHU).

VAHU calculation using the formula; $VAHU = VA/HU$ (3)

In this case,

VAHU = Value Added Human Capital Coefficient

VA = Value Added Institution

HU = Total Apparatus Salary Expenses

4) Step 4 to calculate $VAIC^{TM}$ namely looking for the relationship between VA and structural capital (Structural Capital/SC) in value creation as indicated by Value Added Structural Capital (STVA). Pulic (2004) suggests that SC is obtained from withdrawing VA from HC. STVA calculation using the formula;

$STVA = SC/VA$ (4)

In this case,

STVA = Coefficient of Value-Added Structural Capital

SC = Structural capital (VA – HU)

VA = Institutional added value

5) Step 5 is to calculate the $VAIC^{TM}$ value by adding up all its components namely;

$VAIC^{TM} = VACA + VAHU + STVA$.. (5)

Thus, the $VAIC^{TM}$ pressure mindset is that the higher the $VAIC^{TM}$ value obtained, the greater the added value created.

Economic Analysis of Law

The Economic Analysis of Law (EAL) was introduced by Posner RA, a Professor from the University of Chicago Law School and Chief Justice of the US Court of Appeals for the Seventh Circuit. “The application of Economic Analysis to Criminal Law is based on the proposition that economic efficiency is useful for examining and designing rules and institutions). Economic efficiency, in particular social welfare maximization, is controversial.

A criminal act is efficient if the criminal could compensate the victims and remain better off. The advantage of an economic approach to crime is that it avoids interpersonal assessments and is more neutral in its analysis” (Garoupa, 2009)

Law and economics are sciences that unite and complement each other. Law is always interpreted as a regulation that provides direction for human behavior, while economics is a scientific discipline that emphasizes in the direction of the needs (needs) for human behavior, so that everything Legal issues will always come into contact with other people's lives human economy (Adji, 2020)

Net Worth Method

When someone is suspected of committing fraud within a business, one of the most effective procedures to determine if the person is actually committing fraud is to determine their net worth by performing a calculation known as the net worth method (Albrecht et al, 2014).

Chicanery Kleptocratic (corruption) is a detrimental social disease. Not only because people's money is misused for personal gain, but even more so because corruption by the apparatus will undermine people's trust in the entire government system. If the perpetrators of corruption are fiscal officials and the people no longer trust the tax law system, then the people can become "anarchists" and seek conflict resolution in their own way. In this sense, corruption undermines state administration and undermines the common good. Government will be effective and can realize general welfare if there is trust from the people.

The net worth method as illustrated in Figure 1 is a calculation based on a person's assets, liabilities, living expenses, and income. By taking a person's *assets* less their *liabilities*, we can determine their *net worth* for the current year. Then if we subtract their *prior year's net worth*, we can determine their *net worth increase*. If we add the person's *living expenses* for the current year, we will have their *current income* and by taking away funds from known sources of income, we can determine how much money a person has that has come from an *unknown source*. And it is this unknown source number that must be studied more deeply whether it is an act of chicanery kleptocratic.

Figure 1: The Net Worth Calculation

Assets	XXX
(-) Liabilities	(XXX)
Net Worth	XXX
(-) Prior Year's Net Worth	(XXX)
Net Worth Increase	XXX
(+) Living Expenses	XXX
Income	XXX
(-) Funds from Known Sources	(XXX)
Funds from Unknown Sources	XXX

Source: Prepared by the author, (2023)

Capability Organizational

Conceptually, organizational capability is stated by several experts as follows:

“Organizational or firm capabilities can be defined as “a complex bundle of skills, and accumulated knowledge, embedded in organizational processes, which enable firms to coordinate activities and deploy their resources to achieve a desired end” (Shou et al.,2018).

Barney (2002) defined organizational capability as a corporate attribute that enables organizations to coordinate and utilize their resources. There are three crucial things in shaping organizational capabilities (Ulrich, et al., 2012). First, utilizing organizational capability (capitalizing organizational capability). Second, align strategy, culture, practice and behavior (ongoing strategy, culture, practices and behavior). Third, creating a comfortable work environment (creating a meaningful work environment).

The use of the term organizational capability refers to various terms, such as dynamic capability of operating strata (Lee, et al., 2012), dynamic capability (Lin & Wu, 2014. Makkonen et al., 2014). Organizational capabilities are not specific inputs as visible or invisible assets, but are expertise in the form of abilities and ways to combine assets, people and processes, which can be utilized by institutions to turn inputs into outputs (Kuncoro, 2005).

This IC research includes the issue of corruption phenomenon, for corruption issues the researcher combines the Net worth method, while the VAICTM Pulic concept does not include the Net worth method. Therefore, there are several research questions such as: Is the IC paradigm combined with the Net worth method concept sufficient according to the informant? and how will the informants respond if the conventional IC concept that has been used so far is elaborated with the net worth method concept in public sector?

Hence, the purpose of this research aims to know the indicators and index level of VAIC and adequacy in DGT Indonesia, also aims to gain a better understanding of the role of

Economic Analysis of Law (EAL) to preventive chicanery kleptocratic through Net worth Method. And from the results of this study it is hoped that it can provide input to the Ministry of Finance regarding the management of tax examiners, especially at DGT and its relevance to ongoing bureaucratic reform through: “Reveal and understand the experiences of informants related to intellectual capital at DGT to build a more reliable, fit, and applicable intellectual capital model configuration at DGT to increase DGT's organizational capabilities”, and “Reveal and understand participants' responses related to Chicanery Kleptocratic.

METHODOLOGY

Research Design

In conducting this research, Descriptive Quantitative Analysis. The researchers used primary data through interviews with several elite informants and auditors, as well as secondary data from the DGT Annual Report, Performance Report and Financial Report during 2017 – 2021, to calculate the value creation efficiency of DGT's tangible and intangible assets.

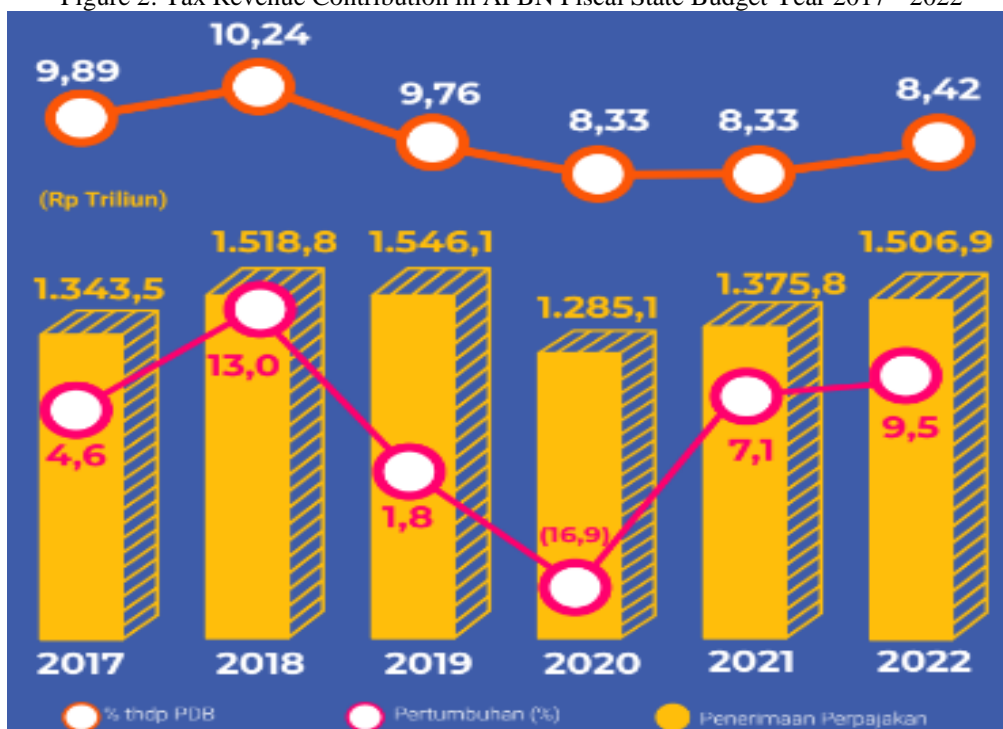
Strauss and Corbin (1998) said that: “Similarities with others modes of carrying out qualitative research, source of data is the same: interviews and field observations, as well as documents of all kinds and utilize quantitative data or combine qualitative and quantitative techniques of analysis. According to Auerbach and Silverstein (in Creswell, 2018) states that, qualitative methods are as follows: “Qualitative research is research that involves analyzing and interpreting text and interviews in order to discover meaningful patterns descriptive of a particular phenomenon”. Descriptive research is a research design where the researcher surveys the people to describe the attitudes, opinions, behaviors, or characteristics that concerns with the problem exist recently. Sudjana et al (2004) said that descriptive research is "research that seeks to describe a symptom, event, event that is happening at the present time". According to Creswell (2018), “Quantitative descriptive research analysis is used to analyze data by describing or describing the collected data as it is without intending to make general conclusions or generalizations." Sekaran Uma et all, 2017 stated that descriptive study is research that describe the variables in a situation of interest to the researcher.

RESULT AND DISCUSSION

Figure 2 below illustrates that tax revenue for the period before the Covid-19 Pandemic (2017–2019) grew by an average of 7.3 percent per year. This growth was mainly driven by domestic economic activity and international trade performance. The Covid-19 pandemic that

has occurred since the beginning of 2020 has caused a contraction in both the global and domestic economies, which has resulted in a decline in tax revenues, particularly those related to the business world and international trade activities. The government is also actively providing incentives to the business world in response to the impact of Covid-19 and accelerating socio-economic recovery.

Figure 2: Tax Revenue Contribution in APBN Fiscal State Budget Year 2017 - 2022



Source: DGT's Performance Report (2022)

Table 1 below displays DGT's Destination Statement Period of 2015 – 2021. And in Figure 3 below is a graphic of DGT's Organizational Performance Value for the 2016-2021 period.

Table 1: DGT's Destination Statement Period of 2015 – 2021

Description	2015	2016	2017	2018	2019	2020	2021
Tax Ratio	10.27%	10.36%	9.89%	10.24%	9.76%	8.33%	9.11%
Tax Revenue (triliun Rp)	1.294	1.512	1.737	2.007	2.329	1.285	1.375
SPT submission through e-filing	2 Mio	7 Mio	14 Mio	18 Mio	24 Mio	11 Mio	10 Mio
Number of registered tax payer	32 Mio	36 Mio	40 Mio	42 Mio	44 Mio	46 Mio	49 Mio

Source: Data, processed by researcher, 2022

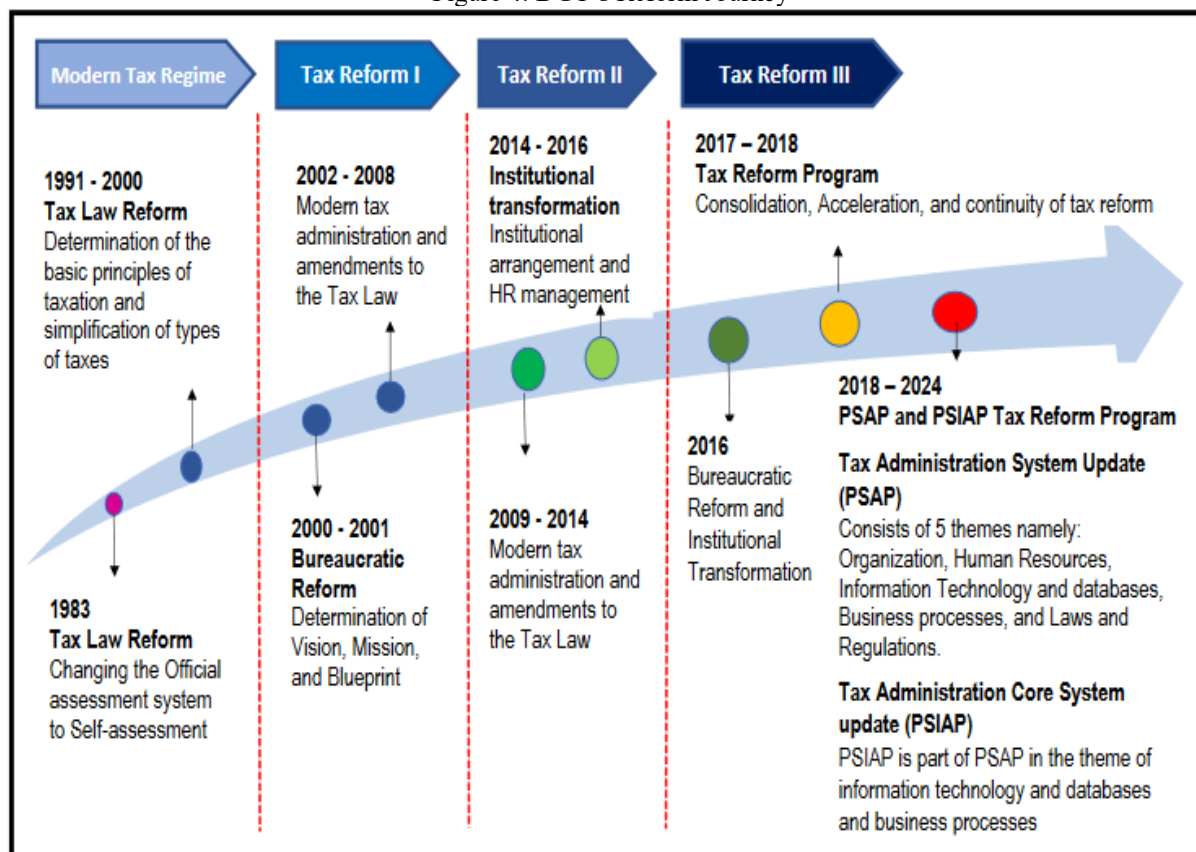
Figure 3: Graphic of DGT's Organizational Performance Value for period 2016-2021



Source: Ministry of Finance - Performance Report for 2016-2021

The journey of tax reform is illustrated in figure 4 below where DGT is currently implementing Tax Reform III (2018 – 2024) through the Renewal of the Tax Administration System, which consists of 5 Themes: 1. Organization 2. Human Resources 3. Information Technology and Database 4. Business Process 5. Legislation As for the theme of Information Technology and Base data and the Business Process theme is one of them materialized in the Core System Update Project Tax Administration.

Figure 4: DGT's Reform Journey



Source: Tax Administration Core System Update and Implementation of 16 Digits NPWP (2022)

The issue of the success of tax reform in the future is the capacity of tax administration in implementing tax structures efficiently and effectively that comply with existing regulations, as well as optimal human capital empowerment. In this context, tax issues always have a legal basis. Renewal in the field of tax law in the form of upholding tax law according to the principles is one of the main pillars of demands for tax reform that have been rolled out some time ago. It is hoped that the supremacy of the tax law that is upheld will really change with the regulatory policy that has been proclaimed as a manifestation of fiscal policy.

Table 2: DGT's VAICTM Calculation for period 2017- 2021 (In Million Rupiah)

VAIC CALCULATION						
STEP	INFORMATION	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21
1	VA: Value Added /Nilai Tambah	1.145.116.536.312.360	1.272.192.722.147.150	1.337.979.610.222.830	1.081.103.902.188.080	1.283.855.341.743.610
	CA: Total Ekuitas	47.229.463.697.182	40.319.637.054.325	38.774.540.138.767	45.587.825.146.645	53.100.590.794.275
2	VACA: Value Added Capital Employed Coefficient	24,24580858	31,55268289	34,50665322	23,71475057	24,1777977
3	VAHU: Value Added Human Capital Coefficient	498,2058787	529,6554348	498,1907849	388,9600305	456,1278931
4	SC: Structural Capital (VA – HC)	1.142.818.055.733.850	1.269.790.796.973.640	1.335.293.933.066.960	1.078.324.429.189.490	1.281.040.658.929.250
	STVA: Value Added Structural Capital Coefficient	0,997992798	0,99811198	0,997992737	0,997429042	0,997807632
5	VAIC™ DJP = VACA + VAHU + STVA	523,4496801	562,2062297	533,6954308	413,6722101	481,3034984
	VAIC™ DJP's Auditor	63,0299	72,2100	74,6065	57,3272	66,8102

Source: Data, processed by researchers, 2022

The information data obtained from table 2 above shows that there were fluctuations related to VAIC DGT's auditors during the 2017 - 2021 period. The lowest added value for DGT auditors was in 2020 due to the impact of the Covid-19 pandemic which was very pronounced. The Covid-19 pandemic, which began at the end of 2020, has globally changed so many aspects. Where the Large-Scale Social Restrictions (PSBB) policy was enforced by the government has an impact on many aspects, such as: the decline in people's consumption levels, the increase in unemployment, uncertainty for the business world, and changes in people's behavior towards digital caused disruption for the Indonesian tax system.

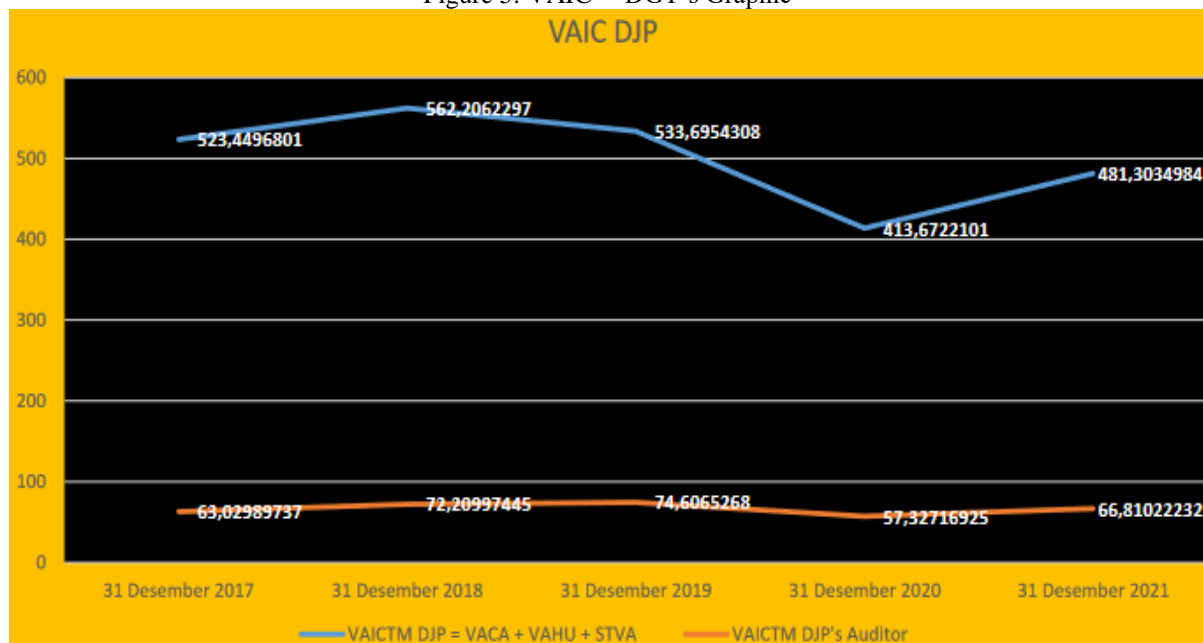
Table 3: VAICTM - DGT's Auditors

VAIC™ Tax Auditors	2017	2018	2019	2020	2021
	63,0283	72,2016	74,6167	57,3249	66,8085
Growth		14.29%	2.78%	-22.97%	15.79%

Source: Data processed by Researcher

Based on the tabel 3 and VAIC™ DGT's tax auditor's graphic figure 5 below, it can be seen that the auditor's VAIC score fluctuated up and down, even in 2020 there was a significant

decrease (-22.97%). This indicates that the intellectual capital of the examining apparatus is still relatively unstable. When it is related to tax revenue, it can be seen that when AP's VAICTM score was lowest (2020) in the last five years, it turns out that tax revenue was the lowest in that year. So conceptually it can be said that the value of institutional capability (DGT) in creating added value has not been maximized. Nevertheless, this argument is not fully acceptable, considering that 2019 – 2020 was a pandemic period where government intervention (PSBB and PPKM) greatly affected the dynamics of the economy, all business activities or business processes could not run normally, which of course had an impact on tax revenues.

Figure 5: VAICTM DGT's Graphic

Source: Processed by researchers, 2022

Furthermore, a comprehensive analysis was carried out which included the theme of kleptocratic chicanery and manuscript interpretation of regulations that led to the establishment of an intellectual hegemony framework at DGT. Furthermore, to build an adequate intellectual capital concept for the public sector, researchers offer the concept of intellectual capital as its components elaborating the VAIC and the Net Worth Method.

CONCLUSION

Intellectual capital has a contribution to organizational capability whose outcome is tax revenue.

- a. Implementation of DGT values, performance benchmarks, tax laws, data and information technology as well as regulatory transformation as relational aspects of intellectual capital stimulate organizational capabilities. Supporting performance benchmarks to optimize organizational capabilities are the Value-Added Intellectual Coefficient (VAIC) which can be implemented at DGT
- b. The informant's response to the VAICTM actualization which was accompanied in the formal financial report was very positive because it was considered to give a signal on how the apparatus followed up in the field.
- c. DGT's VAICTM score in the last five years has fluctuated up and down, even in 2020 there was a significant decrease (22.97%). This shows that the intellectual capital of the examiner apparatus is still not stable. The value/achievement of VAICTM is a navigation of the behavior of the audit apparatus in activities that are aligned with DGT's business processes.
- d. The level of self-ability of the tax apparatus has increased, giving hope that the Directorate General of Taxes (DGT) will become qualified in the future if the agency's solidity in ideas and actions can be understood by the apparatus. Public servants – DGT's tax auditor needs a clear signal what the DGT will do to realize its goal of collecting state revenues as much as possible.
- e. Optimizing the concept of intellectual capital for DGT is a combination of the VAIC and Net Worth Methods.

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