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Analyzing Tax Policies in Türkiye and Indonesia: A Comparative Study for Improved Competitiveness and Neutrality

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Abstract
For many countries, taxes are the main source of revenue to finance all expenditures, including the promotion of economic growth. To compare the tax systems of different countries, the Organisation for Economic Co-operation and Development (OECD) has developed the International Tax Competitiveness Index (ITCI). This study examines Türkiye and Indonesia's tax policies, focusing on their influence on economic competitiveness and tax neutrality. This study identifies the strengths and weaknesses of each country's tax system and provides recommendations for enhancing their competitiveness and neutrality. This study uses a comparative approach to analyse tax policies in Türkiye and Indonesia. The analysis reveals that a neutral tax code is crucial for economic growth and for attracting investment. Türkiye's tax system offers insights into efficient tax structures, with lower corporate tax rates and non-distortionary property taxes contributing to its higher ranking in the ITCI. Conversely, Indonesia's tax system presents opportunities for improvement by adopting similar practices. This study suggests that Indonesia could benefit from targeted tax incentives, better tax administration, and investment in tax education and training. Broadening the tax base and leveraging digital technologies for tax administration have been identified as key strategies to improve Indonesia's tax competitiveness. The study concludes that both Türkiye and Indonesia can enhance their tax systems by learning from each other and countries with high tax competitiveness rankings. By implementing the recommended measures, these countries can stimulate economic growth, investment, and achieve a more competitive and neutral tax.

1. Introduction

In this era of globalization, tax policy is a crucial element in shaping a country's economic competitiveness; globalization tends to raise labor taxes and social expenditures [1]. Türkiye and Indonesia, two countries with rapidly growing economies, continue to strive to improve their tax policies to enhance competitiveness and neutrality. The connection between Türkiye and Indonesia was evident when comparing the same statistics for these two distinct nations. The per capita growth rate, debt-to-GDP ratio, and population growth rate are important statistics for comparing the two countries. The rates at which populations grow in both countries are considered. Today, the Asian renaissance is acknowledged as a worldwide movement that has served as a source of inspiration for numerous countries, particularly those presently classified as industrialized nations [2].

Tax policy plays an important role in shaping a country's competitiveness and economic growth and has a significant impact on economic growth and the development of industry. For example, corporate taxes can influence investors' investment decisions and companies' location decisions, which in turn affect a country's economic growth. In the context of globalization, countries may adjust their tax rates to attract international capital and improve their competitiveness.

The theory of international tax competition suggests that during periods of economic growth, rational governments will lower tax rates to attract investment, while during periods of economic downturn, tax rates may also be lowered to discourage capital outflow. Therefore, a well-designed tax policy can be an effective tool for influencing the direction and speed of a country's economic growth [1]. When comparing the tax policies of Indonesia and Türkiye, it is important to consider their impact on competitiveness and neutrality. Indonesia's tax policy focuses on promoting economic growth through various incentives and exemptions. One of the most important tax policies in Indonesia is value-added tax (VAT). In Indonesia, the maximum standard VAT rate is 11% for certain goods and services. These include food and beverages, general electricity consumption, electricity from other sources used by industry, and oil and gas extraction. For self-generated electricity, the maximum VAT rate is 1.5% [3].

The incentives and tax exemptions offered to Indonesia can attract foreign investment and stimulate economic growth. On the other hand, Türkiye's tax policy aims to attract foreign investment and stimulate economic growth. In Türkiye, the corporate income tax (CIT) rate payable by a company under normal circumstances is TRY 5,000,000. However, if the company qualifies for incentives under the Investment Incentive Certificate, the CIT rate is calculated at 4% instead of 20%, giving the company a tax benefit of TRY 4,000,000. In addition, for additional investments that create jobs, the government will cover the employee's share of social security contributions calculated based on the legal minimum wage[4].

This instrument applies only to investments made in Region 6 under the Investment Incentive Certificate, and has no upper limit. This social security premium subsidy has been valid for ten years. For companies making large investments, there is a Large Investment Incentive Scheme that supports 12 investment subjects with the potential to improve Türkiye's technology, R&D capacity, and competitiveness. Examples of supported investment subjects include the production of refined petroleum products, chemical products, and port and airport investments with a specified minimum fixed investment amount. Companies operating in Türkiye can also benefit from various other forms of tax incentives such as VAT and customs duty exemptions, which are available in different regions under the Regional Investment Incentive Scheme. The levels of tax reduction and investment contributions vary from region to region. In addition, there are different types of companies recognized under the Türkiyesh Commercial Code, such as Joint Stock Companies (JSC) and Limited Liability Companies (LLC). In Türkiye, relatively low corporate tax rates and incentives for foreign investment can improve a country's competitiveness [4].

A country's tax policy affects the International Tax Competitiveness Index (ITCI) through various aspects assessed by the index. The ITCI measures how well a country's tax system promotes sustainable economic growth and investment by examining more than 40 tax policy variables in five categories: corporate income tax, individual income tax, consumption tax, property tax, and cross-border tax rules. A competitive and neutral tax system is considered ideal because it does not favor consumption over savings, does not provide special tax incentives for particular activities of firms or individuals, and raises sufficient revenue for government priorities with the least economic distortion. Tax policies that affect ITCI rankings [5][6].

Many countries with lower corporate tax rates and systems in which only tax distributed profits, such as Estonia, tend to perform better. Individual income tax systems with low flat rates and a few exemptions can improve competitiveness. A broad low-rate consumption tax base can be considered competitive. A property tax levied only on the value of land rather than on the value of assets or capital can improve a country's score. Cross-border tax rules in a territorial tax system that avoids double taxation of profits earned abroad can improve competitiveness. It is important to understand the relationship between tax neutrality and revenue. A careful analysis can determine whether tax neutrality policies have a positive or negative impact on a country's tax revenues. Thus, appropriate measures can be identified to improve the efficiency and effectiveness of Indonesia's tax system. The International Tax Competitiveness Index assesses more than 40 tax policy variables to determine the competitiveness and neutrality of a country's tax system. Türkiye ranks 7th overall in the 2023 International Tax Competitiveness Index (ITCI), up three places in the last year, indicating positive changes in its tax policies that have improved its competitiveness and neutrality in the global economy [5]. By analysing the tax policies of Türkiye and Indonesia, we can identify areas where Indonesia could potentially adopt and modify its policies to improve the competitiveness and neutrality of its tax system Research Objective this paper is for comparative analysis and understanding the differences and similarities in tax policies between Türkiye and Indonesia.

Theoretical Framework in tax policy increased competitiveness and neutrality, according to the study of the Fiscal Policy Agency Basic principles of taxation, tax fairness is a principle that emphasises that each taxpayer should contribute to the state in accordance with their economic capabilities. This means that those with higher incomes or wealth should pay more tax than those with lower incomes. This principle aims to create a fair and equitable tax system at all societal levels. Tax efficiency refers to collecting and administering taxes in a manner that minimizes economic and administrative costs. It involves designing a tax system that does not hamper economic activity and ensures that the cost of collecting taxes does not exceed the benefits derived from using those funds. Tax simplicity requires a tax system that is easy for taxpayers to understand and comply with. This includes simple procedures, uncomplicated tax forms, and processes that do not burden taxpayers in terms of time or cost. Transparency in taxation means that information on the tax rules, rates, and procedures should be clear and available to the public. This allows taxpayers to understand their obligations, and ensures that the government is accountable for the use of taxpayers' money. These basic taxation principles are important for ensuring that the tax system works effectively and enjoys public support. Fairness, efficiency, simplicity, and transparency are basic principles of taxation [7].

Taxation challenges and taxpayer compliance are among the main challenges of the tax system. This includes the willingness of taxpayers to register, report, and pay taxes on time and according to rules. Taxpayer ignorance of tax laws, perceptions of how well the government uses tax money, and attempts to evade or avoid paying taxes often complicate compliance. Improving taxpayer compliance requires comprehensive efforts, including the simplification of tax procedures, improved taxpayer services, and effective law enforcement. The quality and quantity of the human resources involved in tax administration are also important challenges. The availability of adequate and competent human resources is necessary for managing an efficient and effective tax system. This challenge includes the need for continuous training, the recruitment of qualified staff, and adequate career development for tax officials. Without adequate human resources, efforts to improve taxpayer compliance and the efficiency of tax administration will be hampered [7].

Strategies for improving tax performance and governance of the tax system involve increasing the transparency, accountability, and efficiency of the tax administration. This includes the use of information technology to simplify the tax administration process, increasing the capacity of human resources in the tax administration, and reforming procedures and regulations to make it easier for taxpayers to fulfil their obligations.Strong and consistent enforcement of the law against tax non-compliance is essential to improve taxpayer compliance. This includes sanctions for noncompliance and the prevention and prosecution of tax evasion and avoidance. Effective law enforcement can increase tax revenues and reduce illegal tax practices. The public's confidence in the tax system and the government's use of taxpayers' money have a major impact on their willingness to pay taxes. The government can build confidence through the provision of quality public services, transparency in the administration of the tax system, and the use of tax resources by the government.

Improving competitiveness, factors for improving competitiveness, and a diversified economic structure can improve the competitiveness of a country or region. Through economic decentralization, more dispersed control of economic resources can reduce conflicts of interest and allow the private sector and regions to explore greater economic potential, thereby increasing local revenue. Efficient tax policies and good tax administration can improve competitiveness by creating a favorable business environment. Strengthening local taxing powers and giving regions greater powers to optimize their own revenue potential, in particular from local taxes and levies, can support this. High taxpayer compliance is an important indicator of an effective tax system that can improve competitiveness. This compliance can be achieved through improved governance and effective law enforcement, which in turn can increase tax revenues and reduce illegal tax practices.

The principles of tax neutrality, neutrality, and impartiality in taxation emphasize that the tax system should be designed and implemented without bias or preference for particular groups or economic activities. This means that taxes should not create unfair advantages or disadvantages for certain taxpayers so that all taxpayers are treated equally before the law and tax policy. Tax neutrality also implies that the tax system should not hinder fair competition between economic agents. Taxes should not be designed to provide certain companies or sectors with a competitive advantage over others. This is important to ensure that markets function efficiently and fairly, without distortions caused by tax interventions. Tax neutrality also implies that taxes should not interfere with individuals' or firms' economic decisions. Taxes should be minimised so as not to create economic distortions or change economic behaviour from what it would be in the absence of taxes. Thus, decisions to invest, consume, or save should be purely based on economic considerations rather than tax incentives or disincentives. This principle of neutrality is important for creating a favorable business environment and promoting sustainable economic growth. When the tax system respects the principle of neutrality, it can help create a level-playing field for all economic agents, which in turn can improve competitiveness and efficiency.

2. Methodology

This study uses a comparative approach to analyze the tax policies in Türkiye and Indonesia. Secondary data from various sources, such as government reports, international financial institution databases, academic journals, and publications from economic research organizations, were used to collect information on tax rates, investment incentives, and competitiveness indicators. An in-depth literature review was conducted to identify previous theories and research related to tax policies, economic growth, and international competitiveness. The policy analysis includes a detailed examination of the tax laws, regulations, and policy changes in both countries, with a focus on tax rates, investment incentives, and tax compliance mechanisms.

3. Results and discussions

3.1. Analysis of Taxation Policy in Türkiye

Türkiye has a diversified tax structure that has changed significantly in recent years. The focus has been on increasing investment incentives and reducing tax rates in order to improve competitiveness. This analysis identifies the impact of these policies on investment and economic growth. Faced with the demands of globalization and economic competition, Indonesia and Türkiye continue to strive to improve neutrality and competitiveness through tax policies. This analysis discusses key variables, namely tax rates, investment incentives, and competitiveness indicators, according to the Tax and Investment Policy Index (ICTI) and OECD Index of Tax and Investment Policies (ICTI).

The importance of a neutral tax code for economic growth: A neutral tax code is essential for promoting economic growth and attracting investments. Neutral tax rules aim to minimize economic distortions and maximize revenue generation. Therefore, countries should strive to implement fair and equitable tax policies, ensuring that companies and individuals are not discouraged from productive economic activities because of high tax burdens or complicated regulations. Türkiye's rise in tax competitiveness rankings shows that it has implemented tax policies that have improved its competitiveness and neutrality. By analyzing Türkiye tax policies, Indonesia can learn from its success and make necessary changes to its own tax system. For example, Türkiye may have implemented tax policies that simplify the tax code, reduce tax rates, provide incentives for investment and entrepreneurship, and ensure a fair and transparent tax administration. These measures are likely to have contributed to Türkiye's increased competitiveness and neutrality in its global economy.

By examining Türkiye's tax policies and their impact on competitiveness and neutrality, Indonesia can gain insights into making the necessary adjustments and improvements to its tax system. Potential areas that Indonesia can focus on include simplifying the tax code, reducing tax rates to encourage investment and entrepreneurship, promoting fair and transparent tax administration, and providing incentives for businesses to grow. By adopting and implementing similar tax policies, Indonesia can improve its ranking in the International Tax Competitiveness Index and create a more competitive and neutral tax environment for sustainable economic growth. In doing so, Indonesia can attract more foreign direct investment, stimulate domestic entrepreneurship, and create a business-friendly environment that supports economic growth.Analysing tax policies in Türkiye allows us to compare the effectiveness of their respective approaches in improving competitiveness and neutrality in the tax system. We can evaluate the impact of different tax policies, such as tax rates, incentives, and administrative transparency, on the competitiveness and neutrality of their tax system and identify potential areas where Indonesia can learn from Türkiye's success and make necessary adjustments to improve its own tax system. By studying Türkiye's tax policies and their impact on competitiveness and neutrality, Indonesia could potentially adopt and modify some of these policies to improve its tax system and ranking in the international market.

By analyzing the tax policy index of Türkiye and Indonesia, we can identify areas where Indonesia could potentially adopt and modify its policies to improve the competitiveness and neutrality of its tax system. By assessing Türkiye's tax policies and their impact on competitiveness and neutrality, Indonesia can gain insights into making necessary adjustments and improvements to its own tax system. By analyzing Türkiye’s and Indonesia’s tax policies, we can compare the effectiveness of their respective approaches in improving the competitiveness and neutrality of their tax systems. We can assess the impact of different tax policies, such as tax rates, incentives, and administrative transparency, on the competitiveness and neutrality of their tax systems and identify potential strategies for Indonesia to improve its own tax system [4].

The strengths of Türkiye's tax system, which contributed to its 7th place ranking in the 2023 International Tax Competitiveness Index, include the following aspects[5]. Türkiye has a territorial tax system that exempts foreign dividend income and capital gain. The personal income tax on dividends in Türkiye is 20 per cent, which is lower than the OECD average of 24 per cent. Türkiye offers an allowance for corporate equity that overcomes the debt bias inherent in standard corporate income taxes.

These strengths suggest that Türkiye has implemented some elements of tax policy that are conducive to a competitive and attractive business environment for foreign investment, with several distortionary property taxes and separate levies for real estate transfers, estates, and financial transactions. Consider expanding incentives for sectors that have the potential to be economic drivers, improve infrastructure and focus to support long-term competitiveness, and strengthen international cooperation with international organizations to understand and adopt best practices.

This analysis provides in-depth insights into economic policies and statistics in Indonesia and Türkiye with the hope of strengthening the foundations of competitiveness and neutrality for sustainable growth. A neutral tax code is essential for promoting economic growth and attracting investments. A neutral tax code aims to minimize economic distortions and maximize revenue generation. Therefore, countries should strive to implement fair and equitable tax policies to ensure that firms and individuals are not deterred from productive economic activities by burdensome tax burdens or complex regulations. By analyzing the tax policies of Türkiye and Indonesia, Indonesia can gain insight into how it can modify its own tax regulations to improve competitiveness and neutrality. By adopting and modifying Türkiye's tax policies, Indonesia could potentially improve its competitiveness and neutrality in the global economy.

For example, Indonesia can learn from Türkiye's tax policies in terms of reducing economic distortions and increasing revenue, which is about implementing tax policies based on the principles of neutrality and competitiveness that can have a significant positive impact on a country's economic growth and investment climate. Indonesia can learn from Türkiye's tax system how to implement a neutral tax code that prioritizes economic efficiency and minimizes distortions, as well as streamlining and simplifying the tax system to reduce compliance burdens and administrative complexity. The second lesson is how to implement competitive tax rates to attract investment and stimulate economic growth, analyzing the impact of tax incentives and exemptions in Türkiye, designing and implementing effective incentive programs to encourage investment and economic growth while maintaining tax neutrality, improving tax administration and transparency to increase accountability and reduce opportunities for corruption, and implementing tax policies that encourage investment, innovation, and entrepreneurship while maintaining fairness and neutrality.

To improve the competitiveness and neutrality of its tax system, Indonesia can consider the following strategies to conduct a comprehensive review and analysis of its tax policies to identify areas for improvement: streamline and simplify the tax code to reduce complexity and compliance costs for businesses and individuals; implement a tax system based on neutrality and economic efficiency with a focus on reducing distortions and barriers to investment and economic growth; consider lowering tax rates to attract foreign investment and improve economic competitiveness; explore the possibility of introducing tax incentives and exemptions that are targeted, transparent, and aligned with specific policy objectives; invest in technology and digitalization to improve tax administration; and increase the efficiency of tax collection and enforcement processes [8].

3.2. Analysis of Taxation Policy in Indonesia

Indonesia, with its dynamic economy, Indonesia has adopted various tax policies to support its growth. In recent years, Indonesia has made various efforts to improve the competitiveness and neutrality of its tax systems. The adoption of these policies is in line with the principles and guidelines developed by the Organisation for Economic Cooperation and Development (OECD).

The following are some examples of tax policies in Indonesia that reflect efforts to improve competitiveness and neutrality. The Development of Base Erosion and Profit Shifting (BEPS), with its introduction of transfer pricing rules in Indonesia, has adopted stricter rules in line with OECD recommendations to prevent profit shifting through unfair transfer-pricing practices. Country-by-country reporting (CbCR). Indonesia implemented CbCR reporting requirements, a BEPS initiative, to monitor the activities of multinational enterprises and prevent tax evasion. increased transparency such as automatic exchange of information (AEOI). Indonesian government has adopted the AEOI for the automatic exchange of financial information with partner countries in accordance with OECD standards. This aims to reduce the opportunities for tax avoidance and evasion. Common Reporting Standard (CRS). Indonesia also implemented CRS to facilitate the automatic exchange of financial information to help identify and address international tax issues. simplification and efficiency improvement policy, reduction of the corporate income tax rate (PPh) to improve business competitiveness, the Indonesian government reduced the corporate income tax rate from 25% to 22% and provided additional tax incentives for certain sectors.

The tax amnesty program in Indonesia launched a tax to encourage the repatriation of assets and address less transparent tax avoidance practices. Tax incentives for investment for example tax holidays and tax allowances to encourage investment, Indonesia provides tax incentives such as tax holidays and tax allowances for certain sectors and regions. The administrative Simplification policy introduced e-Faktura and e-Pajak to improve administrative efficiency and reduce the potential for tax fraud. These changes reflect the Indonesian government's efforts to follow the international standards recommended by the OECD, improve economic competitiveness, and maintain the neutrality of the tax system. However, it is important to keep in mind that tax policies can evolve according to a country's needs and economic challenges.

Indonesia has made a long way to improve its tax system over the past decade, both in terms of revenue and administrative efficiency. With the exception of the natural resources sector, the best way to increase tax revenue is to broaden the tax base and improve tax administration rather than to change tax rates, which seems to be more or less in line with international practice. Possible measures to broaden the tax base include bringing more self-employed people into the tax system, targeting employer benefits and allowances, and reducing VAT exemptions. Similarly, broad-based investment credit is not an appropriate way to increase investment incentives compared to selective tax exemptions. The government plans to promote integration into the tax system in the long term, but the government limits the introduction of a simplified tax system for SMEs.

Indonesia has a number of progressive sliding rate taxes for all categories. In addition, as a developing country, much economic activity is conducted at the 'home-based' level where sales and service taxes are not levied. Indonesia's tax system recognizes the economic reality of the poorer majority of citizens, and the poor are exempt from almost all taxes. The underlying ethic of 'gotong-royong' or 'tolong-menolong' is applied, where the more fortunate rich are forced to fulfil their moral obligation to pay higher taxes, regardless of arbitrary arguments against fairness. The tax-free poverty threshold for high-income earners in Indonesia also varies by region, as there are inter- and intra-regional differences in the rupiah purchasing power between large cities and small towns. The capital, Jakarta, is considered the most expensive city in terms of the prices of goods, services, and wages.

The comprehensive framework of BEPS includes the BEPS package, a tool that countries can use to regulate tax avoidance. Indonesia is still awaiting progress on the Two-Pillar Solution to address the tax challenges arising from the digitalization of the economy under the OECD/G20 Inclusive Framework on BEPS. The Two-Pillar Solution is being considered for adoption by Indonesia, which is a G20 member country. The Model Tax Convention addresses tax-related barriers to international trade and investment. The OECD model aims to increase trade by eliminating international double taxation and providing more taxation rights to the country of residence. Indonesia also established and developed its own model, Model Indonesia, which is an amalgamation and development of the OECD Model and UN Model [2] [11].

3.3. Comparison and Findings

This study compares Türkiye’s and Indonesia’s tax policies and identifies key similarities and differences. An in-depth analysis of the impact of policies on competitiveness and economic neutrality provides valuable insights.

3.3.1 Tax Rates

Indonesia in Law No. 7, 2021: The corporate income tax rate (PPh) in Indonesia is 22% (twenty-two percent), effective from the fiscal year 2022, providing stability for businesses. Value Added Tax (VAT) in Indonesia is 10% (ten percent); however, this rate may be changed to a minimum of 5% (five percent) and a maximum of 15% (15 percent) based on government policy regulated by government regulation after being submitted to the House of Representatives of the Republic of Indonesia for discussion and approval in the preparation of the State Budget. Adjustment of VAT rates in certain sectors to promote industrial growth. The corporate tax rate in Türkiye will increase from 20 per cent to 25 per cent, while the corporate tax rate for banks and financial institutions will increase from 25 per cent to 30 per cent. Adjustment of VAT rates in response to changing economic dynamics, increasing flexibility in the general VAT rate of 18%, will be raised to 20 percent from July 10, 2023, and the VAT rate on goods and services, which was 8 percent, will be raised to 10 percent.

3.3.2 Investment incentives

The tax holiday program in Indonesia provides tax incentives in the form of tax holidays for certain sectors that invest a certain amount. Provides an incentive tax allowance in the form of tax rebates for certain industrial sectors that meet certain criteria, and R&D in Türkiye has tax facilities incentives to encourage investment in innovation and research. Strategic investment incentive schemes that provide tax benefits for strategic investments support growth in certain sectors.

3.3.3 Competitiveness indicators

Indonesia position in The Global Competitiveness Report (GCR) is used to assess a range of factors, including infrastructure, macroeconomic stability, and innovation. Ease of doing business ranking is an assessment of the ease of doing business, including tax-related aspects. Türkiye's ranking in the Global Competitiveness GCI assesses the economy’s overall competitiveness. Global ease of doing business ranking is an assessment of the ease of doing business in , including tax aspects.

From this analysis, it can be concluded that both countries have policies that support economic neutrality and competitiveness. Tax cuts, investment incentives, and rankings of competitiveness indicators are key measures for improving each country's position in the global sphere. Potential lessons for Indonesia from 's tax system include the implementation of a neutral tax code that promotes economic efficiency and minimizes distortions. Streamlining and simplifying the tax system to reduce compliance burdens and administrative complexity. Implementing competitive tax rates to attract investment and stimulate economic growth. Analyzing the impact of tax incentives and exemptions in can provide lessons for Indonesia on how to design and implement effective incentive programs to encourage investment and economic growth while maintaining tax neutrality.

3.4. Recommendations

Based on these findings, this study provides policy recommendations to improve competitiveness and neutrality in both countries. Recommendations include tax rate adjustments, optimization of investment incentives, and concrete steps towards a fairer and more efficient tax system. To improve Indonesia's position on the International Tax Competitiveness Index (ICTI), the following strategies can be considered: increase revenue: Indonesia can focus on increasing tax revenues, which are relatively low compared to other countries. This can be achieved through measures such as increasing the VAT rate, rationalizing tax exemptions, and introducing a carbon tax to support a low-carbon economy. Income tax reform: Addressing weaknesses in the income tax system, such as the many special regimes for companies and excessive discrimination between companies, can help increase revenue mobilisation.Work to optimise tax revenue, fight corruption, transform industries and reform state-owned enterprises. To improve the competitiveness and neutrality of its tax system, Indonesia could consider implementing the following strategies [10].

Conduct a comprehensive review and analysis of its tax policies to identify areas for improvement. Streamline and simplify the tax code to reduce complexity and compliance costs for businesses and individuals. Implement a tax system based on neutrality and economic efficiency with a focus on reducing distortions and barriers to investment and economic growth. We consider lowering tax rates to attract foreign investment and improve economic competitiveness. Explore the possibility of introducing tax incentives and exemptions that are targeted, transparent, and aligned with specific policy objectives[8]. Invest technology and digitalization to improve tax administration and increase the efficiency of tax collection and enforcement processes. In conclusion, Indonesia can learn from 's tax system to improve the competitiveness and neutrality of its own tax system [9].

Exploring the relationship between tax neutrality and revenue generation is crucial to understanding the effectiveness of tax policies. A neutral tax system that minimizes economic distortions can help increase government revenue. This can be achieved by fostering a favorable business environment, attracting investment, promoting economic growth, and encouraging voluntary compliance. Evaluate the effectiveness of existing incentive programmes and consider introducing new incentives to attract investments and promote economic growth [9].

The Model Tax Convention governs tax-related obstacles to international trade and investment. The primary objective of the OECD Model is to mitigate the issue of international double taxation and allocate greater taxing authority to the country of residence, thereby promoting international trade. Indonesia has devised its own framework, known as the Indonesia Model, which integrates and improves upon both the OECD and UN models. The inclusion of the Model Tax Convention on Income and Capital is not obligatory, but it is done in light of concerns pertaining to the mitigation of government debt. Reforms in the admission process to the OECD incentivize candidate nations to enhance their performance by using tax optimization strategies to increase government revenue and thereby decrease the ratio of government debt to total GDP. One crucial indicator is the level of preparedness for adhering to the OECD recommendations. If a country adheres to OECD rules, it may be eligible for OECD membership [11].

Several lessons can be drawn from the countries with the best rankings in the International Tax Competitiveness Index (ITCI) to improve tax policy. An efficient tax structure is the best-ranked country, such as Estonia, which has consistently ranked first over the period, demonstrating the importance of an efficient tax structure that supports economic growth and investment. Low corporate tax rates are the best-ranked countries that often have low corporate tax rates, such as Latvia and Lithuania, which joined the OECD and immediately ranked high in ITCI. This shows that competitive corporate tax rates can improve a country's competitiveness.Non-distortionary property taxes is the highest ranked countries tend to have less distortionary property taxes, in contrast to lower ranked countries that often have property taxes with a variety of separate levies. Responsive tax policy is the best-ranked country that demonstrates the ability to respond to economic conditions with appropriate tax policies, such as Norway, which improved its ranking by adopting loss-carryback provisions during the coronavirus pandemic. The adoption of international tax rules is the best-ranked country that also tends to adopt international tax rules in line with EU directives, demonstrating the importance of complying with international standards to improve tax competitiveness [12].

4. Conclusion

Overall, implementing policies that promote competitiveness and neutrality in the tax system can positively impact investment, economic growth, and government revenue. It is crucial for countries such as Indonesia to continuously evaluate and revise their tax policies to promote a competitive and neutral tax system. Indonesia can learn from the tax systems of OECD member countries, including, to improve the competitiveness and neutrality of its tax system. Adopting and modifying some tax policies of well-rated countries, including and Indonesia, can improve the competitiveness and neutrality of their tax systems. In addition to these strategies, Indonesia may consider implementing measures such as encouraging foreign investment by reducing tax rates and introducing targeted tax incentives. The introduction of targeted tax incentives and exemptions can play an important role in attracting foreign investments and improving economic competitiveness. By providing targeted tax incentives and exemptions in line with policy objectives, Indonesia can create an attractive environment for foreign investors. Implementing a robust tax administration system to improve the efficiency of the tax collection and enforcement processes can also help improve the competitiveness and neutrality of Indonesia's tax system.

Invest tax education and training for taxpayers and tax administrators to ensure a better understanding of tax rules and to encourage taxpayer compliance. Countries with neutral tax rules, efficient tax systems, competitive tax rates, effective incentive programs, and transparent tax administrations tend to rank higher in terms of competitiveness and tax neutrality. Implementing these strategies can attract investments, stimulate economic growth, and improve the overall competitiveness of a country's tax system. Broadening the tax base and digitally strengthening tax administration to collect more revenue rather than changing tax rates is broadly in line with global norms. Focusing on making it easier to set up new businesses and allowing more individuals to work independently are some of the potential measures that can be taken to broaden the tax base and potentially increase its competitiveness. The Indonesian model, a framework that integrates the OECD and UN Models, aims to address tax-related obstacles in international trade and investment. This includes the Model Tax Convention on Income and Capital to mitigate government debt. OECD reforms encourage candidate nations to use tax optimization strategies to increase revenue and reduce government debt to GDP.

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