The Importance of Tax Facilities for Coffee Agricultural Products as an Effort to Increase Exports

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Abstract

Coffee is one of the agricultural commodities that can become Indonesia's export booster. The value of world coffee consumption is increasing every year and Indonesia is the fourth largest coffee producer in the world, so it has a great opportunity to increase the coffee market. Hence, in the last ten years Indonesia's land area, production, and coffee productivity have stagnated. Though competitors began to emerge from neighboring countries. This study aims to map the state levy policy both in the form of incentives and disincentives to encourage the development of this commodity and the efforts made to minimize the burden of state levies that are disincentive. This study uses a qualitative approach with data collection methods in the form of in-depth interviews and secondary data. The results of the study show that there are several incentive policies such as income tax incentives for investment, VAT exemptions for several inputs, and exemption from import duties. The disincentive levy is VAT collection on the delivery of coffee beans which has an impact on the export competitiveness of coffee. One solution that has been issued by the government is to give an initial return on tax overpayment. The government needs to provide special treatment for VAT on this commodity as other countries do. The results of the study are expected to be used to improve the collection policy, particularly those that are disincentives to encourage superior agricultural products to export better.

Keywords: Tax Facilities, Agricultural Products, Coffee, Increase Exports.

1. Introduction

Agriculture has an important role in strengthening the economy of a country. Besides fulfilling food needs, growth in this sector will have a positive impact on economic growth. Many countries recognize that agriculture has a very strategic role in strengthening a country's national security and strengthening in this sector can significantly expand employment, improve food welfare and security, and reduce dependence on imports (Rosdiana, Inayati, Murwendah, Fariha, 2013). Agricultural products can also be a market for non-agricultural sector products and services. For agricultural products that can be traded and oriented to export markets can be a contributor to the country's foreign exchange.

Various studies have also shown the positive role of the agricultural sector with economic growth for a nation. The OECD research by Cervantes-Godoy and Dewbre (2010) shows that the more investment in agriculture, the more growth will follow and the more poverty will decrease. Ha-Joon Chang (2009) mentions that agricultural development encourages economic growth and is very important for alleviating poverty and food security. Toma (2012) explains that the agricultural sector that is capable of competitiveness can drive a country into a developed country.

The agricultural sector is also one of the pillars of the economy in Indonesia. Indonesia is known as an agricultural country where most of the country's economic structure is supported by the agricultural sector. The tropical climate and land owned by Indonesia are very suitable for a variety of agricultural and plantation products. The agricultural sector is in the top position in terms of employment. Table 1.1 shows the four most popular sectors that absorb the most labor force.

Tabel 1.1 Labor Per Sector (In Million)

	2011	2012	2013	2014	2015	2016
Agriculture	42,5	39,9	39,2	39,0	37,8	38,3
Wholesalers, Retailers, Restaurants and Hotels	23,2	23,6	24,1	24,8	25,7	28,5
Community, Social and Personal Services	17,0	17,4	18,5	18,4	17,9	19,8
Manufacturing Industry	13,7	15,6	15,0	15,3	15,3	16,0

Source : Central Bureau of Statistics, 2016.

In 2017 the agricultural sector is still the largest sector in terms of employment, where about 30 percent or 35 million Indonesian people work in the agricultural sector in the broadest sense (Central Bureau of Statistics, 2018). The agricultural sector in the broadest sense referred to includes the sub-sectors of agriculture, plantation, forestry, hunting and fisheries. Contributions to the formation of Gross Domestic Product (GDP) averaged 12 percent (Jamil, 2018).

With a large employment absorption and contribution to the formation of national GDP, only 12 percent shows that labor productivity in the agricultural sector is relatively low compared to other sectors which will have an impact on the increasing inequality of income between workers between sectors. The phenomenon of inequality in reality has occurred in Indonesia, where labor income in the agricultural sector is relatively smaller compared to the income of the non-agricultural sector labor (Jamil, 2018). In addition to the problem of income inequality that has an impact on the welfare of agricultural entrepreneurs, other problems faced by the agricultural sector are yields that are cheaply valued, limited land due to the rampant conversion of agricultural land into non-agriculture, capital, agricultural systems that are not entirely modern, lack of superior seeds, and expensive fertilizers and pesticides. This can cause Indonesian agricultural products to be less competitive with other countries' agricultural products, especially for export-oriented agricultural products.

One of the main agricultural products for export is coffee. With an average coffee export value of 1,132,310 thousand US $ (Ministry of Trade, 2017). Indonesia is also the 4th world coffee producer after Brazil, Vietnam and Colombia with an average production of 639 thousand tons per year or around 8 percent of world coffee production (Sulistya, 2017). The development of Indonesia's coffee export volume can be seen in the following Table 1.2 :

Table 1.2 Development of Indonesian Coffee Export Value (2007-2018)

	Variety				
Year	*Green Beans*	*Instant Coffee*	*Extract, Essence, Concentrate*	*Roasted Coffee*	TOTAL
	Volume (tons)	Volume (tons)	Volume (tons)	Volume (tons)	Volume (tons)
2007	321.545	13.186	6.096	935	341.762
2008	468.018	7.829	15.618	727	492.192
2009	510.187	7.200	19.647	708	537.742
2010	432.780	7.384	43.870	812	484.846
2011	346.091	7.196	69.721	399	423.407
2012	447.064	71.685	14.941	1.526	535.216
2013	532.157	72.899	10.030	1.867	616.953
2014	382.775	92.094	1.427	1.867	478.163
2015	499.651	100.992	1.188	2.137	603.969
2016	412.529	136.197	669	2.109	551.504
2017	464.195	167.588	6.522	3.602	641.908
2018 *)	115.493	91.940	7.253	1.018	215.704

Source : Central Bureau of Statistics; GAEKI, 2018 (up until June 2018).

It should be underlined that export activities can contribute to foreign exchange for the State. Although coffee export volume tends to fluctuate, but as one of the largest coffee producing countries in the world, Indonesia still has the opportunity to export more coffee products because it sees the growth of world coffee consumption which continues to increase. The development of world coffee consumption can be seen in Table 1.3 :

Table 1.3 World coffee consumption (In thousand 60kg bags)

	2013/14	2014/15	2015/16	2016/17	CAGR (2013/14 - 2016/17)
World Total	148 951	151 954	155 876	158 901	2.2%
Africa	10 485	10 710	10 927	11 174	2.1%
Asia & Oceania	30 695	32 641	33 628	34 745	4.2%
Central America and Mexico	5 128	5 236	5 301	5 230	0.7%
Europe	50 254	51 043	51 829	52 070	1.2%
North America	27 706	27 363	28 934	29 564	2.2%
South America	24 682	24 960	25 256	26 119	1.9%

Source: ICO, 2018.

Table 1.3 shows that coffee consumption is increasingly in demand every year. In Indonesia, coffee consumption has become a life style of young people. This can be seen from the proliferation of always crowded cafes and roadside bars (Interview with GAEKI, 2018). Hence, the obstacle faced by Indonesia at this time is that coffee production in the last 10 years has not experienced significant growth or can be said to be stagnant. The following table 1.4 shows the area, production and productivity of coffee in Indonesia.

Table 1.4 Area, Production and Productivity of Indonesian Coffee

	2011	2012	2013	2014	2015	2016	2017*	2018**
Area (ha)	1.233.698	1.235.289	1.241.712	1.230.495	1.229.799	1.246.657	1.253.796	1.259.136
Production (ton)	638.646	691.163	675.881	643.857	639.355	663.871	668.667	674.636
Protas (kg/ha)	702	745	739	716	707	714	721	731

Source: Directorate General of Plantation Statistics; GAEKI, 2018.
* Temporary figures
** Estimation number

Observing that coffee agricultural products are export oriented and Indonesia is one of the world's largest coffee producers, and take a look at that world coffee consumption is increasing every year, the government needs to make policies that could encourage the coffee farming sector so that it could provide a multiplier effect on the economy or at least be able to respond needs and problems in this sector. Not to mention that the majority of coffee plantation concessions are owned by the people amounting to 96.17% and the remaining 1.87% are state-owned plantations and 1.96% private-owned plantations (DG of plantations; GAEKI, 2018) and begin to emerge neighboring countries that become competitors Indonesia is a coffee producer besides Vietnam, like India, Laos and Cambodia. Fiscal policy is one of the policies that can affect a country's economy. Looking at the big opportunities of the coffee farming sector for the economy and its problems, the government needs to support it, one of which is through fiscal policy both its expenditure policy and its tax policy so that Indonesian coffee can at least remain internationally competitive.

2. Literature Review

Government functions in terms of fiscal policy include the allocation function where to overcome market failures and the existence of public goods; distribution function where the government has the responsibility to distribute income so that welfare can spread to every level of society; stabilization function whereby the government uses budget policy as a tool to maintain high levels of employment, a reasonable level of price stability, appropriate economic growth, taking into account the impact on trade and balance of payments; and regulatory functions where to overcome negative externalization or create positive externalization, and create fair market competition. (Rosdiana, Irianto, 2014).

Fiscal policy itself is simply related to government spending and income that has an influence on the economy, both to improve and maintain the economy. Hordon and El-Ganainy (2017) also argue thus, "Fiscal policy is the use of government spending and taxation to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty. Tax policy is a fiscal policy in a narrow sense. Fiscal policy in a broad sense is a policy that has an influence on community production, employment opportunities and inflation, through tax collection and state expenditure. Fiscal policy in a narrow sense is a policy related to determining what will be a tax base, who is taxed - who is excluded, what will be used as a tax object - anything that is excluded, how to determine the amount of tax which is owed and how to determine the procedures for carrying out tax payable obligations (Rosdiana and Irianto, 2014).

Rosdiana and Irianto (2014) further explained that a good / ideal taxation system contains important principles, namely the principle of equity / equality where the community feels confident that the tax collected by the government has been applied fairly and everyone pays according to its share; the principle of revenue productivity where the amount of tax collected is sufficient to carry out the government function; the ease of administration principle which consists of the principle of certainty whereby there must be certainty both for tax officers and taxpayers, the convenience principle whereby when tax payments should be possible at a 'pleasant' / facilitating the taxpayer, the principle of efficiency where the minimum cost is good for tax officers and taxpayers, and the principle of simplicity where simple regulations will be more certain, clear, and easily understood by taxpayers; and the principle of neutrality where the tax must be free from distortion both in consumption and production, or in other economic factors.

Tax facilities are provided only if absolutely necessary, especially for the successful sectors of high priority economic activity on a national scale, encourage the development of the business world and increase competitiveness, support national defense, and facilitate national development. The provision of tax facilities must be on target and on time so as not to cause distortion, and still adhere to existing policy criteria or principles. Tax facilities are generally in the form of incentives such as "tax holidays, special zones, investment tax credit, investment allowances, accelerated depreciation, reduced tax rates, exemptions from various taxes, financing incentives" (Klemm, 2009).

3. Methodology

This study uses a qualitative approach with data collection techniques namely literature study and field study. Field studies were conducted through interviews. Data collected will be processed and analyzed to answer research questions, namely :

1. What state tax polices can be incentive policies to agricultural coffee products as an effort to increase exports?
2. What state tax policies can be disincentive to agricultural coffee products as an effort to increase exports?

3. What efforts can be made to minimize the burden of disincentives for state levies?

4. Discussion

4.1 Incentive Tax Policies

Various policies in the agricultural sector have been widely issued by the Indonesian government. One of them is fiscal policy related to the agricultural sector. The government has made fiscal policy in an effort to create a conducive upstream-downstream agricultural sector climate. Two important fiscal policy instruments that can be carried out by the government are the allocation of government expenditure for development and tax treatment.

Development is very much needed in the coffee plantation sector, particularly related to new land clearing. This is based on seeing that the area of coffee plantations did not experience a significant increase in the last 10 years as shown in Table 1.4. The opening of new land must require facilities and infrastructure, one of which is the road. Without government assistance opening the road would require very high and expensive costs. Whereas Indonesia has the potential to develop large enough coffee such as land suitable for large enough coffee development, trained workforce that is sufficiently available, adequate research and technology support, and Indonesian Arabica and Robusta coffee already has a good brand in the eyes of domestic and foreign consumers country (interview with Gaeki, 2018).

The government is quite supportive for the development of the agricultural sector by providing various tax incentive facilities which can also be used by business actors in coffee plantation products. The following table 4.1 shows some tax facilities that can be utilized by coffee entrepreneurs.

Table 4.1 Some Tax Facilities that Can Be Utilized by Coffee Entrepreneurs

No.	Type of Facilities	Regulation	Explanation
1.	Value Added Tax	Minister of Finance Regulation Number 197/PMK.03/2013	The entrepreneur is not obliged to become a Taxable Entrepreneur so that he does not have a tax liability if for 1 year the book submits Taxable Goods and / or Taxable Services with a gross circulation amount and / or gross income of not more than IDR 4,800,000,000.00 (four billion eight hundred million rupiah).
		Government Regulation Number 81 of 2015	Exemption of Value Added Tax on imports and / or delivery of certain strategic Taxable Goods such as marine and fishery products, raw hides and skins that are not tanned, certain livestock, seeds and / seeds, animal feed, fish feed, feed ingredients, and others so.
2.	Income Tax	Government Regulation Number 9 of 2016	Income Tax facilities for investment in certain business fields and / or in certain areas in the form of net income deduction, accelerated depreciation, lower dividend income tax rates, and longer compensation losses.
		Government Regulation Number 23 of 2018	The final tariff is 0.5 percent for taxpayers who have a gross annual circulation not exceeding Rp.4,800,000,000.00.
3.	Import Duty	Minister of Finance Regulation Number 105/PMK 04/2007	Exemption of import duty on the import of seeds.
		Minister of Finance Regulation Number 188/PMK.010/2015	Exemption from import duty on imported machinery and goods and materials for industrial development.
4.	Land and	Minister of Finance Regulation Number	Reduction of Land and Building Taxes for certain conditions, namely

	Building Tax	82/PMK.03/2017	experiencing liquidity losses and difficulties and being exposed to natural disasters or other extraordinary causes.
	Surface Water Tax and Groundwater Tax	Regional Tax and Regional Retribution Law Number 28 of 2009	Exception from the object of Surface Water Tax and Groundwater Tax object

Objectives of the Minister of Finance Regulation 197 / PMK.03 / 2013 concerning Amendments to the Minister of Finance Regulation 68 / PMK.03 / 2010 concerning Limitation of Small-scale Businesses Value-added tax is to provide convenience to entrepreneurs who have a gross circulation and / or certain gross revenues. Government Regulation Number 81 of 2015 concerning Imports and / or Delivery of Certain Taxable Goods Strategic that is Exempt from Imposing Value Added Tax aims to further encourage national development and the development of business sectors of certain sectors. This is in order to succeed in the sector of high priority economic activity on a national scale while still paying attention to national competitiveness and providing temporary taxation in the field of taxation. If the business sector of certain sectors is already independent, then the ease of taxation does not need to be given anymore.

Government Regulation Number 9 of 2016 concerning Amendments to Government Regulation Number 18 of 2015 concerning Income Tax Facilities for Investment in Certain Business Fields and / or in certain Regions aims to encourage economic growth, equitable development, and accelerated development so that increased investment and is expected to have an impact on job creation. Government Regulation Number 23 of 2018 concerning Income Tax on Income from Businesses Received or Obtained by Taxpayers with Certain Gross Circles aims to encourage people to participate in formal economic activities, by providing convenience and more justice to Taxpayers who have certain gross circulation for period of time.

Other levy facilities that can be utilized by coffee business actors are incentives for import duties as stipulated in the Minister of Finance Regulation Number 105 / PMK.04 / 2007 concerning Exemption of Import Duty on the Import of Seeds and Seeds for the Development and Development of Agriculture, Animal Husbandry, or Fisheries Industries. Regulation of the Minister of Finance Number 188 / PMK.010 / 2015 concerning Second Amendment to Regulation of the Minister of Finance Number 176 / PMK.011 / 2009 concerning Exemption of Import Duty on the Import of Machines and Goods and Materials for Industrial Development or Development in the Context of Investment.

There are also regional tax incentive facilities, namely a reduction in Land and Building Taxes listed in the Minister of Finance Regulation Number 82 / PMK.03 / 2017 concerning Provision Of Land and Building Tax Reduction for certain conditions of Tax Objects that have to do with tax subjects, or in the case of Tax Objects exposed to natural disasters or other extraordinary causes. Such as earthquakes, tsunamis, volcanic eruptions, floods, droughts, hurricanes, or landslides, fires, disease outbreaks, pest outbreaks, riots, riots, or anarchist actions. In accordance with the Regional Tax and Regional Retribution Law No. 28 of 2009 there are also facilities in the form of exemption from the Surface Water Tax object and the Groundwater Tax object for the extraction and / or utilization of surface and ground water for the purposes of agricultural irrigation and community fisheries, while still paying attention to environmental sustainability and legislation (article 21 paragraph 2 (a) and article 67 paragraph 2 (a) of the Regional Tax and Regional Retribution Act No. 28 of 2009).

4.2 Disincentive Tax Policies

There is a state levy policy which is a disincentive for coffee business actors, namely Value Added Tax levies related to coffee beans. Pursuant to Government Regulation Number 31 of 2007 concerning Imports and / or Delivery of Certain Taxable Goods with Strategic Characteristics Exempt from Value Added Taxes, it states that agricultural goods including coffee beans are classified as certain taxable goods of a strategic nature. So that the import and delivery are exempted from the imposition of Value Added Tax. However, since the Government Regulation Number 81 Year 2015 concerning the Import and / or Delivery of Certain Taxable Goods with Strategic Characteristics Exempt from Value Added Tax that revokes Government Regulation Number 31 of 2007 has removed agricultural products as strategic goods, so that imports and the surrender is now subject to Value Added Tax.

The impact of the enactment of Value Added Tax on the delivery of coffee beans is to cause the administrative burden of collection, especially for farmers or entrepreneurs of agricultural products whose business circulation in one year has exceeded the limits of small entrepreneurs, because it is obliged to report their business to become a Taxable Entrepreneur (for VAT purposes) so it is obligatory make a Tax Invoice for each delivery of taxable goods and report the Tax Return (SPT) of Value Added Tax Period to the Tax Service Office. The study by Suhardoyo (2016) also mentions that the direct impact of implementing Value Added Tax is that it will reduce the export value and productivity of coffee in Indonesia. If coffee productivity decreases, then coffee production will decrease with a fixed harvest area, and in the domestic coffee market, a decrease in production will result in a decrease in supply. In the international coffee market, production will result in a decline in Indonesian coffee exports.

The Indonesian Coffee Exporters Association (GAEKI) also stated that the imposition of VAT will have an impact on the sales value received by farmers and reduce export competitiveness. Amid the sluggish prices of commodities produced by agriculture, plantations and forestry, the potential pressure on the selling value received by farmers will further reduce the motivation of Indonesian farmers in improving the cultivation of superior agricultural, plantation and forestry products from Indonesia itself. So that it can cause socio-economic impacts where the loss of employment fields that should be reliable can support the welfare of small farmers. Although basically the exporter can indeed credit the VAT input and make a refund because the export is subject to 0% VAT, but the restitution will take a long time, which means the exporter must provide additional funds of 10% of the total purchase. This ultimately greatly reduced the competitiveness of exports of agricultural, plantation and forestry products in Indonesia because interest rates on working capital for Indonesian exporters were generally very high, while multinational trading companies in Indonesia had a much stronger and more efficient capital structure compared to with Indonesian exporters. Under these conditions, Indonesian exporters are less competitive and are believed to be in the near future, the trade chain of Indonesian agricultural, plantation and forestry products will be controlled by multinational trading companies that have and will operate in Indonesia where in the medium and long term it will suppress and dictate the prices of agricultural products, Indonesian plantation and forestry. Likewise, competition from other producer countries for similar commodities (especially ASEAN countries) has comparative advantages from Indonesia. (Interview with GAEKI, 2018).

4.3 Efforts that can be Made to Minimize Disincentive Tax Policies

The problem of changing the imposition of Value Added Tax from being released into debt has been addressed by the Directorate General of Taxes (DGT) with one of them being issuing the Minister of Finance Regulation-39 / PMK.03 / 2018 concerning the Procedure for Initial Returning the Excess of Tax Payment, where the core of the regulation this is for Taxpayers who are categorized as a Specific Criteria Taxpayer, Specific Required Taxpayers, or Low Risk Taxable Entrepreneurs can obtain an Excess Tax Return Decision Letter including Value Added Tax (VAT). Facilities in this regulation also apply to Taxable Entrepreneurs in the agricultural and plantation sectors that fall into this category. The government's objective is to simplify the administration of the preliminary return of tax overpayments and provide convenience in business so that it is expected to encourage taxpayer economic growth and liquidity and support the Government's program. Imposition of Value Added Tax in the agricultural sector which causes the entrepreneur or exporter of coffee agricultural products to increase the capital and operating expenses of the company because they bear Value Added Tax in production costs or must first value added tax on purchases, can use this facility so that the company's cash flow and liquidity not disturbed, so there is no need to reduce the purchase price to farmers and not reduce export competitiveness.

The use of the VAT refund has extensive administrative consequences as described by Sidik, Rosdiana, and Hidayati (2013) because it raises the cost of taxation. Indicator cost of taxation consists of :

1) Cost of taxation,
2) administrative costs,
3) deadweight efficiency loss from taxation,

4) the excess burden of tax evasion, and

5) avoidance costs.

The components of the tax cost of taxation operating / administrative cost / compliance cost are costs or expenses that can be measured by money value (tangible) or that cannot be measured by the value of money (intangible) that must be paid / borne by the obligatory Taxes are related to the process of implementing tax obligations and rights. This is for the sake of maintaining the ease of administration principle alignment and revenue productivity principle.

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The government's choice in overcoming the problem of Value Added Tax in the upstream agricultural sector which has an impact on the downstream business sector of agriculture including coffee export activities can be in the form of debt tax facilities not partially or wholly collected or exempt from taxes, both temporarily and permanently. This is in accordance with Article 16B of the Republic of Indonesia Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as the latest amendment to the Law of the Republic of Indonesia Number 42 of 2009. The purpose and purpose of providing convenience in essence to provide tax facilities that are really needed especially for the success of high priority economic activity sectors on a national scale, encourage the development of the business world and increase competitiveness, support national defense, and facilitate national development. The consequence of the surrender not collected by Value Added Tax is that the Input Tax can be credited and if the surrender is exempt from the imposition of Value Added Tax, the input tax cannot be credited. The exemption VAT facility still distorts prices as a consequence that Input Tax cannot be credited so that Taxable Entrepreneurs tend to make it as a cost element. The benefit of this facility is not a 10 percent reduction of the price but according to the percentage of added value reduced by the input tax that has been paid by the Taxable Entrepreneur. This exemption policy has a narrower administrative impact than the VAT policy is not collected and for the State still provides space to obtain State revenue from input tax paid by Taxable Entrepreneurs, so that it is still in line with the principle of revenue productivity.

Tait (1988) provides a solution for Value Added Tax (VAT) in the agricultural sector, namely : In general, in more developed economies, as far as possible, the preferred solution is to treat farmers as a business. If their sales are small, they will be exempt under the small business exemption. If they are above the exemption limit, but below the limit that allows special treatment, then either (1) the flat rate compensation can be used or (2) agricultural inputs can be zero rated. Each system has its drawbacks but both relieve farmers of compliance costs. Farms with large turnovers or with the characteristics of commercial undertakings should have to register as full VAT traders. Naturally, all farmers should be given the option of registering fully for the normal VAT if they wish. In developing countries, the government policy of encouraging farm production might be served best by a combination of exemption of farm inputs (or perhaps better, zero rating of farm inputs) and optional normal rating for large farmers.

4.4 Vietnam's Experience in Developing Coffee Production

Based on articles written by Tran Cong Thang and Vu HuyPhuc (2016) entitled ‘Vietnam’s Coffee Policy Review’ it can be seen that the Vietnamese government all out in improving Vietnam's competitive capacity towards sustainable development and added value. It is proven that there are various policy plans specifically for Vietnamese coffee commodities from upstream to downstream. There are exemptions and reductions of agricultural land taxes and for agricultural companies there is a 50% reduction. Direct payment for natural disasters and epidemics. The Government of Vietnam provides credit policy (include credit for rejuvenation programs) and training and education for farmers financing. There is support for inputs such as irrigation charges that are exempt from 5% PPN reduction for key inputs as fertilizer, pesticide stimulant drugs, livestock and fishery feeds, and import tax exemptions on production materials. Providing investment incentives such as road development support, electricity irrigation, waste disposal system, equipment purchasing, extended coffee time export loans, removing 5% VAT for some commodities including coffee, tax incentives for enterprise income tax in the form of tax exemptions or reduction of tariffs where income is earned from unprofitable agricultural areas, personal income tax is exempted in the case of agricultural products that have not been processed into other products or are still in the early stages of the process. Some of which do not include VAT objects are farming, breeding, aquaculture products that have been processed into other products or have only been preliminary processed by manufacturers or catchers when they are sold and imported. Enterprises and cooperatives who buy it and sell them to other companies are not required to declare and pay VAT but may deduct VAT input.

5. Summary

Tax is one of the policies that can affect agricultural growth and development. Taxes can be one of the driving factors for business activities. Seeing the important roles, opportunities and challenges faced by the coffee farming sector shows the need for tax facilities to realize sustainable national coffee. There have been various tax facilities that can be utilized by national coffee entrepreneurs, but Indonesian coffee has not been able to become the best in the world. One of the tax issues that has been a problem until now is related to VAT for primary agricultural products including coffee beans. Efforts to overcome the VAT problem in agricultural products, coffee entrepreneurs, especially exporters can use the preliminary return facility for overpayment of taxes. However, this facility still has a consequence of cost of taxation. So the government needs to pay attention to the principle of ease of administration in the application of this facility policy so that the costs incurred (cost of taxation) by both tax officials and taxpayers are not too high.

Another option that can be chosen by the government to overcome the VAT problem in the agricultural sector as Vietnam does is to make coffee beans as primary products not objects of VAT or reduce the amount of VAT rates, not full taxation, so that the government can still receive revenue and the tariff rate does not burden coffee businesses Indonesia. The government can also divide VAT rates into three layers, namely primary, secondary and tertiary products. In accordance with the Republic of Indonesia Value Added Tax law, the government can apply the outstanding

VAT not partially or completely collected or exempt from imposition of VAT. The choice of policy depends on the target of the government. If the policy is aimed at the end consumer, the right policy is VAT exempt. Conversely, if those targeted by business actors are more appropriate, the VAT policy will not be collected in part or in full.

The Indonesian government should provide full support if it wants to make Indonesia the largest coffee exporter in the world. Development in this sector can be realized if there are funds from the government focused on national coffee development. Funds can be obtained, for example from VAT receipts which are fully charged 10 percent as of now, so that a certain percentage can be set aside for the development of the coffee sector development.

The increase in coffee exports is not only influenced by tax policies and tax facilities that can be used by coffee entrepreneurs or exporters. But it is influenced by many things other than taxes such as quality, price, promotion, and so on. The tax policy is used as a driver so that coffee production and exports can continue to increase and at least not inhibit the production and export activities of coffee so that the economy in this sector remains sustainable.

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