

TAXATION STUDIES | RESEARCH ARTICLE

Analysis of The Impact of Company Existence Related to Tax Holiday and Allowance

Erny Amriani Asmin¹, Dwi Gemina², Pra Gemini³, Immanoel Gunawan Hutajulu⁴, Mashadi⁵, Richard Surungan Hutajului⁶

^{1,2} Department of Management, Faculty of Economic and Business, Universitas Djuanda, Bogor. Indonesia.

Email: eriepettapuji@mail.com

³ Department of Management, Faculty of Economic and Business, STIM LPI, Makassar. Indonesia.

⁴ Department of Management, Faculty of Economic and Business, Universitas Sebelas Maret, Solo. Indonesia.

⁵ Department of Management, Faculty of Economic and Business, Institut Bisnis dan Informatika Kesatuan, Bogor. Indonesia.

⁶ Department of Management, Faculty of Economic and Business, Universitas Negeri Jakarta, Jakarta. Indonesia

ARTICLE HISTORY

Received: August 07, 2023

Revised: March 13, 2025

Accepted: April 30, 2025

DOI

<https://doi.org/10.52970/grts.v5i1.320>

ABSTRACT

This study aims to analyze the impact of a company's existence receiving tax holidays and allowances on the surrounding community. Data were collected from the community around the company, local government, and management and analyzed descriptively. The sample comprises 10 people from the community around LNK, Mojokerto local government, and company representatives. Similarly, data were collected from 10 communities around EOJI located in Gresik, a representative from the local government and the company using the Non-Probability Accidental Sampling technique. They were then classified to obtain an overview of the total impact of the two companies receiving TA and TH, with 50%, 30%, and 20% weight from the perspective of the surrounding community, regional government, and the company, respectively. The results showed that LNK has an impact of 82.96 with a good category, thus, it is recommended as a good company with a positive and significant impact on the community. EOJI is only 67.35% and can not be recommended to get TA and TH because the benefits are not significant enough for the surrounding community. This study recommends that the government, as the policyholder in the provision of TA and TH, pay more attention to the impact of the company's existence from the Social, Economic, CSR, and Environmental aspects. Further studies should be conducted on different companies receiving to determine the policy effectiveness of giving TA and TH.

Keywords: Impact of company existence, Tax Allowance and Tax Holiday, descriptive analysis, social-economic-environmental-CSR.

JEL Code: H25, H32, R11, M14.

I. Introduction

The main section of Investment is essential for the development of a country (Kriebaum et al., 2022). The Indonesian government continues its effort to attract domestic and foreign investors. This resulted in increased competition to attract foreign and domestic investors. Many Countries provide incentive taxes to support climate investment, such as policy programs in the form of tax holidays and allowances (Mwangi et al., 2019). Furthermore, tax holidays are a facility designed for new companies to reduce taxes on corporate income during a specific



period. Tax allowance is a deduction from taxable income based on a substantial amount of investment (Lusiana, 2020). In Indonesia, the tax holiday policy was first regulated in Constitution Number 25 of 2007 concerning investment and tax allowance policy. It then was regulated in Article 31A of Act Number 36 of 2008 concerning Tax Income (Siregar and Patunru, 2021). This policy continues to undergo adjustments and updates to improve investors' enthusiasm for increasing their investment. The government's newly compiled rules do not always increase investment. In 2017, no registered company was eligible for tax allowance or holiday (Seno and Chalid, 2022). According to Herdiyati and Wahyudi (2020), financiers do not utilize offers in the form of tax holidays and allowances because the process of acquiring incentives is not straightforward. It was explained that the perpetrators and criteria effort, as well as other requirements for obtaining tax allowance and holiday, are extremely challenging to meet (Herdiyati and Wahyudi, 2020). Furthermore, facilities taxes offered by the government were not in accordance with the expectations of the business world. In fact, what is frequently promised is not in accordance with field conditions.

The current tax holiday policy is outlined in PMK No.150/PMK.010/2018 about Giving Facility Subtraction Tax Corporate Income, which is a revision and an update of PMK No.35/2018. A minimum capital of IDR 100 billion is required to deduct tax on upper body income unless the addition and merger of two sectors occurs. The Standard Classification of Indonesian Business Fields (KBLI), which was previously 153 KBLI, became 169 (Gitaharie et al., 2019). Added to the fact that the total sector is divided into 18, the tax holiday application process can be completed more quickly than in the past due to the availability of Online Single Submission (Gitaharie et al., 2019). Juswanto and Abiyunus (2022) opined that when a group-registered business is included in the KBLI list, the perpetrator will be notified of their eligibility to obtain a tax holiday. He explained that with existing changes to the rules, new investment in Indonesia can increase. However, the question is how it is seen by the public neighborhood and local businesses. As a result, the study examines the empirical impact of the availability of company-related tax holidays and allowances (TH and TA), using Company as the recipients.

II. Literature Review and Hypothesis Development

Kapitan and Ikram (2019) showed that one of the most important areas in a growing economy is the development sector, which can foster growth and development in agriculture, trade, and services. According to Michie (2020), industrial development aims to promote people's prosperity and well-being by fair and equitable use of funds, natural resources, and the fruits of farming, as well as by ensuring environmental balance and sustainability. Based on the above, it is feasible to conclude that the current development sector serves not only to provide field labour and reduce unemployment but also for a variety of other reasons, including boosting economic growth.

According to Blasi et al. (2018), a social factor component is a significant predictor of the development of an industry's power work, talents, abilities, and the structure of technology and capacities. Moreover, the economy is a factor that affects the expansion of capital and marketing (Maryani, 2022). According to Ariyani and Hartomo (2018), the government's policy also affects the development and presence of government-sponsored industries, such as the provision of taxes and tariffs and the imposition of export restrictions. Environmental issues and CSR also impact the surrounding society (Partalidou et al., 2020). Therefore, it can be concluded that four aspects may be used to quantify the impact on a company's existence, namely social society, the economy, the environment, and corporate social responsibility (CSR).

III. Research Method

This quantitative descriptive study used a field survey conducted on primary sources, namely the general public, government, and management companies. The questionnaire, which is the instrument for data collection, was adopted based on the previous studies (Ariyani and Hartomo, 2018; Blasi et al., 2018; Maryani, 2022; Partalidou et al., 2020) and measured using a Likert scoring scale. The sample consists of

respondents from 10 communities around LNK company, representative government Mojokerto area, and company. Similarly, for EOJI Company located in Gresik, representative government Gresik area and representatives company data were collected from 10 local companies using the Non-Probability Accidental Sampling technique.

3.1. Probability Accidental Sampling Technique

Data that has been analyzed by quantitative descriptive statistics were classified with weighting to determine the description classification impact existence of the company, followed by Rating Total Achievement Respondents (TCR). According to Sunday et al. (2020), the TCR Value is the Total Value divided by the amount multiplied by the number of respondents on the Likert scale. The classification perspective from TCR value of each dimension is as follows: When TCR between the range of 90% - 100%, 80% - 90%, 65% - 80%, 55% - 65, and 0 - 55% are classified as "Very Good", "Good", "Enough", "Poor", and "Not good". Classification results obtain an overview of the total impact of the two companies receiving TA and TH, with 50%, 30%, and 20% weight from the perspective of the surrounding community, regional government, and the company, respectively.

IV. Results and Discussion

4.1. Analysis of community perspective against the existence of LNK

The results of the data obtained from the Public about LNK are shown in Table 1 below:

Table 1. Respondent Statements Regarding the Impact LNK

Dimension	No	Item Statement	Total value	TCR	TCR Dimension	Classification
Community Social	1	The existence of the company is beneficial to society	39	78.00%	82.00%	Good
	2	The existence of the company influences the expansion of infrastructure development	43	86.00%		
Economy	3	The existence of the company increases the economy	33	66.00%	70.00%	Enough
	4	The existence of the company increases employment opportunities	36	72.00%		
	5	The existence of the company reduces unemployment	38	76.00%		
	6	The existence of the company influences the growth of SME business opportunities.	33	66.00%		
CSR	7	The company provides CSR or training for the public	38	76.00%	76.00%	Enough
Environment	8	The existence of the	37		74.00%	Enough

Dimension	No	Item Statement	Total value	TCR	TCR Dimension	Classification
		company does not disturb plants and public health		74.00%		
Impact Company Presence for Surrounding Communities				74.25%	Enough	

Based on table 1, it is known that the total perception of the public to the company's existence falls under the company "Enough", with perceptual details based on dimensions as follows:

1. The company's existence already positively impacts the social dimension of society, especially from factor 2. It also influences the expansion of infrastructure development.
2. The surrounding community perceives a sufficient impact from economic elements as measured by the impact factor's five-point significance in reducing unemployment.
3. The surrounding community perceives a sufficient impact from CRS's dimensions, as evidenced by the 7th factor, where the company has provided CSR to the public.

The surrounding community perceives sufficient company commitment to environmental life and health.

4.2. Analysis of company perspective on the existence of LNK

Based on the results of an interview with LNK company to public participation from a social, economic, CSR, environmental, and motivational perspective, the following information was obtained:

Table 2. Claims Existence of LNK for Surrounding Communities

Dimension	No	Item Question	Point	TCR	TCR Dimension	Classification
Community Social	1	Is there a program carried out to help the social public in the area?	5	100%	100%	Very Good
	2	Is there a public infrastructure repair program or additions carried out by a private company?	3	100%		
Economy	3	What percentage of local power is vested in employee company	2	40%	53.3%	Poor
	4	What is the percentage cost of local vendor services relative ot the total number of vendors used in the operational company?	2	40%		
	5	What percentage of total material consumption consists of TKDN?	4	80%		
CSR	6	Is there a local training program for power work?	5	100%	100%	Very Good
	7	Is there a program implemented by the company for supplementary education?	5	100%		
Environment	8	Is System Processing Waste carried out and monitored periodically?	5	100%	93%	Very Good

Dimension	No	Item Question	Point	TCR	TCR Dimension	Classification
	9	Is the HSE system already applied?	5	100%		
	10	Is the HSE energy system already applied?	4	80%		

The table 2 shows that the claim of company existence for the public is in a Good category, with the following details:

1. Social Dimensions of society have a "Very Good" classification in points 1 and 2, where the company claims to run a program to assist the public with existence repair or infrastructure development.
2. In the Dimension Economy, only 40% of the vendors or MSMEs became a partner with the company.
3. CSR dimension falls under the "Very Good" category, as the company claims to have run a training program for local power work, which encouraged the level of public education.

Environment Dimension is excellent, as the company claims it operates a system for processing goods wasted with periodic monitoring, has implemented HSE, and has already applied a green energy system of up to 50%.

4.3. Analysis of local government perspective regarding impact existence company

Based on the interview results with the Mojokerto Regency Regional Government, represented by the relevant contribution of the PTMSP Investment Office to the public from Social, Economic, CSR, Environmental, and Motivational aspects. Its related information is shown in Table 3 below:

Table 3. Perspective Local Government Related Mojokerto the Existence of LNK

Dimension	No	Item Statement	Total value	TCR	TCR Dimension	Classification
Community Social	1	The existence of the company is beneficial to society	5	100.00%	90.00%	Good
	2	The existence of the company influences the expansion of infrastructure development	4	80.00%		
Economy	3	The existence of the company increases the economy	5	100.00%	100.00%	Very Good
	4	The existence of the company increases employment opportunities	5	100.00%		
	5	The existence of the company reduces unemployment	5	100.00%		
	6	The existence of the company influences the growth of SME business opportunities.	5	100.00%		
CSR	7	The company provides CSR or training for the public	5	100.00%	100.00%	Very Good

Dimension	No	Item Statement	Total value	TCR	TCR Dimension	Classification
Environment	8	The existence of the company does not disturb plants and public health	5	100.00%	100.00%	Very Good
Impact Company Presence for Surrounding Communities				97.50%	Very Good	

The interview with the Mojokerto Regency PTMSP Investment Office yielded the following results, as shown in Table 3:

1. Social Dimensions of society have a good classification, especially in point 1, where the existence of the company contributes to the improvement of social life.
 2. Economy Dimension is in the "very good" category, indicating that the company is capable of impacting the public around Mojokerto Regency.
 3. CSR dimension is in the "very good" category, as the company claims to have provided CSR or training for society.
 4. The environment Dimension falls under the "very good" category, as the existence of the company does not disturb plants and society's health.
- 4.4. Analysis of community perspective against the existence of EOJI

The analysis results of the data obtained from the public about EOJI, as shown in Table 4:

Table 4. Respondent's statement regarding the impact of EOJI existence

Dimension	No	Item Statement	Total value	TCR = Total Score / (5 X Total respondents)	TCR Dimension	Class
Community Social	1	The existence of the company is beneficial to society	33	55.00%	58.33%	Poor
	2	The existence of the company influences the expansion of infrastructure development	37	61.67%		
Economy	3	The existence of the company increases the economy	29	48.33%	66.25%	Enough
	4	The existence of the company increases employment opportunities	44	73.33%		
	5	The existence of the company reduces unemployment	44	73.33%		
	6	The existence of the company influences the growth of SME business opportunities	42	70.00%		
CSR	7	The company provides CSR or training for the public	36	60.00%	60.00%	Poor

Dimension	No	Item Statement	Total value	TCR = Total Score / (5 X Total respondents)	TCR Dimension	Class
Environment	8	The existence of the company does not disturb plants and public health	36	60.00%	60.00%	Poor
Impact Company Presence for Surrounding Communities				62.71%		Poor

Table 4 shows that the total perception of the public regarding the existence of the company is Poor. The details are presented below:

1. The surrounding community perceives that the existence of the company has an insufficient impact on the social dimension of society, especially from factor 1, which is still low in increasing the social benefits of life.
2. The surrounding community perceives a sufficient impact from the economy to increase employment opportunities and decrease unemployment, especially in factors 4 and 5.
3. As demonstrated by factor 7, the surrounding community believes that the influence of the CSR dimension is insufficient, as the company provides inadequate CSR for the public.
4. The surrounding community believes that the company's attention to environment, life, and health is insufficient.

4.5. Analysis of company perspective on the existence of EOJI

Based on the results interview with related EOJI contribution company to public around from Social, Economic, CSR, Environmental and Motivational aspects Invest obtained information, as shown in table 5 below:

Table 5. Perspective of Related Companies The existence of EOJI

Dimension	No	Item Question	Point	TCR	TCR Dimension	Classification
Community Social	1	Is there a program carried out to help the social public in the area?	5	100%	80%	Good
	2	Is there a public infrastructure repair program or additions carried out by a private company?	3	60%		
Economy	3	What percentage of local power is vested in employee company	5	100%	93.3%	Very Good
	4	What is the percentage cost of local vendor services relative ot the total number of vendors used in the operational company?	4	80%		
	5	What percentage of total material consumption consists of TKDN?	5	100%		
CSR	6	Is there a local training program for power work?	5	100%	60%	Poor
	7	Is there a program implemented by the company	1	20%		

Dimension	No	Item Question	Point	TCR	TCR Dimension	Classification
		for supplementary education?				
Environment	8	Is System Processing Waste carried out and monitored periodically?	5	100%	66.6%	Enough
	9	Is the HSE system already applied?	2	40%		
	10	Is the HSE energy system already applied?	3	60%		

Table 5 results from the interview with the EOJI party can be concluded as follows:

- 1) Social Dimensions has a good classification, as the company claims to have run a program to assist the public.
- 2) The Economy Dimension falls under the "Excellent" category, where the company claims to have 100% TKDN components and accommodated 100% local power work.
- 3) CSR dimension is visible but insufficient because the company has yet to implement a program to improve public education.
- 4) Environment Dimension falls under the category of "Enough", where the company claims to have Installation Wastewater Treatment but lacks certification for environmental management.

4.6. Analysis of government village perspective regarding the impact of company existence

Based on the results of an interview with the party Government Manyar Gresik represented by 3 Villages, regarding the company's Social, Economic, CSR, Environmental and Motivational contribution to the public. Table 6 shows the interview results with party Device Village Manyar Subdistrict, Gresik Regency, and concluded as follows:

1. Social Dimensions of society fall under the category of "Enough", as evidenced by point 1, which has a positive impact, indicating that the existence of the company makes life more socially beneficial
2. Dimension Economy is categorized as "Enough", as evidenced by point 4, which already has a positive impact, indicating that the existence of the company creates more opportunity for public work.
3. Dimensions of CSR fall under the category of "Enough", with point 7 requiring improvement, indicating that the company's provision of CSR or training for society remains inadequate.
4. The environment Dimension is in the category of "Enough", where the existence of the company does not disturb plants and public health.

Table 6. Perspective Government Village Manyar Related The existence of EOJI

Dimension	No	Item Statement	Total value	TCR = Total Score / (5 X Total respondents)	TCR Dimension	Class
Community Social	1	The existence of the company is beneficial to society	12	80.00%	70.00%	Good
		The existence of the				

Dimension	No	Item Statement	Total value	TCR = Total Score / (5 X Total respondents)	TCR Dimension	Class
	2	company influences the expansion of infrastructure development	9	60.00%		
Economy	3	The existence of the company increases the economy	10	66.67%	70.00%	Good
	4	The existence of the company increases employment opportunities	12	80.00%		
	5	The existence of the company reduces unemployment	11	73.33%		
	6	The existence of the company influences the growth of SME business opportunities	9	60.00%		
CSR	7	The company provides CSR or training for the public	10	66.67%	66.67%	Good
Environment	8	The existence of the company does not disturb plants and public health	11	73.33%	73.33%	Good
Impact Company Presence for Surrounding Communities				70.00%	Enough	

V. Conclusion

The existence of LNK has an impact from the public's perspective in the "Good" category. The Mojokerto Regional Government is excellent, and the company's outlook is positive. Furthermore, it is known that the impact presence of LNK from the public's perspective is in the "Enough" category. The Mojokerto Regional Government is very good, and the company's perspective is "Very Good". From Table 8, it is known that the impact of the existence of EOJI from a public perspective fall under the "Poor" category. The Government Village Manyar and the company's perspective are in the category of "Enough". The Total Impact Value on the existence of the company LNK has a score of 82.96 in the "Good" category and EOJI has a score of 67.35 in the "Enough" category. Therefore, it is recommended to LNK as one of the companies with a beneficial impact on the community at large and also have a multiplier effect. The macro-affected company has utilized national source power with a TKDN of 80%. However, in order to have a greater positive multiplier effect on the public, it was suggested that the following be upgraded connection with the individual public must be upgraded in several ways, including:

- a. Recruitment of employees from the general population must be expanded, with a permanent focus on both education and skill.

- b. Connection and cooperation with the apparatus village have become more intertwined, although some locals continue to be denied amenities or assistance from legitimate businesses operating in the region

Need specialized handling by a special handler for the company's highest chimney because when it operates normally, the result would be thick smoke traveling over the neighborhood and causing the terrace floor of the residents to be sticky. While the total value of the impact of the existence of EOJL, Gresik with 67.35% with "Enough" classification, is recommended not to get TA and TH because they only have a minimal impact on the community and the environment around the company. This study recommends that the government as the policy holder in the provision of TA and TH pay more attention to the impact of the company's existence from the Social, Economic, CSR and Environmental aspects. For further research, it is recommended to conduct the same research on different companies receiving TA and TH to get the effectiveness of the policy of giving TA and TH.

References

- Ariyani, A.P., and Hartomo, O.D. 2018. Analysis of key factors affecting the reporting disclosure indexes of sustainability reporting in Indonesia. *International Journal of Business, Economics and Law*, 16 (1), 15–25.
- Blasi, S., Caporin, M., and Fontini, F. 2018. A multidimensional analysis of the relationship between corporate social responsibility and firms' economic performance. *Ecological Economics*, 147, 218–229.
- Gitaharie, B.Y., Dewi, M.K., Handayani, D., and Shauki, E.R. 2019. Contemporary research in accounting: An Indonesian context. Nova Science Publishers, Inc.
- Herdiyati, L., and Wahyudi, S.T. 2020. Tax Holiday and Foreign Direct Investment In Indonesia. *EcceS (Economics, Social, and Development Studies)*, 7 (2), 240–259.
- Juswanto, W., and Abiyunus, Y.F. 2022. 15 Tax Incentives to Attract Private Investment in Infrastructure. *Unlocking Private Investment in Sustainable Infrastructure in Asia*.
- Kapitan, V.S., and Ikram, S. 2019. The influence of profitability and leverage on corporate social responsibility disclosure. *Journal of Accounting Auditing and Business*, 2 (2), 14– 25.
- Kriebaum, U., Dolzer, R., and Schreuer, C. 2022. Principles of international investment law. Oxford University Press.
- Lusiana, V.A. 2020. Analysis of the Impact of Providing Tax Incentives in the Form of Tax Holidays and Tax Allowances on Investment and Tax Ratios in Indonesia. Bakrie University.
- Maryani, D. 2022. Environmental Management of Manufacturing Companies in Indonesia: Examining the Influence of Corporate Social Responsibility on Company Profitability. *Academy of Entrepreneurship Journal*, 28 (1), 1–10.
- Michie, J. 2020. The covid-19 crisis—and the future of the economy and economics. *International Review of Applied Economics*, 34 (3), 301–303.
- Mwangi, M., Macharia, I., and Kibet, Y. 2019. Effect of Tax Holiday on Tax Revenue Collection among Export Processing Zone Companies in Kenya:(A Case Study of Export Processing Zone Athi River). *Journal of Finance and Accounting*, 3 (4).
- Partalidou, X., Zafeiriou, E., Giannarakis, G., and Sariannidis, N. 2020. The effect of corporate social responsibility performance on financial performance: the case of food industry. *Benchmarking: An International Journal*.
- Seno, A.W.B., and Chalid, D.A. 2022. Investor perception analysis on priority benefits of corporate income tax incentives in Indonesia. In *Contemporary Research on Management and Business* (pp. 17–20). CRC Press.
- Siregar, R.A., and Patunru, A. 2021. The Impact of Tax Incentives on Foreign Direct Investment in Indonesia. *Journal of Accounting Auditing and Business*, 4 (1).

Sunday, K., Ocheja, P., Hussain, S., Oyelere, S., Samson, B., and Agbo, F. 2020. Analyzing student performance in programming education using classification techniques. *International Journal of Emerging Technologies in Learning (IJET)*, 15 (2), 127–144.