



INSIGHT: SOUTHEAST ASIA

Indonesian finance ministry under fire over alleged corruption, tax evasion



THE TAKEAWAY

Indonesia's Finance Minister Sri Mulyani Indrawati, a close ally of President Joko Widodo, is cracking down on potentially corrupt senior tax officials after a brutal assault case involving the son of a senior tax official exposed the official's lavish lifestyle and questionable wealth. The high-profile case has opened a can of worms of alleged corruption, tax evasion, and money laundering within the ministry and has sparked public outrage, triggering a nationwide social media campaign imploring Indonesians to "stop paying taxes."

IN BRIEF

The finance ministry's recent clampdown on apparent corruption within the department was prompted by a popular criminal case involving the son of a mid-level Jakarta tax officer, who publicly flaunted his father's wealth and lavish lifestyle on social media. The assault case, implicating the son, led to public outrage over the brutality of the alleged assault. It also raised questions surrounding the tax officer's extravagant living and wealth. The officer is suspected to be much richer than his reported net worth of C\$4.9 million

(55.3 billion Indonesian rupiahs), as he earns a maximum monthly salary of C\$4,154 (46.7 million Indonesian rupiahs).

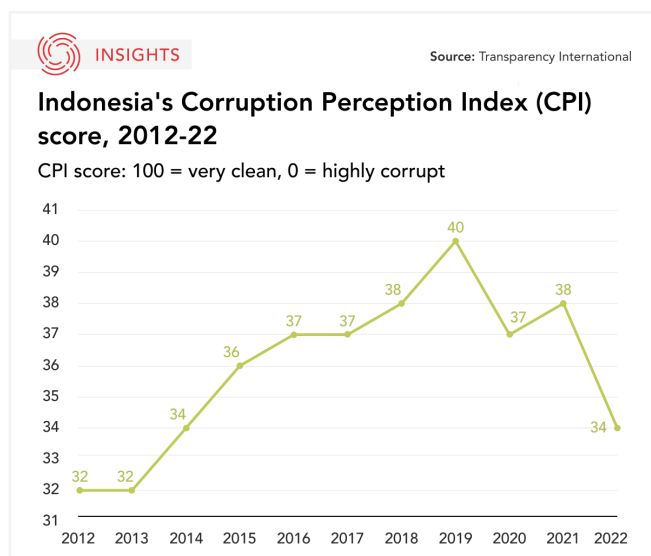
The assault accusations snowballed into a tax scandal, leading to internal investigations after the Indonesian Financial Transaction Reports and Analysis Center disclosed on March 9 roughly C\$27.3 billion (308 trillion Indonesian rupiahs) worth of "suspicious" financial transactions involving 467 individuals within the ministry, mostly from the Directorate General of Taxes and the Directorate General of Customs and Excise. With the ministry's reputation at stake, Mulyani, known for her intolerance of cronyism and corruption, sacked the tax officer in question and ordered investigations into employees suspected of incorrect or false reporting of personal assets, money laundering, and tax evasion.

IMPLICATIONS

The tax scandal has eroded public trust in the finance ministry and tarnished Mulyani's reputation. She is well-known at home and abroad for her reformist economic policies and was handpicked by Jokowi to head the finance ministry (for the second time) to

help raise funds for major infrastructure projects. During her current tenure as finance minister, she's increased national tax compliance and lowered the country's fiscal deficit. The Indonesian public, however, is largely in shock, disappointed and distraught that she was unable to rein in supposedly corrupt tax officials.

Public outcry over the scandal has been intensifying nationwide, with the social media hashtag "#stopbayarpajak" (i.e. "stop paying taxes") going viral on Indonesian Twitter and other social media sites. Political elites within the country are also chiming in, including Said Aqil Siroj, former chairman of the executive council of Nahdlatul Ulama, the largest Islamic organization in Indonesia and the world. Siroj has called on Nahdlatul Ulama's members to not pay taxes in Indonesia if the ministry is unable to clean up its act.



According to Transparency International's latest [annual report](#), released this February, Indonesia dropped 14 spots on the Corruption Perception Index (CPI) for 2022, placing 110th out of 180 countries and territories. Between 2019 and 2022, Indonesia's CPI score dropped by six points. The trend reflects the worsening corruption situation in Indonesia, caused by the weakening of the country's Corruption Eradication Commission and the lack of oversight on mass infrastructure development projects in the

country. Indonesia has grappled with entrenched corruption, with government officials [frequently receiving](#) bribes to expedite projects and grant permits. The recent controversy may deter foreign investors from investing in the country, which does not bode well for Indonesia and Jokowi, who has been trying to attract foreign investment for a C\$46.5 billion (521 trillion Indonesian rupiahs) new capital, Nusantara, in Kalimantan.

WHAT'S NEXT

1. Anti-graft movement

The Ministry of Finance has launched an investigation into 69 civil servants suspected of possessing questionable assets. The corruption scandal has triggered a series of anti-graft measures, including inquiries by the Corruption Eradication Commission and internal investigations within the Ministry of Finance. It's plausible that in the coming months, more government employees may face dismissal or demotion for breaking ethics regulations, or even criminal prosecution if they are found to have broken financial regulations.

2. Calls for resignation and a transparency law

The scandal has led to calls for the dismissal of the director-general of taxation, Suryo Utomo, as well as Mulyani. The calls for dismissals were brought forward by the Labour Party and the Confederation of Indonesian Trade Unions during their demonstrations at the Indonesian parliament and the offices of the Ministry of Finance. Aside from the dismissals, the protests also demanded the creation of a fact-finding team to investigate the current state of Indonesia's tax system and the legislation of an asset disclosure and transparency law for government officials.

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