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Abstract :

The Impact of Taxation and Public Expenditure on Income Distribution in Indonesia

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ABSTRACT

The high income inequality between the richest and poorest group in societies is a big issue. Even though Indonesia has experienced high economics growth since 2000, there are still many people living in poverty or near-poverty. The question is to what extent higher economic growth has affected the poor and which segment of the population benefits most from government taxation and expenditures. One of the objectives is to assist government in analysing information and providing feedback to help improve policy effectiveness. Evaluation of fiscal incidence provides information on which tax and expenditure policies improve the income distribution. The incidence of taxes and government expenditures affect income distribution among households in a different ways. Here taxation includes income, consumption and production taxes. Benefits of government expenditure includes both cash benefit and in kind. Income

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includes both private and final income, which includes the impact of all taxes and benefits. The study is highly relevant to Indonesia's current needs because it is providing information that could be used on the evaluation of fiscal policy to support the decisions on whether to expand or modify a particular policy. All of these endeavours will allow policy makers to promote better policies and sounder public accountability. This study will also contribute to new knowledge in Indonesia regarding the impact of the government policy on income distribution.

Keywords : income distribution, tax incidence, benefit incidence

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