

## CAN TAX POLICY HEAL DISASTER-HIT ECONOMIES? A COMPARATIVE PERSPECTIVE FROM INDONESIA AND THE PHILIPPINES

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### Abstrak

Penelitian ini bertujuan untuk menganalisis secara komparatif implementasi dan efektivitas insentif pajak pascabencana di Indonesia dan Filipina sebagai negara berkembang dengan tingkat kerentanan bencana yang tinggi. Efektivitas dalam penelitian ini dilihat dari kemampuan kebijakan pajak dalam mengurangi tekanan ekonomi jangka pendek, menjaga keberlangsungan usaha, dan mendukung pemulihan ekonomi pascabencana. Penelitian menggunakan pendekatan kualitatif komparatif kontekstual dengan model PRISMA dan pendekatan analisis konten terhadap literatur akademik, regulasi perpajakan, laporan institusi, dan dokumen resmi pemerintah periode 2004–2025. Hasil penelitian menunjukkan bahwa kedua negara menerapkan kombinasi insentif fiskal, administratif, dan fasilitas perdagangan bagi wilayah terdampak bencana. Indonesia menggunakan pendekatan yang lebih terpusat melalui regulasi nasional, sedangkan Filipina menerapkan pendekatan yang lebih desentralistis dengan keterlibatan pemerintah daerah. Sistem terpusat di Indonesia memberikan kepastian regulasi yang lebih baik, namun menghadapi kendala koordinasi dan administrasi. Sebaliknya, Filipina lebih responsif terhadap kondisi lokal, tetapi implementasinya berbeda antarwilayah akibat kapasitas pemerintah daerah yang tidak merata. Penelitian ini menyimpulkan bahwa insentif pajak berperan sebagai instrumen pendukung pemulihan ekonomi, tetapi efektivitasnya sangat dipengaruhi oleh kapasitas kelembagaan dan koordinasi kebijakan fiskal pascabencana.

### Keywords:

tax incentives; natural disasters; fiscal policy; post-disaster recovery; economic recovery.

### Abstract

This study aims to compare the implementation and effectiveness of post-disaster tax incentives in Indonesia and the Philippines, both developing countries with high levels of disaster vulnerability. Effectiveness in this study is assessed based on the ability of tax policies to reduce short-term economic pressure, maintain business continuity, and support post-disaster economic recovery. This study employs a contextual comparative qualitative approach using the PRISMA model and content analysis of academic literature, tax regulations, institutional reports, and official government documents published between 2004 and 2025. The findings show that both countries implement a combination of fiscal, administrative, and trade incentives for disaster-affected areas. Indonesia adopts a more centralized approach through national regulations, while the Philippines applies a more decentralized approach involving local governments. Indonesia's centralized system provides greater regulatory certainty but faces coordination and administrative challenges. In contrast, the Philippines demonstrates greater responsiveness to local conditions, although implementation varies across regions due to unequal local government capacities. This study concludes that tax incentives play a supporting role in economic recovery; however, their effectiveness is highly influenced by institutional capacity and coordination within post-disaster fiscal policies.

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## INTRODUCTION

Taxes play a crucial role in maintaining fiscal stability and supporting sustainable economic development (Capuno et al., 2024; Kucuk & Ulubasoglu, 2024). As a primary source of state revenue, taxes finance public programs such as infrastructure development, social services, and disaster response efforts. However, in the event of natural disasters, taxation systems face significant challenges. On the one hand, governments require adequate fiscal resources to support disaster management and post-disaster recovery. On the other hand, affected individuals and businesses often experience a decline in economic capacity, making it difficult for them to fulfill their tax obligations (Afonso et al., 2023b; Izumi & Shaw, 2026).

In 2024, a combination of geological and weather conditions led to major events worldwide, underscoring the importance of examining countries with the highest risk levels (World Economic Forum, 2025). This 2025 update, based on the latest data, provides an interesting overview of the countries most affected by these events (Singh, 2025). Based on the latest comprehensive 2024 data, a country's vulnerability level is determined by its geographical conditions and the frequency of major disasters. For example, the United States experiences various types of disasters, such as tornadoes in the Midwest, hurricanes in coastal areas, and forest fires in the West (Congressional Policy and Budget Research Department, House of Representatives, 2024; Harshita Singh, 2025).

Natural disasters such as earthquakes, floods, tsunamis, typhoons, and volcanic eruptions can cause physical destruction, disrupt economic activities, reduce public income, and hinder business operations in affected areas. In 2024, the combination of geological conditions and extreme weather events triggered major disasters worldwide, underscoring the need to examine countries with the highest levels of disaster risk (World Economic Forum, 2025). The 2025 update, which is based on the most recent data, provides valuable insights into the countries most affected by these events (Singh, 2025).

Rank	Country	Number of Disasters (2024)	Primary Disaster Types
1	United States	26	Wildfires, Hurricanes, Tornadoes, Winter Storms
2	Indonesia	20	Earthquakes, Floods, Volcano Eruptions
3	Colombia	14	Earthquakes, Landslides, Floods
4	China	12	Earthquakes, Landslides, Typhoons, Floods
5	Brazil	12	Floods, Droughts, Landslides
6	Philippines	12	Typhoons, Earthquakes, Volcano Eruptions
7	Venezuela	8	Floods, Landslides
8	Afghanistan	8	Earthquakes, Droughts
9	Thailand	8	Floods, Tropical Storms
10	Vietnam	8	Typhoons, Floods

**Figure 1.** Countries With the Highest Number of Disasters

Source: Statistics, Relief Web (2024)

Based on Figure 1, the United States ranked first in 2024 with 26 natural disasters, dominated by forest fires, hurricanes, tornadoes, and winter storms (Singh, 2025). This shows the high frequency of disasters in the United States, which is influenced by its vast geographical conditions and extreme climate variations. Indonesia ranks second in the number of natural disasters, with the main types being earthquakes, floods, and volcanic eruptions (Harjadi, 2024; Mahendra et al., 2022). Indonesia's position in this ranking reflects its high vulnerability to disasters, driven by its location in the Pacific Ring of Fire and its archipelagic nature, both of which

are prone to hydrometeorological disasters (Congressional Policy and Budget Research Department, House of Representatives, 2024; Satriawan Mahendra et al., 2022).

Rank	Country	World Risk Index 2024 (Score)	Key Factors
1	Philippines	46.9	High exposure to typhoons and earthquakes
2	Indonesia	41.1	High seismic activity and volcanic risk
3	India	41.0	Diverse risks including floods, droughts, and earthquakes
4	Colombia	37.8	High seismic activity due to plate collisions
5	Mexico	35.9	Situated in a seismically active zone

**Figure 2.** World Risk Index

Source: World Risk Index (2024)

Figure 2 shows the ranking of countries in the 2024 World Risk Index (WRI), which assesses a country's level of risk and vulnerability to natural disasters. The World Risk Index score reflects a country's exposure to natural hazards and its structural vulnerability (Congressional Policy and Budget Research Department, House of Representatives, 2024; Mahendra et al., 2022). Although the United States may experience the highest number of natural disasters in a given year, a country's level of vulnerability is a much more complex issue. The World Risk Index and various similar measures show that countries in the Pacific region, such as the Philippines and Indonesia, have a much higher overall risk level (Harjadi, 2024; Harshita Singh, 2025). This information is very important for governments and aid agencies to use in improving preparedness and resilience to disasters. Although natural disasters cannot be avoided, their impact on society can be minimized.

Indonesia and the Philippines were selected as the primary focus of this study because both are developing countries in the ASEAN region that share relatively comparable structural and regional characteristics, including high disaster vulnerability, economic capacity, and fiscal administration systems (UN, 2024). Geographically, both countries are located along the Pacific Ring of Fire and are highly exposed to various natural disasters such as earthquakes, floods, volcanic eruptions, typhoons, and tsunamis (Ballesteros & Domingo, 2010; Izumi & Shaw, 2026). In addition, Indonesia and the Philippines have consistently ranked among the countries with the highest disaster risk in the World Risk Index, due to their high levels of exposure and socio-economic vulnerability to natural disasters (Congressional Policy and Budget Research Department, House of Representatives, 2024). The Philippines ranks as the country with the highest risk of becoming a victim of natural disasters, followed by Indonesia (Ballesteros & Domingo, 2010; Izumi & Shaw, 2026). The Global Risk Report 2025 places particular emphasis on floods as a type of natural disaster that is becoming increasingly frequent and globally impactful, not only causing damage to infrastructure but also threatening long-term social and economic stability. The report examines the causes of floods, their impacts on society and the environment, and nature-based and policy-oriented solutions to strengthen resilience against flood risks (WRI, 2024).

From a fiscal perspective, Indonesia and the Philippines also share relatively similar characteristics as developing countries, with tax-to-GDP ratios that are similar. OECD reports indicate that Indonesia's tax-to-GDP ratio remains around 10–11%, while the Philippines records approximately 14–15% (OECD, 2023). Although tax ratios differ, both countries remain below the average of developed economies, reflecting the relatively limited fiscal capacity of developing countries to provide large-scale post-disaster fiscal incentives. As a result, both countries tend to rely on temporary and administrative tax incentive policies, such as extensions of tax filing deadlines, waivers of administrative penalties, tax payment deferrals, and targeted incentives for disaster-affected areas. These similar characteristics create a more comparable institutional context for analyzing post-disaster taxation policies and their role in supporting economic recovery.

In the fiscal context, the government has a strategic role in maintaining post-disaster economic stability through various policy instruments, one of which is the provision of tax facilities (Kucuk et al., 2021; Kucuk & Ulubasoglu, 2024a). The implementation of incentives in several countries is intended to ease the economic burden on affected taxpayers, accelerate post-disaster economic recovery, maintain business continuity and prevent mass bankruptcy, support social stability and reduce the potential for conflict, encourage long-term tax compliance, and serve as a complement to direct assistance, subsidies, or reconstruction programs, so that recovery is carried out more comprehensively and sustainably (Afonso et al., 2023; Mattiacci & Faure, 2015).

In Indonesia, tax incentives that can be considered in supporting disaster mitigation programs include tax exemptions, tax deferrals, reductions in the tax base, tax rate reductions, and the application of tax expenditures through tax relief provided through government spending or coverage (Dwi Utomo, 2024; PSHK, 2017; Satriawan Mahendra et al., 2022a). In the United States, tax incentives include extending the tax payment and reporting deadlines to May 1, 2026, for individuals and businesses affected by the disaster (IRS, 2025). In the Philippines, increased revenue from local tax collection can provide greater benefits to local communities affected by disasters than fiscal transfers (Ballesteros & Domingo, 2010; Izumi & Shaw, 2026).

Research from other countries indicates that natural disaster tax incentives are a quick and flexible tool for responding to emergency conditions, particularly for alleviating the fiscal burden on households and businesses affected by disasters (Izumi & Shaw, 2026). Studies in developed and developing countries have found that tax relief, deferrals, and exemptions contribute to economic recovery, especially for MSMEs and local sectors in affected areas (Mattiacci & Faure, 2015; Harshita Singh, 2025). Many studies emphasize that post-disaster tax incentives reflect the government's empathy and fairness, thereby strengthening the legitimacy of public policy.

Many studies have discussed and reviewed tax incentives such as income tax incentives, environmental tax incentives, VAT incentives, and others; however, few have conducted comparative reviews across countries, particularly regarding the implementation of incentives related to the recent natural disasters in Indonesia (Ihza et al., 2021; Larasati et al., 2021; Supriyanto, 2024). Previous research on disaster-related tax incentives has largely focused on single-country case studies, administrative implementation, or specific fiscal instruments. Some studies on tax incentives related to natural disasters, including those by Ballesteros & Domingo (2010), Capuno et al. (2024), Izumi & Shaw (2026), Kucuk et al. (2021), and Xie & Li (2014), state that governments can further strengthen tax policy outreach, reassess taxable objects, and improve technological infrastructure in disaster-affected areas to support faster post-disaster economic recovery. Research examining how fiscal capacity, governance structures, and tax administration systems influence the effectiveness of post-disaster tax policies across countries remains limited. Therefore, this study aims to fill this gap by conducting a comparative analysis of post-disaster tax incentives in Indonesia and the Philippines.

This study aims to compare the implementation of tax facilities or fiscal incentives related to natural disasters between Indonesia and the Philippines, based on the similarities between the two countries; to examine the effectiveness of post-disaster tax facilities in supporting post-disaster economic recovery in each country; and to identify policy lessons that can strengthen a disaster-responsive fiscal framework in Indonesia.

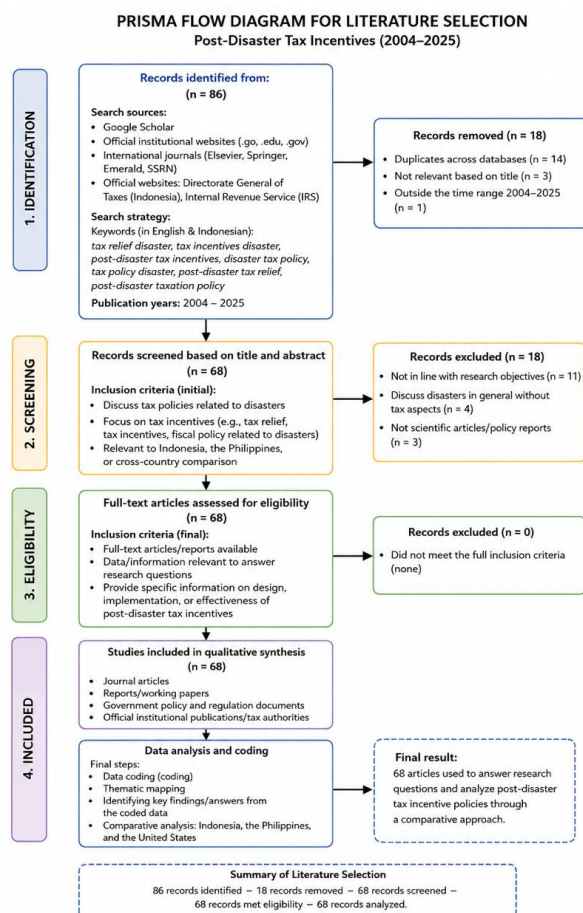
## **METHOD**

This study employs a contextual comparative qualitative approach to analyze post-disaster tax policies in Indonesia and the Philippines. This approach acknowledges that the two countries have significant differences in institutional structures, fiscal capacity, systems of government, and tax administration. Therefore, the comparison is not intended as a fully equivalent evaluation, but rather to understand how national contexts influence tax policy responses to disasters.

This study applies explicit inclusion and exclusion criteria. The inclusion criteria consist of: (1) academic articles, policy reports, institutional publications, and official government documents discussing post-disaster tax incentives or fiscal policy responses to natural disasters. The data were collected from various scientific literature sources, including Google Scholar,

official institutional websites with .go, .edu, and .gov domains, and international journals indexed by Elsevier, Springer, Emerald, and SSRN. The search strategy involved combining several keywords, such as *tax relief disaster*, in both English and Indonesian, along with official websites of the Direktorat Jenderal Pajak and the Internal Revenue Service related to disaster taxation policies; (2) publications issued between 2004 and 2025; (3) literature focusing on Indonesia and/or comparative disaster fiscal policies; and (4) sources published in English or Indonesian. In addition, official publications from tax authorities and government institutions were included to capture recent regulatory developments and administrative practices that are often not comprehensively discussed in academic journals.

The exclusion criteria include: (1) studies unrelated to taxation or fiscal policy in the context of disasters; (2) articles focusing solely on disaster management in general without discussing fiscal instruments; (3) duplicate publications across multiple databases; (4) opinion articles or news reports lacking adequate empirical or regulatory foundations; and (5) literature containing incomplete methodological or policy information that is not relevant to the objectives of this study. The literature selection process in this study follows the PRISMA framework to enhance transparency and rigor in identifying, screening, and selecting relevant sources. The PRISMA model was employed to systematically identify, screen, and select literature related to post-disaster taxation policies. Following the literature selection process, this study applied a contextual comparative approach to analyze how institutional structures, fiscal capacity, and tax administration systems influence disaster-related taxation policy responses in Indonesia and the Philippines (Putri & Albina, 2025).



**Figure 3.** Prisma Flow Diagram For Literature Selection

The literature selection process in this study followed the PRISMA flowchart to enhance transparency and methodological rigor across the identification, screening, eligibility, and inclusion stages. Literature was collected from Google Scholar, international journals (Elsevier, Springer, Emerald, SSRN), official government websites and institutions with .go, .edu, and .gov domains, as well as publications from tax authorities such as the Directorate General of Taxes, Republic Act

No. 10121, and the Bureau of Internal Revenue (BIR), covering the publication period from 2004 to 2025 using keywords related to post-disaster tax incentives. Of the 86 documents identified, 18 were excluded due to duplication, topic mismatch, or publication-year limitations, leaving 68 for screening based on titles and abstracts. Subsequently, a feasibility assessment was conducted through full-text reading to ensure the relevance of the substance, completeness of information, and alignment with the research objectives. The final results showed that all 68 documents met the inclusion criteria and were used in a comparative analysis of post-disaster tax incentive policies in Indonesia and the Philippines through coding, thematic mapping, and directed content analysis.

## RESULT AND DISCUSSION

### Result

Based on the results of searching and reviewing relevant documents, including research findings and non-commercial publications (grey literature), the results are presented in Table 1.

**Table 1.** Document Search Result

No	Keyword	Journals/Book	Grey Literature	Source (.edu, .org, .gov)
1	Tax Incentives Natural Disaster	32	0	4
2	Disaster Tax Relief	6	2	3
3	Fiscal Policy	4		3
4	Tax Deductions	2	2	1
5	Fiscal Stimulus	3	1	1
6	Paying Income Tax Amount	4 51	0 5	0 12

Course: compiled by the author (2026)

Based on Table 1, the literature identified in this study was dominated by published, accessible (open-access) journal articles and books, comprising 51 sources. In addition, 5 sources were obtained from non-commercial publications (grey literature), while 12 sources were derived from websites with .edu, .org, and .gov domains. Based on the literature review and content analysis, several key themes emerged to address the objectives of this study, particularly regarding the comparison of tax incentive implementation across countries. These themes include the types of incentives provided, the objects or targets of the incentives, the amounts of incentives granted, the duration of the incentives, the implementation procedures, the policy application, and the eligibility criteria for taxpayers affected by disasters. In general, the incentives provided include extensions of tax filing and payment deadlines for individual and corporate income taxpayers, tax exemptions for donations to disaster victims, tax treatment for disaster-related losses, and incentives for businesses and specific economic sectors.

### Implementation of Disaster Tax Incentives in Several Countries

#### Philippines

The Philippines is one of the countries with the highest levels of disaster risk in the world, particularly from typhoons, floods, earthquakes, and volcanic eruptions (Ballesteros & Domingo, 2010; Harshita Singh, 2025). Consequently, the Philippine government has developed fiscal and tax incentive mechanisms as part of its national disaster response framework, administered by the Bureau of Internal Revenue (BIR) as the country's tax authority. Republic Act No. 10121 serves as the national legal basis governing disaster management and disaster risk reduction in the Philippines. The law was enacted by the Philippine legislature and signed by the President. The Bureau of Internal Revenue (BIR) is responsible for administering taxation and issuing technical regulations related to tax reporting, penalty waivers, tax administrative relief, and post-disaster tax policies. Several major forms of tax incentives provided to disaster-affected taxpayers in the Philippines include:

- (1) extensions and deferrals of income tax filing and payment deadlines for both individual and corporate taxpayers, postponement of VAT and withholding tax reporting, as well as waivers of penalties and late payment sanctions (House of Representatives of the Philippines, 2025); (2)

tax exemptions on donations, whereby donations for disaster victims may be exempt from donor's tax, donations may be treated as deductible expenses for corporations, and imported humanitarian goods may be exempt from VAT, customs duties, and excise taxes (House of Representatives of the Philippines, 2025); (3) the implementation of tax loss relief provisions for taxpayers affected by disasters, allowing disaster-related losses to be deducted from taxable income (House of Representatives of the Philippines, 2025). Asset losses caused by disasters may be treated as deductible losses or depreciated again if the assets are repaired; and (4) incentives for MSMEs and specific sectors in disaster-affected areas, including tax administrative relief, postponement of tax audits, and installment-based tax payment facilities (Ballesteros & Domingo, 2010; Botman et al., 2008; House of Representatives of the Philippines, 2025).

The characteristics of natural disaster-related tax incentive policies in the Philippines are generally responsive and temporary, implemented following an official disaster declaration. These policies are area-based, dependent on central government decisions through the Bureau of Internal Revenue (BIR), and primarily focused on administrative tax relief rather than direct reductions in the amount of taxes payable. As a country highly vulnerable to disasters, the Philippines has developed post-disaster tax incentive policies that emphasize extensions of tax obligations, waivers of penalties, and incentives related to donations and disaster-related losses (Ballesteros & Domingo, 2010; Izumi & Shaw, 2026). These policies demonstrate that tax instruments are used to mitigate the economic impacts of disasters, particularly for taxpayers in areas officially declared under a state of calamity.

### **Indonesia**

In Indonesia, post-disaster fiscal policies are supported by Law Number 24 of 2007, which serves as the primary legal framework for national disaster management. This law transformed the government's approach from emergency response-oriented measures into a comprehensive disaster risk management system covering pre-disaster, emergency response, and post-disaster phases. Meanwhile, the implementation of tax incentives and tax relaxation measures is administered by the Direktorat Jenderal Pajak through various administrative policies and tax facilities for disaster-affected regions. At present, fiscal policies and tax regulations related to natural disasters in Indonesia generally combine disaster management legal frameworks, tax facilities, administrative relaxations, and fiscal support for economic recovery. Through the Ministry of Finance, the government issued PMK 28/2025 on fiscal mechanisms and the management of the National Disaster Fund. In addition, KEP-251/PJ/2025 is an administrative policy issued by the Directorate General of Taxes that provides temporary tax relief to regions affected by natural disasters. The Directorate General of Taxes recently introduced natural disaster-related tax incentives in Indonesia through KEP-251/PJ/2025, which grants tax facilities for taxpayers in the provinces of Aceh, North Sumatra, and West Sumatra affected by natural disasters such as floods, landslides, earthquakes, and strong winds. The policy includes:

1. The designation of force majeure status by the Directorate General of Taxes.
2. Administrative sanction relief for late submission of monthly tax returns due during the period of November 30–December 31 2025;
3. Elimination of penalties for late submission of annual tax returns during the same period;
4. Relaxation of tax payment and remittance obligations, including the removal of fines and/or interest on late tax payments and reporting, as well as extensions of filing and payment deadlines until January 30, 2026, for tax obligations due between November 25 and December 31, 2025; and
5. Relaxation of tax invoice requirements for VAT and Luxury Goods Sales Tax (PPnBM) during the November–December 2025 tax period.

In addition to administrative relaxation measures, (6) extensions for tax payment and tax return reporting subject to relaxation may be carried out no later than January 30 2026; (7) the policy adopts an area-based approach, applying to taxpayers residing or operating in disaster-affected areas officially designated by local governments; and (8) Indonesia also has regulations concerning the tax treatment of humanitarian donations for major natural disasters, as stipulated in PMK 609/PMK.03/2004 regarding income tax treatment for humanitarian assistance following the 2004 tsunami disaster in Aceh and North Sumatra (Direktorat Jenderal

Pajak, 2025). Under this regulation, donations provided to disaster victims by taxpayers may be recognized as deductible expenses for income tax purposes. Other incentives include exemptions from customs duties on relief goods imported from abroad for disaster management, provided that all administrative procedures and requirements are met (Direktorat Jenderal Pajak, 2025; Kucuk et al., 2021; Kucuk & Ulubasoglu, 2024).

### Types of Incentives

Based on a review of literature from various countries, including Indonesia, incentive policies take the form of economic incentives, such as tax cuts, exemptions, and reductions. There are several types of tax incentives for disaster management, namely (Utomo, 2024; Satriawan, Mahendra et al., 2022):

a. Fiscal Incentives

Fiscal incentives in natural disaster management are government policies in taxation and state revenue that aim to reduce the economic burden on affected communities, maintain business continuity, and accelerate post-disaster recovery. The main focus is on direct financial relief, not just administrative procedural easing. These types of fiscal incentives can take the form of: (1) temporary tax exemptions on aid or compensation for victims that are not collected during the disaster emergency period, (2) tax reductions or deductions for disaster-related losses such as homes and business assets that can be deducted from taxable income, (3) tax credits for recovery costs, (4) deferral of tax payments without penalties/interest, (5) reduction of tax rates for affected areas, (6) tax exemption on donations where donations to disaster victims are exempt from gift tax and/or are deductible from tax.

b. Administrative Incentives

Administrative incentives focus on formal obligations and sanctions, such as: (1) extension of reporting deadlines for tax returns, (2) removal of administrative sanctions, (3) simplification of documents by easing the requirements for removal and reporting, (4) accelerated refunds where tax returns will be prioritized, and (5) exemption from fees for copies of tax documents.

c. Trade and Logistics Incentives

Trade and logistics incentives in this case generally relate to aid supplies for victims affected by natural disasters. The incentives provided are: (1) exemption from import duties, such as humanitarian aid imports being exempt from import tax, (2) exemption from import VAT, whereby aid supplies for disaster victims are not subject to VAT, and (3) exemption from excise duty for certain items needed on an emergency basis.

Table 2 provides a brief comparison of how fiscal, administrative, and trade and logistics incentives are provided to taxpayers affected by natural disasters in Indonesia and the Philippines.

**Table 2.** Comparison of Incentive Provision

No	Incentive Aspect	Indonesia	Filipina
1	Fiscal Incentives	Fiscal incentives in Indonesia are primarily regulated and administered by the central government through the Direktorat Jenderal Pajak and the Ministry of Finance. These incentives include deferral of tax payments, elimination of administrative sanctions, recognition of disaster-related donations as deductible expenses from gross income, and exemptions from import duties on humanitarian aid.	Fiscal incentives in the Philippines are generally temporary and area-based, involving Local Government Units (LGUs). The forms of relief include reductions in local taxes, extensions of tax payment deadlines, and incentives for businesses and communities affected by disasters.
2	Administrative	Administrative incentives are	Administrative incentives rely

	Incentive	focused on extending tax filing deadlines, eliminating penalties and interest, simplifying tax reporting procedures, and relaxing tax obligations in officially designated disaster areas. Their implementation is carried out through official decisions issued by the Directorate General of Taxes.	more heavily on coordination between national tax authorities and local governments. The forms of relief may vary across regions depending on local administrative capacity and the severity of the disaster.
3	Trade and Logistics Incentive	Indonesia provides structured exemptions from customs duties and import taxes for humanitarian aid and emergency goods. Disaster logistics distribution is also integrated into the national emergency distribution system to accelerate aid delivery.	The Philippines places greater emphasis on facilitating the transportation and distribution of humanitarian assistance through legislative support and regional emergency coordination. Import-related facilities are generally temporary and situational.
4	Institutional Structure	Indonesia has a more centralized fiscal and tax administration system dominated by central government institutions.	The Philippines adopts a more decentralized disaster response mechanism with stronger participation from local governments.
5	Policy Characteristics	Policies consist of a combination of permanent regulations, such as Law Number 24 of 2007, and ad hoc administrative policies, including Minister of Finance Regulations (PMK) and Directorate General of Taxes Decrees (KEP DJP) issued during disaster situations.	Policies are generally temporary and responsive, activated upon a declaration of a State of Calamity under Republic Act No. 10121.

Course: compiled by the author (2026)

Based on Table 2, there are differences in the aspects of fiscal incentives between Indonesia and the Philippines. In terms of fiscal incentives, Indonesia adopts a more centralized approach based on national regulations, while the Philippines emphasizes a more localized, flexible approach. Regarding administrative incentives, Indonesia has a more formal, nationally coordinated system, whereas the Philippines adopts a more decentralized, adaptive approach to regional conditions. In terms of trade and logistics, Indonesia demonstrates a more standardized national logistics incentive framework, while the Philippines relies more on temporary coordination mechanisms and local implementation. In terms of institutional structure, Indonesia places greater emphasis on legal uniformity and administrative control, whereas the Philippines emphasizes flexibility and local responsiveness.

Regarding policy characteristics, Indonesia combines permanent and discretionary policies, while the Philippines relies more on temporary disaster response policies. This results in distinct key challenges for Indonesia and the Philippines: Indonesia faces challenges with national administrative coordination, while the Philippines faces capacity gaps between regions. Indonesia's main challenges are administrative complexity, unequal access to incentives, and reliance on coordination with the central government. In contrast, in the Philippines, implementation quality varies across regions due to differences in local governments' fiscal and administrative capacities.

### Criticism of Natural Disaster Tax Incentives

Several studies show that providing tax incentives to taxpayers affected by natural disasters can ease their burden, but there are several criticisms of these incentives, namely:

- a. **Inequality of Benefits**  
Some critics argue that disaster tax relief is not always targeted appropriately, as it is provided only if the area is officially declared a disaster zone or if taxpayers have taxable income. Low-income groups or those who do not owe large amounts of tax often do not feel the benefits (Mattiacci & Faure, 2015; Legal Aid Disaster Resource Center, 2022). This raises the question of whether tax relief really helps those who need it most.
- b. **Fiscal Effectiveness**  
Some tax experts argue that tax assistance or relief sometimes only delays tax payments rather than providing direct cash. As a result, this assistance may not be sufficient to help disaster-affected businesses or households recover quickly, so its effect on economic recovery may be smaller than expected.
- c. **Administrative Implementation**  
Research shows that even though tax incentives or relief exist, their implementation is often ineffective. Many taxpayers find it difficult to access relief because the information and socialization are unclear, or the procedures are too complicated.
- d. **Fiscal Integration**  
Fiscal policy reports show that tax incentives are only a small part of the government's response to disasters (McClure, 2012). If tax assistance is not planned as part of a broader, more sustainable fiscal strategy, the government may find it difficult to support a comprehensive economic recovery, rendering tax assistance alone ineffective (Hosono et al., 2023).
- e. **Taxpayer Experience**  
Surveys and news reports show that many taxpayers affected by disasters find the tax relief or assistance process difficult and confusing. They experience long wait times and complicated procedures, so tax relief does not always alleviate the financial burden and administrative stress as expected.

## **Strategies for Implementing Natural Disaster Incentives**

The government can implement several strategies to increase and optimize the impact of tax incentives for taxpayers, by:

- a. **Establishing Criteria for Disaster Areas and Status**  
The government, in this case through the Director General of Taxes in Indonesia, Bureau of Internal Revenue (BIR)/DOF in the Philippines as parties that play a very important role in providing incentive policies, especially natural disaster incentives, can officially designate a region or area as a disaster-affected area so that tax incentives can be provided in a targeted and controlled manner (Director General of Taxes, 2025; Thronton, 2025) Force majeure status is used to provide relief to businesses affected by disasters, such as deferral of tax payments or exemption from penalties for delays caused by such conditions.
- b. **Tax Obligation Waivers and Deferrals**  
Based on several implementations in various countries, including Indonesia, the government grants administrative penalty exemptions and defers tax payment and reporting deadlines during disaster periods (Dwi Utomo, 2024; Satriawan Mahendra et al., 2022b). This policy aims to help maintain the cash flow of business actors whose operational activities have been disrupted by natural disasters (Mahendra et al., 2022).
- c. **Development of Tax Incentives for Donations and Community Participation**  
Using fiscal facilities to encourage donations from the community or companies for disaster management activities, for example, by making them a deduction from gross income in income tax calculations (Safitra, 2022).
- d. **Simplification of Procedures and Legal Certainty**  
Simplify the incentive claim mechanism, for example, through online/automated services, so that taxpayers can access facilities quickly and easily. Legal certainty is also key to increasing business confidence in fiscal policy (Rahayu et al., 2025).

#### e. Policy Evaluation and Monitoring

The government can monitor the use of incentives to evaluate their effectiveness in supporting economic recovery and assess the need for policy adjustments over time. Conducting periodic evaluations is important to ensure that incentives have a positive long-term impact (Afonso et al., 2023; Xie & Li, 2014).

### Discussion

This study aims to compare the implementation of post-disaster tax incentives in Indonesia and the Philippines, evaluate their effectiveness in supporting economic recovery, and identify policy lessons for strengthening disaster-responsive fiscal frameworks. The findings indicate that both countries utilize tax policy as part of their disaster management strategies; however, the design, implementation mechanisms, and institutional approaches differ significantly due to variations in fiscal structures, governance systems, and administrative capacity. The results demonstrate that Indonesia adopts a more centralized, nationally coordinated fiscal approach, while the Philippines implements a more decentralized, locally adaptive mechanism. This finding supports the institutional theory perspective, which argues that the structure and capacity of institutions responsible for implementation strongly influence the effectiveness of public policy. In Indonesia, the Directorate General of Taxes and the Ministry of Finance play dominant roles in determining disaster-related tax relief through nationally standardized regulations, such as PMKs and KEPs issued by the Directorate General of Taxes. In contrast, the Philippines relies more heavily on Local Government Units (LGUs) and regional coordination following the declaration of a State of Calamity under Republic Act No. 10121. This confirms previous studies by Ballesteros and Domingo (2010) and Izumi and Shaw (2026), which emphasized that local government participation significantly shapes post-disaster fiscal responsiveness in the Philippines.

From the perspective of fiscal policy theory, the findings indicate that post-disaster tax incentives primarily function as countercyclical fiscal instruments intended to reduce short-term economic pressures and maintain business continuity during periods of economic disruption. Tax deferrals, penalty waivers, extensions of filing deadlines, and deductions for disaster-related losses are designed to preserve liquidity for households and businesses affected by disasters. This finding is consistent with studies by Afonso et al. (2023) and Kucuk and Ulbasoglu (2024), which state that tax incentives can help stabilize economic activities by temporarily reducing fiscal burdens during crises. However, the findings also reveal that tax incentives alone are insufficient to restore economic conditions fully after disasters. Although both countries provide various forms of tax relief, the actual impact remains constrained by limited fiscal capacity, unequal access to incentives, and administrative barriers. This finding supports the argument of McClure (2012) and Hosono et al. (2023), who emphasized that tax incentives should be integrated into broader reconstruction and fiscal recovery strategies rather than functioning as isolated policy instruments. The empirical evidence in this study suggests that post-disaster economic recovery depends not only on fiscal relief but also on the effectiveness of governance coordination, public spending, infrastructure rehabilitation, and institutional preparedness.

The study further identifies several implementation challenges that reduce the effectiveness of disaster-related tax incentives. In Indonesia, administrative complexity and dependence on central government coordination often delay policy implementation and reduce accessibility for affected taxpayers. Meanwhile, in the Philippines, the decentralized system creates disparities in implementation quality across regions due to differences in local fiscal and administrative capacity. These findings are relevant to empirical studies by Mattiacci and Faure (2015), which highlighted that disaster tax relief frequently fails to reach vulnerable groups because of procedural complexity and uneven institutional capacity. Another important finding concerns distributive inequality in post-disaster tax incentives. The study found that taxpayers engaged in formal economic activities and with taxable income tend to benefit more from tax relief measures than low-income groups operating in informal sectors. This finding confirms criticisms raised in previous literature that tax incentives often provide disproportionate benefits to taxpayers already integrated into formal taxation systems. Consequently, the effectiveness of tax incentives in supporting inclusive recovery remains limited, particularly in developing countries where a large share of economic activity occurs in the informal sector.

This study also contributes to the existing literature by offering a comparative institutional perspective between two disaster-prone developing countries in Southeast Asia. Previous research has predominantly focused on single-country analyses or specific fiscal instruments. In contrast, this study demonstrates that institutional arrangements, fiscal decentralization, and administrative governance structures strongly shape the effectiveness of post-disaster tax policy. The findings suggest that centralized systems, such as those in Indonesia, may provide greater regulatory consistency and legal certainty. In contrast, decentralized systems, such as those in the Philippines, may offer greater flexibility and local responsiveness. Therefore, the effectiveness of disaster-related tax policy cannot be evaluated solely based on the type of incentives provided, but must also consider institutional adaptability and implementation capacity.

Based on these findings, this study proposes a modification to the conventional understanding of disaster-related tax policy. Existing theories generally view tax incentives as fiscal relief instruments intended to stimulate recovery by reducing tax burdens. However, this study argues that in developing countries with limited fiscal space and high disaster vulnerability, tax incentives should be conceptualized as part of an integrated institutional resilience framework rather than merely as fiscal stimulus instruments. In this framework, the success of tax incentives depends on the interaction between institutional coordination, administrative preparedness, disaster governance, and the inclusiveness of fiscal policy implementation. Furthermore, the findings indicate that effective post-disaster tax policy requires policy integration across fiscal institutions, disaster management agencies, and local governments. Simplification of administrative procedures, digitalization of tax services, and automatic activation of disaster tax relief based on officially declared disaster status may improve policy responsiveness and accessibility. These findings extend previous research by emphasizing that institutional responsiveness and governance quality are equally important as fiscal incentives themselves in supporting post-disaster economic recovery.

Overall, this study answers the research questions by demonstrating that both Indonesia and the Philippines have implemented post-disaster tax incentives as part of their fiscal response mechanisms. However, their effectiveness remains highly dependent on institutional capacity, governance structures, and administrative implementation. The findings reinforce existing theories regarding the supportive role of fiscal incentives during crises while also highlighting the need to integrate taxation policy into broader disaster resilience and recovery frameworks.

## CONCLUSION

This study concludes that tax policy alone cannot fully restore the economy after a natural disaster. Nevertheless, post-disaster tax incentives continue to play an important role in reducing short-term economic pressures, maintaining business continuity, and accelerating the recovery process when integrated with broader fiscal and reconstruction policies. Therefore, tax policy is more effectively positioned as a supporting instrument for recovery rather than as the primary solution for post-disaster economic recovery. The comparison between Indonesia and the Philippines demonstrates that the effectiveness of disaster-related tax policies is strongly influenced by institutional capacity, fiscal space, and administrative preparedness. Both countries still face challenges in ensuring equitable distribution of tax incentives and in implementing policies quickly and efficiently in disaster-affected areas. This study contributes by offering a comparative institutional analysis that connects tax policy design, disaster governance, and fiscal resilience across developing countries. The findings emphasize that the success of post-disaster tax incentives depends not only on the availability of fiscal relief measures but also on the institutional capacity to implement policies in a responsive, coordinated, and targeted manner. Based on these findings, future research is recommended to empirically measure the economic impact of disaster-related tax incentives, particularly on MSME recovery, household income stabilization, and regional economic growth, using quantitative or mixed-methods approaches.

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