

VALUATION OF ART GOODS TO INCREASE TAXES ON IMPORT THROUGH COLLABORATIVE GOVERNANCE

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ABSTRACT

Many studies show that art objects, including paintings, are used as an investment portfolio. From 2021 to 2023, there was an increase in the value of imported paintings entering Indonesia. The government needs to supervise imported art objects to increase state revenue by collecting import duties and taxes on imports. This study investigates the potential for state revenue if supervising imported paintings involves government appraisers. This study uses a qualitative and quantitative descriptive approach using the theoretical basis of collaborative governance. The results found that there is potential for tax revenue if the customs value of imported paintings is adjusted to the results of the appraisal by government appraisers. There is an opportunity to form a joint standard operating procedure to effectively supervise imported goods through collaborative governance efforts, both between internal agencies of the Ministry of Finance and involving external parties. This study is expected to provide a tiger for further research on applying collaborative governance in the public sector.

Keywords: appraisal, collaborative governance, import, painting, taxes

I. BACKGROUND

Based on data from the Central Statistics Agency, in 2023, the import or customs value of art goods in the form of paintings was around USD137.607 or IDR2.640.105.000 (BPS, 2023). This amount is equivalent to the painting's weight of 49.007 kilograms. Customs Value is the value used as a basis for calculating Import Duties and Taxes for imports (Indonesia, 2006). In valuing imported goods, the Directorate General of Customs and Excise uses several methods, namely:

1. Transaction value of the item
2. Transaction Value of identical goods
3. Transaction Value of similar items
4. Deduction
5. Computing
6. Fallback

Many studies investigate the benefits of including works of art in financial portfolios (Atukeren & Seçkin, 2009). According to Agnello (2002), the total investment return from paintings around 1971 to 1996 was 4.4 per annum. However, the price of a painting can increase significantly if the owner finds a buyer who understands and likes the painting.

The price of a painting is influenced by several variables related to the characteristics of the work itself and aspects that are difficult to measure, such as the reputation of the painter (Marinelli & Palomba, 2011). There are two main theories regarding the price of a work of art.

First, Baumol (1986) states that the price of works of art is more influenced by speculators, so the equilibrium price for works of art is impossible to exist. In addition, Frey and Pommerhene (1991) believe that supply and demand determine the price of works of art in the same way as goods in general. A study by Stetco (2017) claims that the price of a painting depends greatly on several factors, namely:

1. the size
2. the presence of a signature and monogram
3. the material

Another study by Radermacker (2020) revealed that statistically, the value of collaborative paintings is lower than that of paintings by single painters. This relates to the perception of masterpieces that integral authorship is more valued than partial authorship.

Furthermore, many studies reveal that import duty and tax avoidance occurred in many places. Ferrantino et al. (2012) found evidence that there had been inappropriate reporting of exports at the Chinese border to avoid paying value-added tax (VAT). The VAT avoidance value is underestimated by about two-thirds of the difference. In Iran, importers seek illegal ways of paying lower taxes (evasion), which increases the trade gap. Later, they try to get tax discounts through existing legal instruments (avoidance) which reduces the trade gap (Yousefi et al., 2020). Customs duty evasion is widespread and uneven. Evasion is more critical among low-income countries because of their weaker institutions. It is estimated that the share of imports evading taxation is 1% higher for a one percentage point higher tariff duty (Jean & Mitaritonna, 2010).

The variety of perceptions regarding paintings becomes a tool for investment, meaning that the price of a painting can be varied and subjective. Next, the tendency to evade customs duty in many regions should insist the government handles this issue as soon as possible. This is a challenging task for customs and excise authorities in determining the fair price if the importer reports an unreasonable transaction value. However, the Indonesian government, through government appraisers at the Directorate General of State Assets Management, has particular guidelines for determining the value of art items such as paintings. Therefore, the Customs Authority can collaborate with government appraisers in valuing imported paintings to obtain fair market prices.

This study is a project that brings innovation to the use of professional appraisers (government appraisers) in determining the value of paintings imported from abroad. Furthermore, this study will provide a proposal for an

integrated art valuation system between the Directorate General of State Assets Management, the Customs Authority and the Taxes Authority. This is because determining the value of goods is the domain of government appraisers, while the Customs Authority is the authority for supervising imported goods and collecting import duties. Then, the Directorate General of Taxes has an interest in collecting Value Added Tax and Income Tax related to Imports as well as profiling painting owners who are domestic taxpayers.

A. Research Hypothesis And Questions

1. Research Questions:

In order to fulfill the aim of the research project following questions will be addressed during the research:

- a. How does the process for monitoring imported art goods enter the customs area?
- b. How significant are the potential import duties and import taxes if paintings are appraised?
- c. How can collaborative governance be realized in monitoring imports of paintings?

2. Research Hypothesis:

The underlying working hypothesis of the research is:

“Art goods such as Painting Valuation can be a tool for the central government to increase import duties and taxes”.

B. Objectives

The objective of the research is to respond to the following issues:

1. To identify the process for monitoring imported art goods entering the customs area in Indonesia.
2. To identify the potential import duties and import taxes in the context of importing paintings.
3. To identify the factors needed to form collaborative governance for monitoring the import of paintings.

C. Significance

The importance of this research agenda is the renewal of monitoring on import activities, especially on art goods related to national revenue. This research is fundamental to do with the following objectives.

1. At the theoretical and empirical level, the research results intend to find out the monitoring scheme of art goods import through collaborative governance in Indonesia.
2. At the practical level, the results of this research will develop policy recommendations for the Indonesian government to identify barriers and prospects for valuating art goods related to import activity.

II. LITERATURE REVIEW

A. Import

Imports are one of the components in calculating gross domestic product which is often associated with calculating a country's economic growth. Imports basically have a positive correlation with economic growth, because

they can be a solution to fulfill domestic needs that cannot be met by local resources. Refers to Indonesia's Customs Law, import defined as activities to bring goods into the Customs Territory. In Indonesia, import can be regulated into some procedures; general import, express cargo, import into bonded zone, and import into free trade zone. With various types of goods imported from abroad, Customs has several treatments that aim to not reduce the value of the goods until they reach the hands of consumers. Paintings, which need to be threatened well, mostly come into Indonesia using express cargo. Each explanation related to the regulations for importing goods is explained as follows:

1. General Imports

General import (import for consumption) is the most widely used import mechanism in Indonesia. General imports are carried out by companies without any maximum value limit. General imports can also be carried out in large quantities or in small quantities with consolidators. The procedures for imports for use are regulated in the Regulation of the Minister of Finance Number 190/PMK.04/2022 concerning the Release of Imported Goods for Use. For imports for consumption, the tariff applied is the Most Favorable Nations (MFN) tariff unless there is a facility application with a fulfilled administrative process which results in the application of preferential tariffs.

2. Express Consignments

Express consignments are carried out by a consignment service company (PJT) as the representative of the owner of the goods. The latest regulations governing the implementation and imposition of Import Duty on shipped goods are regulated in the Regulation of the Minister of Finance of the Republic of Indonesia Number 96 of 2023 concerning Customs, Excise, and Tax Provisions on the Import and Export of Express Consignment. There are some layers in import tariff for Express consignments;

- a. For USD3 or less, exempted from import duty
- b. Flat import duty tariff (7.5%) for express consignments with FOB USD 3 to USD1.500, exception for 8 specific commodities including
- c. For express consignments with FOB more than USD1.500, using general import scheme

3. Passenger Goods

By definition, Passenger Goods are personal items used by passengers. Passenger goods have an import duty exemption threshold of up to a value limit of USD500 per person per arrival. The required customs documents are the Customs Declaration (BC 2.2) and the Notification of Import of Specific Goods (PIBK). The rules related to passenger goods are regulated in the Regulation of the Minister of Finance Number 203/PMK.04/2017 of 2017 concerning Provisions for the Export and Import of Goods Carried by Passengers and Crew of Transportation Facilities.

Based on the Regulation of the Minister of Finance Number 144/PMK04/2022 of 2022 concerning Customs Value for calculating import duties, the determination of customs value can be carried out based on six methods, as follows:

- a. The transaction value method of the goods
- b. The transaction value method of identical goods
- c. The transaction value method of similar goods
- d. The deduction method
- e. The computation method
- f. The fallback or repetition method

Determining Customs Value in Indonesia adopts the Agreement on Implementation of Article VII of GATT 1994 as one of the agreements attached to the international agreement on establishing the world body WTO.

B. Taxes And Duties On Import

Based on the Customs Law No 17 Year (2006), customs is everything related to the supervision of the traffic of goods entering or leaving the customs area as well as the collection of import and export duties. Meanwhile, import is the activity of entering goods into the customs area. One party's importing goods must fulfil the obligation to pay a levy. The levy imposed is in import duty which is defined as a state levy based on the law imposed on imported goods. Import duties are imposed on registered importers and transportation passengers who bring goods to the customs area. In practice, imported goods brought by passengers, transportation crews, or border crossers into the customs area upon arrival must be notified to the customs and excise officials.

Imported goods carried by passengers must be notified to the Customs and Excise Official at the Customs Office. Customs declarations can be made orally or submitted in writing. Verbal notification is made at a specific place determined by the Director General of Customs and Excise. A written statement is submitted using:

1. Customs Declarations; or
2. Notification of Import of Special Goods.

Customs Declaration and Notification of Import of Special Goods are filled out completely and correctly. Customs Declaration or Notification of Import of Special Goods can be submitted no later than the arrival of the Passenger. The release of imported goods is carried out after obtaining the approval of the Customs and Excise Official. Customs Declaration is used as a customs declaration on imports.

The rules for importing goods carried by passengers are regulated in the Regulation of the Minister of Finance Number 203/PMK.04/2017 concerning Provisions for the Export and Import of Goods Carried by Passengers and Crew of Transportation Means. This regulation is effective from January 1, 2018. The main points of this regulation are the exemption of imported carry-on goods up to a value of USD500 from the previous USD250 and the abolition of the limit on the value of goods for families (Kementerian Keuangan, 2017).

In addition, taxes have sparked a lot of intense debate about their relevance to policy and political aspects by decision-makers (authorities). However, taxes are recognized as a source of revenue for the government (Gans et al., 2017). Taxes according to the Indonesian Law concerning General Provisions and Tax Procedures (KUP) are referred to as mandatory contributions to the

state-owned by persons or entities that are coercive under the law (Republik Indonesia, 2009). Furthermore, the government does not provide direct returns to taxpayers. However, the income collected is used for the benefit of the state as much as possible for the prosperity of the people. Imported goods are also subject to taxes that are regulated by Indonesian tax laws.

In case of the value of the goods carried by passengers exceeds USD500, the excess is subject to 10% import duty and Import Tax. Import tax consists of 11% Value Added Tax (VAT) and 7.5% Income Tax if a subject has a Taxpayer Identification Number (TIN). Based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 34/PMK. 010/2017, the import tax collection rate applied to Taxpayers who do not have TIN is 100% (one hundred percent) higher than the rate applied to Taxpayers who can show TIN. So, if the passenger does not have TIN, a higher rate of 100% will be charged on income tax article 22 (15%).

As an illustration, for purchases from Japan worth USD1,000 and do not have TIN, import taxes and import duties will be charged as follows

Price of goods	: USD1.000
Exemption Value	: USD500
Price minus exemption value	: USD500
Exchange rate	: IDR14.000
Customs Value	: IDR7.000.000
Import Duty (10% x Customs)	: IDR700.000
Import Value (Customs Value + Import Duty)	: IDR7.700.000
VAT (11%)	: IDR847.000
Income Tax Article 22 without TIN (15%)	: IDR1.155.750
Import duty and tax	: IDR2.702.000

So, the potential for import taxes and import duties from shopping carried by passengers who go abroad from the value of goods at USD1.000 or IDR14.000.000 is IDR2.702.000.

C. Painting Valuation

The valuation method for imported goods is based on Customs Law Number 17 of 2006. According to Article 15 paragraph (7), the provisions regarding customs value for calculating import duties are further regulated by or based on ministerial regulations (Indonesia, 2006). Decree of the Minister of Finance number 144/PMK.04/2022 explained that 6 valuation methods can be used sequentially, from the transaction value of the imported goods to the fallback method. Paintings in this case have unique characteristics because usually, one painter will only produce one painting that has no similarities to other paintings made by the same painter. Based on these characteristics, there is an explanation in the Appendix of the Decree of the Minister of Finance number 144/PMK.04/2022, point H.3: In case the customs value cannot be determined using the fallback method (method number 6), other methods may be used as long as they are supported by real evidence or objective and measurable data and do not conflict with the provisions of this rule (including Purchase price in the auction minutes, depreciation method according to applicable accounting standards, results of assessments by government

appraisers or certified public appraisers). Based on this explanation, painting importation can be valued by government appraisers.

Paintings have become the most valuable items in economic collections, surpassing other art forms. On a deeper level, canvas paintings hold the highest position in auction classifications worldwide. As the most valuable commodity, paintings occupy a special place for collectors. This is because paintings embody the essence of creative skill, crafted manually with a unique touch, infused with emotion and spirit, and are limited and enduring. Thus, paintings become exclusive items highly sought after by numerous enthusiasts (Susanto et al., 2018).

Painting valuation is a specific subset of artwork valuation that focuses on determining the worth of paintings (Plante et al., 2021). Similar to general artwork valuation, it involves a combination of quantitative and qualitative assessments influenced by various factors such as cultural significance, market demand, condition and authenticity, aesthetic qualities, and valuation modes.

The fine arts refer broadly to visual art forms including paintings in various media (such as watercolor, oil, acrylic, and mixed media), sculpture, and ceramics (Marshall & Forrest, 2011). Fine art is characterized by its expressive nature and is often created for aesthetic appreciation rather than functional utility. It encompasses artworks valued for their symbolic, social, and subjective meanings, making them significant in personal and market contexts.

The valuation of painting and fine art is a complex interplay of artistic merit, market dynamics, and individual buyer perceptions (Marshall & Forrest, 2011). Various interconnected factors influence the valuation of paintings and fine art, each contributing uniquely to the final assessment of an artwork's worth. First, artist factors are critical, as an artist's reputation, technical skills, and history of past sales significantly impact the perceived value of their creations.

The valuation of art paintings employs three primary approaches: the market approach, the income approach, and the cost approach. However, due to the unique nature of art, each method has its strengths and weaknesses in determining the value of an artwork. The market approach relies on comparable sales data, which can be challenging due to the rarity and uniqueness of each piece. The income approach, which estimates value based on the potential revenue the artwork can generate, may not always be applicable given the subjective nature of art appreciation. Lastly, the cost approach, which considers the expenses involved in creating the artwork, might not fully capture art's intrinsic and aesthetic value.

Sutanto et.al, (2018) provides a summary of price characteristics, highlighting several indicators used to assess changes in the value or price of art sales. Based on research conducted in various countries, several factors determine the value of a painting. These factors vary due to different perspectives among researchers. However, some key elements consistently influence a painting's value: the artist's history and achievements, the painting's concept and theme, its condition, the media and materials used, its

size, the tools and techniques employed, the painting's history, its provenance, and the publication of both the painting and the artist.

In the Regulation of the Director General of State Assets number 10 of 2012 on the Guidelines for Painting Valuation, it is stated that the approach used for valuing paintings is the Market Data Approach. This approach is based on the premise that the value of a painting is equivalent to the value of other artworks that can be considered substitutes of equal standing. To conduct a painting valuation using market data comparison, the appraiser must understand the factors that influence the value of a painting so they can be relatively quantified between one painting and another. The comparison process involves quantifying these value-influencing factors in relative percentages. The factors that may affect the value of a painting include:

1. The Artist Factor;
2. Theme and Style Factor;
3. Physical Characteristics of the Painting;
4. Historical and Provenance Factor;
5. Expert Opinion Factor;
6. Location Factor.

D. Collaborative Governance

Ansel in *The Oxford Handbook of Governance* (2012), states that collaborative governance is a technique that offers many benefits. Stakeholders can find opportunities for mutual benefit, increase their understanding and trust in other stakeholders, gather knowledge and information, increase the efficiency and effectiveness of coordination, and increase the legitimacy of decisions. Collaborative governance is adapted to the user's objectives with terminology adapted to specific sectors. Furthermore, Jung et al. (2009) defines Collaborative Governance as the process of forming, driving, facilitating, running and supervising cross-sectoral organizational arrangements in solving public policy problems that cannot be solved by just one organization.

Collaborative governance is a structured framework in which public agencies engage private stakeholders in a formal, consensus-driven, and deliberative process aimed at collective decision-making for the development or execution of public policies (Ullah & Kim, 2020). In addition, Levi-Faur (2012) identifies several key advantages of this approach, including enhanced mutual understanding, trust-building, and establishing legitimacy within the decision-making process. He argues that collaborative governance allows stakeholders to pool their resources, expertise, and efforts to tackle complex issues that no single entity can effectively resolve.

This approach is increasingly recognized as a vital strategy for addressing intricate challenges within the public sector. It prioritizes the inclusion of multiple stakeholders to improve policy implementation, particularly where traditional governance methods fall short (Emerson, 2018). Jung et al., (2009) further explain that this governance model requires creating and managing cross-sectoral organizational arrangements to confront public policy challenges that exceed the capabilities of individual organizations. Furthermore, Ansell & Gash (2008) emphasize that a critical element of

successful collaborative governance lies in achieving incremental gains that foster trust, commitment, and mutual understanding among stakeholders, thereby strengthening the foundation for sustained cooperation.

Implementing collaborative governance presents various challenges, primarily due to the involvement of multiple stakeholders and the necessity for multilateral decision-making. Consequently, governments must develop policies that establish and support a structured framework for effective collaborative governance (Bell & Scott, 2020). This approach faces several obstacles, including issues related to trust, commitment, transparency, accountability, and the representation of diverse (Dapilah et al., 2021). Additionally, insufficient stakeholder engagement and ineffective internal communication can further complicate collaboration (Heikkila & Gerlak, 2016).

While success is not assured, there are instances of effective collaboration that can serve as models for future efforts (Ulibarri et al., 2020). Ongoing research into collaborative governance models and strategies provides valuable insights that can optimize these processes, as Diaz-Kope et al. (2021) illustrate through their examination of structural and relational dynamics that enhance collaborative outcomes. Their findings highlight that fostering an adaptive framework and refining stakeholder roles can significantly improve the effectiveness of collaborative governance initiatives. The success of collaborative governance is heavily influenced by public trust in government (Kurniawan & Indriati, 2017). Later, Emerson et al. (2012) emphasize that trust is a vital component of the system context and shared motivation essential for collaborative governance. One effective method for fostering trust is through transparency, which can be achieved by ensuring the disclosure of relevant information.

In Indonesia, collaborative governance has been examined across various sectors to tackle complex public issues, though its effectiveness varies depending on the specific context and implementation. For instance, in Surakarta, the collaborative governance model for managing HIV/AIDS has proven ineffective due to weak stakeholder commitment, limited communication, and inadequate budget transparency. These limitations hinder the essential dynamic collaboration needed to address the rising cases of HIV/AIDS (Demartoto et al., 2020). In another case, initiatives aimed at preventing stunting in Pandeglang demonstrate the potential of collaborative governance in achieving Sustainable Development Goals (SDGs); however, structural issues continue to obstruct effective coordination among stakeholders (Candarmaweni & Rahayu, 2020).

One of the collaborative governance practices is a synergy program between echelon I units within the Ministry of Finance and other Ministries/institutions. By Decree of the Minister of Finance Number 667/KM1/2022 (KMK 667/2022) concerning Amendments to Decree of the Minister of Finance Number 210/KMK.01/2021 concerning the Reform Synergy Program in the Framework of Optimizing State Revenue, the reform synergy program in the context of optimizing state revenues is a program implemented in synergy by echelon I units within the Ministry of Finance and other Ministries/institutions in the aspects of service, supervision and

enforcement joint law in the fields of tax, customs and excise in the context of optimizing state revenues, increasing compliance and improving services to taxpayers, users of customs and excise services, as well as payers. Through this program, it is hoped that mutual trust will be created between users of customs and excise services, taxpayers/payers and related agencies.

On the tax front, Yogyakarta's Regional Tax Office encountered difficulties in meeting revenue targets, prompting the implementation of collaborative governance between the Directorate General of Taxes (DGT) and Customs (DGCE). This collaboration leveraged strong leadership and resource conditions to enhance tax revenue (Arsandi, 2022). Conversely, in DKI Jakarta, collaborative governance related to regional tax revenue optimization was less effective due to issues of trust and political interference (Sari & Rosdiana, 2021). Lastly, the Ministry of Finance's Joint Analysis Program, which aims to increase tax compliance through collaboration between the Directorate General of Tax and Customs, underscores the importance of leadership commitment, clear legal frameworks, and flexible communication. Nevertheless, operational challenges at the regional level persist (Nurfadilah & Rosdiana, 2020). These examples illustrate the varied outcomes of collaborative governance in Indonesia, influenced by factors such as stakeholder engagement, communication efficacy, and political dynamics.

In the context of valuing art goods for taxation purposes within Indonesia's Ministry of Finance, collaborative governance offers a framework to address the difficulties in assessing the value of unique, high-value imports like art. Through coordinated efforts between the Directorate General of Tax, the Directorate General of Customs and Excise, and the Directorate General of State Assets Management, this approach has the potential to increase tax revenues and enhance the accuracy and fairness of customs valuations (Dapilah et al., 2021).

III. DESIGN AND METHODOLOGY

A. Research Type

This paper is a critical analysis and review of the empirical results. The study will use a qualitative and quantitative methodology with a strong theoretical component. According to (Cresswell, 2014), quantitative understanding underlies researchers to collect data to determine variables, which are then measured with numbers so that applicable statistical procedures can be analysed. Arikunto (2013) states that the approach uses quantitative because it uses numbers, starting from data collection, interpretation of the data, and the appearance of the results. Descriptive research is conducted to develop solid and exciting records of an event, process, or social phenomenon in the form of data (Hennink et al., 2011). The theoretical framework and approach of the study will be based on the public sector and public finance.

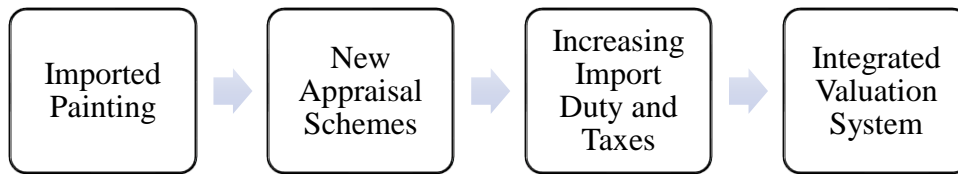
This research will be organized as follows. First, we will examine the procedure for determining the duty value of imported art goods. This then provides various data about the conditions and characteristics of the goods value and tax imposed. Regulations and policies for importation will be elaborated to gain a comprehensive understanding of the duty value of art goods.

Second, it will elaborate on the arguments related to the projects and the effects of valuation on imported art goods by the government appraiser. This research tries to propose a valuation method that is suitable for imposed in Indonesia by the Ministry of Finance agency.

Third, this research will focus on collaborative governance by the institution under the Ministry of Finance. The concept of collaboration for erecting the system of valuation on import activities will be generated.

Meanwhile, the framework of this study can be seen in the following figure.

Figure 1. Research Framework



Source: processed, 2024

B. Data Types and Sources

The research uses different analytical methods depending on the study's objectives. The data to be used for this research will be from primary and secondary data, which refer to interviews and reviews of existing academic and regulatory data. The primary source of this research is data derived from the participants' in-depth interviews. In-depth interviews were conducted once for every participant. However, if necessary, discussions can be continued through online communication channels.

The participants are employees at the Directorate General of Taxes, Directorate General of State Assets, and Directorate General of Customs and Excise and Expedition Services and are actively involved in the process of import activities and its state revenues. Secondary data contains information collected from existing sources such as journals, books, articles, newspapers, magazines, websites, policy memos, annual reports, minutes of meetings, standard operating procedures, central government rules and others, with some forms of content analysis.

Table 1. List of Participants Code

No	Code	Office	Respondent	Role of Duty	Numbers of interviews	Durations of interview (minutes: seconds)
1	R1	Directorate General of Customs and Excise	Slamet Subur	Head of Technical Support Subdivision	1	60:01
2	R2	Directorate General of	Abed Velazanie	Customs Document Examiner	1	60:01

No	Code	Office	Respondent	Role of Duty	Numbers of interviews	Durations of interview (minutes: seconds)
		Customs and Excise				
3	R3	Directorate General of Customs and Excise	Moh. Nafik Setyo Nugroho	Customs Document Examiner	1	60:01
4	R4	Directorate General of State Assets	Rachmat Kurniawan	Head of Subdirector of Property and Natural Resources Valuation Standardization	1	46:11
5	R5	Expedition Services-DHL	Wisnu	Import Shipping Supervisor	1	24:00

Source: Processed from Primary data, 2024

C. Data Collection Method

In a qualitative interview, the questions designed are in the form of semi-structured and open-ended questions. The questions are designed to bring up the views and opinions of the participants. The researchers conducted interviews directly with the participating parties. The researchers do individual interviews face to face with predetermined participants.

In conducting interviews, the researcher prepares interview guides based on interview development guidelines by Hennink (Hennink et al., 2011). Interview guides depend on the type of research question, the aims and objectives of the study, and the advice of the field are adopted. In this study, the items are designed about general questions about semi-structured and open information so that researchers can gain knowledge about what is related to research. The questions raised are related to the management.

Secondary data sources used in this study are public documents, laws, and archives relating to the importation and painting valuation. The document review determines the suitability of implementing import procedures, duty and tax calculation, and payment activities according to applicable regulations. Conformity is meant to see the existence of documents, supporting evidence, and the suitability of other papers. Also, the document review aims to determine the relevance of the interview results to related documents.

D. Data Analysis Technique

Interview data analysis techniques in this study using qualitative research data analysis methods. Qualitative research data analysis techniques consist of

several steps that refer to data analysis in qualitative research (Creswell, 2014) as follows;

1. First, compile and prepare data for review. Data analysis was carried out during and after data collection. This step involves interview transcripts, scanning material, reducing data, organizing data into categorizations.
2. Second, focus on reading the entire data. The researcher builds a general sense of all information obtained and reflects the meaning of the data as a whole.
3. Third, start coding techniques on data. Coding is the process of organizing data by collecting pieces and writing categories within boundaries. The researcher makes a table or record that contains codes that have been determined to be used in coding data.
4. Fourth, apply the coding process to describe information, then analyse it. In the coding process, the writer makes a small number of themes or categories, which will usually be the main results in research. After identifying themes during the coding process, the authors make a description of these themes presenting in narratives / qualitative reports. The narrative approach is used in conveying the results of the analysis.
5. Last, make interpretations in qualitative research or interpret data. The interpretation is an effort of researchers to understand the results of the study. Moreover, the presentation includes how research questions are answered, as well as the researchers' reflections in understanding research results and limitations in the research conducted.

This study used a qualitative descriptive and quantitative approach. Quantitative research aims to test theory and determine the correlation between variables. The data that will be used to support quantitative data analysis is State Revenue on import, which is sourced from the DGT and DGCE.

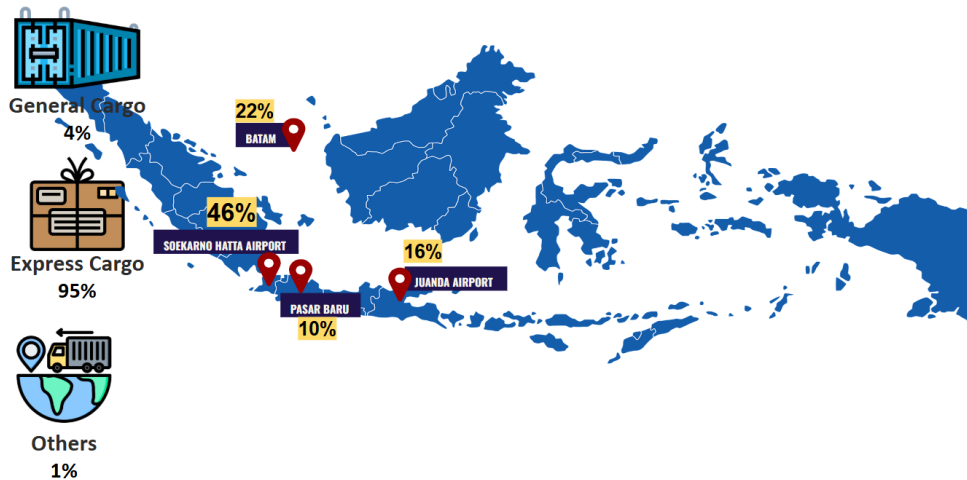
IV. FINDING AND DISCUSSION

A. Finding

1. Existing Regulations and Standart Operating Procedures

During 2021-2023, Paintings importations were dominantly imported by consignment express cargo at 95% of total import documents, followed by general cargo with 4% and other customs declarations at 1% of total import documents with paintings HS code (97011000 (BTKI 2017), 97012100, 97019100 (BTKI 2022)). The biggest unloading port for painting importation during that period including Soekarno-Hatta Airport at 46% of total importation, followed by Batam Port with 22%, Juanda Airport (16%), and Pasar Baru post office (10%).

Figure 2. Paintings importations Map



Source: DGCE, 2024

Procedures for Release of Goods using Consignment Notes are based on the Regulation of the Director General of Customs and Excise Number PER-02/BC/2017 concerning Implementation Guidelines for Import of Consigned Goods as amended by the Regulation of the Director General of Customs and Excise Number PER-09/BC/2017.

The procedure of clearance for Goods using Consignment Notes starts with the customs officer receiving the Consignment Note document and deciding whether it needs to arrange a physical inspection or not. If the decision is a red lane (need to be physically inspected), then the procedure will continue to physical inspection SOP.

In the Standard Operating Procedure for physical inspection, the document validator Officer begins the inspection by checking the supporting customs documents such as packing lists and airway bills. After that, the goods inspector examines the documents and counts the packaging. In the next stage, the importer/PPJK or TPS entrepreneur opens the packaging, then the goods inspection officer begins to inspect the goods. After the inspection is complete, the goods inspection officer creates an inspection report, signs the BA, continues by compiling the Inspection Result Report (LHP), and inputs it into the system.

After the physical inspection, the document validator officer will check whether the goods are included in prohibited and restricted goods or not, after that the officer continues to validate the value of the goods to determine which customs documents are used for the clearance. After the value provisions are deemed appropriate, the goods will be processed for issuing of the customs release letter (SPPB).

Respondent R1 stated that the general procedure carried out in supervising imported goods at the Soekarno Hatta Customs Office was by the SOP for incoming goods, document research activities related to LARTAS or HS Code before issuing a billing code.

“In general, when incoming goods are registered on the BC 1.1 Manifest. Then, It is broken down again to each Consignee for an Airway Bill number. Now, each airway bill will be submitted to the document if the painting has a Consignment Note, PJJN or DPPK... .”

“...The second stage is related to the suitability of the number of notified goods, and the third is related to the total customs value. If it has been met and everything is appropriate, then the SPPB can be issued. Goods that are missed from the analyzing point will be issued with billing.”(R3.23)

2. Data of Art Goods Imported

Primary data obtained by researchers from DGCE shows the increased value of paintings entering Indonesia from abroad. The total import duties and taxes of IDR1.589.673.226 in 2021 increased to IDR3.591.277.906. Revenue was IDR2.095.577.739 until June 2024, so the projection until the end of the year is estimated at 4 billion Rupiah.

Table 2. Import Duties and Taxes

Year	Import Duty	Value Added Tax	Income Tax	Total Revenue
2021	365.463.262	954.817.928	269.392.035	1.589.673.226
2022	518.014.015	1.253.580.332	222.165.863	1.993.760.211
2023	757.371.339	2.396.172.489	437.734.078	3.591.277.906
30 Juni 2024	354.716.896	1.395.529.678	345.331.165	2.095.577.739

Source: DGCE, 2024

Table 1 shows an increase from 2021 to 2023, and it is estimated that it will continue until the end of 2024. Based on this calculation, the value of paintings entering Indonesia during the four years is around IDR84.275.355.291 until June 2024.

The number of imported documents related to art goods - paintings- can be seen in the following table.

Table 3. Import Document of Painting

Year	Total Documents
2021	14.165
2022	6.325
2023	7.414
30 June 2024	1.912

Source: DGCE, 2024

Table 2 shows fluctuating figures for shipping documents for paintings from abroad to Indonesian customs areas. Compared to the receipt of import taxes, the number of records was the largest in 2021, but state revenues were at the lowest level. Furthermore, the number of documents decreased in the following years, but state revenues increased. This shows

that the average value of paintings entering Indonesia has relatively increased.

B. Discussion

1. Appraisal of Imported Painting

This study explores the application of the market approach in valuing paintings, specifically focusing on the data market comparison method as outlined in the Directorate General of State Assets' valuation guidelines. This method posits that the value of a painting is equivalent to that of another artwork that could be considered a substitute. To effectively employ this method, valuers must comprehend and quantify the factors influencing a painting's value, enabling relative comparisons between artworks.

Resource person R4 from the Directorate of Assessment, Directorate General of State Assets, stated that he has experience assessing art objects, including paintings. The paintings that have been the object of assessment so far are the types of paintings categorized as collectable.

“So it's interesting; it's just that what we appraise is more of a collection, so we already know the painter. Then, Indeed, these painting items are only collected. So, if mass painting means mass production, it is not included in the category of art goods. It is included in ordinary goods. But if it is already a collectible item. It has just entered the category of art objects”. (R4.2.2)

Respondent R4 added that the assessed paintings must be accompanied by supporting data such as the painter's name, painting type, canvas used, size and country of origin.

“who was the painter when it was produced. We only meet oil paints, canvases, sizes, and sending countries. There is also the name of the painter, if it is not famous, it will not be found in the database. We are going to see the bulk as well, roughly now how much this is”. (R4.2.4)

According to the guidelines, six primary factors affect the value of a painting: the artist, the theme and style, the physical attributes, the artwork's history and provenance, expert opinions, and the artwork's location. For this research, a dataset of paintings imported through shipments at Soekarno-Hatta Airport was collected. Out of the 12 sampled paintings from 11 different shipments, only four met the criteria for valuation. These four paintings possessed sufficient information, such as artist details, medium, dimensions, and physical condition, necessary for valuation analysis. The remaining eight samples were excluded due to incomplete or insufficient data for accurate valuation.

The 8 samples excluded from the valuation process likely lacked critical information about the six primary factors influencing a painting's value. These factors, as outlined in the Directorate General of State Assets' guidelines, are:

- a. Artist Factors: Information about the artist's reputation, experience, and market value might have been missing.
- b. Theme and Style: Details regarding the painting's subject matter, artistic movement, and stylistic elements could have been absent.

- c. Physical Characteristics: Data on the painting's dimensions, medium, condition, and unique features might have been incomplete.
- d. Artistic and Historical Significance: Knowledge of the painting's provenance, exhibition history, or association with significant events or figures might have been lacking.

The absence of these factors can significantly hinder the accurate valuation of a painting. For instance, without information about the artist's reputation and market value, it becomes difficult to establish a baseline for the painting's worth. Similarly, the lack of details regarding the painting's physical condition can affect its perceived value, as damage or deterioration can significantly reduce its worth.

The painting data obtained from DGCE, which can be valued, is four paintings. The researchers assessed using the market price approach regulated by the Regulation of the Director General of State Assets number 10 of 2012. Each painting has been made an assessment report with the following recapitulation.

Table 4. Sample of Imported Painting Valuations

HS Code	Item Description	Qty	Upload Time	Country of Origin	CIF (USD)	Indonesian Currency (IDR)	Appraisal Value (IDR)
97019100	Painting D1	1	28-Jun-22	Netherlands	315,38	4.730.700	89.760.000
97012100	Painting D2	1	02-Jul-22	China	586,29	8.794.350	N/A
97012100	Painting D3	1	12-Apr-22	Taiwan	341,02	5.115.300	N/A
97019100	Painting D4	1	11-Sep-22	Singapore	7153,38	107.300.700	N/A
97019100	Painting D5	1	11-Sep-22	Singapore	4466,32	66.994.800	N/A
97012100	Painting D6	1	09-Agu-22	Thailand	70	1.050.000	N/A
97012100	Painting D7	1	25-Jul-22	Japan	120,787	1.811.805	N/A
97012100	Painting D8	1	29-Jun-22	Netherlands	897	13.455.000	187.427.000
97019100	Painting D9	1	03-Nov-22	France	3950,82	59.262.300	N/A
97012100	Painting D10	1	15-Sep-22	India	214,96	3.224.400	N/A
97011000	Painting D11	2	07-Feb-22	Australia	2186	32.790.000	42.775.000

Source: DGCE, 2024

All sample data totaling 12 paintings are contained in 11 import documents. The samples are paintings on canvas that were selected because they have initial information in the form of documents and photos of the paintings. However, due to the completeness of the data, eight paintings were not subjected to the appraisal process.

Table 3 shows that the paintings that have been appraised have a painting value above the price reported in the Import Notification Document. It can be seen that Painting D8 has the highest value of IDR187.427.000. The value submitted by the government appraiser is 1397 percent of the CIF value reported by the importer. Painting D8 is included in the collectible category by the deceased Indonesian painter maestro.

Furthermore, paintings D1 and D11 are contemporary paintings whose market data shows a relatively lower selling value than those in the collectible category. For Painting D11, the value of the painting reported to the customs authority is IDR32.790.000, but the fair value by the appraiser is IDR42.775.000 or 130 percent of the reported value. However, in Painting D1, there is a difference in the reported price and the value of the painting, with a large difference of up to 1.897 percent.

2. Potential Revenue from Imported Painting

When the value reported by the importer for imported goods does not match the actual value, there is a potential loss to the government in terms of state revenue. The following is the potential of the painting that has been assessed according to the procedure of the Regulation of the Director General of State Assets number 10 of 2012. In calculating the potential for state revenue, an import duty rate of 7.5 percent and VAT of 11 percent is used, referring to the rate in 2024 by the Law on Harmonization of Tax Regulations number 7 of 2021. Furthermore, Article 22, income tax for import activities, is used at 7.5 percent, assuming that the party carrying out the import has an active taxpayer identification number.

Table 5. Potential Revenue Calculation from Appraisal Activities

Item Description	Indonesian Currency (IDR)	Appraisal Value (IDR)	Difference	Import Duty (7,5%)	VAT (11%)	Income tax (7,5%)	Potential Revenues
D1	4.730.700	89.760.000	85.029.300	6.377.198	10.054.715	6.855.487	23.287.400
D8	13.455.000	187.426.600	173.971.600	13.047.870	20.572.142	14.026.460	47.646.472
D11	32.790.000	42.775.000	9.985.000	748.875	1.180.726	805.041	2.734.642
Total			268.985.900	20.173.943	31.807.583	21.686.988	73.668.513

Source: processed, 2024

In painting D1, there is a potential for state revenue of IDR23.287.400 because there is a difference in the reporting value and the assessment results of IDR85.029.300. For painting D8, there is a higher potential for state revenue of IDR47.646.472 because of the large difference of around IDR173.426.600 from the reporting price and the assessment value by the government appraiser. So, the four paintings that were the assessment samples resulted in a potential state revenue of IDR73.668.513.

Referring to painting D11, the value of the painting has increased by 30 percent from the price reported when imported. This moderate increase can be used as a benchmark for other paintings entering the Indonesian customs area. Then, additional state revenue will be obtained, as shown in the following table.

Table 6. Potential Increasing State Revenue Calculation

Year	Existing Total Revenue	Potential Revenue after Appraisal*	Increasing Revenue
2021	1.589.673.226	2.066.575.193	476.901.968

Year	Existing Total Revenue	Potential Revenue after Appraisal*	Increasing Revenue
2022	1.993.760.211	2.591.888.274	598.128.063
2023	3.591.277.906	4.668.661.278	1.077.383.372
30 June 2024	2.095.577.739	2.724.251.061	628.673.322
Total	9.270.289.082	12.051.375.806	2.781.086.725

Source: Processed, 2024

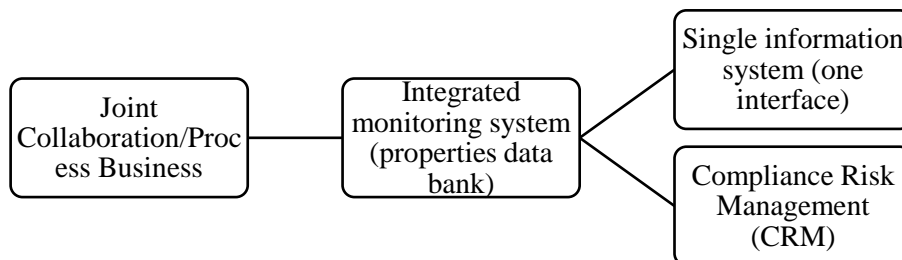
Table 5 shows an increase in state revenue from import duty and tax of 2.78 billion Rupiah. If there is consistent potential for state revenue, then the Ministry of Finance should be able to supervise and calculate the fairness of the price of paintings entering Indonesia.

3. Collaborative Governance of DGT, DGSA and DGCE

a. Joint Process Business

The collaboration between business processes and information technology is a synergy of business process development carried out by the Directorate General of Taxes (DGT), Directorate General of State Assets (DGSA), and the Directorate General of Customs and Excise (DGCE). The implementation of this collaboration is part of the implementation of good governance, which is part of the general principles of good governance. The fulfilled concept is the principle of legal certainty, usefulness, and accuracy. Legal certainty in implementing the collaborative business process has been regulated by the Decree of the Minister of Finance Number 481/KMK.01/2018. Furthermore, the principle of expediency provides an opportunity for DGT, DGSA and DGCE to increase revenue and establish a database for taxpayer supervision. For DGT, it will increase income tax and VAT revenues in the long term. On the other hand, DGCE will increase import duty revenue from imported art goods. In the end, an integrated and real-time database will improve the accuracy of the data held in monitoring the receipt of import duties and taxes on imports.

Figure 3. Flow of Joint Process Business



Source: processed, 2024

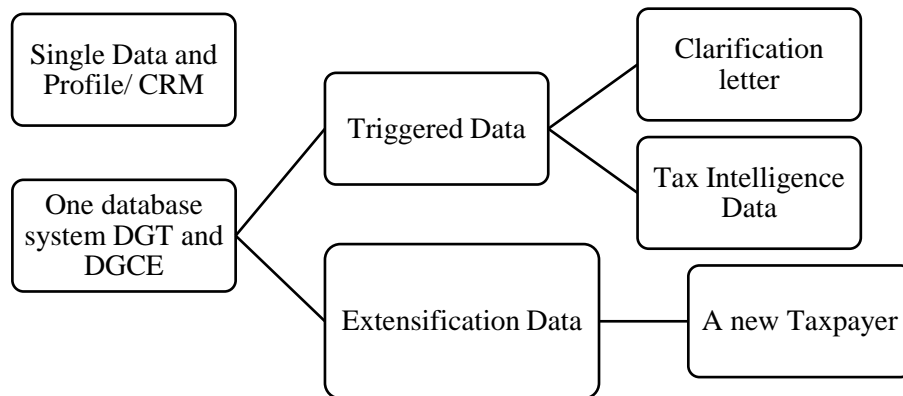
The Minister of Finance has ordered the DGT and DGCE to exchange data based on the Minister of Finance Decree

number.194/KMK.03/2012 concerning data exchange between the Directorate General of Taxes and the Directorate General of Customs and Excise (Kementerian Keuangan, 2012). Data belonging to the DGT that is exchanged is data related to excise, including TIN, taxpayer profile, elements of periodic VAT report, refunds, and invoice data. The data belonging to the DGCE that is exchanged are related to excise, namely invoice data, Excise Payer Identification Number (EPIN), and data on orders, damage and returns of excise stamps. Regarding import tax mechanism, additional data is needed in the DGT and DGCE data exchange purpose. The data includes DGT data on elements of tax return such as passenger data, goods specification and price.

b. Single Data/Profile

A single data/profile embodies the principle of accuracy. DGT and DGCE can monitor taxpayers by complementing each other to fulfill integrated data. Accuracy and completeness of data are the keys to a comprehensive monitoring system.

Figure 4. Flow of Single Data/Profile



Source: processed,2024

Respondent R4 added that data on the value of high-value paintings can be additional information to match assets reported in tax returns. Thus, collaborative governance has real benefits in exploring potential state revenues.

“The point is that we are a collaborative governance team of the Ministry of Finance. Customs gives you a note that you have property. If he is an expensive painting, it should be reported in the Annual Tax Return for additional assets. It means that there is more income. It must be like that in the future.” (R4.2.36)

It is believed that DGT will receive the most significant benefit. Complete and accurate data can be a tool for DGT to suggest taxpayers increase their tax payments according to their economic profile. On another occasion, art goods importer data that does not have a taxpayer identification number will be a means to increase the number of

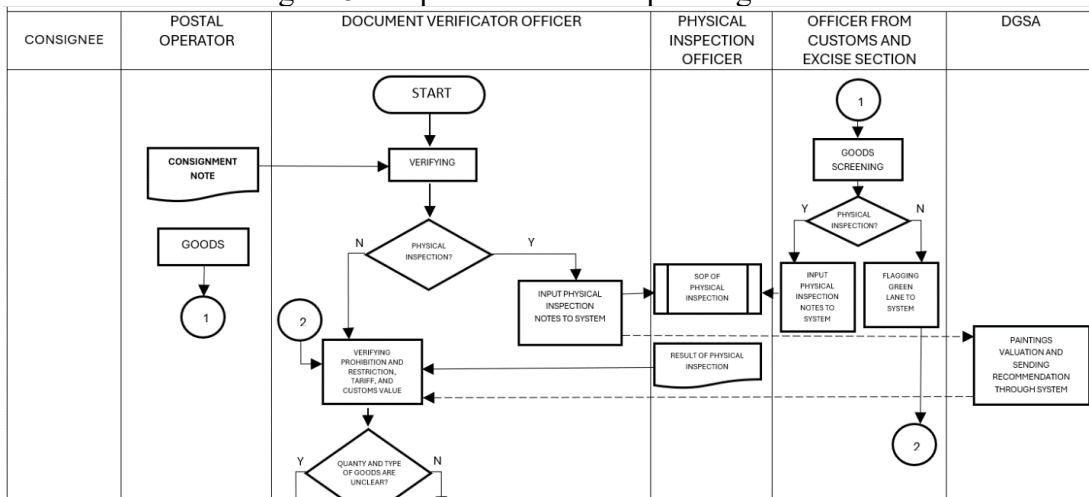
taxpayers. Thus, citizens who have not carried out their tax obligations will be netted through a single data/profile monitoring system.

There are two groups of data in the joint database of DGT and DGCE, namely, data with a taxpayer identification number and data groups that do not. Data that already has a taxpayer code number will be followed up with a clarification letter. However, massive and confidential data can be followed up with tax intelligence activities. On the other hand, data in unregistered taxpayer groups can be followed up by issuing a suggestion letter to register as a taxpayer. In the end, all the activities carried out aim to improve tax data and increase tax revenue.

4. Proposed Standard Operating Procedures

In this section, the authors propose modifying the standard operating procedure (SOP) for inspecting imported art objects. This scheme has already opened up government appraisers at the Directorate General of State Assets.

Figure 5. Proposed Standard Operating Procedure



Source: processed, 2024

Based on the current SOP for the release of goods through Consignment Notes, we proposed a Standard Operating Procedure using an integration system between DGCE and DGSA where DGSA appraisers can provide support and send recommendation estimated prices with the following detailed workflows:

- There will be a stage where imported goods that get the red lane are subject to a physical inspection. In this physical inspection step, the Physical Inspection Officer, the warehouse operator, and the declarant will check the number of packages and the condition of the imported goods, whether they are different from the notification or not. Based on the results of this physical inspection, the Goods Inspection Officer will input a Physical Inspection Report (LHP), supported by photos of the inspection results of the goods.
- The photos of the inspection results will be sent to the system owned by DGSA (represented by a dotted line in the proposed SOP flowchart), and received by the painting appraiser, where the photos sent consist of

photos of the painting and ownership documents accompanying the painting to support the valuation process.

- c. In approximately 24 hours and not exceeding the Service Level Agreement (SLA) for the release of the goods, the DGSA appraiser will estimate the price of the painting.
- d. After the valuation is complete, the results will be inputted into the DGSA system which has been integrated with the CEISA system owned by DGCE, and the results will be accessible to the document verification (PDTT) officers at the office where the painting was imported. The assessment results sent from the DJKN system and displayed in the PDTT menu are recommendations, so PDTT officers still decide on the price of the painting with some additional information obtained from the DJKN assessment results.

V. CONCLUSIONS, RECOMMENDATIONS, LIMITATIONS

A. Conclusions

Imported goods in the form of paintings can enter Indonesia through import goods procedures, shipping via expedition services, and carried directly by passengers from abroad. Determination of customs value in these procedures can be developed through collaborative governance institutions under the Ministry of Finance DGCE, DGSA, and DGT to optimize state revenues in the customs and tax sectors in the context of imports. Then, it has been revealed in this study that there is potential for state revenue from painting samples that government appraisers assess. The data shows that the appraisal results are not only for collecting state revenues but can also enrich taxpayer profile data. Furthermore, the form of collaborative governance that can be formed, there is already a legal basis in the form of Decree of the Minister of Finance Number 667/KM1/2022 (KMK 667/2022) concerning Amendments to Decree of the Minister of Finance Number 210/KMK.01/2021 concerning the Reform Synergy Program in the Framework of Optimizing State Revenue. However, synergy and harmonization of regulations regarding assessments by government appraisers are needed immediately so that they can be implemented for customs purposes.

B. Recommendations

Some recommendations that researchers can provide are as follows:

1. A legal basis is needed for implementing collaborative governance optimization of supervision of imported art goods based on Customs Law Number 17 year 2006 article 15 (7), which can be regulated by a Decree of the Minister of Finance and by the preparation of the Valuation Law, also the erecting of a property market data bank involving third parties/private parties.
2. The information system between DGT, DGSA, and DGCE can be integrated as a spirit of one data and one ministry of finance.
3. Paintings imported from abroad must be accompanied by adequate data regarding the identity of the painting based on the Regulation of the Director General of State Assets number 10 of 2012.

4. Implementing art object valuation can be done online to minimize time, manpower, and costs by government appraiser at the operational office of state assets and Based on KMK 667/2022, a joint business process can be carried out, so it is proposed to form a joint Standard Operating Procedures referring to KMK 667/2022 and PMK 144/2022, for details can be prepared through further research.
5. An alternative implementation of painting valuation can be carried out by Document Examiner Functional Officers (PFPD) after receiving training from Expert Appraisers with structured training involving DGCE, DGSA, and Customs and Excise Education and Training Center.
6. Suppose the data on imported paintings are extensive, and appraisal has limitations at the time of import. In that case, the paintings do not need to undergo a physical inspection, and it is proposed that the painting can be processed using a re-determination scheme within two years after the import is carried out.
7. Further studies can be conducted to expand the research location and number of samples to obtain a deeper perspective.

C. Limitations

This study uses an art object valuation procedure based on the Regulation of the Director General of State Assets number 10 of 2012. The painting data sample for the assessment refers to the regulation, so the researcher only assessed four selected paintings. Then, in calculating the import value, the potential for state revenue, and the tariffs used, use assumption figures with a strong basis, such as the exchange rate used USD1 equals IDR15.000 or the VAT rate uses a rate of 11 percent according to the rate in 2024 based on Law on Harmonization of Tax Regulations. Furthermore, data collection using the interview method was carried out in Indonesia so the translation process may have slight differences in diction or sentence structure. However, it does not change the essence of the message captured.

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