Online Appendix

Table A.1: Tax Office Staffing

|	Medium Taxpayer Offices (MTO)				Non-MTO tax offices in same regions			
	2008	2009	2010	2011	2008	2009	2010	2011
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Taxpayers-to-staff ratios								
Taxpayers per Auditor	18	24	23	21	107	107	115	125
Taxpayers per AR	17	26	25	20	56	105	93	80
Taxpayers per staff	4	6	6	6	10	16	17	17
Auditors								
Total auditors	329	370	366	361	1,109	1,667	1,643	1,591
Has college degree	0.79	0.79	0.84	0.90	0.74	0.64	0.70	0.75
Female	0.07	0.07	0.07	0.06	0.09	0.09	0.09	0.09
Years in DGT	8.6	9.1	10.1	11.1	7.8	7.7	8.7	9.7
Monthly salary (2007 IDR thousands)	6,227	5,920	5,616	5,880	6,066	5,470	5,167	5,295
Account Reporesentatives								
Total ARs	349	341	341	369	2,101	1,862	2,057	2,494
Has college degree	0.83	0.86	0.85	0.81	0.70	0.70	0.68	0.70
Female	0.16	0.17	0.23	0.23	0.27	0.32	0.31	0.32
Years in DGT	8.3	9.2	9.9	10.4	7.9	9.0	9.6	9.8
Monthly salary (2007 IDR thousands)	4,502	4,426	4,237	4,279	4,490	4,417	4,114	4,073

Notes: This table displays tax office staffing descriptive statistics for MTO and non-MTO tax offices. Tax office staff composition data are from DGT's internal human resources database.

Figure A.1: Probability of MTO assignment

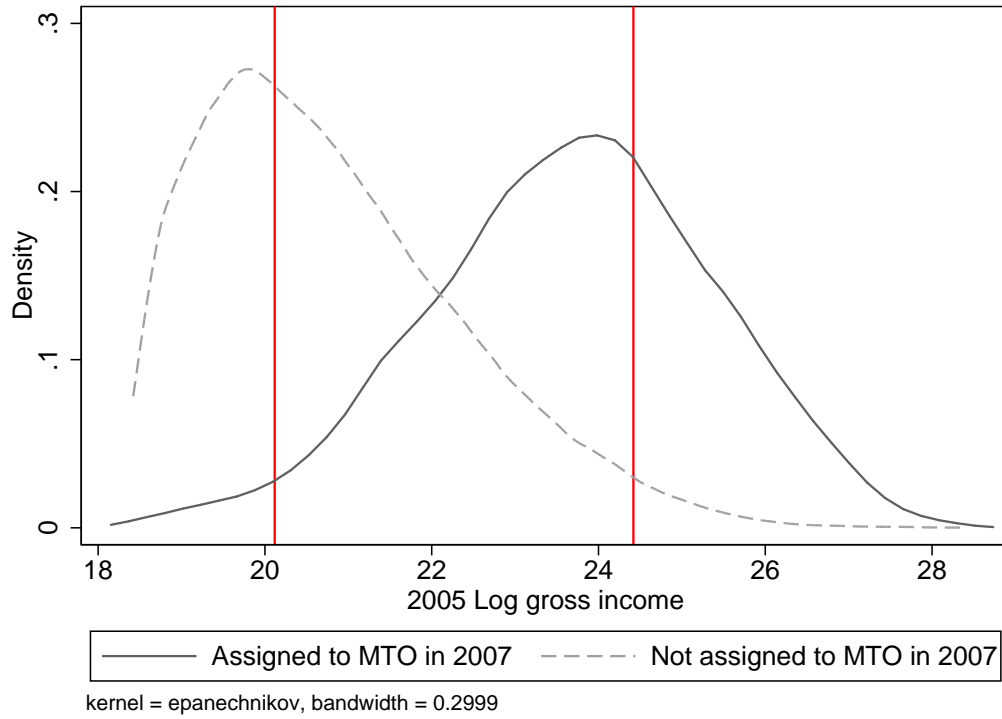## Panel A: As a function of match year gross income
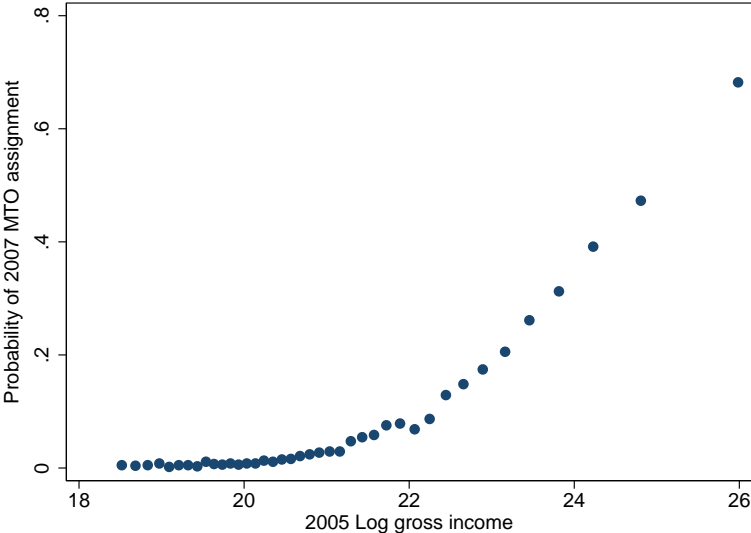
Panel B: As a function of match year total taxes paid
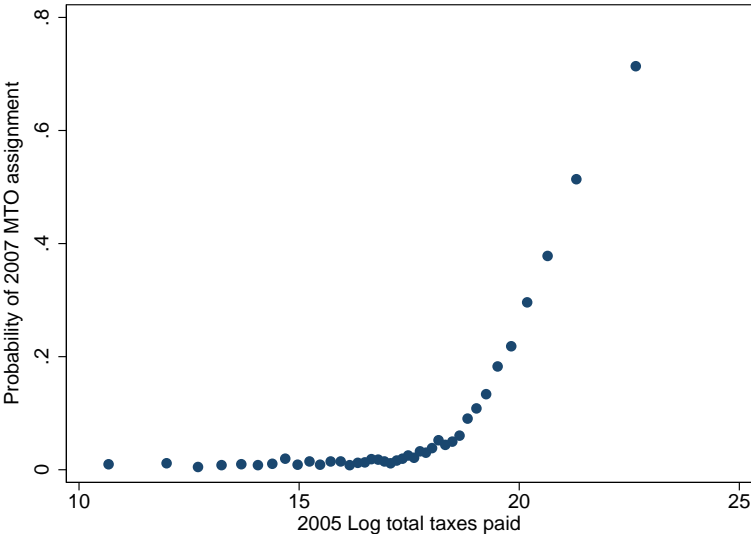
Notes: This figure displays the percent of taxpayers assigned to MTO in 2007 as a function of MTO assignment input variables (total taxes paid and gross income) for tax year 2005. Percentages are plotted against forty equal-sized bins of the 2005 log gross income and log total taxes paid distribution of taxpayers in eligible origin tax offices as of 2006.

Figure A.2: Common support in taxpayer size distributions
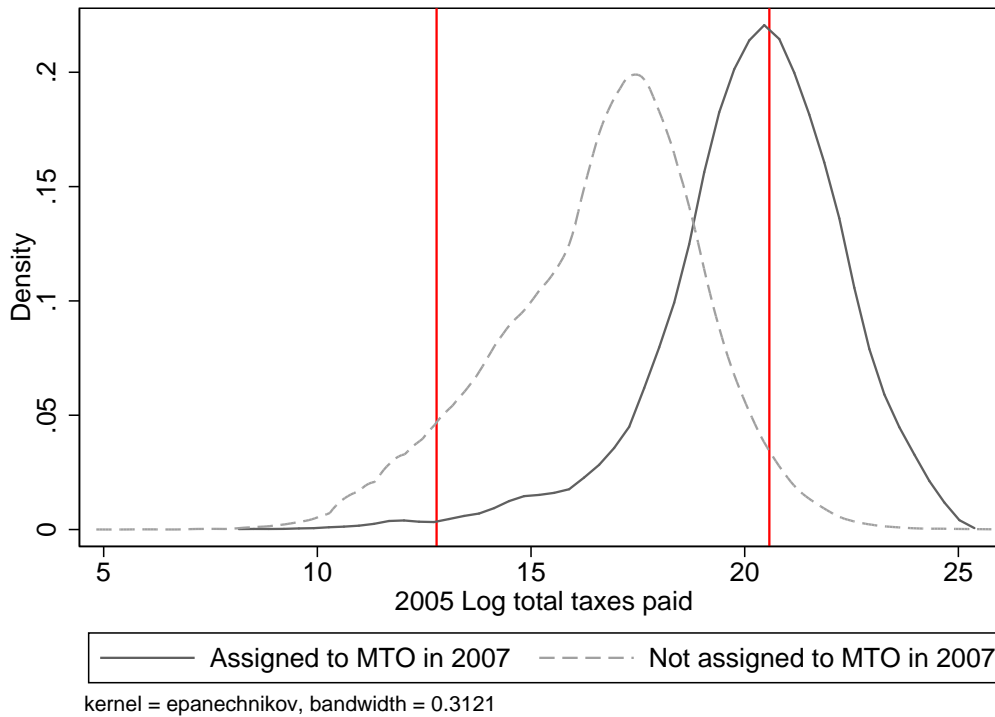
Panel A: Gross income

kernel = epanechnikov, bandwidth = 0.2999

Panel B: Total taxes paid

kernel = epanechnikov, bandwidth = 0.3121

Notes: This figure shows the distributions of taxpayer 2005 log gross income and 2005 log total taxes paid by MTO 2007 assignment status. Red lines indicate the lower bound and upper bound of the 2.5th-97.5th percentile common support.
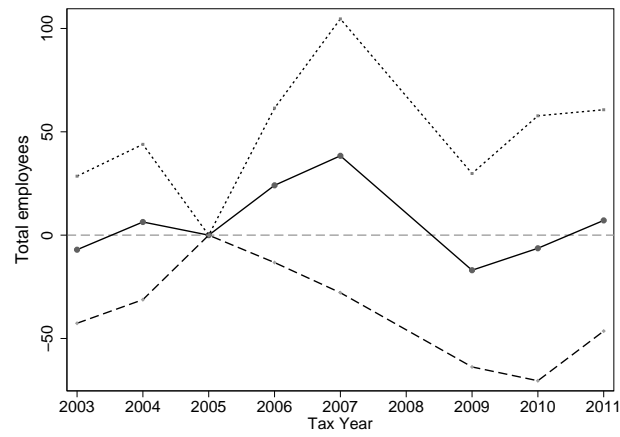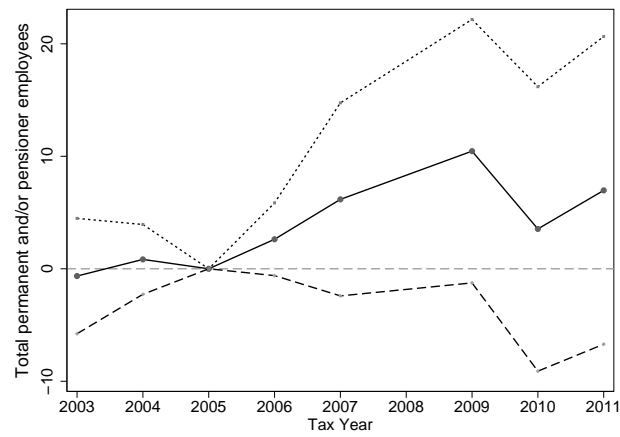
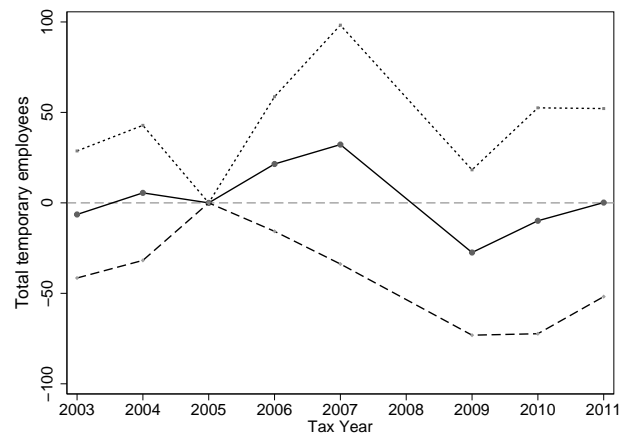## Figure A.3: MTO effect on Employment

Panel A: All workers

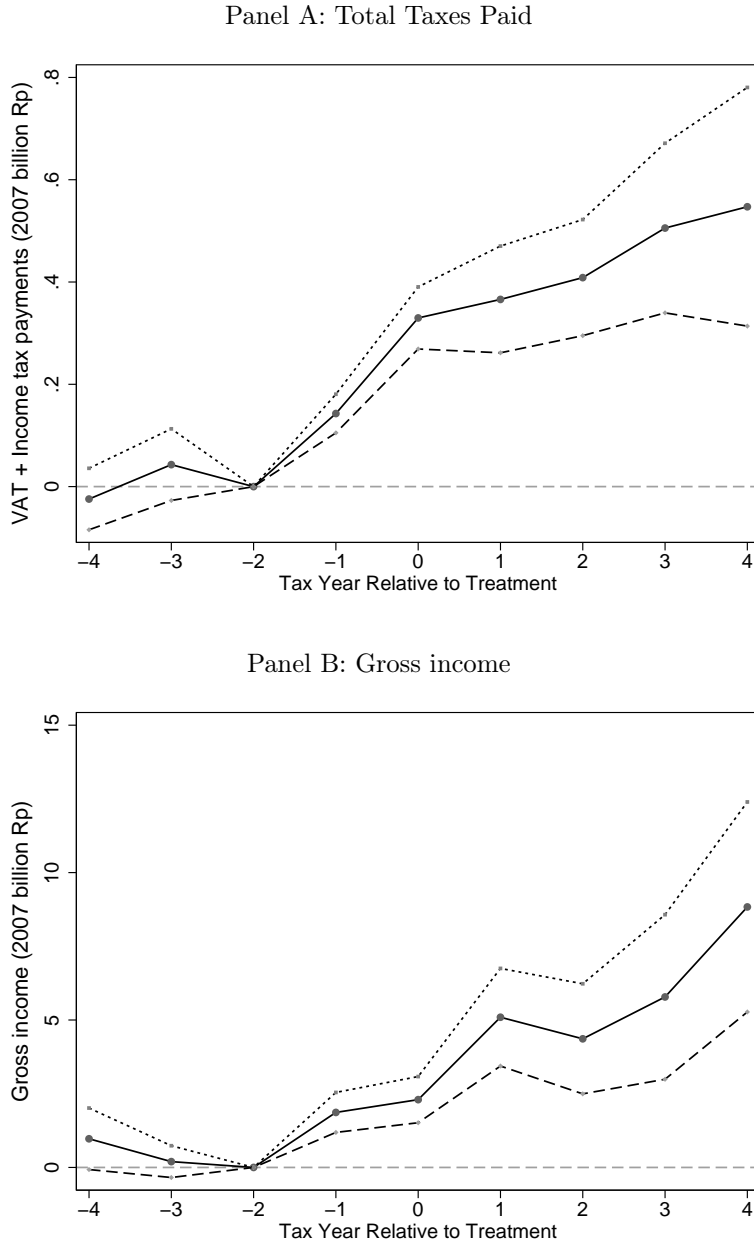### Panel B: Permanent

Panel C: Temporary

Notes: See notes to Figure 2. Firm employment data are from corporate employment tax withholding form SPT 1721. Employment data for tax year 2008 are not available. See Data Appendix for details.

Figure A.4: MTO effects, including MTOs started in 2005 and 2006

Panel A: Total Taxes Paid

Panel B: Gross income

Notes: This figure shows year-by-year reduced form effects of MTO treatment on total taxes paid and gross income including the 5 MTOs created in 2005 and 2006 to the main sample of 13 MTOs created in 2007. Year-by-year effects are estimated relative to the year of MTO assignment by stacking the 2005, 2006, and 2007 MTO assignment cohorts, and slightly modifying Equation 12 to be defined in relative years. In particular, year-by-year effects are coefficients on interactions of the MTO assignment dummy variable M_{i0} (equivalent to M_{iFC} in Equation 12) with year dummies. As before, we omit the interaction and main effect dummies for base relative year -2 (the last tax year that whose filings would have been available to the tax office at the time of each MTO assignment in relative year zero). As MTO assignment occurred in different years, year fixed effects are also included. The stacked regression is weighted following the same balancing methodology as in Figure 2. Specifically, the weights used are taxpayer-specific and constructed by applying Hainmueller (2012)'s entropy-balancing methodology to the MTO assignment formula inputs (gross income and total taxes paid). The formula inputs are for tax year 2005 for the 2007 MTO cohort, tax year 2004 for the 2006 cohort, and tax year 2003 for the 2005 cohort. Taxpayer-level total taxes paid data are from the Treasury, and include payments from all branches of the same corporate entities. Reported income data are from tax filing form SPT 1771 (annual corporate income tax return), and are reported by the taxpayer headquarters on behalf of all branches of the same corporate entity. IDR values are deflated to 2007 IDR using Indonesia's GDP deflator. Solid lines are point estimates; dashed lines are 95% confidence intervals based on standard errors clustered at the taxpayer level.

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Figure A.5: MTO effect on calendar year total tax revenues
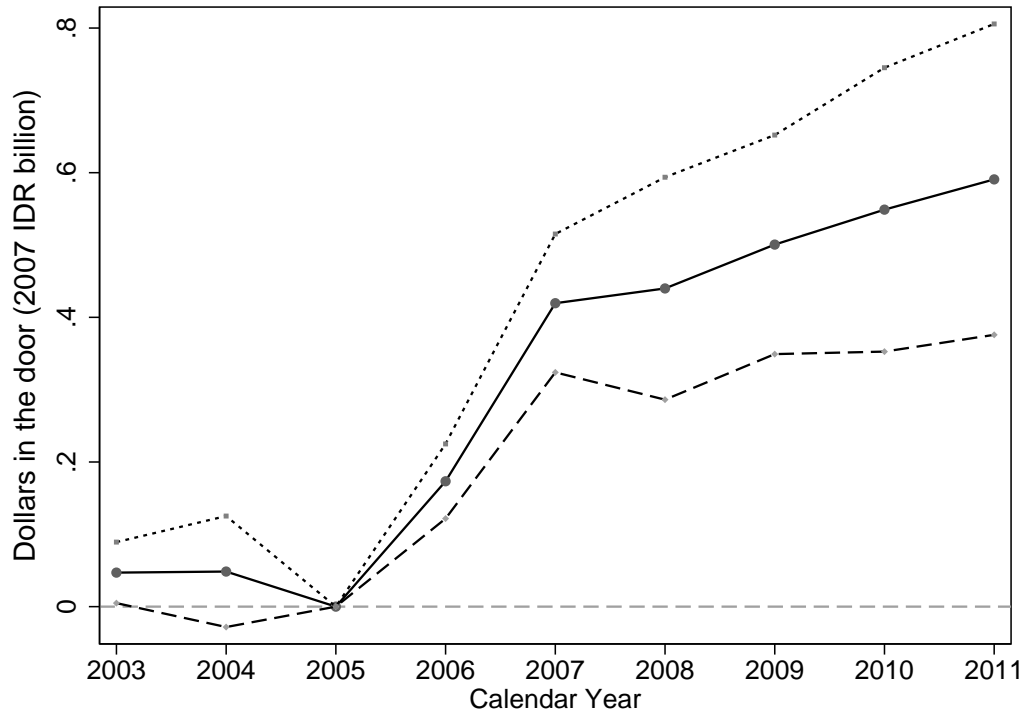
Notes: See notes to Figure 2. Dollars in the door is defined as the total amount of taxes paid in each x-axis year irrespective of the tax year to which the payment corresponded. Tax payments data, including payment dates and tax year information, are from the Treasury.

Table A.2: Indonesia's Medium Taxpayer Offices

MTO	Included in Analysis?	Creation Year	Overseen Provinces or Districts
KPP Madya Jakarta Pusat	No	2004	DKI Jakarta (Center)
KPP Madya Batam	No	2005	Riau
KPP Madya Pekanbaru	No	2006	Riau Islands
KPP Madya Denpasar	No	2006	Bali
KPP Madya Tangerang	No	2006	Banten
KPP Madya Bekasi	No	2006	West Java
KPP Madya Jakarta Barat	Yes	2007	DKI Jakarta (West)
KPP Madya Jakarta Selatan I	Yes	2007	DKI Jakarta (Southt)
KPP Madya Jakarta Timur	Yes	2007	DKI Jakarta (East)
KPP Madya Jakarta Utara	Yes	2007	DKI Jakarta (North)
KPP Madya Bandung	Yes	2007	West Java
KPP Madya Semarang	Yes	2007	Central Java
KPP Madya Surabaya	Yes	2007	East Java
KPP Madya Sidoarjo	Yes	2007	East Java
KPP Madya Malang	Yes	2007	East Java
KPP Madya Balikpapan	Yes	2007	East Kalimantan
KPP Madya Makassar	Yes	2007	South, Southeast, and West Sulawesi
KPP Madya Palembang	Yes	2007	South Sumatra and Bangka Belitung Islands
KPP Madya Medan	Yes	2007	North Sumatra

Notes: This table lists all 19 KPP Madya offices in Indonesia operating as of 2019, along with their respective oversight regions. Table A.9 and Figure A.4 show robustness results including the 5 MTOs created in 2005-2006. KPP Madya Jakarta Pusat could not be included because the data needed for MTO assignment as of 2004 (for tax years 2000-2002) are not available.

Figure A.6: Taxpayer density along MTR variation from 2009 Corporate Tax Rate Reform

Panel A: 2008-2009 schedule change
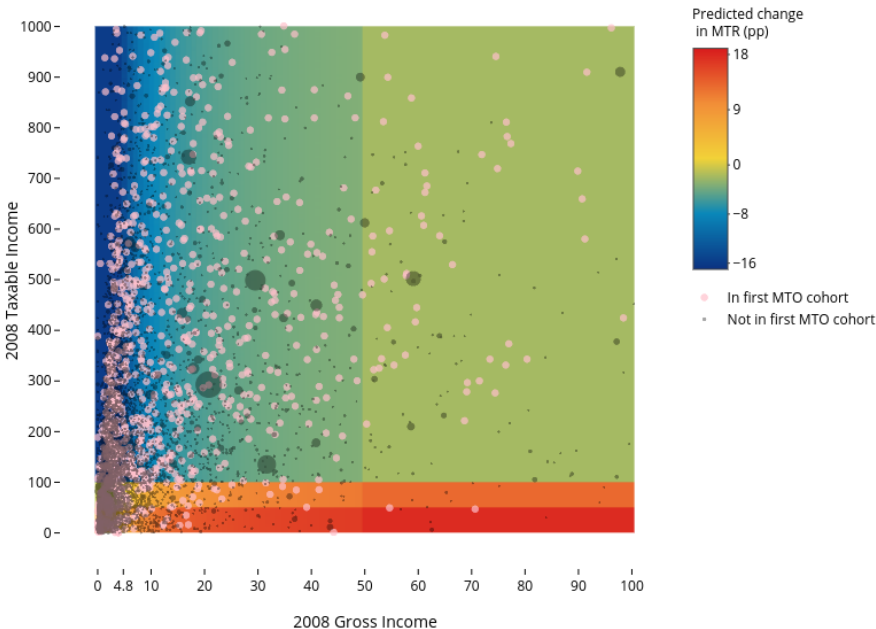
Panel B: 2009-2010 tax rate cut
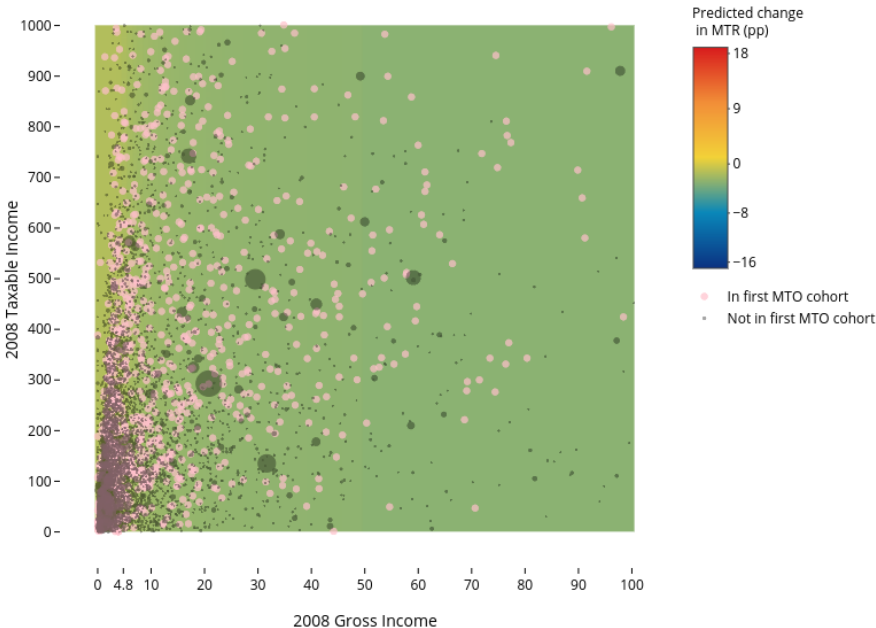
Notes: This figure displays the marginal tax rate change variation induced by Indonesia's 2009 tax rate reform within the ETI estimation analysis sample. Scatterplot markers are proportional to taxpayer-specific entropy balancing weights. See Section 5 for a detailed description of how predicted marginal tax rates are computed.

Figure A.7: Bunching at notch before and after MTR schedule reform

Panel A: After 2009 MTR schedule reform
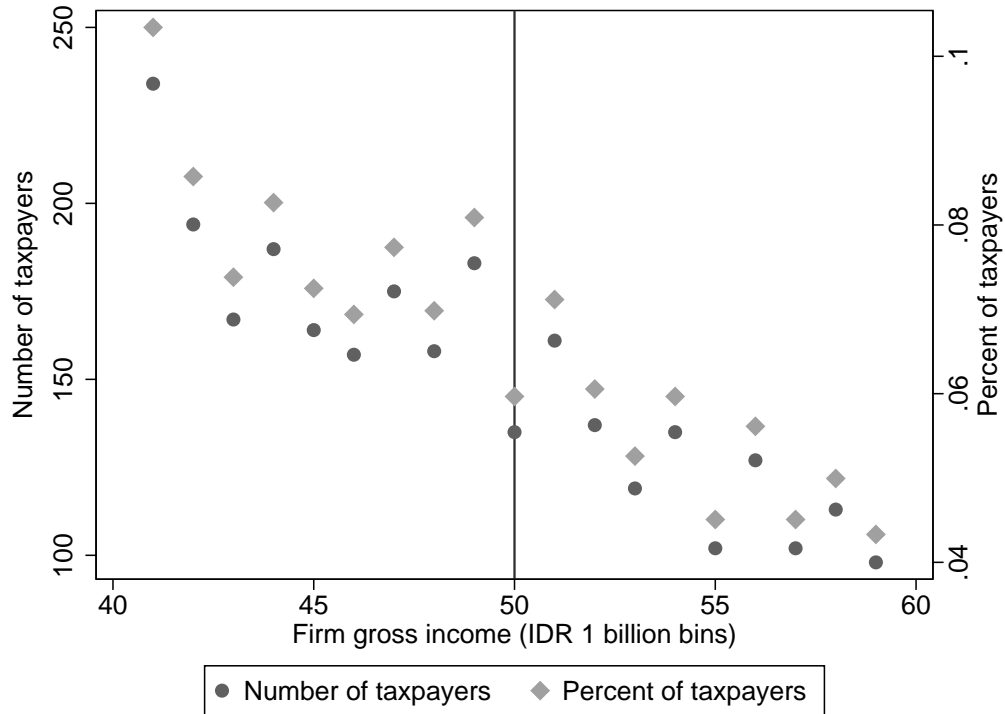
Panel B: Before 2009 MTR schedule reform
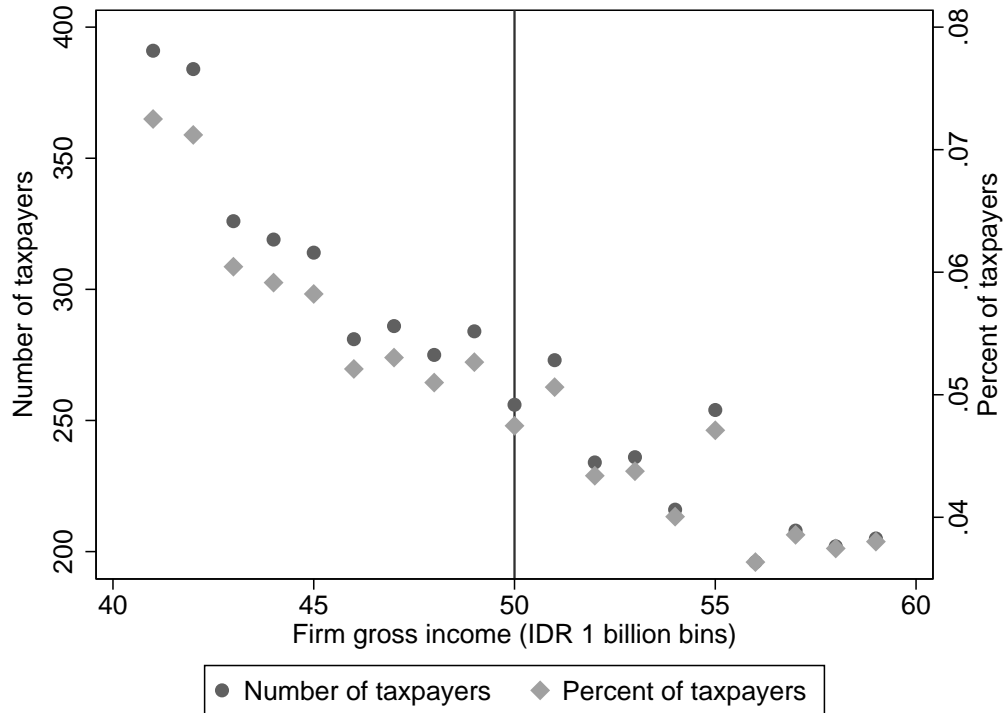
Notes: This figure shows taxpayer density at the IDR 50 billion notch introduced by the 2009 corporate income tax schedule.

The sample includes data for tax years 2003-2011 for all corporate taxpayers with non-zero taxable income.

Table A.3: Analysis sample restrictions

Criteria (1)	Total taxpayers (2)	Assigned to MTO in 2007 (3)	Not assigned to MTO in 2007 (4)
In eligible tax office as of pre-treatment year	101,829	4,272	97,557
Baseline gross income above IDR 100 million	60,600	4,181	56,419
2005 gross income and taxes paid within common support	20,858	1,479	19,379

Notes: This table shows taxpayer counts by treatment status following each analysis sample restriction. Eligible tax offices are the origin tax offices from which MTO taxpayers were selected according to the MTO creation regulations for the 13 KPP Madya offices created in 2007. Treatment status in Columns (3)-(4) are computed based on the tax office in which the taxpayer files any corporate income taxes over years 2007-2008. A treated (untreated) taxpayer is in the common support when its gross income and total taxes paid fall within the 2.5th and 97.5th percentiles of the respective distributions among untreated (treated) taxpayers. Table A.3 shows robustness results to including very small taxpayers (that is, no baseline gross income restriction), and to allowing increasing the common support cutoffs to 1st - 99th percentiles. MTO creation regulations are available in the Directorate General of Taxes website: http://www.pajak.go.id/, and they are: KEP-30-PJ-2007 (Balikpapan); KEP-25-PJ-2007 (Bandung); Nomor KEP-21-PJ-2007 (Jakarta Barat); KEP-22-PJ-2007 (Jakarta Selatan); KEP-23-PJ-2007 (Jakarta Timur); KEP-24-PJ-2007 (Jakarta Utara); KEP-31-PJ-2007 (Makassar); KEP-29-PJ-2007 (Malang); KEP-19-PJ-2007 (Medan); KEP-20-PJ-2007 (Palembang); KEP-26-PJ-2007 (Semarang); KEP-28-PJ-2007 (Sidoarjo); KEP-27-PJ-2007 (Surabaya).

Table A.4: First stage of MTO regression

Instrument:	Treatment: Taxpayer in MTO in current year (1)
(Assigned to MTO in 2007) x (Year > 2005)	0.647 (0.008)
F-statistic	6,412.0

Notes: This table shows first stage estimates for MTO treatment effect as defined in Equation 13. Standard errors are clustered at the taxpayer level.

Table A.5: Administrative Costs

	PTO	MTO
Total budget (IDR billions)		
Staff	525.9	51.2
Goods + Capital	376.8	19.3
Total	902.7	70.5
Number of Corporate taxpayers	341,620	15,047
Cost per corporate taxpayer	0.00132	0.00468

Notes: Budget data from 2015, deflated to 2007 IDR using Indonesia's GDP deflator. We assume half of all PTO (Primary Tax Office) costs are for corporate taxation.

Table A.6: Detailed effects of MTO on corporate income tax returns

	Weighted means			MTO effect	
(Figures in 2007 IDR billion)	Pre-treatment		Treated post-treatment counterfactual	Point estimate	Clustered
	Untreated	Treated		(IV)	SE
	(1)	(2)	(3)	(4)	(5)
Gross income	13.03	13.03	10.97	9.131	(2.181) ***
- Cost of sales	10.37	10.17	8.45	7.636	(2.029) ***
- Other expenses	2.16	2.42	1.96	1.126	(0.229) ***
Net income from business	0.69	0.49	0.49	0.427	(0.160) ***
+ Net income from side business	0.04	0.01	-0.04	-0.009	(0.081)
Total domestic commercial net income	0.73	0.50	0.46	0.416	(0.144) ***
+ Total foreign commercial net income	0.00	0.00	0.00	0.004	(0.009)
Total commercial net income	0.73	0.50	0.47	0.404	(0.149) ***
- Non-taxable inc. and inc. subject to final tax	0.89	0.52	0.04	0.975	(0.473) **
+ Total positive fiscal adjustment	0.55	0.42	0.02	0.843	(0.448) *
- Total negative fiscal adjustment	0.03	0.03	0.21	-0.124	(0.121)
Fiscal net income	0.31	0.37	0.34	0.304	(0.092) ***
- Compensation for fiscal loss carried forward	0.02	0.03	0.04	-0.012	(0.020)
Taxable Income	0.39	0.46	0.47	0.238	(0.072) ***
Total corporate income tax due	0.09	0.12	0.12	0.065	(0.020) ***

Notes: See notes to Table 1.

Table A.7: Robustness to alternative standard error clustering levels

| | Main specification | Robustness to clustering | |
		Clustering at oirigin tax office	Clustering at regiontal tax office
	(1)	(2)	(3)
Sample size	20,858	20,858	20,858
Treated sample size	1,479	1,479	1,479
Panel A: Tax payments (2007 IDR billion)			
Total tax payments	0.525	0.525	0.525
	(0.096)	(0.094)	(0.097)
VAT	0.371	0.371	0.371
	(0.078)	(0.077)	(0.080)
Corporate Income Tax	0.051	0.051	0.051
	(0.013)	(0.012)	(0.014)
Other income taxes	0.087	0.087	0.087
	(0.020)	(0.021)	(0.023)
Panel B: Reported income (2007 IDR billion)			
Gross income	9.131	9.131	9.131
	(2.181)	(2.222)	(2.356)
Taxable Income	0.238	0.238	0.238
	(0.072)	(0.070)	(0.054)
Total corporate income tax due	0.065	0.065	0.065
	(0.020)	(0.019)	(0.015)
Panel C: Employment			
Total workers	12.646	12.646	12.646
	(21.865)	(18.887)	(20.397)
Permanent workers	10.365	10.365	10.365
	(6.009)	(5.917)	(4.293)
Temporary workers	2.281	2.281	2.281
	(21.168)	(18.817)	(19.922)
Total wage bill (2007 IDR billion)	0.330	0.330	0.330
	(0.139)	(0.124)	(0.122)
Permanent workers	0.193	0.193	0.193
	(0.100)	(0.107)	(0.095)
Temporary workers	0.136	0.136	0.136
	(0.097)	(0.083)	(0.086)

Notes: See notes to Table 1. This table shows MTO treatment effect robustness results to the levels at which standard errors are clustered.

Table A.8: Robustness to alternative weighting schemes

	Main specification (1)	Robustness to weighting method and matched years			
		No weights (2)	IPW 2005 (3)	Entropy 2003-2005 (4)	IPW 2003-2005 (5)
Sample size	20,858	60,354	20,650	11,372	11,259
Treated sample size	1,479	4,094	1,465	824	816
Panel A: Tax payments (2007 IDR billion)					
Total tax payments	0.525	1.551	1.115	0.579	0.685
	(0.096)	(0.147)	(0.448)	(0.132)	(0.136)
VAT	0.371	0.712	0.838	0.428	0.497
	(0.078)	(0.096)	(0.355)	(0.107)	(0.092)
Corporate Income Tax	0.051	0.557	0.036	0.053	0.024
	(0.013)	(0.068)	(0.009)	(0.018)	(0.006)
Other income taxes	0.087	0.312	0.225	0.086	0.155
	(0.020)	(0.033)	(0.094)	(0.025)	(0.050)
Panel B: Reported income (2007 IDR billion)					
Gross income	9.131	10.378	10.922	10.411	8.251
	(2.181)	(2.695)	(3.133)	(2.905)	(1.893)
Taxable Income	0.238	1.782	0.483	0.255	0.178
	(0.072)	(0.244)	(0.256)	(0.097)	(0.059)
Total corporate income tax due	0.065	0.480	0.131	0.073	0.049
	(0.020)	(0.071)	(0.069)	(0.026)	(0.015)
Panel C: Employment					
Total workers	12.646	-36.102	33.016	19.730	50.192
	(21.865)	(20.467)	(13.251)	(21.046)	(21.868)
Permanent workers	10.365	26.893	17.775	15.253	19.487
	(6.009)	(7.201)	(4.777)	(7.230)	(6.568)
Temporary workers	2.281	-62.994	15.241	4.477	30.704
	(21.168)	(19.105)	(12.723)	(20.091)	(22.639)
Total wage bill (2007)	0.330	-0.864	0.506	0.524	0.576
	(0.139)	(0.516)	(0.109)	(0.169)	(0.146)
Permanent workers	0.193	0.297	0.442	0.238	0.414
	(0.100)	(0.198)	(0.096)	(0.113)	(0.135)
Temporary workers	0.136	-1.162	0.064	0.286	0.162
	(0.097)	(0.476)	(0.045)	(0.121)	(0.104)

Notes: See notes to Table 1. This table shows MTO treatment effect robustness results to alternative weighting schemes.

Table A.9: Robustness to alternative sample restrictions

	Main specification (1)	No gross income restriction (2)	1st-99th common support (3)	Adding 2005 and 2006 MTOs (4)
		Robustness to sample restriction:		
Sample size	20,858	24,683	38,017	26,828
Treated sample size	1,479	1,279	2,033	1,788
Panel A: Tax payments (2007 IDR billion)				
Total tax payments	0.525	0.448	0.263	0.327
	(0.096)	(0.111)	(0.243)	(0.068)
VAT	0.371	0.331	0.163	0.231
	(0.078)	(0.090)	(0.185)	(0.056)
Corporate Income Tax	0.051	0.028	0.033	0.031
	(0.013)	(0.011)	(0.052)	(0.008)
Other income taxes	0.087	0.075	0.046	0.055
	(0.020)	(0.022)	(0.055)	(0.013)
Panel B: Reported income (2007 IDR billion)				
Gross income	9.131	5.901	4.845	4.028
	(2.181)	(2.144)	(2.808)	(1.198)
Taxable Income	0.238	0.143	0.121	0.144
	(0.072)	(0.081)	(0.237)	(0.047)
Total corporate income tax due	0.065	0.041	0.042	0.035
	(0.020)	(0.023)	(0.063)	(0.013)
Panel C: Employment				
Total workers	12.646	27.244	8.421	10.663
	(21.865)	(17.353)	(29.254)	(15.368)
Permanent workers	10.365	16.377	6.290	11.873
	(6.009)	(4.510)	(13.758)	(3.083)
Temporary workers	2.281	10.867	2.130	-1.210
	(21.168)	(16.981)	(23.599)	(14.958)
Total wage bill (2007 IDR billion)	0.330	0.336	0.229	-0.176
	(0.139)	(0.119)	(0.303)	(0.500)
Permanent workers	0.193	0.228	0.196	-0.276
	(0.100)	(0.077)	(0.258)	(0.495)
Temporary workers	0.136	0.108	0.034	0.100
	(0.097)	(0.096)	(0.122)	(0.066)

Notes: See notes to Table 1. This table shows MTO treatment effect robustness results to alternative sample restrictions.

Table A.10: Detailed effects of MTO on tax payments

	Weighted means			MTO effect	
(Figures in 2007 IDR billion)	Pre-treatment		Treated post-treatment counterfactual	Point estimate	Clustered
	Untreated	Treated		(IV)	SE
	(1)	(2)	(3)	(4)	(5)
Total tax payments	0.371	0.371	0.351	0.525	(0.096) ***
VAT	0.263	0.259	0.233	0.371	(0.078) ***
Domestic	0.238	0.230	0.208	0.283	(0.059) ***
Imported	0.024	0.027	0.038	0.083	(0.048) *
Other	0.001	0.002	0.002	0.001	(0.002)
Corporate Income Tax	0.032	0.039	0.050	0.051	(0.013) ***
Other income taxes					
Employee income tax withholding	0.029	0.025	0.037	0.019	(0.008) **
Dividends and interest	0.013	0.014	0.008	0.019	(0.003) ***
Other	0.026	0.025	0.031	0.050	(0.016) ***

Notes: See notes to Table 1.

Table A.11: Robustness of ETI estimates

	Panel A: First Stage											
	Unweighted regressions			Construct instrument using predicted gross income			No taxpayer fixed effect			Use 2008-2009 change only		
		Separate by MTO			Separate by MTO			Separate by MTO			Separate by MTO	
	All	MTO	Not MTO	All	MTO	Not MTO	All	MTO	Not MTO	All	MTO	Not MTO
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Endogenous:	0.985	0.978	0.986	0.916	0.893	0.934	0.962	0.955	0.969	0.955	0.948	0.966
Δ Ln(Net-of-tax rate)	(0.003)	(0.014)	(0.003)	(0.016)	(0.035)	(0.013)	(0.008)	(0.016)	(0.007)	(0.009)	(0.019)	(0.008)
F-statistic	56,315	1,797	56,068	1,149	218	2,015	4,813	1,223	8,109	4,792	1,090	9,185
	Panel B: IV (ETI estimates)											
Outcome:	0.661	1.027	0.652	0.587	0.343	0.785	0.964	1.411	0.668	0.951	1.364	0.607
Δ Ln(Taxable Income)	(0.073)	(0.417)	(0.074)	(0.206)	(0.397)	(0.224)	(0.265)	(0.585)	(0.260)	(0.320)	(0.751)	(0.345)
P-value of difference		0.375			0.331			0.237			0.348	
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Taxpayer FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
Sector FE	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
MTO dummy	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes

Notes: See notes to Table 3. Columns (4)-(6) show results where the instrument (predicted change in log net-of-tax rate) is defined as $\ln\left(\frac{1-\tau^P_{t+1}}{1-\tau_t}\right)$, where the predicted marginal tax rate τ^P_{t+1} is constructed by applying year $t+1$'s schedule to the taxpayer's predicted gross income for year $t+1$, with the prediction based on each taxpayer's 2004-2008 gross income growth trend, and $1-\tau_t$ is the actual net-of-tax rate for year t.

A   Data Appendix

Corporate Income Tax: Form SPT 1771

Taxpayers file SPT 1771 forms at the headquarter level, reporting aggregate income across all branches. The corporate income tax filing microdata includes all non-identified line items from Form SPT 1771, and are tracked over time under consistent variable names.[33]

Each observation in the dataset is a taxpayer filing for a particular tax year at a particular date. The variables in the SPT 1771 microdata contain each line item from the main form (SPT 1771) and its Annex I (SPT 1771-I). In particular, it includes each component of the major corporate income tax line items, such as net income (gross income - cost of sales - other expenses), fiscal net income (net income +/- fiscal adjustments), and taxable income (fiscal net income - compensation for fiscal loss carried forward).

Finally, SPT 1771 microdata includes the tax office code under which the corporate income tax form was filed, and an indicator for whether the filing is an correction filing or an original filing. We use the tax office code under which SPT 1771 was filed to define whether the taxpayer has been assigned to MTO or not, and the correction indicator to construct variables tracking correction filing timing and content.

Employee Income Tax Withholding: Form SPT 1721

Firms are required to report the amount of personal income tax withheld from employees' paychecks on a monthly basis through Form SPT Masa 1721. The SPT 1721 microdata consists of two datasets, one covering tax years 2002-2008, and the other covering tax years 2009-2013. The split reflects a major change in form SPT 1721 that produced finer reporting by different employee categories. Because only very few observations are available for tax year 2008 (the last year under the old form), we exclude SPT 1721 records for tax year 2008 from all analyses.

Each observation in the 2002-2008 dataset is a branch-level year-end reporting of cumulative income tax withholdings, reported at the branch level. The 2009-2013 data is further disaggregated by month, with cumulative totals for the year reported in the month of December. In terms of variables, the information consistently reported in both datasets includes: number of employees, wage bill, and individual income tax withheld. These data

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[33]The forms SPT 1771 and SPT 1771-I have also remained largely unchanged over the analysis period, and are available at http://www.pajak.go.id/sites/default/files/formulir_pajak/Formulir%20SPT%201771-%24.pdf.

are also separately by two groups of employees: permanent and/or pensioner employees, and temporary employees.[34]

We combine the two datasets to construct a taxpayer-level annual panel dataset consistent time series for each taxpayer. Within each dataset, we aggregate the branch-level data to the taxpayer level. As the 2002-2008 data are reported in year-end totals, we use the year-end total reported in the December monthly filing for the 2009-2013 data.

Tax Payments

Detailed tax payments data are from the Treasurer's Modul Penerimaan Negara (MPN; State Revenues Module) database, and cover all types of income tax and VAT paid by corporations.

Each observation in the tax payments data is a branch-level payment made on a particular date for a particular tax type and month. The tax type variable differentiates different types of income and VAT. We break taxes down by the following major categories: corporate income taxes, VAT, and other income taxes.[35]

Tax Audits, Assessments, and Disputes

DGT may conduct a tax audit of any or all of a taxpayer's filings and payments. At the end of every audit, DGT issues a tax assessment letter and/or a tax collection letter to the taxpayer. The tax assessment letter informs the taxpayer of outstanding tax obligations (none, underpaid, overpaid), while the tax collection letter is typically used to levy administrative tax sanctions resulting from the audit.[36] Our tax audit microdata consists of two datasets covering this audit process.

The first dataset covers all audits since 2009, and documents what was audited and why (that is, the audit triggers). Each observation in this dataset is an audit occurrence, and it includes the following main variables: the taxpayer anonymized ID, the audit date, the

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[34]Number of employees at year-end in the 2002-2008 data and in the 2009-2013 data reflect the total of unique employees employed during the respective tax year. While the 2009-2013 data distinguishes between permanent vs pensioner employees, the 2002-2008 data does not. As a result, we sum the 2009-2013 employee numbers to construct a consistent series of permanent and/or pensioner employment.

[35]These categories are sub-divided in the data by tax articles. For income taxes: PPh Pasal 25/29 (corporate income tax), PPh Pasal 21 (domestic employee withholding), PPh Pasal 26 (foreign employee withholding), PPh Pasal 23 (income tax on import transactions), PPh 23 (income tax on dividends and interest), and PPh Final or Pasal 4 (2) (income tax withholding on gross payments of certain items). For VAT: PPn Domestic, PPn Import, and PPn Other.

[36]For a more detailed description of Indonesia's tax audit and assessment process, see, for example, `https://www.pwc.com/id/en/pocket-tax-book/english/pocket-tax-book-2019.pdf`.

object audited (e.g. CIT, VAT, location changes), the tax period audited (e.g. a particular month or range of months), and the audit trigger (e.g. risk analysis, office routine, etc.).

The second dataset is specific to VAT audits, and covers the audit result process for all audits since 2002. Each observation in this dataset is either the issuance of a tax collection letter or of a VAT underpayment tax assessment letter. The available variables are: the taxpayer anonymized ID; the issuance type (collection or underpayment assessment) and date; and the total underpaid amount (or administrative penalty) found in the audit.

In addition, because either a tax collection letter or an underpayment letter is a legal instrument with which DGT may confiscate the owed amount/levied penalties, this dataset further includes as variables the issuance dates of all subsequent letters exchanged between DGT and the taxpayer during the tax dispute process. Specifically, these are: a warning letter (issued if the amount/penalty is not paid by its deadline), a distress warrant (issued if the underpaid tax is not settled within 21 days of the warning letter), and a confiscation letter (issued if the underpaid amount is not settled within 48 hours of the distress warrant).

Finally, because by Law taxpayers are only required to pay the amount of taxes they agree to have underpaid (so long as the amount to which the taxpayer disagrees is formally disputed through an objection letter), the data further includes: the amount of taxes the taxpayer disagrees to have underpaid; the date in which the taxpayer filed an objection letter concerning the disagreed amount; and lastly, in case the objection is denied, the date in which the taxpayer filed an appeal to the Tax Court requesting further review of the case.

Tax Office staffing

We compute staff descriptive statistics for MTO and PTO offices using anonymized staff-level panel data provided by DGT. These data include basic staff demographic characteristics, as well as information on staff position (i.e., auditor or AR) at different points in time. Information on staff position and years of experience are then matched with position-specific and experience-specific wage schedules to compute average salary statistics.

Sample Restrictions for Matching

When constructing our analysis sample and computing balancing weights, we attempt to mimic the MTO assignment process conducted by DGT as close as possible. Appendix Table A.3 outlines each sample restriction step. First, we focus on taxpayers who were registered as of 2006 in a tax office from which MTO taxpayers were sourced (that is, in an "eligible"

tax office for MTO selection). The list of tax offices from which MTO taxpayers were sourced can be obtained separately for each MTO from its creation regulation.[37] This bring us to 101,829 corporate taxpayers registered in an eligible tax office as of 2006, of which 4,272 were assigned to MTO in 2007.

Second, a large number of the taxpayers registered in eligible tax offices are small microbusinesses that would not have been shortlisted for MTO assignment. We therefore exclude taxpayers with gross income below IDR 100 million (roughly USD 10,000 at the 2007 exchange rate) during baseline years 2003-2005, bringing the shortlisted sample to 60,600 taxpayers, 4,181 of which were assigned to MTO in 2007.

Finally, as recommended in the propensity score and matching literature (Dehejia and Wahba, 1999; Heckman et al., 1997; Stuart, 2010), we focus on taxpayers whose baseline MTO assignment inputs share common support. We define common support based on the 2.5th and 97.5th percentiles of each MTO assignment input. For example, in our main specification the matched variables are the 2005 gross income and the 2005 total taxes paid. The treated (untreated) taxpayers in the common support are those whose 2005 gross income and total taxes paid fall within the 2.5th and 97.5th percentiles of the 2005 gross income and total taxes paid distributions of the untreated (treated) taxpayers.

With this final restriction in place, we arrive at our analysis sample of 20,858 taxpayers, 1,479 of which are assigned to MTO. Appendix Table A.9 presents robustness results to the gross income and common support restrictions.

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[37]In particular, each regulation lists in an attachment all the NPWPs (Tax IDs) assigned to its respective newly created MTO. NPWPs are composed of 15 digits. The first 9 digits uniquely identify the firm, the next three identify the tax office in which the NPWP is registered, and the last 3 identify the branch (e.g. 000 indicates headquarters). While we cannot directly match these IDs to our data as our data are anonymized, we can extract from each NPWP in the regulation the origin tax office from which it came as the NPWP's middle 10th-12th digits.