

Indonesian Taxation

for Academics and Foreign Business Practitioners Doing
Business in Indonesia

By

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Foreword

This Indonesian Taxation Book describes taxation in general in Indonesia so that it can provide an overview for business practitioners, especially business practitioners who are not Indonesian citizens. However, they have a business in Indonesia and can be used as a tax textbook for students. This Indonesian Taxation Book discusses 5 general topics including:

1. Indonesian Tax and Tax Law
2. Classification of Taxes in Indonesia
3. Tax Payable, and Tax Collection in Indonesia
4. General Provisions and Tax Procedures in Indonesia
5. Indonesia's Fiscal and Macroeconomic Policy

The five topics constitute basic knowledge for understanding taxation in Indonesia, including understanding the impact of fiscal policy on Indonesia's macroeconomy. Where Indonesia's macroeconomy is an indicator in making business decisions and investment by international business practitioners who want to invest or open a business in Indonesia

The author is working hard to develop this book to its full potential for students. However, constructive criticism and suggestions are open to writers for all parties for the sake of perfection in the development of international economics textbooks.

Best regards

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Chapter 1. Indonesian Tax and Tax Law



Taxation Illustration, Photo by Nataliya Vaitkevich from Valencia

In Indonesia, Taxes Are Obligatory Citizen Contribution. This means that everyone has an obligation to pay taxes. However, this only applies to citizens who have met the subjective and objective requirements. Namely, citizens who have incomes exceeding Non-Taxable Income (PTKP). The current PTKP is Rp. 54 million per year or Rp. 4.5 million per month. That means, if you have an income of more than Rp.4.5 million a month it will be taxable. Meanwhile, if you are an entrepreneur or entrepreneur with turnover, the Final Income Tax rate of 0.5% applies from the total gross turnover (turnover) up to IDR 4.8 billion in one tax year (based on PP 23 of 2018).

Taxes are Compulsory for Every Citizen. If someone has met the subjective and objective requirements, then he is obliged to pay taxes. In the tax law, it

has been explained, if someone deliberately does not pay the tax that should be paid, then there is the threat of administrative sanctions as well as criminal penalties. Citizens Do Not Get Direct Benefits. Tax is different from retribution. Examples of fees: when you get parking benefits, you have to pay a certain amount of money, namely parking fees, but taxes are not like that. Tax is a means of equalizing citizens' income. So when you pay a certain amount of tax, you don't immediately receive the benefits of the tax paid. What you will get, for example, is in the form of road repairs in your area, free health facilities for families, educational scholarships for your children, and others. Tax is regulated in state law. There are several laws that regulate the mechanisms for calculating, paying and reporting taxes.

Taxes are mandatory levies from the people for the state (Walczak et al,2017). Every penny of tax money paid by the people will be included in the state income post from the tax sector. Its use is to finance central and regional government spending for the welfare of the community. Tax money is used for a public interest, not for personal gain. Taxes are a source of government funds to fund development at the central and regional levels, such as building public facilities, financing health and education budgets, and other productive activities. Tax collection can be enforced because it is implemented based on law. The Law of the Republic of Indonesia in the KUP Law Number 28 of 2007, article 1, paragraph 1, defines taxes as compulsory contributions to the state that are owned by an individual or entity that is compelling under law, without receiving direct compensation and is used for the state needs for the greatest prosperity of the people. Tax law or fiscal law is a set of regulations that regulate the rights and obligations as well as the relationship between taxpayers and the government as tax collectors. Tax law is a series of rules that govern how taxes are levied, on what circumstances or events the tax is imposed, and how much or how much tax is imposed. Taxation law or fiscal law is a part of public law that regulates taxation issues between the people as taxpayers and the government as tax collectors (Pistone et al,2019).

Tax law or fiscal law is the whole of the regulations covering the authority of the government, to take someone's wealth and hand it back to the

community through the state treasury so that tax is part of public law that regulates legal relations between the state and people or (legal) entities that are obliged to pay taxes (called taxpayers). Tax law is a collection of regulations governing the relationship between governments as tax collectors and the people as taxpayers. Tax Law adopts an imperative understanding, which means that the implementation of tax law cannot be postponed, for example in filing an objection or appeal. Before there is a decision from the Director-General of Taxes regarding whether an objection is accepted or rejected, the taxpayer must continue to pay the tax payable that has been determined. If later it turns out that the decision is accepted, then the excess tax payment can be calculated later (compensated or restored). The implementation of tax collection in Indonesia is based on the Constitution of the Republic of Indonesia, namely Article 23A of the 1945 Constitution which reads: "Taxes and other levies of a compelling nature for state purposes are regulated by law". Tax law in Indonesia is divided into:

1. Material Tax Law, namely tax law which contains norms explaining the conditions, actions and legal events that must be taxed, how much, or everything concerning the arising, magnitude and write-off of tax payable and the legal relationship between the government. and taxpayers. Material tax laws include:

- a. UU no. 36 of 2008 concerning Income Tax
- b. UU no. 42 of 2009, concerning Value Added Tax & Taxes Sale of Luxury Goods
- c. UU no. 20 of 2000, concerning BPHTB
- d. UU no. 12 of 1994, concerning Land and Building Tax
- e. UU no. 13 of 1985, concerning Stamp Duty

2. Formal Tax Law, namely tax law which contains regulations regarding the ways in which material tax law becomes a reality. Formal tax laws include:

- a. UU no. 16 of 2000 as amended by Law no. 28 of 2007, regarding General Provisions and Tax Procedures.
- b. UU no. 19 of 2000, regarding tax collection by compulsory letter.

Tax law is a law that regulates all matters related to a country's fiscal. Every citizen must comply with this law in order to create prosperity and comprehensive development for every region. Likewise, with business actors in Indonesia, business actors must comply with all existing tax laws.

1.1. Types of Taxes in Indonesia

There are several types of taxes levied by the government to the public or taxpayers, which can be classified by nature, collection agency, tax object and tax subject.

1. Types of Taxes Based on Nature

Based on their nature, taxes are classified into 2 types, namely: indirect taxes and direct taxes.

Indirect Tax

Indirect tax is a tax that is only given to taxpayers if they carry out certain events or actions. So that indirect taxes cannot be collected periodically, but can only be collected when certain events or actions occur that cause the obligation to pay taxes. For example sales tax on luxury goods (PPnBM), where this tax is only given when the taxpayer sells luxury goods.

Direct Tax

Direct tax is a tax that is given periodically to taxpayers based on a tax assessment issued by the tax office. In the tax assessment letter, there is the amount of tax that must be paid by the taxpayer.

Direct taxes must be borne by a person who is subject to taxpayers and cannot be transferred to other parties. For example Land and Income Tax (PBB) and income tax.

2. Types of Taxes Based on Collecting Agencies

Based on the collecting agency, taxes are classified into 2 types, namely: local taxes and state taxes.

Local Tax (Local)

Local taxes are taxes that are collected by local governments and are limited to the local people themselves, both those collected by the Level II and Level I Local Governments. For example, hotel taxes, entertainment taxes, restaurant taxes, motor vehicle taxes, BPHTB, PBB (rural and urban), and other local taxes.

State Tax (Central)

State taxes are taxes collected by the central government through related agencies, namely DGT. For example VAT, Income Tax (PPh), PPnBM, stamp duty, PBB (plantation, forestry, and mining).

3. Types of Taxes Based on Tax Objects and Tax Subjects

Based on the object and subject, taxes are classified into 2 types, namely objective tax and subjective tax.

Objective Tax

Objective tax is a tax that is taken based on the object. For example import tax, motor vehicle tax, stamp duty, and many more.

Subjective Tax

Subjective tax is a tax that is taken based on the subject. For example the wealth tax and income tax.

All administration related to central taxes is carried out at the Tax Service Office (KPP), the Tax Counseling and Consulting Service Office (KP2KP), the Regional Office of the Directorate General of Taxes and the Head Office of the Directorate General of Taxes.

Meanwhile, administration related to local taxes is carried out at the Regional Revenue Service Office or the Regional Tax Office under the local Regional Government.

1.2. Tax Functions for the State and Society in Indonesia

Taxes have a significant role in state life, especially development. Taxes are a source of state revenue in financing all required expenditures, including expenditures for development. So that taxes have several functions, including:

1. Budget Function (Budgetary Function)

Taxes are a source of state financial income by collecting funds or money from taxpayers to the state treasury to finance national development or other state expenditures.

Thus, the tax function is a source of state income that has the aim of balancing state expenditure with state income.

2. Regulating Functions (Regulatory Functions)

Tax is a tool to implement or regulate state policies in the social and economic field. The control functions include:

Taxes can be used to curb the inflation rate. Taxes can be used as a tool to encourage export activities, such as taxes on exports of goods. Taxes can provide protection or protection for goods produced from within the country, for example, Value Added Tax (VAT). Taxes can regulate and attract capital investment which helps the economy to become more productive.

3. Equalization Function (Distribution Tax)

Taxes can be used to adjust and balance the distribution of income with the happiness and welfare of society.

4. Stabilization function

Taxes can be used to stabilize economic conditions and conditions, such as to overcome inflation, the government sets high taxes so that the amount of money in circulation can be reduced. Meanwhile, to overcome economic sluggishness or deflation, the government lowered taxes, so that the

amount of money in circulation could be increased and deflation could be overcome (Hassan et al,2020).

The four tax functions above are functions of taxes that are commonly found in various countries. In Indonesia, the government focuses more on two tax functions as regulator and budgetary. The government agency that manages state taxes in Indonesia is the Directorate General of Taxes (DGT) which is under the Ministry of Finance.

The responsibility for the obligation to pay taxes lies with members of the public themselves to fulfil these obligations, in accordance with the self-assessment system adopted in the Indonesian Taxation System. Self-assessment means the taxpayer calculates, calculates, deposits, and reports his own tax obligations. So it does not force taxpayers to pay as much tax as possible but in accordance with statutory regulations.

DGT according to its function is obliged to provide guidance, counselling, service and supervision to the community. In carrying out these functions, DGT tries its best to provide services to the community according to its vision and mission.

1.3. Tax Collection Theory

In principle, the duty of the state is to try and aim to create prosperity for its people. That is why the state must come forward and intervene, be active in the field of community life, especially in the economic sector in order to achieve human welfare (Mumford,2017).

In order to achieve and create a prosperous society, it requires substantial costs. For the success of this endeavour, the state seeks financing by collecting taxes. Tax collection or collection is a function that must be carried out by the state as an essential function. Indeed, in some developed countries, taxes are already conditioning *qua non* for additional state finances. Without tax collection, it is certain that state finances will be paralyzed, especially for a developing country like Indonesia, or a country

that is just free from colonialist shackles, taxes are the blood of the state body.

Based on the description above, it can be concluded that the philosophical basis of tax collection is based on the “Benefit Approach” approach or the benefits approach. This approach is a fundamental basis on a philosophical basis that justifies the state to collect taxes as enforceable in the sense that it has authority with coercive power. This benefit approach is based on the philosophy: because the state creates benefits that are enjoyed by all citizens who live in the state, the state has the authority to collect taxes from the people in a way that can be enforced.

The forms of benefits that can be enjoyed by citizens are welfare, public services, legal protection, freedom, use of public facilities, such as ports, roads, bridges, entertainment places and everything related to these benefits. It is impossible to provide public services or facilities by an individual as a pioneer in creating or creating welfare for all its citizens.

Taxes take an important role in the survival of a country. Therefore, tax collection is mandatory or must be paid, both by individuals and entities. Taxes paid will be managed by the state for the benefit of the government, development and welfare in general.

The tax collection system itself is implemented with a certain mechanism or system. In general, there are 3 types of tax collection systems, namely self-assessment systems, official scoring systems, and tax withholding systems. A self-assessment system is a tax collection system that enforces the determination of the amount of tax by the taxpayer itself. In contrast to official assessments, this system leaves the determination of the amount of tax to the tax authorities or tax officials. Meanwhile, the tax withholding system gives confidence to third parties to calculate the amount of tax to be paid (Coş gel et al,2011).

The government or the state to collect taxes has a basis or a supporting theory. Following are the theories that support tax collection. In the

literature on state finance, we find theories that provide a justification or philosophical basis for the state's authority to collect taxes in an enforceable way. The theory was put forward by experts. The theories put forward by experts in relation to tax collection theory include Insurance Theory, Interest Theory, Service Theory (Absolute Theory), Purchasing Power Theory, and The Carrying Power Theory.

1.3.1. Insurance Theory

Tax payments according to insurance theory are likened to premium payments because they receive guarantees from the state. The state has the duty to protect people and/or its citizens with all interests, namely the safety and security of their lives and assets (Kaplow,2011). However, this theory has been widely opposed by some experts. The reasons experts oppose this theory are: (a) if there is a loss there is no direct charge from the state, (2) between the payment of the amount of taxes and services provided by the state there is no direct relationship. Insurance theory defines that paying taxes is like paying a premium in an insurance company. In insurance premiums, the funds paid will be used to guarantee the life of insurance participants so that it is hoped that they can receive protection in the event of unexpected things in the future. This kind of concept is used for tax collection according to insurance theory.

According to insurance theory, paying taxes is like paying a premium in an insurance company in the hope of getting protection from unexpected events in the future. Insurance premiums must be paid by each insurance participant. The funds will then be used to guarantee the life of every insurance participant who experiences unexpected events that can interfere with personal finances. By the same logic, such as the theory of insurance. People pay the same premium as people who pay taxes for subsidies, security and so on.

If we look at the work of the insurance company, it appears that there are two parties where the insurer is the insurer and the consumer is the insured party. The insurer will provide compensation or will be responsible for all

losses suffered by the insured party or the consumer, on the other hand, the consumer is obliged to pay a premium in return for services/consequences to the insurer, in this case, the insurance company. If this is analogous to the government and society, then the government here acts as an insurer who is obliged to guarantee and protect the safety of its citizens. On the other hand, the public as the insured party is obliged to pay taxes as remuneration for the protection provided by the government.

The weaknesses of this theory:

- In the event of a loss there is no direct compensation from the state. For example, if someone has stolen our house, the government does not immediately compensate for the loss.
- There is no direct relationship between the amount of tax and services received. For example, whether people who pay large, small or non-taxable taxes still receive protection from the state.

According to insurance theory, the Government has the right to collect taxes from its residents, because the state is considered identical to an insurance company, and taxpayers are the insured who are obliged to pay premiums, in this case, taxes. The state has the right to collect taxes from residents because the State has the duty to protect all the people and the people pay a premium to the state. This theory has been challenged a lot because the state should not be confused with an insurance company. However, this theory has weaknesses, among others, the existence of a reward that will be given by the state if the insured, in this case, the taxpayer, suffers a risk. Because the reality is, the state has never given compensation money to taxpayers who are hit by disaster. Moreover, if there is a consideration in taxes, then it actually contradicts the element in the definition of the tax itself.

According to this theory, the state, in carrying out its duties/functions, also includes the duty of protecting the life and property of individuals. Therefore, the state works or acts as an insurance company. For this protection, citizens pay a premium and it is tax payments that can be viewed as that premium. This theory has long been abandoned, and now there are

practically no defenders anymore because the state does not compensate for any harm to the people concerned, for example, killed or their property stolen.

1.3.2. Interest Theory

The distribution of the tax burden to the state is based on the "interest" or "protection" of each person. Therefore, the greater the "interest" a person has in the country, the greater the taxes that must be paid. The purpose of the interest theory is like two parties who need each other and mutually benefit. The two sides are the state and society. The state must be managed whose management requires a lot of money. So, it is the community that helps by providing funds in the form of taxes. Of the funds paid, the state will manage it for the community so that they can live a prosperous life (Mumford,2017).

According to this theory, taxes have a relationship with individual interests obtained from state jobs. The more people get or enjoy the services of government jobs, the greater the taxes. Even though this theory still applies to user fees, it is difficult to accept because the poor and unemployed people who get assistance from the government, enjoy or weave a lot of services from the government, enjoy or get a lot of services from government jobs and they are even caused by paying taxes.

Adherents of this theory say that the state has the right to collect taxes from its residents because the residents of that country have an interest in the state. The greater the interest of the population to the state, the greater the protection of the state for it. Including interests in the protection of life and property. The higher the level of protection interest, the higher the taxes that must be paid. This theory is widely opposed because, in fact, the importance of protection for the poor is higher than that of the rich. There is protection for social security, health, and others. Even poor people are exempt from the tax burden. Similar to the insurance theory, this theory has weaknesses, among others, regarding the function of the state to protect all its people. The state must not be selective in protecting its citizens. If, for

example, in a region, there is a fire, will only those who have paid taxes help and be rescued by the fire truck? In addition, if it is viewed from the elements of the tax definition, the direct or counter-achievement relationship (in this case the taxpayer's interests) has undermined the existence of the tax itself.

The state maintains/protects the interests of the souls and property of its citizens, so it is appropriate for the costs incurred by the state to fulfil its obligations, be borne by them. Rich people who have a greater interest in protecting their property pay more taxes, while those who have less income pay fewer taxes. The weakness is that this theory has many arguments because it is confused or confused by the definition of the levy. If seen from the interest, there are those who think that sometimes the poor have a bigger interest in the government, namely from the point of view of the social security provided by the government to them as regulated in the Constitution. It should be because the interests of the poor are greater, the taxes that are borne are also large if using this theory, so that it cannot be determined explicitly. This is what causes this theory to be abandoned.

1.3.3. Service Theory (Absolute Theory)

Service Theory (Absolute Theory) says that a country has the absolute right to collect taxes from the people. The people already understand that paying taxes is an obligation and a sign of filial piety to the state. This theory simply states that citizens pay taxes because of their service to the state. The theory of devotion is also called the theory of absolute obligation (Ambrosio,2020).

This was done so that the state government system could continue to run well. The people have begun to understand that the tax money paid will be managed by the government for many things, such as building infrastructure.

This theory is based on the organic teachings of the state (Organische Staatsleer) and maintains that without the state it is impossible for

individuals to live freely in the state. Therefore, the state has the absolute right to collect taxes. Without the state, there is no individual, and the payment of taxes by individuals to the state is seen as a sign of sacrifice or dedication to the state.

This theory puts too much emphasis on the state, that is as if the individual cannot live without the state, but that the state can live without individuals. In fact, this is not the case, because it is impossible for the state to exist without individuals.

The devotion theory can be said to be the same as the theory of state sovereignty in the Introduction to Law Science course. Citizens must submit to or obey the state because the state as an institution or organization already exists, already exists in reality. The theory of devotion teaches that the population is part of a country, therefore the population is bound to the existence of the state and is therefore obliged to pay taxes, in the sense that they are obliged to serve the state. In this theory, the basis for the fairness of tax collection lies in the relationship between the people and their country.

Service theorists advocate paying taxes to the state by not wondering what is the basis for the state to collect taxes. Because the organization or institution, namely the state, already exists as a fact, its residents are obliged to pay taxes absolutely, they are obliged to serve the state.

A state is a unitary group of people or individuals who live in it. From the characteristics of the Organische Staatsleer, the absolute rights of the state arise. People cannot live individually, therefore they form groups that eventually form a country that is ultimately expected to protect, nurture and guarantee the safety of the people or individuals who live in it. In order to manifest or show a person's dedication to the protection provided by the state to him, he is obliged to pay taxes (Thuronyi & Brooks,2016).

1.3.4. Purchasing Power Theory

Purchasing power theory is closely related to people's ability to make buying and selling transactions (Conard,2021). Through tax collection, it is hoped that it can attract the purchasing power of each household or community. This encourages the guarantee of the prosperity of the community itself. This theory argues that the function of tax collection is to take the purchasing power of public households for state households, then channel it back to society with the intention of preserving people's lives and bringing them in a certain direction (eg welfare).

The purchasing power theory is closely related to people's ability to make buying and selling transactions. Many people with different needs certainly need various items to meet their every need.

In buying and selling transactions, the type of tax imposed is the VAT tax (Value Added Tax and PPnBM (Sales Tax on Luxury Goods)). So the more luxurious or expensive the goods owned by the public, the greater the nominal tax.

This theory is a modern theory, this theory does not question the origin of the state collecting taxes but rather looks at the "effect" and views the good effect as the basis of justice. In this theory, the tax money originating from the people is returned to the community through other channels. Taxes originating from the people return to society without being deducted so that taxes only function as a collector of money from the people which is eventually returned to the community for the welfare of the community so that taxes in essence do not harm the people. Therefore, tax collection can be justified. The logic of the thinking of this theory is that because taxes are used in the public interest, both those who pay taxes and those who do not pay taxes benefit from it. So instead of one party being paid to another party, where the payer gets nothing. In taxes, taxpayers also enjoy the results.

The basis of justice lies in the consequences of tax collection, which means that collecting taxes means drawing purchasing power from the households

of the people of the country. According to this theory, the justification for tax collection lies in the effect of tax collection. For example, the availability of sufficient funds to finance general state expenditures, because a good result of the state's attention to the community, tax collection is also good. The theory states that collecting taxes means drawing purchasing power from people's households to state households, then the state will channel it back to society in the form of maintaining the welfare of the community. For example, the government applies excise taxes on cigarette products and VAT on imported products, so that it appears that whoever he is, rich or poor, the government has collected taxes on that person.

1.3.5. The Carrying Power Theory

The Carrying Power Theory defines the taxes paid by the public must be in accordance with the style of the burden, namely the balance between expenditure and income (Conard,2021). In accordance with this style of carrying, tax payments will become mandatory if the primary needs of the taxpayer have been met first. If their income is below a certain number, then they do not have a bearing style, which means that they are classified as non-taxable income. The tax burden for everyone must be equally heavy. This implies that taxes must be paid according to the "carrying capacity" of each person. There are two approaches to measuring the carrying capacity, namely (1) the objective element, namely by looking at the amount of income or wealth owned by a person, (2) the subjective element, namely by paying attention to the number of material needs that must be met.

Taxes that must be paid by the community must be in accordance with the style of the burden and the size that corresponds to expenses and income, both individuals and business entities.

The shoulder style used to pay taxes will emerge when the primary needs of the individual are met. If the individual still has income below the non-taxable income then he does not have Carrying Power. This theory essentially states that the basis for fairness of tax collection lies in the services provided by the state to its citizens, namely the protection of their

lives and assets. For this purpose, costs borne by all the people who enjoy this protection in the form of taxes are required. The basis of this theory is the principle of justice, namely that everyone's tax burden must be the same. Taxes must be paid according to one's capacity. This carrying power can be measured by looking at the amount of income and wealth or through someone's expenditure/spending.

The theory of Carrying Power does not actually provide an answer to the justification of tax collection. This theory only proposes that in collecting taxes the government must pay attention to the carrying capacity of the taxpayer, the tax burden imposed must be the same, meaning that taxes must be paid according to the carrying capacity of each person. So taxpayers pay taxes according to their carrying capacity. In fact, this theory has survived until now, namely that a taxpayer will not be subject to income tax on all his gross income. An amount needed to sustain his life must be issued before being subject to tax rates. The amount issued is called non-taxable income, minimum life or minimum tax-exempt income of subsistence. In this theory, it is said that the tax collected is adjusted to the ability or power of each person.

This theory teaches: that tax collection must be in accordance with the paying power of the taxpayer (individual). The pressure of all taxes must be in accordance with the taxpayer's bearing style by paying attention to the amount of income and wealth, as well as the taxpayer's expenditures. This shoulder force is influenced by various components, especially:

1. Income
2. Wealth and
3. Composition of the taxpayer's family by taking into account the factors that influence the situation.

Carrying Power is the power to pay money to the state, so to pay taxes, after deducting the minimum life requirements (basic needs). Minimum life or basic needs are basic things and cannot be postponed. These basic needs include food, clothing, housing and education costs. Carrying Power is the same as a bridge, which must first be able to carry its own weight, before

trying to burden it and surrender the teaching, that what is indispensable for life must not be included in the sense of a bear force. The power to surrender money to the state only exists, if the primary necessities for life are available. The first human right is the right to live, so the first factor that must be considered is the minimum life.

The theories above are solutions on the basis of declaring the fairness of tax collection by the state, so that experts in the field of state finance, especially in the field of taxation, call it a principle according to the philosophy of law, which by Adam Smith included in the first maxim in his teaching "The Four Maxims" (four axioms/principles in tax collection).

However, several principles have been successfully developed over time to provide a framework that can be used as criteria for a fair taxation system. This principle or principle is, among other things, the principle of benefit and the principle of ability to pay.

1.4. Taxation Principles

In tax collection theory, there are several principles that are used as a reference by the state to determine its authority. Either for foreign nationals or citizens of their own country. In tax collection, there are principles that must be obeyed. This tax collection principle is the basic principle that must be present in tax collection activities. In Indonesia, there are 5 principles of tax collection, namely the principle of justice, juridical principles, economic principles, financial principles, and simple principles. These five principles have an important meaning because, without these principles, tax collections can deviate from the expected objectives (Callaghan et al,2020).

Taxes have a very important role in the sustainability of a country. One of its roles is as a source of development costs. In order for taxation activities to run smoothly, the government also provides a legal umbrella and tax collection principles. The principle of taxation itself is the basis and guidelines used by the government when making regulations or collecting

taxes. There are at least three principles of tax collection that are often used as guidelines in the world, namely:

1. The principle of residence. Tax collection is carried out based on a person's domicile or residence
2. The principle of nationality. Tax collection is carried out based on a person's nationality. For example, even though there are Americans living in Japan, that person cannot be required to pay taxes because their nationality is not Japanese.
3. The principle of the source. Tax collection is based on the source or place of income.

Taxes are levies that the people must pay to the state to be used by the government for the benefit of the general public and the people themselves. In practice, tax collection must be carried out according to law. In collecting taxes, the tax collection institution should pay attention to various factors, hereinafter known as the principle of tax collection. In Indonesian taxation, it is known that there are several principles that become the basic or fulcrum of thinking. The principle itself is defined as a truth that is the basis or basis of thinking. Legal principles are not concrete legal regulations, but basic ideas that are general in nature or are the background for concrete regulations that are contained in and behind every legal system that is embodied in statutory regulations and judges' decisions which are positive law and can be found by searching general characteristics in the concrete legal rules.

The Indonesian government basically adheres to the principle of taxing all income, including income from abroad. For domestic taxpayers, tax imposition is based on the domicile principle. Meanwhile, foreign citizens who live and earn income in Indonesia, check the time limit to determine whether an individual or entity is a domestic taxpayer (living in Indonesia for more than 183 days in 12 months), or is a foreign taxpayer (living in Indonesia for more than 183 days in 12 months). in Indonesia a maximum of 183 days in 12 months). Well, for foreign taxpayers, it is only imposed on income earned in Indonesia. Furthermore, as is common with taxation practices in various countries, tax treaties between countries are regulated

to avoid double taxation (DJP,2021). Based on the Law of the Republic of Indonesia Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax. The Tax Law of the Republic of Indonesia adheres to the principles of universal taxation, namely fairness, ease and efficiency of administration, as well as increasing and optimizing state revenues while maintaining a self-assessment system (Law of the Republic of Indonesia,2008).

The principles of tax collection include the principle of justifying tax collection by the state, the principle of tax imposition, the principle of tax collection, the principle of sharing the tax burden, and the principle of making tax laws. Taxation principles include legal principles, legal certainty, efficiency, non-distortion, simplicity and justice. It is not easy to tax society. If too high, people will be reluctant to pay taxes. However, if it is too low, then the development will not run due to insufficient funds. In order not to cause various problems, tax collection must meet the following requirements (principles). Tax collection must be fair, Tax arrangements must be based on law, tax collection should not disturb the economy, tax collection must be efficient, tax collection systems must be simple.

Different countries, different principles or principles of tax collection. But one thing is certain taxes are a crucial aspect of the survival of a country. Development can continue to move continuously, one of which is because of taxes. However, it is not a trivial matter to implement tax collection. In Indonesia, different entities have different tax applications. That is why the principle of tax collection is needed.

The imposition of taxes among tax subjects should be in balance with their abilities, that is, in proportion to the income they enjoy under the protection of the government. In terms of equality, it is not permissible for a country to discriminate among taxpayers. In the same situation, the taxpayer must be treated the same and in different circumstances, the taxpayer must be treated differently. Balance/tax fairness is collected based on income, there is no discrimination. In the same circumstances, the taxpayer is subject to the same tax. Like any tax law product, it has the aim of creating justice in

terms of tax collection. Fair in legislation and fair in its implementation. For example, by regulating the rights and obligations of taxpayers, Taxes are applied to every citizen who qualifies as a taxpayer. Sanctions for tax violations are generally applied according to the severity of the offence.

The allocation of the tax burden to various groups of society must reflect justice. Regarding this, there are two criteria commonly used to see whether the allocation of tax burdens reflects aspects of justice, namely the ability to pay the taxpayer (ability to pay), and the benefit principle. Tax collection carried out by the state must be in accordance with the ability and income of the taxpayer. The state must not act discriminatively against taxpayers. Taxation must have legal certainty regarding the subject, object, amount of tax and provisions regarding the time of payment. Tax provisions should not be doubted, confusion must be clear and have one meaning so as not to be confused. Multiple interpretations of taxation will create loopholes that can be exploited by tax smugglers.

All tax collection must be based on the law so that those who violate will be subject to legal sanctions. any tax collection must be based on law. Therefore, every taxation regulation, whether contained in government regulations or lower regulations, must have a reference in law. In the Indonesian tax system, this is expressly stated in Article 23 paragraph (2) of the 1945 Constitution which states "All taxes for the benefit of the state are based on law" (After the Amendment, Article 23 was changed to Article 23 A). In accordance with Article 23 of the 1945 Constitution which reads: "Taxes and levies for state needs are regulated by law", there are several things that need to be considered in the preparation of tax laws, namely: guaranteed smoothness. Legal guarantee for taxpayers not to be treated in general. Legal guarantees will maintain the confidentiality of taxpayers.

Taxes must be collected at the right time for the taxpayer (at the best time), for example when the new taxpayer receives his income or when the taxpayer receives a gift. Efforts must be made to collect taxes in such a way so as not to disturb economic conditions, be it production, trade or service activities. Tax collection should not be detrimental to the interests of the

community and hamper the speed of business of the tax supply community, especially the small and medium-sized people. taxes should not cause distortions in society, especially economic distortions. The imposition of taxes must be carried out so as not to cause an economic downturn, resources and inflation.

Try to make an effort to be as economical as possible for the cost of collecting taxes, so that there are no more tax collection costs than the result of tax collection. where taxes collected from the public are then used to finance government administration and development activities. Therefore, a type of levy must be efficient, the costs of levies are greater than the tax revenue itself. Costs incurred in the context of tax collection must be taken into account. Do not let the tax received lower the processing fee. Therefore, the tax collection system must be simple and easy to implement. Thus, taxpayers will not experience difficulties in paying taxes both in terms of calculation and from a time perspective. The service tax collection is carried out as economically (see efficiently) as possible, lest the tax collection costs are greater than the tax revenue itself. Because there is no meaning in tax collection if the costs incurred are greater than the tax revenue that will be obtained. The amount of tax collected must be greater than the cost of collecting the tax. How taxes are collected will be of great help in tax collection. A simple tax system will make it easier for taxes to calculate the burden that must be financed so that it will provide positive benefits for taxpayers to increase awareness of tax payments. In fact, if the tax collection system was complicated, more people would pay taxes. Tax regulations must be made simple so that they are easily implemented by both the tax authorities and taxpayers, as parties involved in the tax relationship. In addition to being difficult for tax implementers, complex tax regulations can also be interpreted in two ways, giving rise to loopholes.

Chapter 2. Classification of Taxes in Indonesia

Taxes are the main source of income for a country. The general definition of various types of taxes is the contribution that the people give to the state based on law, so that it can be imposed, and do not receive direct remuneration. So for you, wise citizens, you will never be late in paying taxes. It is undeniable that in Indonesia, taxes play a role as the backbone of the country's development. Some people may already know what taxes are, but sometimes some people don't know the types of taxes they pay. So, before discussing further the types of taxes, first know the basics of the tax itself.

Are all Indonesian citizens required to pay taxes? According to the law, all Indonesian people are required to pay taxes. However, this applies to citizens who have met the subjective and objective requirements of this type of tax.

Taxes are mandatory levies that must be paid by every citizen. The tax paid is later used for the benefit of the community. The benefits that are felt cannot be felt directly. Because this tax is used for public purposes, not private. Taxes are mandatory contributions to the state that are compelling based on law. Taxpayers cannot directly experience the benefits of taxes, because they solve various problems in our beloved country, such as poverty, security and prosperity.

To get to know more about the types of taxes that apply from Sabang to Merauke, we first have to determine from which perspective we will look at the tax. Is it from an angle based on its character, based on the object/subject, based on the collecting agency, or others? Taxes in Indonesia itself consist of various types of classifications, types, and types, usually differentiated based on the collection system and their management.

The tax collection system itself is a mechanism used to calculate the amount of tax that must be paid by taxpayers to the state. The tax collection system varies from country to country. Whereas Indonesia itself, it uses 3 tax collection systems that are used on a daily basis. The three tax collection systems in Indonesia are Self Assessment System, Official Assessment System, Withholding System.

Self Assessment System is a tax determination system that imposes an independent determination of the amount of tax to be paid by the taxpayer concerned. It can be said, taxpayers are parties who play an active role in calculating, paying, and reporting the amount of tax to the Tax Service Office (KPP) or through an online administration system that has been created by the government.

The role of the government in this tax collection system is as a supervisor of taxpayers. The self-assessment system is usually applied to the type of central tax. For example, the types of VAT and PPh taxes. This tax collection system came into effect in Indonesia after the tax reform period in 1983 and is still in effect today.

This tax collection system has drawbacks, namely because taxpayers have the authority to calculate the amount of tax owed themselves to be paid, taxpayers will usually try to deposit the smallest possible tax by making false reports on wealth reporting.

The characteristics of the Self Assessment tax collection system:

1. Determination of the amount of tax payable is carried out by the taxpayer independently.
2. Taxpayers play an active role in completing their tax obligations, starting from calculating, paying, to reporting taxes.
3. The government does not need to issue a tax assessment, unless the taxpayer is late in reporting, paying taxes late, or there is a tax that the taxpayer should have paid but not paid.

Official Assessment System is a tax collection system that imposes the authority to determine the amount of tax owed to the tax authorities or tax officials as a tax collector to a taxpayer.

In this system, the taxpayer is passive and the value of the tax owed will be known after a tax assessment is issued by the tax authorities. This tax collection system is usually applied in the payment of local taxes such as Land and Building Tax (PBB).

In PBB payment, the tax office is the party that issues a tax assessment letter containing the amount PBB owed each year. Taxpayers no longer need to calculate the tax payable but simply pay PBB based on the Tax Payable Payment Letter (SPPT) issued by the Tax Office where the tax object is registered.

The characteristics of the Official Assessment tax system:

1. The amount of tax imposed is calculated by the tax officer.
2. Taxpayers are passive in their tax calculations.
3. The amount of tax payable will be known after the tax officer calculates the tax owed and issues a tax assessment letter.
4. The government has full rights in determining the amount of tax that must be paid.

In a withholding tax collection system, the amount of tax is usually calculated by a third party. They are neither taxpayers nor tax officials/tax authorities. An example of a Withholding System is a deduction of employee income by the treasurer of the related agency or company. So, employees no longer need to go to the tax office to pay these taxes.

The types of taxes that usually use the withholding system in Indonesia are Income Tax Article 21, Income Tax Article 22, Income Tax Article 23, Final Income Tax Article 4 paragraph (2) and VAT. Proof of withholding or proof of collection is usually used as evidence of tax payment using this system. For certain cases, you can also use a Tax Deposit Letter. Proof of deduction

will later be attached with the Annual Income Tax Return / Periodic VAT of the taxpayer concerned.

2.1. Tax Classification in Indonesia

Types of taxes in Indonesia are grouped based on the method of collection, nature and the collecting institution. What types of taxes are referred to?

Types of taxes based on the way they are collected consist of direct taxes and indirect taxes. Types of taxes by their nature consist of subjective taxes and objective taxes. Meanwhile, the types of taxes based on the collection institutions consist of central taxes and local taxes.

The role of taxes is very large in the development of the country. As good citizens, we are not only obliged to pay taxes but know the taxation in our country, including the types of taxes that apply. As an entrepreneur in Indonesia, of course, knowing the types of taxes in Indonesia is very important.

In addition to the various tax collection systems in effect in Indonesia, the types [of taxes in Indonesia itself consist of various types of classification, types, and types are usually distinguished based on the collection and management.

2.1.1. Types of taxes according to the collection agency

Tax according to collection agencies in Indonesia is divided into 2 types of taxes, namely the central tax which is usually managed by the central government, in this case, the Directorate General of Taxes under the auspices of the Ministry of Finance. The second is local taxes. Local tax is a type of tax that is collected and managed by the regional revenue office.

Central tax and local tax are tax categories that are differentiated based on the party that attracts and manages the tax. Central taxes are administered by the central government. Several types of taxes that are managed by the central government include land and building tax, income tax and luxury

goods tax. The proceeds from the central tax are used for the state budget as well as Indonesia's development needs from the centre. Meanwhile, the management of regional taxes is in the regions, and will later be included in the APBD, aka the Regional Expenditure Budget. There are many types of local taxes by province and district/city. Provincial local taxes include cigarette tax, motor vehicle tax, motor vehicle name transfer tax, and so on. Meanwhile, regency/city taxes include taxes on hotels, entertainment, billboards, street lighting (lamps), restaurants, and so on.

Central taxes in Indonesia are taxes that are managed by the Central Government mostly through the Directorate General of Taxes (DGT) and the vertical units under it.

An example of a central tax is as follows:

1. Income Tax.

Income tax is a tax that is charged to an individual or entity on income received or earned in a tax year. Income is defined as an additional economic capability received or obtained by a Taxpayer, both from Indonesia and from abroad, which can be used to increase the wealth of the Taxpayer concerned under whatever name and form. Income Tax is a tax imposed on an individual or entity on income received or earned in a Tax Year.

Referred to as income is any additional economic capacity received or obtained by a Taxpayer, either from Indonesia or outside Indonesia, which can be used for consumption or to increase the wealth of the Taxpayer concerned under whatever name and form. Thus, the income can be in the form of business profits, salaries, honoraria, gifts, and so on.

2. Value Added Tax (VAT)

VAT is a tax imposed on the purchase of taxable goods or taxable services in a customs area. Individuals, companies, and governments who purchase taxable goods or taxable services will be subject to VAT based on the applicable law. VAT is a tax imposed on the consumption of Taxable Goods or Taxable Services within the Customs Area (within the territory of

Indonesia). Individuals, companies, and governments who consume taxable goods or services are subject to VAT. Basically, a value-added tax is a tax for every goods and service where the goods or services are taxable goods or taxable services unless otherwise stipulated by the VAT Law.

3. Sales Tax on Luxury Goods

Purchases of certain luxury taxable goods will be subject to VAT and Sales Tax on Luxury Goods. The items that are classified as luxury are as follows. Not a basic necessity. These goods are consumed by certain people. In general, these goods are consumed by high-income people. The item is consumed to show status. Goods that, if consumed, can damage public health and morals, and disturb public order.

4. Land and Building Tax

Land and Building Tax is a tax imposed on ownership, utilization and or control of land and or buildings. Objects for Land and Building Tax are land and or buildings, in which the definition of land and or building is explained as follows. Earth is the surface of the earth which includes land and inland waters as well as the sea, and the body of the earth underneath. Meanwhile, a building is a technical construction that is permanently planted or attached to the land and/or waters.

As for what is not included in the objects of the United Nations are land or land and buildings that are used solely to serve the public interest in the fields of worship, social, health, education and national culture, which are clearly not intended to gain profit. Land and buildings used for graves, ancient relics, or the like. Protection forest, nature reserve forest, tourism forest, national park, grazing land controlled by the village, and state land that has not been assigned a right. Land and buildings used by diplomatic representatives and consulates based on the principle of reciprocal treatment. Land and buildings used by bodies or representatives of international organizations determined by the Minister of Finance.

The Land and Building Tax sector is categorized into 5 groups including the rural, urban, plantation, mining and forestry sectors. However, there were

changes to the sector category, based on Law no. 28 of 2009 concerning Regional Taxes and Regional Levies starting January 1, 2014, Rural and Urban has been included in the category of Regional Taxes. Meanwhile, PBB for Plantation, Forestry, Mining is still the Central Tax.

5. Stamp Duty.

Stamp Duty Tax is a tax that is imposed on the use of documents, such as a letter of agreement, notary deed, as well as payment receipts, securities and securities, which contain an amount of money or a nominal value above a certain amount in accordance with the provisions. Stamp Duty is a tax imposed on the use of documents, such as letters of agreement, notary deeds, and payment receipts, securities and securities, which contain an amount of money or a nominal value above a certain amount in accordance with the provisions.

There are two ways to pay off Stamp Duty, namely First, Stamp Objects (sticky stamps and paper stamps). Second, in other ways, as stipulated by the Minister of Finance (sealing machines, printing technology and computerized systems).

Meanwhile, Regional Taxes are taxes managed by the Regional Government at both the Provincial and Regency or City levels which are administered by the Regional Revenue Service or Agency. Each region usually has a different name for the Service or Regional Revenue Agency. The following types of taxes are collected by local governments in Indonesia:

1. Provincial Tax
2. Motor Vehicle Tax
3. Transfer of Motor Vehicle Title Fee
4. Motor Vehicle Fuel Tax
5. Surface Water Tax
6. Cigarette tax
7. Regency / City Tax
8. Hotel Tax
9. Restaurant Tax

10. Entertainment Tax
11. Advertisement Tax
12. Street Lighting Tax
13. Non-Metal Mineral and Rock Tax
14. Parking Tax
15. Groundwater Tax
16. Land and Building Tax for rural and urban areas
17. Fees for Acquisition of Rights to Land and/or Buildings
18. Land and Building Tax in the Rural and Urban Sector

2.2. Types of taxes according to their nature

For tax, according to its nature, is also divided into 2 types of taxes, namely subjective tax and objective tax, the differences are:

Subjective Tax (Individual Tax), which is a type of tax that in its imposition takes into account the personal circumstances or conditions of the taxpayer (married or unmarried status, family dependent or not). Subjective tax is a tax that is taken based on the subject. For example, wealth tax and income tax.

All management related to central tax is carried out at the Tax Service Office, Tax Counseling and Consulting Services Office, Regional Office of the Directorate General of Taxes and Head Office of the Directorate General of Taxes. Meanwhile, administration related to local taxes is carried out at the Regional Revenue Service Office or the Regional Tax Office under the auspices of the local regional government. So basically everyone who lives in the territory of Indonesia has the obligation to pay this tax. Starting from small children to adults.

Meanwhile, foreign citizens living in Indonesia are subject to taxpayers if they have economic ties with Indonesia, for example, if the foreigner has a business in Indonesia, he will be subject to taxpayers. An example of subjective tax is Income Tax.

Objective Tax (Material Tax) is a type of tax that in its imposition only takes into account the nature of the tax object, without taking into account the circumstances or condition of the taxpayer. This objective tax is a tax that is taken based on the object. For example, import taxes, motor vehicle taxes, import duties, stamp duties and others. More precisely, an objective tax is imposed on an Indonesian citizen if his / her income has met the requirements in accordance with the applicable law. There are several groups of Indonesian citizens who are affected by this type of taxpayer. First, are those who use objects or tools that are subject to tax according to the provisions. Second, taxes taken related to the wealth owned, ownership of luxury goods and their use. and the last is if a person transfers assets from Indonesia to another country, the activity will be subject to taxpayers. Examples of objective taxes themselves are Value Added Tax, Land and Building Tax, Sales Tax on Luxury Goods.

2.3. Types of taxes according to the class

The grouping of tax types according to groups is divided into two, namely direct taxes and indirect taxes. Direct tax is a tax that is given to taxpayers periodically in accordance with a tax assessment letter prepared by the tax office. In the letter, there is the amount of tax that must be paid. This direct tax must be borne by a taxable person and cannot be transferred to another person, for example, Land and Income Tax and income tax.

Type of direct tax is a tax whose burden must be borne by the taxpayer concerned and cannot be transferred to other parties. In other words, the direct tax must be paid by the taxpayer concerned. Direct taxes are usually attached to the individual taxpayers so that their rights and obligations cannot be transferred to other parties. Taxes that are included in indirect taxes include taxes:

- Income tax.
- Property tax.
- Vehicle tax.

Indirect tax is a tax that is given to taxpayers if they do certain actions. So that this indirect tax cannot be collected periodically, but can only be collected when certain events or actions occur that cause the obligation to pay taxes, for example, the sale of luxury goods, this tax is only given if the taxpayer sells luxury goods. Types of indirect taxes are taxes whose burdens can be transferred or shifted to other parties. In other words, the payment can be represented by another party.

Indirect tax does not have a tax assessment letter so that the imposition of it is not carried out periodically but is linked to the actions of the incident. There are three elements to identifying indirect taxes:

1. Responsible tax is a person who is formally required to pay taxes if there are factors or events that give rise to the reason for being taxed.
2. Tax bearers are people who in fact bear the tax burden.
3. Bearer of the tax burden, that is, a person who according to the intent of the legislators must bear the tax burden.

Taxes that include indirect taxes in Indonesia include value-added tax, import duty tax, export tax.

Taxes that apply in Indonesia consist of various types of designation, grouping and tax collection systems, this is to make it easier for taxpayers to categorize the types of taxes and how to report effectively.

2.4. Tax Benefits & Functions

One of the vital state revenues is taxes. Why? Because all expenditures include development, development and others related to the interests of the general public. Apart from that, things like financing for law enforcement, state security subsidies and others all also depend on taxes. Therefore, of all the uses of tax above tax also has functions that are divided into 4, namely:

1. Budget Function (Budgeter)

As discussed a little above, that taxes are the main source of state income, therefore taxes also have a function to pay for all state expenditures. For the

sake of the country's development, large expenditures such as increase national development and other costs cannot be avoided. Therefore, the state also needs to ensure a balance between these expenditures and state income from taxes.

2. Function Regulating (Regulation)

Taxes also have a function to regulate national economic growth. Government policies related to taxes will indirectly help the economy of the country and its people. One example is to protect domestic production, the government will increase the price of import duties for products from abroad.

Therefore, people no longer have to worry about price competition with products that come from outside. Another example is tax relief, the government can attract both domestic and foreign capital investment so that the Indonesian economy will improve.

3. Stability function

Taxes can also enable the government to carry out all policies related to national economic stability. So, taxes can serve to control inflation. The government can also regulate the amount of money in circulation through tax collection or the use of taxes more effectively and efficiently.

An increase in taxes can also make the money supply decrease so that inflation will not occur. However, on the contrary, if the country's economic conditions are in deflation, the government can lower taxes.

4. Income Redistribution (Equity) Function

In addition, taxes also have a function to equalize people's income with the aim of community welfare. Taxes can be used to finance all interests relating to the general public and development. So that it can increase opportunities to open new jobs. With the opening of new jobs, it will certainly help increase people's income.

2.5. Tax Perspective from Economic and Legal Sides

As one of the country's main revenues, this tax has a strategic value from both an economic and legal perspective. Taxes from an economic perspective can be assessed from the transfer of resources from the private sector (citizens) to the public sector (society). This can be illustrated that taxes can cause a situation to change, such as the reduced ability of an individual to control resources for the purpose of controlling goods and services. Then, the increase in the financial capacity of the state in providing goods and services for the needs of the community. From an economic point of view, taxes emphasize the transfer of wealth and economic impacts. The impact and benefits can be seen from the people as taxpayers and from the side of the State as the party receiving tax payments. When viewed from a micro economic perspective, there is only a burden, something burdensome, something that reduces individual welfare. Approaching taxes from an economic point of view, it is best to combine the micro economic side that prioritizes the individual, with the macro side, namely for the benefit of the community together. Taxes in society can be used as a means to achieve economic goals. Meanwhile, Tax from a Legal Perspective, from a different perspective. A legal perspective can arise from the existence of laws that oblige citizens to deposit a certain amount of funds to the state. Where the state has the power to encourage tax payments. This shows that the tax collection has legal certainty both for tax officers as tax collectors and for taxpayers as taxpayers.

Chapter 3. Tax Payable, and Tax Collection in Indonesia

Taxes are a source of funds and state revenues that are vital for the interests and development of the country. The tax collection system is a method used to find out how much tax is owed by calculating the amount that must be paid by a taxpayer to the country where he is located. Tax collection in Indonesia has been regulated in Law Number 10 of 1994 which discusses and regulates everything related to the subject and object of taxation. The essence of this law is that the Indonesian tax collection system applies the domicile principle and the source principle at once or at the same time. Indonesia applies these two principles as an important asset for the country that allows additional foreign exchange.

Since the amendment of tax laws and regulations in 1983 (Indonesian tax reform) replacing the taxation regulations made by the Dutch colonial (PPs 1925 and PPd 1944 ordinances), Indonesia has also changed its tax collection system from an Official Appraisal system to a Self-Assessment System. Trust is given to taxpayers to calculate, calculate, pay and self-report the amount of tax that must be owed under tax laws and regulations.

The taxation system is a mechanism that regulates how the tax rights and obligations of a taxpayer are implemented. The tax collection system is a mechanism used to calculate the amount of tax that must be paid by taxpayers to the state. The tax collection system can be said to be a method of managing tax debt that is paid by the person concerned so that it can enter the state treasury. In Indonesia, there are 3 types of taxation systems. The tax collection system in Indonesia is in accordance with the principle of tax collection and adopts a self-assessment system and a withholding system. In Indonesia, 3 types of tax collection systems apply, namely the Official

Assessment System, Self Assessment System. Withholding Assessment System.

1. Official Assessment System

According to the Authorized Appraiser tax system, the amount of tax payable is fully determined by the tax collection agency. In this case, the Taxpayer is passive and awaits the submission of the tax debt determined by the tax collection agency. The Official Assessment System is a tax collection system that gives taxpayers the authority to determine the amount of tax owed to the tax authorities or tax officers as tax collectors. In this system, the taxpayer is passive and tax payable only exists after the tax assessment is issued by the tax authority or the government.

In this system, the tax office has full initiative in calculating and collecting taxes. The application of this official appraisal system is also aimed at the public as taxpayers who are deemed incapable of being given the responsibility to calculate and determine taxes. This system will be successful if the tax officials in quality, quantity and integrity have met the needs and standards set.

The Official Appraisal System is applied in the settlement of Land and Building Tax or other types of regional taxes. Tax Service Office is the party that issues a Tax Assessment Letter containing the amount of Land and Building Tax owed each year. Taxpayers no longer need to calculate the tax payable but pay Land and Building Tax based on a Tax Payable Payment Letter issued by the registered Tax Service Office.

Although the tax authority is quite dominant in calculating and determining tax debt, after the tax reforms in 1984, this tax collection system is no longer valid.

Characteristics of the Official Rating System

1. The nature of passive taxpayers in tax calculations because the amount of tax owed is calculated by the tax officer who is selected in tax management.

2. Taxes payable appear after the tax officer calculates the payable tax by issuing tax assessments.
3. The government has full rights in determining the amount of tax to be paid by taxpayers.

2. Self Assessment System

According to the Self Assessment System taxation system, the amount of tax owed is determined by the taxpayer. In this case, the activities of calculating, calculating, depositing and reporting tax payable are carried out by the taxpayer. The role of the tax collection agency is only to supervise through a series of supervisory and law enforcement actions (tax inspection and investigation). Self Assessment System is one of the tax collection systems in effect in Indonesia where this system requires determining the amount of tax that must be paid by the taxpayer concerned independently. Who is a taxpayer? Taxpayers are parties who play an active role in calculating, paying, and reporting the amount of tax to the Tax Service Office or through an online administration system that has been created by the government. Then what is the role of the government in this self-assessment system? The role of the government in this tax collection system is as a supervisor of the tax activities of taxpayers. The application of this self-assessment system applies to types of central taxes. Examples of types of central taxes in Indonesia are Value Added Tax and Income Tax, which have been in effect after the tax reform period in 1983 to the present. On the side of the self-assessment system provides convenience and flexibility for taxpayers, however, in implementing this collection system there are also consequences. Taxpayers will usually try to deposit taxes as small as possible. Because taxpayers have the authority to calculate the amount of tax payable by themselves that needs to be paid.

Characteristics of the Self Assessment System

1. Determination of the amount of tax payable is carried out by the taxpayer himself
2. Taxpayers have an active role in fulfilling and completing tax obligations starting from calculating, paying to report taxes.

3. The government no longer needs to issue tax assessment letters. The exception is if the taxpayer reports late, pays the tax payable late or there is a tax that the taxpayer should have paid but not paid.

3. Withholding System

The characteristic of this tax system is that a third party has the authority to determine how much tax must be paid. The amount of tax in the withholding system is calculated by a third party, not a taxpayer and not a tax officer or tax officer. This system is also known as withholding tax and is considered fair for the community.

An example of the application of this taxation system is the deduction of employee income by the treasurer of the relevant agency. Therefore, employees no longer need to come to the Tax Office to pay the tax payable.

Income Tax (PPH) Article 21, PPh Article 22, PPh Article 23, Final Income Tax Article 4 paragraph 2 and Value Added Tax are types of tax imposition that are applied using a withholding system. Proof of withholding or proof of collection as evidence issued for tax payment using this tax collection system. In certain circumstances, you can also use a Tax Payment Letter (SSP). Proof of withholding will be attached with the Annual Income Tax Return (SPT) or Periodic VAT SPT of the taxpayer.

3.1. Incurrence and Elimination of Tax Payable

The arising and eliminating tax debts is still a hot topic of conversation among practitioners. The reason is, there is no explanation regarding the incidence of tax debt in the law so that there is a difference of opinion or perception regarding this matter.

3.1.1. Causes of Tax Debt

Although there are no regulations that explain the incidence of tax debt, practitioners when they want to use two theories or two teachings that regulate the incidence of tax debt.

1. Formal

Taxes payable arise due to the issuance of a tax assessment letter by the tax authorities (tax officials who assist taxpayers/tax subjects in fulfilling their tax obligations). This happens when tax collection is carried out using an official assessment system, namely a tax collection system in which the amount of tax must be paid and calculated by the tax authorities. Then the tax authorities will send a notification letter regarding the amount to be paid to the taxpayer.

2. Material

Taxes payable arise because of law and because there are reasons that result in a person or party being taxed. The reasons that make a person have tax debt include:

Actions, namely establishing buildings, carrying out import or export activities, and travelling abroad.

Condition, namely owning land or land and buildings, earning income, and owning a motorized vehicle.

Events or incidents, namely getting a lucky draw prize.

So until recently, practitioners used these two teachings to assess the incidence of tax debt on taxpayers.

3.1.2. Tax Payable Elimination

You don't need to worry if you have tax debt because you can remove it in several ways that are regulated in the tax law. There are 5 ways to get rid of tax debt.

1. Payment

The first way to write off the tax debt is to pay it to the state. Payment is paid in full in the form of a sum of money by the taxpayer to the State Treasury. In this case, the taxpayer can pay it himself or authorize it to another party as long as the party acts on behalf of the taxpayer who has the tax debt.

In addition, this payment needs to be made in the currency of Indonesia, in this case, Rupiah.

2. Compensation

Compensation can be made if the taxpayer has an excess in paying taxes so that it can be used to pay tax debts. Over payments of taxes themselves can occur due to various things, such as changes to tax laws, mistaken payments, the provision of deductions, and so on. Therefore, this tax excess can be credited.

The taxpayer can write off the tax debt using this method on the condition that he is obliged to file his own submission to the tax official. In addition, taxpayers cannot compensate for tax debt with ordinary debt due to different contexts.

Compensation can be in the form of:

- Compensation for losses is divided into three types, namely horizontal compensation, vertical compensation, and war loss compensation.
- Compensation payments can be done if one party has debt and has a bill to the other party.

If you want to use the compensation method, there are several conditions that need to be considered:

- That at the same time, the two subjects have mutual claims.
- The only thing that is compensated is two debts in the form of money and goods of the same kind.
- The compensation applies by law, even if the debtor is not aware of it and eliminates each other's debts of the same amount at the same time.

3. Expiration

The expiration here is the billing expiration. Launching from the DGT, the right to collect taxes expires after 5 (five) years from the due date of the tax or the end of the tax period, part of the tax year, or the tax year concerned. Expiration of tax collection can be prevented by collecting a warning, and termination by submitting a request for objection or deferment.

In addition, there are two kinds of expiry when it comes to tax payable. First is weak expiration (the bill is expiring), and second is strong expiration (the debt is expiring).

4. Liberation

Another alternative to writing off the tax debt is by way of exemption. However, exemption here generally does not mean eliminating the principle of tax debt, removing administrative sanctions related to tax debt.

However, the tax debt can end in exemption because this method is a tax law means to release the taxpayer's responsibility in the form of paying taxes.

5. Elimination / Omission

Tax debt write-off is similar to the exemption method. The difference is, the way the write-off is given because of the taxpayer's financial condition.

The write-off is also a way to end the tax debt. However, only for certain reasons, such as a taxpayer being affected by a disaster or because the basis for the stipulation is incorrect. When the tax debt has been written off, the tax engagement will end so that the taxpayer no longer has the obligation to pay the tax owed.

Chapter 4. General Provisions and Tax Procedures in Indonesia

The taxation system and general tax provisions in Indonesia are regulated by law. The Indonesian government created a taxation system in Law No.6 of 1983 concerning General Provisions and Tax Procedures as last amended by Law No. 16 of 2009. Law on General Provisions and Tax Procedures is based on the philosophy of Pancasila and the 1945 Constitution, which includes provisions that uphold the rights of citizens and place taxation obligations as a state obligation. This law contains general provisions and taxation procedures which in principle apply to the material tax law unless the tax law concerned has regulated its own general provisions and taxation procedures.

In line with economic, information technology, social and political developments, it is realized that it is necessary to amend the law regarding general provisions and procedures for taxation (Law No. 16 of 2009). These changes aim to provide more justice, improve services to taxpayers, increase certainty and law enforcement and anticipate advances in information technology and changes in material provisions in the taxation sector. In addition, these changes are also intended to increase the professionalism of the tax apparatus, increase the transparency of tax administration and increase the voluntary compliance of taxpayers.

Simple systems, mechanisms and procedures for the implementation of tax rights and obligations are the characteristics and features of the amendment of this Law while still adhering to the self-assessment system. These changes are especially related to improving the balance of rights and obligations for taxpayers so that taxpayers can better exercise their tax rights and obligations.

By adhering to the principles of legal certainty, justice, and simplicity, the direction and purpose of amending the Law on General Provisions and Tax Procedures refers to the following main policies:

1. Increase the efficiency of tax collection in order to support state revenue,
2. Improve services, legal certainty and justice for the community in order to increase competitiveness in the investment sector, while still supporting the development of small and medium enterprises,
3. Resolving the demands of the community's socio-economic development as well as developments in the field of information technology,
4. Improve the balance between rights and obligations,
5. Simplify tax administration procedures,
6. Increasing the application of the self-assessment principle in an accountable and consistent manner, and
7. Supporting a more conducive and competitive business climate

With the implementation of these main policies, it is hoped that it can increase state revenues in the medium and long term in line with increased voluntary compliance and an improved business climate.

4.1. Taxpayer

Based on Law No. 28 of 2007 concerning General Provisions and Tax Procedures (KUP), taxes are mandatory contributions to the state that are owned by private persons or entities that are compelling based on law, without receiving direct compensation and used for state purposes to the greatest extent the prosperity of the people.

Taxpayers are individuals or entities, including taxpayers, tax-cutters and tax collectors, who have tax rights and obligations in accordance with the provisions of taxation legislation. Taxpayers are individuals or entities that according to the provisions of tax laws and regulations are determined to carry out tax obligations, including certain tax collectors or tax-cutters, or persons/entities that have met the requirements for subjective and objective tax obligations. There are 2 (two) taxpayers, namely :

1. Individual, is an individual who is responsible for paying taxes, including representatives who exercise the rights and obligations of taxpayers according to the provisions of tax laws.

2. Agency, is a PT, CV, BUMN / BUMD and in any form whether it is doing business or not.

Every taxpayer in Indonesia has a taxpayer number. Taxpayer Identification Number is a number given to Taxpayers as a means of tax administration which is used as identification or identity of Taxpayers in exercising their rights and obligations. Taxpayer Identification Number is given to Taxpayers who have met the subjective and objective requirements as stipulated in the taxation legislation. The Taxpayer Identification Number does not change even though the Taxpayer has moved his residence/domicile or has experienced a change of registered place.

Taxpayer Identification Number is a number given to taxpayers as a means of tax administration which is used as self-identification or taxpayer identity in exercising taxation rights and obligations. The function of the Taxpayer Identification Number is as follows:

- a. As a personal identification or taxpayer identity.
- b. To maintain order in the payment of taxes and in the supervision of tax administration
- c. For purposes related to tax documents, because those related to tax documents are required to include a Taxpayer Identification Number.
- d. To fulfil tax obligations, for example in tax payments that are determined by themselves or withholding/collection by third parties, the Taxpayer Identification Number must be stated.
- e. To obtain services from certain agencies which are obliged to include the Taxpayer Identification Number in submitted documents, such as import documents, export documents.
- f. For the purposes of reporting periodic or annual notification letters.

In Indonesia, individuals can register themselves to obtain a Taxpayer Identification Number by filling out the online registration form available on the website www.pajak.go.id and uploading the required documents. There are four categories of registration of Individual Taxpayer Identification Numbers, namely:

1. Individual taxpayers who either carry out business activities or independent work or those who do not carry out business activities or independent work. Example: employees/employees, entrepreneurs, freelancers, traders, and the like.
2. Individual Taxpayers who have not met the subjective or objective requirements in accordance with the provisions of laws and regulations in the field of taxation but wish to register themselves to obtain a Taxpayer Identification Number. Example: job applicants who do not have income, students who do not have income, and the like.
3. Taxpayers who earn income from business and/or independent work in 1 (one) or more places of business activity that are different from the residence of the Taxpayer.
4. Undivided Inheritance. In the event that an individual Taxpayer who leaves an inheritance does not yet have a Taxpayer Identification Number and from the inheritance, income is received or obtained.

Taxpayer registration / Taxpayer Identification Number is regulated in Article 2 KUP. Every taxpayer who earns more than income is not taxable. The taxpayer / must register himself at the Directorate General of Taxes (Tax Service Office) at the place where the taxpayer resides / is domiciled and is given a Taxpayer Identification Number. A Taxpayer Identification Number is a means of tax administration that is used as identification of taxpayers or identity of taxpayers. Before fulfilling obligations in taxation, taxpayers must already have a Taxpayer Identification Number. A person who does not register to obtain a Taxpayer Identification Number may be subject to tax sanctions.

All taxpayers who have fulfilled the subjective and objective requirements in accordance with the provisions of tax laws and regulations based on the self-assessment system are required to register at the Directorate General of Taxes office to be recorded as taxpayers and at the same time to obtain a Taxpayer Identification Number. Subjective requirements are requirements in accordance with the provisions regarding tax subjects in the 1984 Income Tax Law and its amendments. Objective requirements are requirements for tax subjects who receive or earn income or are required to deduct/collect in

accordance with the provisions of the 1984 Income Tax Law and its amendments.

The place of registration is carried out at the office of the Directorate General of Taxes whose working area includes the residence and the office of the Directorate General of Taxes whose working area includes the place where business activities are carried out for certain entrepreneur individual taxpayers. an individual entrepreneur or entity having a place of business activity in the territory of several offices of the Directorate General of Taxes is obliged to report his business to be confirmed as a taxable entrepreneur either at the office of the Directorate General of Taxes whose working area includes the place of residence or domicile of the entrepreneur or at the office of the Directorate General of Taxes. whose working area includes the place where business activities are carried out.

The inauguration function of taxable entrepreneurs is not only used to determine the true identity of taxable entrepreneurs, but it is also useful in fulfilling value-added tax and sales tax obligations on luxury goods and for monitoring tax administration. An entrepreneur who has met the requirements as a taxable entrepreneur, but does not report his business to be confirmed as a taxable entrepreneur, will be subject to tax sanctions.

4.1.1. Person / Entity Tax Subject

Based on the Law of the Republic of Indonesia Number 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax. The definition of a tax subject includes an individual, an undivided inheritance as a unit, an entity, and a permanent establishment. Individuals as tax subjects can reside or reside in Indonesia or outside Indonesia. An inheritance that has not been divided as one unit is a substitute Tax Subject, replacing those who are entitled, namely the heirs. The appointment of an undivided inheritance as a substitute Tax Subject is intended so that the imposition of tax on the income derived from the inheritance can still be implemented. As stipulated in the Law on General Provisions and Tax Procedures, the definition of an entity is a group of

people and/or capital which is an entity either doing business or not doing business, which includes limited liability companies, limited liability companies, other companies, State or Regional Owned Enterprises with name and in whatever form, firm, joint venture, cooperative, pension fund, partnership, association, foundation, mass organization, socio-political organization, or similar organization, institution, permanent establishment and other forms of the body including mutual funds. The permanent form of business is determined as a separate Tax Subject, separate from the entity. Therefore, even though the tax treatment is equivalent to that of a corporate Tax Subject, for the imposition of Income Tax, the establishment still has its own existence and is not included in the definition of an entity.

Tax Subjects are differentiated between domestic tax subjects and foreign tax subjects. Domestic Tax Subjects become Taxpayers if they have received or received an income that exceeds the Non-Taxable Income, while the foreign Tax Subject is also a Taxpayer, in connection with the income received from income sources in Indonesia or obtained through a permanent establishment in Indonesia. In other words, a taxpayer is an individual or entity that has fulfilled subjective and objective obligations. In connection with the ownership of a Taxpayer Identification Number, individual Taxpayers who receive income below the Non-Taxable Income do not need to register themselves to obtain a Taxpayer Identification Number.

The important difference between domestic taxpayers and foreign taxpayers lies in the fulfilment of their tax obligations, including:

- a. Domestic taxpayers are subject to tax on income both received or obtained from Indonesia and from outside Indonesia, while foreign taxpayers are taxed only on income originating from income sources in Indonesia.
- b. Domestic taxpayers are taxed based on net income at the general rate, while foreign taxpayers are taxed based on gross income at a commensurate tax rate.
- c. Domestic taxpayers are required to submit an annual tax return as a means of determining payable tax in a tax year, while foreign taxpayers

are not required to submit an annual tax return, because their tax obligations are fulfilled through withholding tax which is final in nature.

For foreign taxpayers who run a business or carry out activities through a permanent establishment in Indonesia, the fulfilment of their tax obligations is equivalent to meeting the tax obligations of domestic taxpayers as regulated in this Law and the Law on General Provisions and Tax Procedures.

In principle, an individual who becomes a resident Tax Subject is an individual who resides or resides in Indonesia. Included in the definition of an individual residing in Indonesia are those who have the intention to reside in Indonesia. Whether a person has the intention to reside in Indonesia is considered according to the circumstances. The presence of an individual in Indonesia for more than 183 (one hundred and eighty-three) days does not have to be consecutive but is determined by the number of days the person has been in Indonesia within a period of 12 (twelve) months from his arrival in Indonesia.

An undivided inheritance left by an individual as a resident Tax Subject is considered a domestic Tax Subject in the sense of this Law following the status of the inheritor. As for the fulfilment of tax obligations, the inheritance replaces the obligations of the entitled heirs. If the inheritance has been divided, the tax obligations are transferred to the heirs.

Undivided inheritance left by an individual as a foreign Tax Subject who does not run a business or carry out activities through a permanent establishment in Indonesia is not considered a substitute Tax Subject because the tax imposition on income received or obtained by the individual is attached to the object.

Foreign tax subjects are private persons or entities residing or domiciling outside Indonesia who can receive or obtain income from Indonesia, either through or without going through a permanent establishment. An

individual who does not reside in Indonesia, but has been in Indonesia for less than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months, that person is a foreign Tax Subject. If income is received or earned through a permanent establishment, then the individual or entity is subject to tax through a permanent establishment, and the individual or entity has permanent status as a foreign tax subject. Thus the permanent establishment replaces an individual or entity as a foreign tax subject in fulfilling its taxation obligations in Indonesia.

In the event that the income is received or obtained without going through a permanent establishment, the tax imposition shall be made directly on the foreign tax subject. A permanent form of business implies the existence of a place of business, namely facilities that can be in the form of land and buildings including machinery and equipment.

The place of business is permanent in nature and is used to run the business or carry out activities of an individual who does not reside or an entity that is not established and is not domiciled in Indonesia.

The definition of a permanent establishment also includes an individual or an entity as an agent whose position is not free acting for and on behalf of an individual or entity that does not reside or is not domiciled in Indonesia. An individual who does not reside or an entity that is not established and is not domiciled in Indonesia cannot be considered as having a permanent establishment in Indonesia if the individual or entity in carrying out business or conducting activities in Indonesia uses an agent, broker or intermediary who has an independent position, provided that the agent or intermediary in fact acts fully in the framework of running its own company.

An insurance company that is established and domiciled outside Indonesia is deemed to have a permanent establishment in Indonesia if the insurance company receives insurance premium payments in Indonesia or assumes risks in Indonesia through its employees, representatives or agents in Indonesia. Taking risks in Indonesia does not mean that the event that gave

rise to that risk occurred in Indonesia. What needs to be considered is that the insured party resides, is located or is domiciled in Indonesia.

Determination of the residence of an individual or the domicile of an important entity to determine which Tax Service Office has tax jurisdiction over income received or earned by that individual or entity. Basically, the residence of an individual person or the domicile of the body is determined according to actual conditions. Thus the determination of residence or domicile is not only based on formal considerations but is based more on reality. Several things that need to be considered by the Director-General of Taxes in determining the place of residence of a person or the domicile of the agency include domicile, residential address, family residence, place of running the main business or other matters that need to be considered in order to facilitate the implementation of fulfilling tax obligations.

In accordance with international practice, representative bodies of foreign countries along with officials of diplomatic representatives, consulates and other officials, are exempted as tax subjects in the place where they represent their country. The exemption from being a tax subject for these officials does not apply if they earn other income outside of their position or they are Indonesian citizens. Thus, if the representative office of a foreign country earns other income in Indonesia outside of his / her position or occupation, then he is a tax subject who can be taxed on such other income.

This law adheres to the principle of taxation of income in a broad sense, namely that tax is imposed on any additional economic capacity received or obtained by the Taxpayer from any origin which can be used for consumption or to increase the wealth of the Taxpayer.

The definition of income in the Law of the Republic of Indonesia does not pay attention to the existence of income from certain sources, but to the additional economic capacity. Additional economic capacity received or obtained by the taxpayer is the best measure of the ability of the taxpayer to jointly bear the costs required by the government for routine and development activities.

Judging from the flow of additional economic capacity to taxpayers, income can be grouped into:

- income from work in employment and independent employment, such as salary, honorarium, income from medical practices, notaries, actuaries, accountants, lawyers, and so on;
- income from business and activities;
- income from capital, in the form of movable or immovable property such as interest, dividends, royalties, rent, profits from the sale of assets or rights that are not used for business, and so on;
- Other income, such as debt relief, gifts, and so on.

Judging from its use, income can be used for consumption and can also be saved to increase the wealth of the taxpayer. Because this Law adopts a broad definition of income, all types of income received or earned in a tax year are combined to obtain a tax base. Therefore, if in one tax year a business or activity suffers a loss, the loss will be compensated with other income (horizontal compensation), except for losses suffered abroad. However, if a type of income is taxed at a final rate or is excluded from the tax object, then that income may not be combined with other income which is subject to general rates.

4.1.2. Tax object

The basic definition of a tax object is a source of income or income that is subject to tax. Meanwhile, the tax subject is an individual or a business entity that is determined to be the actor of the tax (Gooijer,2019). So it can be said that every tax subject must have a tax object while an individual or business entity is referred to as a taxpayer. The object of the tax is income, which is any additional economic capability received or obtained by a Taxpayer, whether originating from Indonesia or outside Indonesia, which can be used for consumption or to increase the wealth of the Taxpayer concerned, under whatever name and form. , including:

- Compensation or remuneration in respect of work or services received or obtained including salaries, wages, allowances, honoraria,

commissions, bonuses, gratuities, pension payments, or other forms of compensation unless otherwise stipulated in this Law;

- prizes from raffles or jobs or activities, and awards;
- operating profit;
- Profits due to sale or transfer of assets include:
- gains due to the transfer of assets to companies, partnerships, and other entities in lieu of shares or equity participation;
- gains due to the transfer of assets to shareholders, partners, or members obtained by the company, partnership, and other entities;
- profits due to liquidation, merger, consolidation, expansion, splitting, the takeover of a business, or reorganization under whatever name and form;
- profits due to the transfer of assets in the form of grants, assistance, or donations, except those given to blood relatives in a straight line of one degree and religious bodies, educational bodies, social agencies including foundations, cooperatives, or individuals running micro and small businesses, the provisions of which are further regulated by a Regulation of the Minister of Finance, as long as there is no relationship with the business, occupation, ownership or control of the parties concerned; and
- profits due to the sale or transfer of part or all of mining rights, participation in financing, or capital in mining companies;
- receipt of return of tax payments that have been charged as cost and payment of additional tax refunds;
- interest including premium, discount, and compensation for debt repayment guarantees;
- dividends, in whatever name and form, including dividends from insurance companies to policyholders, and distribution of income from the cooperative;
- royalty or compensation for the use of rights;
- rent and other income in connection with the use of assets;
- receipt or collection of periodic payments;
- gains due to debt relief, except up to a certain amount as stipulated by a Government Regulation;
- foreign exchange gains;

- excess difference due to asset revaluation;
- insurance premium;
- contributions received or obtained by the association from its members, which consist of taxpayers who run independent businesses or jobs;
- additional net assets originating from income that has not been taxed;
- income from sharia-based businesses;
- interest compensation as referred to in the Law concerning general tax provisions and procedures; and
- Bank Indonesia surplus.

The income below is subject to final tax:

- income in the form of interest on deposits and other savings, interest on bonds and government debt securities, and interest on deposits paid by the cooperative to individual cooperative members;
- income in the form of lottery prizes;
- income from transactions in shares and other securities, derivative transactions traded on the stock exchange, and transactions for the sale of shares or transfer of equity participation in a partner company received by a venture capital company;
- income from transfer of property transactions in the form of land and/or buildings, construction service business, real estate business, and land and/or building leasing; and
- other certain income which is regulated by or based on government regulation.

What is excluded from the tax object are:

- assistance or donations, including zakat received by amil zakat bodies or amil zakat institutions established or authorized by the government and received by entitled zakat recipients or mandatory religious donations for adherents of recognized religions in Indonesia, received by religious institutions established or legalized by the government and received by an entitled recipient of the contribution, the provisions of which are regulated by or based on a Government Regulation as long as there is no

relationship with the business, occupation, ownership or control of the parties concerned; and

- donated assets received by blood relatives in a straight line of one degree, religious bodies, educational bodies, social agencies including foundations, cooperatives, or individuals running micro and small businesses, the provisions of which are regulated by or based on a Regulation of the Minister of Finance as long as there is no relationship with business, occupation, ownership, or control between the parties concerned;
- legacy;
- assets including cash deposits received by the entity as referred to in Article 2 paragraph (1) letter b as a substitute for shares or as a substitute for capital participation;
- replacement or compensation in connection with work or services received or obtained in-kind and/or enjoyment from the taxpayer or the government, except for those provided by non-taxpayers, taxpayers who are subject to final tax or taxpayers who use special calculation norms (deemed profit);
- payments from insurance companies to individuals in connection with health insurance, accident insurance, life insurance, endowment insurance, and scholarship insurance;
- dividends or part of profits received or obtained by a limited liability company as a resident taxpayer, cooperative, state-owned company, or regional-owned business entity, from capital participation in a business entity which is established and domiciled in Indonesia, provided that: dividends come from profit reserves who was detained; and for limited liability companies, state-owned enterprises and regional-owned enterprises that receive dividends, share ownership in entities that pay dividends is no less than 25% (twenty-five per cent) of the total paid-up capital;
- contributions received or obtained by a pension fund whose establishment has been approved by the Minister of Finance, whether paid by the employer or by the employee;

- income from capital invested by pension funds as referred to in letter g, in certain fields which are stipulated by a Decree of the Minister of Finance;
- share of profits received or received by members from a limited partnership whose capital does not consist of shares, partnerships, associations, firms, and kongsi, including the unitholders of collective investment contracts;
- income received or earned by a venture capital company in the form of a share of profits from a business partner entity that is established and runs a business or activity in Indonesia, provided that the partner entity is a micro, small, medium-sized company or one that carries out activities in regulated business sectors. with or based on the Regulation of the Minister of Finance; and its shares are not traded on a stock exchange in Indonesia;
- scholarships that meet certain requirements whose provisions are further regulated by or based on a Regulation of the Minister of Finance;
- the excess received or obtained by a non-profit agency or institution engaged in the field of education and/or research and development, which has been registered with the agency in charge of it, which is reinvested in the form of facilities and infrastructure for educational and/or research and development activities, within the maximum period of 4 (four) years since the excess of the excess is obtained, the provisions of which are further stipulated by or based on a Regulation of the Minister of Finance;
- and assistance or compensation paid by the Social Security Administering Bodies to certain taxpayers, the provisions of which are further regulated by or based on a Regulation of the Minister of Finance.

Classification of tax objects in Indonesia:

1. Value Added Tax (VAT) Objects
2. The object of sales tax on luxury goods
3. Land and Building Tax Objects
4. Income Tax Objects
5. The Objects of Stamp Duty Tax
6. Tax Objects for Acquisition of Rights on Land and Buildings

Value Added Tax is a tax that is imposed on the added value of a good or service. This VAT is an indirect type of tax. This means that this tax is paid by other parties who are not tax bearers. The amount of VAT is 10%. Luxury goods that can only be owned by people with high income and only a handful of people who own these items, if they are sold, will be taxed as Sales Tax Objects on Luxury Goods. This tax is imposed on goods classified as luxury, for example, a luxury car.

In accordance with Law Number 12 of 1994, it states that Land and Building Tax is a tax that is material in nature. This means that the amount of tax is determined by the condition of the tax object, in this case, the land and buildings. The Land in question is the surface of the earth such as rice fields, fields and gardens. So if the building itself is a construction that is above land or water. For example, residential houses, dock shops, toll roads, and swimming pools. The object of income tax is the income of the taxpayer itself. Income is an additional economic capability received by taxpayers both from within and outside the country which is used for the consumption of taxpayers or to increase wealth.

In-vehicle buying and selling transactions, usually stamp duty must be on the sales document such as a statement letter and purchase receipt. In the Law of the Republic of Indonesia Number 13 of 1985 concerning Stamp Duty, it is explained that the object of stamp duty is paper whose contents are written with the intention of an act, condition, or reality for a person and/or other interested parties. The point is a document that states nominal and has a civil nature. The object of tax on the acquisition of rights to land and buildings is the acquisition of rights over land and/or buildings which include:

- buy and sell;
- exchange;
- grant;
- inheritance;
- business combination;
- business consolidation; and
- gift.

4.1.3. Taxpayer Rights and Obligations

Payment of taxes is a form of state obligation and the participation of taxpayers to directly and jointly carry out tax obligations for state financing and national development. In accordance with the philosophy of tax law, paying taxes is not only an obligation, but it is the right of every citizen to participate in the form of participation in state financing and national development. The responsibility for tax payment obligations, as a reflection of the freshness obligations in the taxation sector, lies with the community itself to fulfil these obligations. This is in accordance with the self-assessment system adopted in the Indonesian Taxation System.

Taxation rights and obligations must be carried out by taxpayers. Taxpayers are individuals or entities, including taxpayers, tax-cutters and tax collectors who have tax rights and obligations in accordance with the provisions of taxation legislation. So, anyone, whether they already have a Taxpayer Identification Number or not, is included in the taxpayer if they already have tax rights and obligations.

As a taxpayer, of course, there are a number of rights and obligations that can be obtained and must be done. These rights and obligations go hand in hand in accordance with the prevailing laws and regulations in Indonesia. Since each point has standard rules written and formalized, these rights and obligations will then be binding. A taxpayer is any person or entity, either in the territory of Indonesia or abroad, who has income originating from Indonesia. Income earned must be tax-deductible, so that it fulfils tax obligations as a taxpayer. However, this is not the only obligation that an individual taxpayer has.

Because the taxation system in Indonesia adopts self-assessment, many taxation processes are carried out independently by taxpayers. This is not a burden for taxpayers, but rather the privileges granted by the Directorate General of Taxes to taxpayers in Indonesia and as a form of state trust in its people. In exercising tax rights and obligations, taxpayers, both individuals and entities, can appoint a proxy to exercise rights and fulfil tax obligations

for the taxpayers themselves. This certainly provides convenience and at the same time legal certainty for taxpayers who have limitations so that taxpayers themselves cannot exercise their rights and/or obligations independently. Then what are the tax rights and/or obligations of an attorney?

Before entering into related regulations, we need to first know the definition of power. Power itself literally has several definitions, namely the ability or ability (to do something), authority over something or to determine (rule, represent, manage and so on), capable or capable, and the person entrusted with authority. From several definitions quoted from the Big Indonesian Dictionary (KBBI), an attorney can be interpreted as a person entrusted with authority because he is considered capable of doing a job so that he can help exercise a right or fulfil the obligations of an attorney. In some jobs, the role of a power is considered vital so that it cannot be assigned to individuals who do not have qualifications in that field.

This also applies to the Directorate General of Taxes which is regulated by the Minister of Finance Regulation Number 229 / PMK.03 / 2014 concerning Requirements and the Implementation of the Rights and Obligations of a Proxy. The basis which is seen as a reference for the requirements of a proxy for taxpayers, both individuals and entities, should refer to the said Regulation of the Minister of Finance. On several occasions, there are still errors that contradict the contents of these regulations. We need to know together in advance that in the implementation of tax rights and/or obligations relating to 1 (one) type of tax for 1 (one) Tax Year, or 1 (one) part of the Tax Year, or 1 (one) / several Tax Periods unless the exercise of rights and/or fulfilment of tax obligations is carried out for several types of taxes as a unit - Article 1 paragraph (2). As for what is exempted from the provisions as stated in Article 2 paragraph (2), namely registration to obtain a Taxpayer Identification Number for an individual Taxpayer and confirmation as a Taxable Entrepreneur must be carried out by the Taxpayer himself, meaning that it cannot be authorized by other parties. A proxy is referred to includes 1. Tax consultant 2. Taxpayer employees. In its

implementation, it must meet the requirements as stated in Article 4, namely:

- a. Mastering the provisions of laws and regulations in the field of taxation
- b. Have a special power of attorney from the taxpayer who gives the power of attorney
- c. Have a Taxpayer Identification Number
- d. Has submitted an annual income tax return for the last tax year, except for a proxy whose last tax year is not yet obliged to submit an annual income tax return; and
- e. Never been convicted of committing a criminal offence in the field of taxation.

Based on these requirements, a power of attorney must first master the laws and regulations before exercising the rights and/or obligations of the power of attorney as evidenced by formal evidence as mentioned in Article 5 paragraph (1) and (2). A proxy must also prove that he has fulfilled his tax obligations in this case that he has reported the Annual Tax Return before exercising the rights and/or obligations of the power of attorney.

Referring to this regulation, there are indeed many requirements that must be met by taxpayers before appointing a proxy, this is not without reason but to provide protection for the tax administration of taxpayers. If a proxy is deemed inadequate in exercising the tax rights and/or obligations of the attorney, it may cause problems that are detrimental to the taxpayer as the power of attorney, for example, taxpayer tax data can be misused for personal gain.

The existence of this rule also provides clarity on the responsibilities transferred to a power of attorney. Seeing the phenomenon in the field, of course, there are many conditions in which taxpayers are unable to exercise their tax rights and/or obligations, let's say that for example if the taxpayer's domicile is located far from the Service Tax Office and wants to register to obtain a Taxpayer Identification Number by appointing a proxy. which are clearly excluded in the provisions.

Currently, the Directorate General of Taxes of the Republic of Indonesia has an application that can be accessed online for taxpayers who wish to obtain a Taxpayer Identification Number but for some reason are unable to attend directly to the Tax Office.

The application is e-reg or e-registration. Through this application, taxpayers only need to fill out the registration form electronically and then upload the required files. If these requirements are met, the application can be accepted and the Taxpayer Identification Number card along with the Registered Certificate will be sent via courier services according to the address listed on the taxpayer's Identity Card or registered domicile address.

Apart from not deviating from the rules, taxpayers can also fulfil one of their tax rights and/or obligations easily. With the adjustments made by the Directorate General of Taxes with the aim that each taxpayer can easily fulfil their rights and/or obligations, it is hoped that these adjustments can also provide legal certainty to the taxpayers who carry them out.

4.1.3.1. Taxpayer Rights

1. Right to Overpayment of Taxes
2. Rights in the event that the Taxpayer is subject to Audit
3. Right to File an Objection, Appeal and Review
4. The right to confidentiality
5. Right to Installment or Postponement of Payment
6. Right to postpone Annual Report Letter
7. Income Tax Withholding Rights Article 25
8. Right to Deduction of Land and Building Tax
9. Right to Tax Exemption
10. Rights of Preliminary Refund of Tax Overpayment
11. The right to get government borne taxes
12. Right to Get Tax Incentives

Right to Overpayment of Taxes

When the amount of tax payable paid or withheld or collected is less than the amount of tax credit, the taxpayer has the right to receive the excess back. In simple terms, the taxpayer has the right to receive overpayments when paying more taxes than the actual amount.

When the tax paid is overpaid, the taxpayer has the right to make a return on the overpayment. Later this return must be carried out with certain conditions and procedures, and it is the state's obligation to return the nominal amount claimed by the taxpayer. If there is an underpayment, the taxpayer has an obligation to pay the tax underpayment.

Taxpayers can apply for a tax overpayment refund by sending an application letter to the Head of the Primary Tax Office or through a Tax Return. After receiving the application letter, the Directorate General of Taxes will return the tax overpayment within 12 (twelve) months from the date the application letter is received in full. If the taxpayer is included in the criteria for compliant taxpayers, this refund can be made no later than 3 months for income tax and 1 month for VAT since the application is received. If the Directorate General of Taxes is late in returning the overpaid tax, the taxpayer is entitled to receive interest of 2% per month with a maximum of 24 months.

Rights in the case of Taxpayers being subject to audits

In the inspection conducted by the Directorate General of Taxes on taxpayers, the taxpayer has the right to:

- Request an Examination Warrant.
- Seeing the Auditor's Identity.
- Receive an explanation of the purpose and purpose of the examination.
- Ask for details of the differences between the results of the examination and the SPT.
- Be present in the final discussion of the examination results within the specified time limit.

Based on the scope, the types of inspection are divided into two types, namely office inspections and field inspections.

Office inspection is carried out within a maximum period of 3 (three) months and a maximum period of 6 (six) months, starting from the date the taxpayer fulfils the summons to conduct office inspection up to the date of the audit result report. Meanwhile, field inspection is carried out within a maximum period of 4 (four) months and can be extended to 8 (eight) months, starting from the date of the inspection warrant until the date of the examination result report.

Right to File Objections, Appeals and Reconsiderations

After an audit is carried out, generally a tax assessment will be issued indicating that the taxpayer is underpaying, overpaying, or zero taxation. If the taxpayer does not agree with the letter, they can file an objection. Then if not satisfied with the objection decision, then the taxpayer can file an appeal. The final step in a tax dispute, taxpayers can file a review to the Supreme Court.

Right of confidentiality

Taxpayers have the right to receive confidentiality protection for all information submitted to the Directorate General of Taxes in carrying out tax activities. On the other hand, parties in charge of taxation are prohibited from disclosing the confidentiality of taxpayers. Protected taxpayer confidentiality is:

- Tax returns, financial reports, and other documents reported by taxpayers.
- Confidential data from third parties.
- Documents or other taxpayer secrets in accordance with applicable taxation provisions.

However, written information or evidence regarding taxpayers can be shown to certain parties that have been determined by the Minister of

Finance in the context of investigations, prosecution, or in the framework of cooperation with other government agencies.

Right to Installment or Postponement of Payment

Taxpayers can apply for postponement or instalment of tax payments under certain conditions.

Right to Postponement of Annual Tax Return Reporting

Taxpayers can submit an extension of the submission of Annual Income Tax Returns for Individuals and Corporate Income Taxes for specific reasons.

Right to Deduction of Land and Building Tax

Due to certain conditions or causes, such as damage to the earth and buildings affected by natural disasters, taxpayers can apply for a reduction in the tax due on Land and Building Tax. Taxpayers who are members of veteran fighters and defenders of independence can also apply for a reduction in Land and Building Tax. Especially for Rural and Urban Land and Building Tax that has been transferred to the Regional (City / Regency) Government, the management of the reduction of Land and Building Tax is carried out at the local City / Regency Revenue Service Office.

Right to Tax Exemption

Taxpayers can apply for Income Tax withholding/collection exemption for certain reasons.

Preliminary Refund Rights Overpayment of Taxes

Taxpayers who are categorized as compliant taxpayers can be given a preliminary refund of the overpayment of tax at the latest 1 month for VAT and 3 months for Income Tax starting from the date of application

The right to get government borne taxes

For the implementation of government projects financed by grants or foreign loan funds, the income tax payable on the income received by the main contractors, consultants and suppliers is borne by the government.

Right to Get Tax Incentives

Within the scope of VAT, Taxable Goods or certain activities are given VAT exemption facilities. The taxable goods include trains, aeroplanes, ships, books, equipment of the Indonesian National Army / Police of the Republic of Indonesia imported or delivered to the customs area by certain taxpayers.

This free VAT facility is also provided for companies that carry out activities in certain areas, such as bonded areas, including importation and acquisition of raw materials.

4.1.3.2. Taxpayer Obligations

1. Obligation to Register
2. Payment, Withholding / Collection, and Tax Reporting Obligations
3. Obligations in Subject to Examination
4. Obligation to Provide Data

Obligation to Register

Taxpayers must register themselves to get a Taxpayer Identification Number at the Pratama Tax Office or the Tax Office, Counseling and Consulting Services. Currently, Taxpayer Identification Number registration can also be done online.

Payment Obligations, Withholding / Collection, and Tax Reporting

In accordance with the self-assessment system, taxpayers must carry out the calculation, payment and reporting of their own tax payable.

Obligations in the Subject of Examination

The Directorate General of Taxes can conduct an audit on taxpayers to test their compliance in fulfilling tax obligations. This examination is carried out to carry out the supervisory function of taxpayers which aims to increase taxpayer compliance.

The obligations that are examined include:

- Fulfills the call to attend the Inspection within the specified time, specifically the Office Inspection type.
- Show or lend all data which forms the basis of and relates to the income earned, business activities, tax-free work, or objects that are subject to tax. For this type of Field Inspection, taxpayers must provide access to view and store data.
- Give permission to enter a place or space deemed necessary and provide assistance to expedite the inspection process.
- Deliver a written response or notification of examination results.
- To lend the audit working paper made by the Public Accountant, especially for the Office Audit type.
- Provide other information both oral and written as needed.

Obligation to Provide Data

The data here is data and information of an individual or entity that can describe the activities of a business, business circulation, income and/or wealth concerned, including information about debtor customers, data on financial transactions and foreign exchange flows, credit cards, and financial reports and/or business activity reports submitted to other agencies outside the Directorate General of Taxes.

This obligation is complied with not only by taxpayers but also by every government agency, institution, association and other parties. If deliberately not fulfilling this obligation, the taxpayer will be subject to imprisonment for a maximum of 1 (one) year or a maximum fine of Rp1,000,000,000.

Chapter 5. Indonesia's Fiscal and Macroeconomic Policy

5.1. Annual Income Tax Return

Tax Notification Letter in Indonesia is known as SPT. SPT stands for "Surat Pemberitahuan Tahunan". SPT is a letter that taxpayers use to calculate and pay taxes, tax objects or non-tax objects and/or assets and liabilities according to taxation legislation.

SPT filling provisions are as follows:

- Business entities that have been registered as taxpayers marked as having a Taxpayer Identification Number have the obligation to submit an annual income tax return.
- As a taxpayer, you are required to fill out the SPT correctly, completely and clearly, in Indonesian using Latin letters, Arabic numerals, and the unit of the Rupiah currency, and sign and submit it to the KPP or Pratama tax office, or other place determined by the Director General of Tax.
- For Corporate taxpayers who are permitted to keep books in English and in United States Dollar, are required to submit the corporate taxpayer's SPT PPh (Income Tax) and its attachments in Indonesian, except for the attachment in the form of financial statements, and in United States Dollar.

Annual Income Tax Return, which consists of:

- Annual Income Tax Return for one tax year; and
- Annual Income Tax Return for Part of the Tax Year.

SPT can take the form of:

- electronic documents; or
- paper form (hardcopy).

Annual SPT must be submitted in the form of an electronic document by Taxpayers who:

- registered at KPP Madya, KPP within the Regional Office of the Directorate General of Taxes in Jakarta Special, and KPP within the Regional Office of the Directorate General of Taxes for Large Taxpayers;
- have submitted the Annual Tax Return in the form of an electronic document;
- use the services of a tax consultant in fulfilling the obligation to fill in the Annual Income Tax Return; and/or
- its financial statements are audited by a public accountant.

SPT is deemed not submitted if:

- SPT is not signed (in case the SPT is delivered directly or sent via post/courier service);
- SPT is not fully accompanied by the required information and/or documents;
- SPT stating that the overpayment is submitted after 3 (three) years after the end of the tax period, part of the tax year or tax year, and the taxpayer has been warned in writing; or
- SPT is submitted after the Director-General of Taxes conducts an audit, conducts an open preliminary evidence examination, or issues a tax assessment letter.

In the event that the SPT is deemed not submitted, the Director-General of Taxes must notify the Taxpayer in writing.

Documents that must be attached in the SPT reporting:

- Financial statements
- Calculation of Gross Turnover & Payment (Specifically for Taxpayers for Micro, Small and Medium Enterprises)

- Debt to Equity Ratio & Foreign Private Debt Report (Specifically for Limited Liability Taxpayers who charge Debt)
- Overview of Main Docs & Local Docs (For Taxpayers with Special Relationship Transactions)
- Country by Country Report Submission
- List of Entertainment Fee nominees (If any)
- List of nominative costs for promotion (if any)
- Specifically for Oil and Gas Taxpayers: Annual Report of State Revenue from Upstream Oil and/or Gas Activities

5.2. Tax Assessment Letter

Tax Assessment Letter is known as "surat ketetapan pajak" which is abbreviated as SKP. Based on Law No. 6 of 1983 concerning General Provisions and Tax Procedures as the third amendment to Law No. 28 of 2007, Article 1 number 15 A tax assessment letter is an assessment letter that includes an underpaid tax assessment (SKPKB), an additional underpaid tax assessment (SKPKBT), a tax assessment letter (SKPN), or an overpayment tax assessment (SKPLB). Then based on the decision of the Directorate General of Taxes, the party in power to issue the letter is the Primary Tax Office (KPP) and it is issued based on the results of the tax audit.

Broadly speaking, SKP functions as a means to collect tax shortages, return if there is an overpayment of taxes, notify the amount of tax owed, impose tax administration sanctions, and collect taxes. SKP functions are divided according to the type which will be discussed in the next point.

Types of tax assessment letters in Indonesia :

1. Tax Collection Letter in Indonesia is known as "Surat Tagihan Pajak" (STP).
2. Underpayment of tax assessments in Indonesia is known as "Surat Ketetapan Pajak Kurang Bayar " (SKPKB).
3. The Overpayment Tax Assessment Letter in Indonesia is known as "Surat Ketetapan Pajak Lebih Bayar" (SKPLB).

4. The Zero Tax Assessment in Indonesia is known as “Surat Ketetapan Pajak Nihil” (SKPN).

5. Additional Underpayment Tax Assessment Letter in Indonesia known as “Surat Ketetapan Pajak Kurang Bayar Tambahan” (SKPKBT).

Tax Collection Letter or in Indonesia is called STP is a letter to collect taxes and/or administrative sanctions in the form of interest and/or fines. Based on Republic of Indonesia Law No. 16 of 2000, this tax bill will be issued if:

- Income tax for the current year was not paid or was underpaid.
- There is an underpayment of taxes due to typos or miscalculations.
- Subject to administrative sanctions in the form of fines and/or interest.
- Entrepreneurs who are taxed based on the Value Added Tax Law 1984 and its amendments but do not report their business activities to be confirmed as Taxable Entrepreneurs.
- Entrepreneurs who are not confirmed as taxable entrepreneurs but make tax invoices.
- Entrepreneurs who have been confirmed as Taxable Entrepreneurs do not make tax invoices, or make tax invoices but are not on time, or do not complete them.

If the taxpayer receives a bill for reasons 1 and 2, the amount of underpayment of taxes stated in the letter is added to the interest of 2% a month for a maximum of 24 months. This time counts from the time the tax becomes due, or part of the tax year, or tax year until the tax bill is issued. If the recipient of the tax bill is an entrepreneur (as mentioned in points 4, 5, 6), a fine of 2% of the tax base will be imposed.

In Law of the Republic of Indonesia Number 16 of 2009, SKPKB is a letter that determines the amount of tax principal, the amount of tax credit, the amount of underpayment of tax principal, the number of administrative sanctions, and the amount of tax accrued. This type of tax assessment letter is issued within 5 years after the time the tax becomes due or the tax period ends.

Broadly speaking, the issuance of this SKPKB is because the taxpayer does not pay taxes due, is late in submitting a periodic SPT from a predetermined

time, there is a miscalculation related to Value Added Tax (PPN) and Sales Tax on Luxury Goods (PPnBM) which is subject to 0 %, not knowing the amount of tax payable.

SKPLB is a tax assessment letter that determines the amount of tax overpayment because the amount of tax credit is greater than the tax owed or should not be owed. In simple terms, SKPLB is issued because taxpayers pay more taxes owed than they should.

SKPLB will be issued if there is a written request from the taxpayer with the following conditions: The amount of tax credit on Income Tax (PPh), Value Added Tax (PPN), and Sales Tax on Luxury Goods (PPnBM) are greater than the amount of tax owed, or already made tax payments that should not be owed.

The issuance of this letter is carried out after an examination of the application is carried out, no later than 12 months from the date of receipt of the application or in accordance with the decision of the Directorate General of Taxes. If the issuance is late, the taxpayer is entitled to receive interest in the return of 2% a month starting from the end of the specified period.

SKPN is a tax assessment that determines the principal amount of tax is the same as the amount of tax credit or tax is not due and there is no tax credit. The SKPN is issued after the Directorate General of Taxes checks the Tax Return. Based on Law number 28 of 2007, SKPN is issued for:

- Income Tax if the amount of the tax credit is the same as the tax payable or the tax not due and there is no tax credit;
- Value Added Tax if the amount of tax credit is equal to the amount of tax payable or tax not payable and there is no tax credit. If there is a tax collected by the Value Added Tax Collector, the amount of tax owed is calculated by means of the amount of Output Tax being deducted by the tax collected by the Value Added Tax Collector;
- Sales Tax on Luxury Goods if the amount of tax paid is the same as the tax payable or the tax is not payable and there is no tax payment.

SKPKBT is a tax assessment letter that determines the addition of a predetermined tax amount. According to Article 15 paragraph 1 in Law of the Republic of Indonesia Number 6 of 1983 concerning General Provisions and Tax Procedures as the third amendment to Law Number 28 of 2007, states that the Director-General of Taxes can issue SKPKBT within 5 years after the time the tax becomes due or the end of the Tax Period, part of the Tax Year, or Tax Year if new data is found which results in an increase in the amount of tax payable after an audit is carried out in the framework of issuing SKPKBT.

In simple terms, SKPKBT is a correction to a previously issued SKP. When the taxpayer has reported and paid the tax payable in accordance with the nominal stated in the SKP, the tax officer will re-examine the new data. If taxpayers are still found under or not paid taxes, the Directorate General of Taxes will issue SKPKBT. SKPKBT is issued within 5 years, with the amount of tax payable that must be paid plus 100% as an administrative sanction. If it has passed this period and the taxpayer has not paid the underpayment of taxes, there will be an additional penalty of 48% of the amount of tax payable that must be paid.

Based on the Law of the Republic of Indonesia Number 6 of 1983 concerning General Provisions and Tax Procedures as Amended Several Times and the Last Amended by the Law of the Republic of Indonesia Number 16 of 2009, taxpayers can submit a request for correction of SKP if there are errors. The correction itself is limited to the following errors:

- Written errors in the name, address, tax identification number, tax assessment letter number, type of tax, tax period or tax year, and due date;
- miscalculation arising from the addition and/or subtraction and/or multiplication and/or division of a number;
- errors in the application of certain provisions in the tax laws and regulations, namely errors in the application of tariffs, errors in the application of percentage of Net Income Calculation Norms, errors in the application of administrative sanctions, errors in non-taxable income,

errors in calculating Income Tax in the current year, and errors in tax crediting.

SKP functions as a means to collect tax shortages, return if there is an excess of paying taxes, inform the amount of tax owed, impose tax administration sanctions, and collect taxes. SKP itself includes SKPKB, SKPKBT, SKPN, or SKPLB. When you get one of the letters that show you are underpaying taxes or being subject to administrative sanctions in the form of fines and/or interest, finish it immediately before the deadline stated in the SKP (Tax Bill).

5.3. Income Tax Collection in Indonesia

In the case of tax collection administration, income tax is a direct tax, which is a type of tax that is collected periodically or periodically, namely once a year. The year in question is a tax year or referred to as a calendar year (the year starting January 1 to December 31). The time the income tax becomes payable is at the end of the tax year, which is December 31. Therefore, after the end of the tax year, the taxpayer arises tax payable.

Based on Law no. 17 of 2000 which has been amended by Law no. 36 of 2008, in its collection, income tax applies self-assessment, which is a system that gives taxpayers the authority to calculate their own tax payable. In accordance with the time the tax is payable at the end of the tax year after each tax year ends, the taxpayer will self-calculate the payable tax and also fill out the annual SPT. The results of the calculation, if there is a lack of payment for a person, must be paid no later than March 31 of the following calendar year and the SPT PPh must be submitted to the Tax Service Office no later than March 31 of the following calendar year. The results of the calculation, if there is an underpayment of the Agency, must be paid no later than April 30 of the following calendar year and the SPT PPh must be submitted to the Tax Service Office no later than April 30 of the following calendar year.

This once-a-year periodic tax collection system contains weaknesses, both for the government as a party with an interest in the availability of funds for the implementation of government tasks, as well as for taxpayers who have objections if the tax owed must be paid. all at once after the end of the tax year. UU no. 36 of 2008 provides an opportunity for taxpayers to pay in instalments every month. Instalments made in the current year are called "Tax Payments in the Current Year". In accordance with the description above, the nature of the tax payment in the current year is prepaid or also known as down payment or tax credit. Because it is an instalment collection, it can be credited when calculating the amount of tax due at the end of each year.

The types of payments included in the payment of taxes in the current year are:

a. Income Tax Article 21

Withholding income tax on salaries, wages, honoraria and other remuneration in connection with employment.

b. Income Tax Article 22

Obligation to pay taxes by importers when importing goods, Using import identification numbers / API (Tariff 2.5% X import value). No API (Tariff 7.5% X import value). Withholding by treasurers including regional government treasurers for payments to partners, or in other words purchases financed by the APBN / APBD (Tariff 1.5% X Purchase Price) Withholding income tax by Pertamina, Bulog, the cigarette industry, the steel industry and the flour industry flour, or in other words sales of production (% Tax rate X DPP VAT).

c. Income Tax Article 23

Withholding tax on income originating from capital, delivery of services, or carrying out activities other than those deducted by Income Tax Article 21 Tariff 15% X Gross income (for interest, dividends, royalties and gifts) Rate 15% X Net income (for rent and income from usage assets, compensation in connection with the services rendered).

d. Income Tax Article 24

Payment of tax on income abroad on income received or earned on business abroad, which can be credited or deducted against taxes payable domestically (avoid double taxation).

e. Income Tax Article 25

Regulates monthly payments that must be made by the taxpayer in the current year.

f. Income Tax Article 26

Income tax for foreign taxpayers on income in the form of dividends, interest, royalties, interest on savings, etc. that they receive. (rate of 20% X Gross income).

g. Withholding tax on head office income from businesses or Activities, sales of goods or provision of services in Indonesia that are similar to those carried out by a permanent establishment in Indonesia.

h. Withholding tax on income received or earned by the head office, as long as there is an effective relationship between the permanent establishment and the assets or activities that provide the intended income.

5.4. Indonesia Macroeconomic Policy

Macroeconomic policy is a form of policy taken by the government of a country that in principle aims to stabilize the economy and create positive economic growth. Every economic policy aims to solve the economic problems faced. Meanwhile, macroeconomic policy is divided into two forms, namely monetary policy and fiscal policy.

Monetary policy is a policy taken by the government, central bank and monetary authorities which is basically a policy that aims to achieve internal balance (high economic growth, price stability, equitable development) and external balance (balance of payments balance) and the achievement of economic goals. macro, namely maintaining economic

stabilization that can be measured by employment opportunities, price stability and a balanced international balance of payments by regulating the money supply and interest rates. Monetary policy can be carried out in direct and indirect ways.

Direct monetary policy is a policy in which the government directly intervenes in the circulation of money or bank credit, while indirect monetary policy is a policy carried out by the central bank by influencing the ability of commercial banks to provide credit. The regulation of the amount of money circulating in society is regulated by increasing or decreasing the amount of money in circulation. Monetary policy can be classified into two, namely:

- a. Expansive Monetary Policy is a policy in order to increase the amount of money in circulation; and
- b. Monetary Contractive Policy, is a policy in order to reduce the amount of money in circulation. Also called the tight money policy.

Fiscal Policy is an economic policy in order to direct economic conditions for the better by changing government revenues and expenditures. This policy is similar to monetary policy to regulate the money supply, but fiscal policy places more emphasis on regulating government revenue and spending. Fiscal policy instruments are government revenues and expenditures that are closely related to taxes.

Expansive fiscal policy is carried out to increase output by increasing government spending and lowering taxes, while fiscal policy is on the contrary by reducing government spending and increasing taxes. Economic growth is determined by four elements, namely consumption, investment, government spending and foreign transactions (exports and imports). Expansive fiscal policy by increasing government spending results in increased economic growth, as well as decreased tax revenue. This results in an increase in disposable personal income so that consumption also increases. Assuming that savings are considered constant, in the aggregate, this will increase aggregate consumption and will increase economic growth. Likewise, the contractionary fiscal policy is also the opposite. A

contractionary fiscal policy, namely by raising taxes, can also reduce government spending, of course, will reduce economic growth.

In Indonesia's macroeconomic policy, the Macroeconomic Framework (KEM) and Fiscal Policy Principles (PPKF) are known. In Indonesia, the preparation of the Macroeconomic Framework (KEM) and Fiscal Policy Principles (PPKF) involves the Fiscal Policy Agency (BKF) of the Ministry of Finance. Every year macro policies have the potential to change according to the needs and conditions of the Republic of Indonesia.

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