

AN OVERVIEW OF CURRENT TAX REGULATIONS: IMPLICATIONS AND CHALLENGES

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Abstract

Taxpayers can learn about current tax regulations by looking for relevant tax regulations. It is evident that taxpayers who are unaware of tax laws often turn into disobedient taxpayers. It is evident that taxpayers are more aware of the penalties they would face for failing to pay their taxes when they are more knowledgeable about tax legislation. Overall, taxes have a significant impact on the economy and business growth. However, the impact of taxes can vary depending on the type of tax, tax level, and fiscal policies implemented by the government. This article's methodology is library research that reveals theories about the issue under study. Based on easily accessible literature, an assessment of the ideas and concepts employed is done in this part. The role and significance of tax laws, their impact on financial management, their impact, and the difficulties in adjusting to changes in tax laws are all included in this research.

Keywords: Tax regulations, financial management, implications, challenges

INTRODUCTION

Economic development that is advanced, prosperous, equitable, inclusive, quality and sustainable in the present and future will certainly face problems and challenges that are increasingly complex, difficult and often even uncertain. The implications of these problems and challenges will certainly influence the government's role in running the economy. There are at least three choices of roles that the government can play. First, the role of the government which fully regulates the economy. Second, the role of government in the economy is increasing. Third, the role of government is a combination of both. It is believed that the choice of which role the government will play in the economy is not simple. The determinants include the dynamics of the complexity of the problems and challenges faced by the population, the dependence of the economy on the outside world, the ability to optimize resource utilization, and the size of the proportion of tax revenues to national income (Chen et al, 2018).

The self-assessment policy, for example, is one of the factors causing why Indonesia's tax ratio is low. This happens because the database is still weak

and access by the government or tax authorities is still limited. Other causes are related to the inadequate quality and quantity of tax human resources, low level of taxpayer compliance, inefficiency, pro-business tax policies and ineffective fiscal relaxation. In relation to human resources, for example, it is noted that the ratio of tax human resources to population is still very low, namely 1 tax officer to 5,293 residents, and the same applies when compared to the number of taxpayers, namely 1 tax officer to 936 taxpayers (WP). The level of taxpayer compliance also tends to decline, where in mid-June 2019 it was only around 67.4 percent, especially when compared to compliance in 2017 where it was still around 72.6 percent. Likewise, the tax amnesty policy programmed by the government several years ago also appears to be ineffective because it was not followed by growing awareness among taxpayers, especially business people, to regularly remit their taxes. Even business people hope that the government will re-organize tax amnesty volume 2. The aim is nothing more than aiming for tax amnesty without being aware of the importance of contributing to national development through taxation (Thomas Sumarsan, 2017).

Modernization of tax administration is also needed to optimize tax revenues. Learning from experiences in various successful countries such as China, India and Singapore, it is time to introduce online tax administration (online) for WP/PKP BM, and off-line administration for WP/PKP KM with a simple (final) tax system) without tax invoice and tax refund. The implementation of digital technology for tax administration strategies (information technology and digitalization for tax administration) can be optimized by tax management at the operational level so that it runs effectively.

Meanwhile, from the external side, implementing this strategy can help companies fulfill their tax administration obligations and make it easier for taxpayers to fulfill tax compliance, saving costs and company time. Apart from that, technology applications can make it easier for companies to carry out tax risk management and governance which can ultimately increase company value. Tax supervision and sanctions are also a part that should not be ignored. In monitoring, attention needs to be based on data both from third parties and data from the field. Supervision also needs to be carried out more intensively by the tax service office. Cooperation and synergy between KPPs must continue to be improved so that they can share data and information with each other to support the performance of the national tax administration system (Ummah, 2015).

The government recently issued tax regulations Minister of Finance Regulation Number 79 of 2023 concerning Assessment Procedures for Tax Purposes (PMK 79/2023). PMK 79/2023 becomes effective after 30 days from the date of promulgation (24 August 2023), namely 23 September 2023. This regulation was created to provide more justice and legal certainty. The assessments regulated include Income Tax (PPH), Value Added Tax (VAT), Land and Building Tax (PBB), and Tax Collection by Force Letter.

In almost all developed countries, taxation is a support for state revenue. The success of tax reform is the factor behind the high ratio of tax revenue to GDP (tax ratio) in these developed countries. As an illustration, the average tax ratio in OECD countries based on World Bank World Development Indicators data in 2019 reached 15.87% of GDP. Therefore, tax reform in the HPP Law pays attention to the best administrative practices and policies that are successful in the world, in addition to following the latest business dynamics (Kadek Diah, 2017).

Success in tax collection is influenced by the taxation system, known in the Indonesian Tax Law as the teachings of The Four Maxims. The precision and correctness of the tax authorities and administration should be taken into consideration when collecting taxes. This has to do with the fact that tax authorities are facing growing dissatisfaction from taxpayers who are unable to accept their acts, which is leading to disputes between the two parties. Tax disputes are particularly common because taxpayers frequently claim that taxes should be paid as little as possible, even if it means avoiding paying them altogether, while tax authorities, acting as collectors, are tasked with collecting substantial sums of state revenue from taxes.

RESEARCH METHOD

This study employed library research that includes theoretical discussions on the issue under investigation. Based on easily accessible literature, an assessment of the ideas and concepts employed is done in this part. Research done in libraries contributes to the development of concepts or theories that serve as the foundation for studies, particularly when it comes to articles that are published in a variety of scientific journals. Research, particularly scholarly research with the primary goal of advancing theoretical and practical excellence, needs to involve a process of literature review or studies.

A approach for developing insights, critical reflection, future study routes, and research questions from a corpus (collection of) scientific literature

is the systematic literature review (Dumay et al., 2016). Examining the consequences and difficulties of the existing tax laws is the goal of this assessment of the literature.

RESULT AND DISCUSSION

Definition of Tax Regulations

Tax 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. Taxes are contributions paid to the state in accordance with statutory regulations that can be enforced. If a person or company does not pay tax, it is considered owed. Taxes are used to finance general government expenditure (Savitri, 2015).

The main thing that differentiates taxes from other levies is that tax payments must be based on law. This is because taxes are essentially a burden that will be shared by the people, so the formulation process requires community participation before being determined by the DPR. The relationship between the government, which collects taxes, and the public, who pay taxes, is governed by a body of formal written regulations known as tax law. Tax law is a branch of legal science that governs the rights and obligations of taxpayers and the government with regard to taxes, and it is a legal product that must be followed. Administrative and criminal sanctions are two types of legal repercussions that might result from tax-related negligence (Abdelmoula et al., 2022).

Taxpayers engage in the process of comprehending and being aware of tax laws, rules, and procedures in addition to carrying out tax-related tasks. Tax activities include things like filing SPT reports and paying taxes. There will be a rise in taxpayer compliance if people are aware of and understanding taxes.

Taxpayers can comprehend current tax regulations by having a solid understanding of them. It is evident that taxpayers who are unaware of tax laws often turn into disobedient taxpayers. It is evident that taxpayers are more aware of the penalties they would face for failing to pay their taxes when they are more knowledgeable about tax legislation. When taxpayers truly comprehend, they will be aware of the criminal and administrative penalties associated with SPT and NPWP. The means by which taxpayers comprehend current tax legislation is by their comprehension of them (Dang & Tran, 2021).

A greater level of taxpayer knowledge leads to improved comprehension and compliance with tax duties, ultimately resulting in a higher willingness to pay taxes. The mindset of taxpayers who are aware of their tax

duties, are prepared to fulfill them, and have disclosed all of their income in compliance with applicable laws is known as taxpayer awareness.

Welfare is the government's responsibility to make it happen. Nowadays, taxes are the largest source of internal revenue in the APBN. One way to make this happen is by implementing taxes. Bearing in mind that in the economic sector this is an important thing in efforts to improve the welfare of the people and in this economy taxes can also be collected. It is through this tax levy that the government can carry out development both in terms of infrastructure and infrastructure evenly. Taxes are a means of state reform in increasing the independence of state finances, increasing the level of justice and the progressivity of tax levies themselves (Aryotama & Firmansyah, 2020).

With taxes, people will feel the results starting from being able to enjoy and utilize available public facilities and infrastructure such as transportation, education, health, communication, security, law and other means of activities that support daily activities. Good governance will certainly have a positive influence on taxpayers to have a sense of responsibility in carrying out their rights and obligations. The tax obligations of every citizen are regulated in the tax law, thus tax collection based on the law means that those who are found to have ignored or violated the provisions for paying taxes will be subject to forced collection sanctions in the form of confiscation, sealing or detention. The Tax Law gives every taxpayer the confidence to carry out their own tax activities starting from calculating, paying and reporting their tax obligations to the tax service office (KPP) (Awallah et al, 2022).

Taxes paid by taxpayers are intended to assist the government in financing state administration needs, namely national development, where the implementation of national development is regulated in laws and regulations for the purpose of the welfare of the nation and state. Meanwhile, the laws related to taxation in Indonesia have undergone several changes. It is hoped that these changes will be able to have a positive impact so that the country will be able to progress further by having sufficient material from these tax levies. Every time there are changes to the existing articles, the government always strives for changes in a better direction in terms of fulfilling the rights and obligations of taxpayers, improving services to taxpayers, minimizing tax loopholes, and reducing the occurrence of games between taxpayers and the tax authorities (Firmansyah, 2018).

It is acknowledged that modifications to the law pertaining to General Provisions and Tax Procedures are required in order to keep up with advancements in the fields of economics, information technology, society, and

politics. These adjustments seek to advance justice, enhance taxpayer services, strengthen legal certainty and enforcement, and foresee advancements in the taxation domain. In addition, these modifications aim to boost voluntary taxpayer compliance, the transparency of tax administration, and the professionalism of the tax apparatus (Armstrong et al., 2015).

Through tax levies the government can carry out development both in terms of infrastructure and infrastructure evenly. Taxes are a means of state reform in increasing the independence of state finances, increasing the level of justice and the progressivity of tax levies themselves. With taxes, people will feel the results starting from being able to enjoy and utilize available public facilities and infrastructure such as transportation, education, health, communication, security, law and other means of activities that support daily activities (Barker et al, 2017).

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Every time there are changes to the existing articles, the government always strives for changes in a better direction in terms of fulfilling the rights and obligations of taxpayers, improving services to taxpayers, minimizing tax loopholes, and reducing the occurrence of games between taxpayers and the tax authorities. In line with economic, information technology, social and political developments, it is realized that it is necessary to change the law regarding General Provisions and Tax Procedures (Devi, 2018).

Implications of Recent Tax Regulations

Corporate tax or what is more often known as corporate tax is generally a tax that is required to be paid by a company or organization after deducting profits which will later result in receipt of the net profit itself. In another sense, corporate tax is a type of tax imposed on an entity that does business or does not do business in the form of a PT, Limited Liability Company, BUMN or BUMD which can be in the form of a firm, cooperative, foundation, organization, institution or other business entity. The implementation of this corporate tax is needed as a step to maintain the existence of the existing economy in Indonesia (Naputulu et al, 2020).

In the implementation of this corporate tax from time to time, there are several legal bases that contain indications of the imposition of this corporate tax, such as:

1. No. 23 of 2018, the law which discusses Income Tax on Income from Businesses Received or Obtained by Taxpayers Who Have Certain Gross Circulation.
2. No. 7 of 1983 law which discusses Income Tax.
3. No. 36 of 2008 law which discusses Income Tax.

(Irawan et al, 2020).

The direct impact of tax levies is on disposable income. Disposable income is personal income minus taxes. Disposable income is income that can be spent on consumption. When tax levies are increased, relative disposable income falls. As disposable income decreases, relative consumption decreases. A decrease in consumption will have an impact on a decrease in equilibrium national income. Likewise, if tax levies are reduced, then relative consumption will increase. An increase in this component can increase national income. Of course, this assumes that other components that influence national income do not change. Taxes are one source of government income. This means that increasing tax collections directly increases government income (Bauer, 2016).

Thus, if the income from this tax is used for expenditure which affects the value of the government expenditure component, then an increase in tax levies can have an effect on increasing the value of purchases by the government. In this case, tax levies are correlated with the government component, because the government component is positively correlated with Gross Domestic Product (GDP), so every increase in tax levies can increase the increase in GDP (T Faculty, 2014).

Taxes have a significant impact on the economy and business growth. Taxes are a source of income for the government and are used to finance

various programs and policies that can affect the economy as a whole. First, taxes can influence the investment and consumption decisions of businesses and individuals. If taxes are too high, it will reduce income that can be used for investment and consumption. Conversely, if taxes are low, it can increase income that can be used for investment and consumption. Second, taxes can affect a company's competitiveness in the global market. If taxes in a country are too high, then companies can lose competitiveness in the global market due to higher production costs. Conversely, if taxes are low, companies can become more competitive in the global market. Third, taxes can also influence business decision making such as choosing a business location and using technology (Puspita & Baridwan, 2016).

Taxes can be an important factor in choosing a business location because tax differences between countries can affect production costs. In addition, taxes can also influence the use of technology because taxes can provide incentives for companies to adopt new technology. Overall, taxes have a significant impact on the economy and business growth. However, the impact of taxes can vary depending on the type of tax, tax level, and fiscal policies implemented by the government (Filipczyk, 2017).

Challenges in Facing Changes in Tax Regulations

1. Complexity of tax regulations

Tax complexity is complexity in the tax system which results in difficulties for taxpayers in reading, understanding and complying with tax regulations (Kovermann, 2018).

High complexity can create uncertainty in tax regulations and can hamper economic growth (Bittencourt et al, 2014).

In the OECD Economic Survey Indonesia published by the OECD (Organization for Economic Co-operation and Development) it is assessed that complex and frequently changing tax policies can make it difficult to achieve tax compliance. Difficult or ambiguous laws create greater opportunities for taxpayers to behave in ways not intended by the law and assume any attempt to enforce compliance will be unfair. In an effort to increase taxpayer compliance, sanctions can be implemented. Tax sanctions are intended as a mechanism to reassure taxpayers that other taxpayers are compliant, and provide an understanding that the authorities have power and will use it to punish taxpayer non-compliance. Research by Kristanto & Noreen (2021) which examined compliance amidst tax complexity found that tax complexity had a negative effect on tax compliance. Nasution et al.

(2020) stated that tax complexity is proven not to influence tax compliance, while other variables, namely tax fairness and taxpayer trust, are determining factors for tax compliance.

2. Tax compliance

One of the frequent issues the government deals with is tax compliance. According to information gleaned from the Directorate General of Taxation (DJP) website, taxpayer compliance has been comparatively low in recent years. The act of taxpayers (individuals and corporations) fulfilling all of their tax duties and exercising their tax rights is known as tax compliance. Formal compliance and material compliance are the two metrics used to gauge tax compliance. A taxpayer's attempt to formally satisfy tax obligations in line with the formal terms of the Taxation Law is known as formal compliance. A taxpayer's efforts to substantively comply with all material tax provisions are known as material compliance (in conformity with the Tax Law) (Chen et al, 2018).

Thus, taxpayers who have fulfilled formal compliance means they have fulfilled material compliance. The difference between these two indicators can be seen from the context, that formal compliance is taxpayer compliance in terms of reporting, while material compliance is taxpayer compliance in broader terms which includes calculations, calculations, payments and reporting (Hidayat et al, 2014).

3. Effective tax planning

According to Feizi et al. (2016), tax planning is an attempt to lower or minimize the amount of taxes that must be paid to the state in order to keep the total amount of taxes paid within reasonable bounds (Feizi et al, 2016). One of the tax management procedures is carried out in a way that complies with all relevant tax laws, or legally. Among other things, tax planning is done for the following reasons:

- a. Lowering tax payments made by the business to ensure more economical incursion of costs.
- b. Compute and prepare tax payments in accordance with applicable laws to avoid penalties or fines that would raise the overall amount of taxes paid. Not to avoid paying taxes, but to make sure that the amount paid does not exceed what it ought to.

Stages of Tax Planning:

a. Analyzing Existing Information

Analyzing the various tax components involved in a project and precisely estimating the amount of tax to be paid constitute the first step in tax

planning. This is only possible if every tax component is taken into account, both separately and as a whole tax, which needs to be designed as the most effective tax planning.

b. Create One or More Tax Models

Select the form of operational transaction or international relations. In almost all international tax systems, at least two countries are determined first. From a tax perspective, the planning process cannot exist outside of the stages of selecting the most profitable transactions, operations and relationships.

c. Evaluation of Tax Planning

A tiny portion of the company's overall strategic strategy is dedicated to tax planning. Thus, an assessment is required to determine the degree to which the tax burden, variations in gross profit, and non-tax expenses for different planning options have been impacted by the execution of a tax plan.

d. Look for Weaknesses and Then Refine Tax Plans

It goes without saying that the numerous plans created must be examined in order to determine whether or not the outcomes of a tax plan are good. Even in cases where there is a very low chance of success or additional costs are necessary, change actions (current planning) must be carried out.

e. Updating Tax Plans

Even though the project has already started and a tax plan has been put in place, it is still important to consider any changes that may occur in the law or in how it is applied in the nation where the activity is being carried out, as these could affect the elements of an agreement.

CONCLUSION

Tax law is a body of rules that governs taxpayers' rights and obligations as well as their interaction with the government, which is their tax collector. Taxes are contributions paid to the state in accordance with statutory regulations that can be enforced. If a person or company does not pay tax, it is considered owed. Taxes are used to finance general government expenditure.

With taxes, people will feel the results starting from being able to enjoy and utilize available public facilities and infrastructure such as transportation, education, health, communication, security, law and other means of activities that support daily activities. The law related to taxation in Indonesia has undergone several changes. It is hoped that these changes will be able to have a positive impact so that the country will be able to progress further by having sufficient material from these tax levies. Every time there are changes to

existing articles, the government always strives for changes in a better direction in terms of fulfilling the rights and obligations of taxpayers, improving services to taxpayers, minimizing tax loopholes, and reducing the occurrence of games between taxpayers and the tax authorities.

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