

Tax Collection and Its Issues in Indonesia

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Article	Abstract
<p>Keywords: <i>Tax, Tax Withholding, Problems.</i></p> <p>History of Article Received: January 2025 Reviewed: January 2025 Accepted: January 2025 Published: January 2025</p>	<p>Taxes are mandatory payments that private individuals or organizations must make to the state; they are enforced by law, and the money collected is utilized for the state's benefits and the welfare of the populace. To regulate the tax legislation, specifically: a set of regulations that control the interaction between the government, which collects taxes, and the taxpayers. The following factors contributed to the numerous issues with tax collection in Indonesia: a lack of socialization, a lack of regulation in the taxation itself, a low level of awareness, knowledge, and economic status, an incomplete and inaccurate database, and a lack of consistent and firm law enforcement in the form of supervision and sanctions. To deal with the tax reforms, among other things: enhancing the regulations and set of rules; promoting socialization to increase knowledge and awareness of the tax-abiding taxpayer; evaluating; providing a database that is comprehensive, accurate, integrated, and guaranteed confidentiality; enhancing law enforcement in terms of supervision and sanctions in a consistent and firm manner; and collecting taxes: Fair, compliant with the law, economical, effective, and the system ought to be straightforward.</p>

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1. INTRODUCTION

In implementing the development of a country, several supporting elements are required, one of which is the availability of sufficient and reliable sources of revenue. To finance this, money is undoubtedly needed (in modern times). To obtain money, aside from printing it or borrowing, the government today takes many routes. These income sources generally consist of: companies, government-owned or controlled assets, fines and confiscations for public interests, inheritance rights on abandoned property, bequests and other donations, and three types of levies: taxes, retribution, and contributions.

These revenue sources are crucial for running the activities of each level of government, because without sufficient income, government programs will not run optimally. One of the largest sources of national income comes from taxes. Law No. 16 of 2009 on General Provisions and Tax Procedures provides the definition: "Tax is a mandatory contribution to the state owed by individuals or entities that is coercive under the law, and is not used for state purposes except for the greatest welfare of the people."

In general, "Tax is a contribution of the people to the state treasury based on the law (which can be enforced) without receiving reciprocal services (counter-performance), which cannot be directly shown, and which is used to cover general government expenditures."

From this definition of tax, both economically and legally, we can conclude the characteristics of tax: Taxes are levied based on law, in line with the third amendment to the 1945 Constitution, Article 23A, which states: "Taxes and other levies that are coercive for the needs of the state are regulated by law." Taxes do not provide direct reciprocal services (individual counter-performance). Tax collection is intended for the financing of public government expenditures in carrying out governmental functions, both routine and extraordinary. Tax collection can be enforced. In addition to the budgetary function (finance), there is also the regulatory function (to regulate).

Taxes play a very important role in the life of the state, especially in the implementation of development. They are a source of state revenue used to obtain direct returns and finance all expenditures, including development costs.

Based on the above, taxes have several functions, namely: the budgetary function, the regulatory function, the stability function, and the redistribution of income function.

Given the importance of taxes as a source of state revenue, a set of regulations or laws governing taxation is needed, known as tax law. In general, tax law is a collection of regulations that governs the relationship between the government as the tax collector and the public as the tax payers, including regulating the rights and obligations of both parties.

With the presence of rules or laws governing taxation, it is expected that tax revenue, as the main source of financing for the State Budget (APBN), can achieve maximum results and be sustained continuously. However, in practice, tax collection still faces many issues, including: weaknesses in tax regulations, insufficient socialization, low awareness, knowledge, and economic levels, incomplete and inaccurate databases, weak law enforcement in terms of supervision, and inconsistent or insufficient sanctions. In addition, another challenge in tax collection is the paradigm that many people have held, which is the belief that paying taxes is futile because it only enriches tax officials. Such actions are taken by the public to evade taxes and are part of what is called resistance to taxes. This resistance is divided into two types: passive resistance and active resistance.

To overcome these issues or challenges, the government must: show the public that tax management is being carried out correctly and properly, prepare a comprehensive, accurate, integrated, and confidential data management system (database management system), improve the regulatory framework, enforce the law consistently and firmly, the tax authorities must serve taxpayers professionally, conduct continuous socialization, the Directorate General of Taxes needs to form a teamwork to identify and address emerging strategic issues, innovate in services, such as ease and comfort in handling taxes, and the conditions for tax collection must be based on fairness and not disrupt the economy. If these steps are taken, public trust will increase, and the public will be moved to contribute a portion of their wealth to the state in the form of tax payments. With awareness and

taxpayer compliance, this becomes one of the keys to the government's success in collecting tax revenues, ensuring that state revenue is sustained.

2. METHODS

The type of research used is quantitative research. The object of this study is MSME taxpayers in the culinary sector in South Lampung Regency. The sample used consists of MSME taxpayers in the culinary sector in South Lampung Regency. The sampling method employed is Simple Random Sampling, calculated using the Slovin formula. Simple Random Sampling is a technique of selecting samples from population members randomly without considering the strata within the population.

There are two types of data collection methods: primary data and secondary data. Primary data are collected through questionnaires, which is a data collection technique using surveys with written statements directed at research subjects (Indriantoro and Supomo, 1999:152). Secondary data are required in the research as supporting materials for writing, with sources obtained from various published information or institutional data (Jatmiko, 2006).

3. ANALYSIS AND DISCUSSION

The laws regulating taxation have been established and implemented in Indonesia, but many fundamental problems and obstacles remain in their execution. This significantly affects the outcomes of tax revenue as a primary source of state income. Various obstacles arise from multiple factors, which will be outlined below.

One of the primary issues is the lack of socialization from the government to the public, particularly taxpayers, about the importance of paying taxes, the benefits of paying taxes, and the sanctions that will be imposed if taxpayers neglect their obligations. Alongside this, the low level of human resource (HR) awareness and knowledge also plays a role, as taxpayers are often unaware of the importance of paying taxes, and many do not understand how to register, calculate, and report the taxable objects they own, control, or utilize.

Furthermore, the very low economic status of some taxpayers greatly impacts the situation. These taxpayers prioritize essential living expenses, such as school fees, healthcare, and other basic needs, over paying taxes.

Another issue is the database, which is still far from international standards. This database is crucial for verifying the correctness of tax payments under the self-assessment system. Such a situation makes it difficult to conduct empirical research aimed at testing taxpayer compliance. Taxpayers may provide inaccurate information or report data that does not reflect the actual situation. A complete and accurate database influences the effectiveness of law enforcement and taxpayer compliance. Additionally, taxpayer compliance directly impacts tax revenue.

The lack or absence of awareness among the public about the duty to pay taxes is often seen as a form of resistance. Taxpayers perceive paying taxes as futile, believing that taxes will eventually be misused, wasted, or even corrupted by some tax officers. This lack of compliance leads to a growing gap between the taxes paid by taxpayers and the amount

they should have paid. Higher-income taxpayers tend to comply more than those with lower incomes because higher-income taxpayers are generally more conservative in reporting their tax obligations. The imposition of high tax rates also becomes a challenge as it burdens taxpayers.

Other obstacles include: Inconsistencies between the implementing regulations and the laws themselves; A large number of official and unofficial levies, both at the central and regional levels; Weak law enforcement; Bureaucratic inefficiency, among others. If addressed properly, these challenges could help realize good governance through a clean and authoritative government.

Tax resistance can be divided into two main categories, as follows:

A. Passive Resistance:

Passive tax resistance is closely linked to the socio-economic conditions of the society in the country in question. Generally, the public does not make systematic efforts to obstruct state revenue but is more influenced by the prevailing habits within the society. For example, people in rural areas may prefer to keep their money at home or invest in gold rather than use banking services. This behavior is not a deliberate attempt to avoid income tax on interest, but rather because they are not accustomed to using banks.

B. Active Resistance:

Active tax resistance consists of a series of actions taken by taxpayers to avoid paying taxes or reduce the amount they should pay. Active resistance can be further divided into: Tax Avoidance: This is a legal strategy to reduce tax obligations by exploiting provisions in tax law optimally, such as exemptions, allowable deductions, or exploiting gaps and weaknesses in the existing tax regulations and Tax Evasion: Tax evasion refers to illegal actions, such as submitting false data or concealing relevant information to reduce tax obligations. Tax evasion may result in criminal sanctions.

To ensure the continuity of tax revenue as the primary source of the state budget (APBN) and provide fairness in business (level playing field), the government needs to expand the tax base. This involves increasing the number of registered taxpayers with Taxpayer Identification Numbers (NPWP) and ensuring their compliance. The government will continue to explore tax potential (tax coverage) to the fullest extent and improve taxpayer compliance.

To address the above problems, the government has implemented what is known as Tax Reform. This involves various measures, including enacting a series of laws to amend existing tax regulations. The aim is to create greater justice and legal certainty. The objective of improving tax laws is to extend and intensify the imposition and collection of taxes while enhancing fairness in the tax burden, eliminating tax benefits without a legal basis that could harm the national economy, and closing loopholes that allow tax avoidance. Thus, as part of its regulatory function, the tax system should stimulate national economic activities and growth, attract foreign investment, and secure state revenue. Meanwhile, the fiscal function, as the main pillar of state revenue, can be fulfilled by expanding the scope of tax subjects and objects, minimizing transfer pricing practices, and limiting final income tax imposition. All of these policies are expected to enhance tax

compliance, increase investment, and improve state revenue in the long term, leading to financial independence for development funding.

Promoting tax education and outreach is a crucial step to raise awareness among taxpayers. By increasing knowledge, the government hopes to foster a greater understanding of the importance of paying taxes. This is expected to result in increased state tax revenue. Improving the legal culture both among taxpayers and tax officials is equally important. All parties are expected to fulfill their obligations in accordance with the applicable tax regulations. The government must also ensure strict supervision over tax collection, and any deviations found must be met with firm sanctions. This approach is necessary to create a deterrent effect for both taxpayers and tax officers.

4. CONCLUSION

With the existence of regulations or laws governing taxes, it is expected that tax revenue, as the primary source of financing for the State Budget (APBN), can achieve optimal results and be sustained over time. However, in reality, tax collection still leads to many issues, including: weaknesses in the tax regulations themselves, lack of socialization, low levels of awareness, knowledge, and economic status, incomplete and inaccurate databases, and weak law enforcement, including inconsistent and insufficiently firm supervision and imposition of sanctions. Additionally, another obstacle in tax collection is the prevailing paradigm held by much of society, which perceives paying taxes as futile because it is seen as merely enriching tax officials. This mindset leads people to attempt to evade taxes, a behavior known as resistance to taxation. This resistance can be categorized into two types: passive resistance and active resistance.

To address these problems or obstacles, the government must: demonstrate to the public that tax management is being conducted in a correct and transparent manner, prepare a data management system that is complete, accurate, integrated, and guarantees confidentiality (database management system), refine the regulatory framework, enforce the law consistently and firmly, and ensure that tax officials serve taxpayers professionally. Furthermore, there must be continuous socialization efforts, and the Directorate General of Taxes should form a team to identify and address emerging strategic issues, as well as evaluate these issues (external factors). Innovations in service delivery, such as making it easier and more convenient to handle tax matters, should also be prioritized. Tax collection requirements should be based on fairness and should not disrupt the economy. Once these steps are taken, public trust will increase, and people will be more inclined to contribute part of their wealth to the state by paying taxes.

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