

Optimizing the State Income through Law Enforcement and Law Supervision in the Field of Taxation

Dewi Mulyanti¹, Hendi Budi Aman²

^{1,2}Universitas Galuh, Indonesia

dewimulyantiunigal@gmail.com, budi Aman.hendi@gmail.com

Abstract

Tax income is one of the state income resources that is used for development whose final purpose is for people's welfare and prosperity. Tax income is a kind of a bigger state income compared to that generated from other kinds of income such as oil and gas income and non-oil and gas income. The success of a state in taxing its citizen will improve the stability of economy of the state. However, the state often finds it difficult to collect tax for many taxpayers who are obedient and dishonest and avoiding to pay taxes. This cause the government to create a mechanism to supervise and enforce law in the field of taxation. The attempt to optimizing the state earned income through tax paying plays an important role in the nation prosperity development.

Keywords

state earned income; taxpayer; fiscus; taxpayers' awareness and obedience; law enforcement and law supervision



I. Introduction

The Republic of Indonesia is a kind of state which is compliant of law (rechstaats). It is based on Pancasila (Kansil, 2000). The concept of Indonesia as a state which is compliant of law has been expressed since the independence of the country by the occurrence of Undang-Undang Dasar 1945. Moreover, since the occurrence of UUD RIS 1945, UUDS 1950, and the reoccurrence of UUD 1945, after the UUD 1945 amendment consisting of four stages, the kind of state which is compliant of law is consistently the basic concept embraced by Indonesia.

The Republic of Indonesia as the state of law is defined as the state of welfare and prosperity. It is compliant of law and ensures justice for all people of Indonesia. This means that every single action of state apparatus is merely compliant of law. This is the kind of reflection of justice for all citizen affairs (Ahmadi, 2006).

Justice is a condition for life happiness achievement. Justice is one reflection of what has been stated out of the citizen's goal. The justice measurement becomes one of the benchmark of success of a state of law which longs for the creation a prosperous state. In a law theory, it is stated that a state as the supreme organization has the authority to lead the policy of the nation.

The state's participation in determining the policies of the nation, especially in Economy Law means to organize and direct the economy activity in order that it fits the principle of the nation's economy. Therefore, law becomes the principle compliant for administering every activity in the community, the nation, and the state in achieving the community goals of equal justice and welfare. In order to achieve such goal, the state needs fund to carry out the state activities. One of the ways to earn the fund is to earn it from tax income.

Mostly, the development objects conducted by Indonesian government are funded from the tax paid by taxpayers. For this reason, the society is expected to guard the existing projects so that they can be used for the sake of the citizen. Every individual in the society

should understand the importance of tax generated income in the daily life. Moreover, in carrying out the daily activity, the society is often unaware that they have been using and taking advantages of the public facilities provided for them, such as transportation, education, medical, security, and law facilities, and also other kinds of facilities that support their daily activities.

Through the earned tax income, the state is able to provide the facilities for the society. Thus, the tax payment is aimed at improving the people's facilities in the future. In other words, the improvement of a nation is very much dependent on the people's awareness to understand and pay the taxes.

In the State Government Budget developed by the government, there are three resources of earned income that the state relies on. They resources are earned tax income, earned oil and gas income, and non-tax income. Out of the three resources, the earned tax income is the biggest income resource of the state. It can be seen year by year that the earned tax income keeps on increasing and giving significant contribution for the state earned income. Meanwhile the income generated from oil and gas sector is nowadays not as promising as before since its unrenovable nature. The income from oil and gas someday may run out, while the income from tax can be renewed in accordance to the economy development of the society.

The success of the state in collecting taxes from the society is sure to be beneficial for the economy stability of the state. The World Bank notices that Indonesia is one country with the lowest state earned income compared with other countries in Asia and G20. Hitherto, Indonesia has only collected, 50% the state earned income potential. This is reflected on the ratio of the state earned income towards the domestic bruto products (Produk Domestik Bruto – PDB) which is only 15%. This is similar with the ratio of the earned tax ratio which is only 11,3% of the PDB, this percentage is far lower then those achieved by Brasil, China, India, Malaysia, Mexico, Philipine, Thailand, and Vietnam.

Indonesia should be able to increase the earned income by broadening the tax bases and by increasing the tax obedience to around 16,4% in middle term period. The tax ratio of Indonesia can even be increased until 21,5% of PDB in long term period. The World Bank notes that the main contributor to the earned income in Indonesia come from the value-added tax (Pajak Pertambahan Nilai), luxury goods sales tax (pajak penjualan barang mewah), and customs, which contribute 34% from the state earned income total. Individual tax income (Pajak Penghasilan) and business entity tax income contribute 29%. Oil and gas sector contributes 20%.

The low tax obedience is a classic issue faced by almost all countries implementing tax system. This implies the low ratio of the earned tax income. The obedience issue can be seen from the public financial, law enforcement, organization structure, labors, and ethic, or the combination of all the aforementioned sectors.

An analysis can be viewed from various aspects, such as public financial aspect. If the government could show the society that the tax organization is carried out appropriately and in accordance with the taxpayers' goals, the taxpayers would tend to obey the tax regulation. On the other side, if the government cannot show the implementation of the tax transparently and accountably, the taxpayers would want to pay taxes appropriately. Be seen from the law enforcement, the government should implement law righteously to every citizen. When a taxpayer disobey the regulation, he will get sanctions, no matter who the taxpayer is (including the public apparatus or the families of the public apparatus). Related to the organization structure, labors, and ethics, it is emphasized on the internal issues in the scope of tax institution. If the organization structure at a tax office give proper and professional service to the taxpayers, the taxayers will tend to be obedience of the existing regulation.

On the other hand, the low-serviced treatment, the unclear regulation, complicated procedures, tend to make taxpayers reluctant to deal with taxing. The state income continuity from the tax sector is needed since the tax income is a main resource of the state budget income. To guarantee this, the taxpayers' obedience is one of the keys to the success of the government in collecting the earned tax income, not merely by emphasizing the collecting aspects by "compelling", instead, by following it with a series of clear regulation, procedures, and administration service.

In this occasion, the writer is aimed at discussing the theme of optimizing the state income through law enforcement and law supervision in the field of taxation. In the progress, it can be seen that there are intervening variables that influence one another towards the factor of the taxpayers' obedience to the amount of income, taxing sanctions, the implementation perception of the tax transparently and accountably, the equal law enforcement and law supervision, and the accurate database of the tax administration so that the state earned income from tax can be optimized.

II. Research Methods

The current study employed a library research involving the information seeking procedures related to the topics from various writings, such as journals, literatures, legislation, dictionaries, and other resources. This technique is conducted in the purpose of describing and analyzing and re-organizing systematically and objectively the law regulations in accordance with the law theories related to relevant issues as references for discussing the findings of the study. The present study focused on the tax regulation in Indonesia and the attempts to revitalize the law enforcement and law supervision in the field of taxation. The data analysis was carried out through several stages, including the data collection, the data presentation, and conclusion.

III. Discussion

3.1 The State Earned Income and the Tax Regulation in Indonesia

In the opening of Undang-Undang Dasar 1945 in the 4th line, it is stated that the goal of the Republic of Indonesia in accordance to the prosperity of the society is to protect the whole nation of Indonesia, to improve the public prosperity, to enlighten the nation, and to support the world peace based on peace and justice ("melindungi segenap bangsa Indonesia dan seluruh tumpah darah Indonesia, memajukan kesejahteraan umum, mencerdaskan kehidupan bangsa dan ikut melaksanakan ketertiban dunia berdasarkan kemerdekaan, perdamaian abadi dan keadilan sosial"). Thus, to carry out the government, the state needs fund raised from the state earned income.

According to Siregar (2019) Indonesian state imposes the income tax on the income of individuals and entities based on various provisions. Tax payments of various types and types are purely worldly matters that are not related to the spiritual dimension and are carried out by citizens (Marapung, 2020). On this basis, of course, one of the goals and targets in tax revenue is the SME Sector (Erin, 2021). Discussing the state earned income cannot be separated from the state financial related to constitutional law and the relationships among tasks, obligations, accountability of the state financial management of governmental officials, the state administration law related to the techniques for organizing budget, validating process, income resources and outcome, and the active generating and the obligation payment from the government. The state financial means all rights and obligations that can be measured with money, and all sorts that can be the state's investments.

The state income in the state government budget comes from the state earnings and grants consisted of In State Tax earnings and the international tax earnings, the non-tax state earnings covering the income of natural resources (petroleum, gas, and non petroleum and gas), the earnings from profit of state-owned enterprises (Badan Usaha Milik Negara – BUMN), profits from other non-tax earnings, public service earnings, and grants (Farouq, 2018).

Based on the structures or the components of the state government budget, it can be seen that the majority of in state income of the government (the state earnings) comes consecutively from tax sector, oil and gas sector, and from other non-tax sectors. Meanwhile, the state spending is the kind of funding in performing the routine tasks and the state development. The earnings and spending are the main components in the government budget. The deviation of earnings and the state spending is defined as the budget balancing.

So far, the state income from the tax sector is still the main component, considering that the income from the natural resources income generating has not been optimized yet. Tax income as one of the main resources of the state earnings is expected to be able to fund the development in the attempt to raise the citizen prosperity both in material and immaterial aspects. Therefore, the society plays the role in understanding and fulfilling its obligation for paying the taxes in accordance to the regulation. As the development, the cost of national development generated from the earned tax income as the main state income needs to be increased so that the national development can be done (Kasran, 1998).

Based on the UUD 1945, in the amendment of the article number 23 A, it is stated that tax and other collections which are subjected for the state are regulated in Law (“Pajak dan pungutan lain yang bersifat memaksa untuk keperluan negara diatur dengan Undang Undang”). The article is a formal source of law concerning tax. Another reason for tax collection should be in accordance with the law is that tax becoming the property transferring from the society to the government which has no direct rewards. Tax must have had approvals from all sides, especially from the society, in order that the property transferring legal, and therefore the tax collection regulation is expressed in the basic principles (UUD) and other regulations. Be seen from the economy perspective, tax is defined as the resource shifting from the private sector to the public one. This understanding gives a description that tax causes two situations to change. Firstly, the individual’s ability in controlling the resource is decreased. Secondly, the state’s ability in providing goods and public services that the society needs is increasing.

Soemitro believed that tax be seen from the law perspective is a kind of relationship which occurs by the existence of law which causes the obligation of the society to pay certain income to the state to occur. The state has the authority to subject the obligation and the tax should be used for the government enforcement (Sutedi, 2016). This law approach shows that the collected tax must be in accordance with the law to guarantee the legal certainty, both for the fiscus as the tax collector and the taxpayers. Tax penalties are regulated to subject the taxpayers and the tax officials fulfil their duties. The tax penalties cover the administration penalty including bribes, tax interests, and criminal sanctions including the sanctions for violation and sanctions for crime.

The penalty grants or punishments possess various purposes. First of all is retribution, it is a kind of revenge that the violator must pay his debts to the society through punishment corresponding to his crime. The second is deterrence, it is aimed at giving punishment that functions to prevent them from doing crime (general deterrence) and to convince the subjected to conduct another crime (specific deterrence). The third is incapacitation, it is the punishment grant through detention, the fourth is rehabilitation, it is integrating the subjected to the society through a correction and service program.

3.2 The Attempt to Optimize the Law supervision and Law Enforcement in the Field of Taxation

The sustainable reformation of tax law, the attempt to optimize the tax law through revitalizing the central roles of the government officials in the field of taxation (fiscus) in performing the function for serving and supervising tax to the society so that the administration process and the law enforcement of tax can run well. The revitalization attempt can be done by renewing the supporting infrastructures of tax administration. The repositioning attempt is aimed at re-emphasizing the function and the roles of the government, in this case the Directorate General of Taxation (Direktorat Jenderal Pajak) in giving service and tax supervision as the manifestation of the government obligation to give public service which is righteous for the taxpayer society.

One of the strategies conducted in the attempt to give service and intensive supervision to the taxpayers are done by performing improvement and renewal of the administration. This is done through the modernization of the taxation administration service system by using a reliable and current technology and information system and by performing compliance of organization structure. Meanwhile, based on the official resources, this is done by implementing good governance system to serve and supervise the tax administration so that it can run transparently and accountably. The attempt to improve the other supervision functions is done by implementing the supervision system through the mechanism of knowing the taxpayer profile and analysis by updating the data and tax information of every taxpayer to fulfil their tax rights and obligations. This kind of information and analysis is useful for consideration in determining the proper strategy and national tax policy in the future. It is also an attempt to improve the tax obedience towards the existing law.

The change in the organization structure in a tax institution must also be performed in order that the tax institution can perform its function more effectively and efficiently. The tax institution is a backbone for the earned state income from the strategic tax sector. It must maintain the flexibility to adjust with the dynamic external environment, including the improving business and technology sectors. As the strategy to implement the concept of modern tax administration to optimize the functions of serving and supervising, the restructuring of organization of the Directorate General of Taxation by repositioning the central office as the policy maker and the regional office as the practitioner of the policy implementation.

Another important part is to revitalize the administration system, the business process at the tax bureaucracy administration. There is a stigma adhered to that bureaucracy, for its complicated and lengthy service. It must be eliminated by administering business process improvement by interpreting abstract regulations of tax law into a more concrete technically and operationally service. The business process at the Directorate General of Taxation is led to the implementation of full automation by making use of the information and communication technology so that the administration process of tax paying becomes faster, easier, more accurate, and paperless, to improve the quality and time aspect. Besides, the internal supervision function will be more effective by the existence of built-in control system, because everybody can supervise the administration process through the existing system. The business process improvement in order to perform the function of service begins with writing and documenting the Standard Operating Procedures for every activity at the entire unit of the Directorate General of Taxation, moves to the implementation of e-system by opening the online e-filing facility. All of the facilities are aimed at making it easier for the taxpayers to fulfil their tax obligations. Law enforcement is performed by improving the examination on a basis of risk-analysis, so that the existing resources can be effective for examining in accordance to the priority scale by making a risk segmenting. To apply equal justice for all taxpayers, those taxpayers who ceased sending the notice of tax and develop a

system that can collect various data from the third party related to the task of the Directorate General of taxation. The collecting function is more effective and efficient by performing the tax debt data supervision program.

The attempt to improve the function of the Directorate General of Taxation in conducting supervision towards the taxpayers, various policies and regulations are implemented to minimize the tax avoidance which is against the law. This kind of function supervision is a consequence of self-assessment system which is voluntary for the taxpayers to count, estimate, submit, and report his own tax by himself. The tax is considered proper until the government considers this conversely. However, in the implementation, most of the taxpayers are reluctant to pay tax properly. They always attempt to elude the tax paying. Therefore, in this self assessment system, the complete and accurate basic data of taxation is important for the Directorate General of Taxation. This data will be used as the evidence of the correct counting, submission, and report of the taxpayer. If mistakes still occur, the data will be used as the fundamental for evaluation and correction. Besides, the supervision towards the taxpayers' obedience must be supported by the improvement of internal supervision conducted by the Directorate General of Taxation in order to perform good governance and to improve external supervision. This is performed in order to collect comparative data from the third party which can be used to test the right report from the taxpayers. These internal and external supervision are expected to improve the administration service of taxation and to increase the tax earned income rasion transparently and accountably.

The amendment of the article number 14 of UUD 1945, concerning the Tax Court, is a set of law facility which is provided to resolve the dispute between the tax payer and the tax officials. The tax court authority in examining and deciding the tax disputes include all sorts of tax collected by the central government, including customs and taxes collected by the local government based on the law.

V. Conclusion

Earned tax income is one of the state fund resources used for development which is aimed at the citizen's welfare and prosperity. Thus, the tax sector plays an important role in developing the nation's prosperity development. However, it is inevitable that the state finds it problematic to collect tax for many taxpayers are not obedience in paying taxes; this becomes a great challenge for the government. The government has given tolerance for the taxpayers by giving notices as the first stage of warnings. However, many taxpayers are careless to pay taxes. Some taxpayers even avoid the obligation.

This cause the government to optimize the law supervision and law enforcement in the field of taxation. the government has created a mechanism that enables it to give objection for the taxpayers who are not obedience, and the existence of tax court is one of the authorities for examining and deciding disputes in taxation. The important thing is to have self-awareness of the taxpayers to pay taxes voluntary since tax income is compulsory, it is stated before the law which has no direct impact for the taxpayers. Be seen from the state financial, the direct and fast tax paying will increase the state financial so that the state is able to possess fund resources for fulfilling the state obligation, including to fulfil public needs such as public health, education, and prosperity.

References

- Ahmadi, Wiratni., (2006). *Perlindungan Hukum Bagi Wajib Pajak dalam Penyelesaian Sengketa Pajak*. Bandung : Refika Aditama.
- CST, Kansil dan Christine ST Kansil, (2000). *Hukum Tata Negara Republik Indonesia*. Jakarta : PT Rineka Cipta.
- Erin. (2021). The Effectiveness of Tax Administration Digitalization to Reduce Compliance Cost Taxpayers of Micro Small, and Medium Enterprises. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 4 (4): 7508-7515*.
- Farouq, M., (2018). *Hukum Pajak Di Indonesia (Suatu Pengantar Ilmu Hukum Terapan Di Bidang Perpajakan)*. Jakarta : Prenadamedia.
- Kasran, Hartini Mochtar., (1998). *Badan Penyelesaian Sengketa Pajak*. Bandung : Citra Adithya Bakti.
- Marpaung, A. (2020). Zakat Regulation as a Reduction of Income Tax in Indonesia. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 3 (3): 2109-2116*.
- Siregar, R., Nasution, I.R., and Arifin, M. (2019). The Effect of Corporate Taxpayer Compliance, the Increase of Corporate Taxpayers' Number and Tax Audits on Income Tax Receipts of Article 25 with Taxation Sanctions as a Moderating Variable in KPP Pratama Medan Petisah. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 2 (4): 385-400*.
- Sutedi, Adrian., (2016). *Hukum Pajak*. Jakarta : Sinar Grafika.