

TAX LAW AND ITS IMPLICATIONS FOR PEOPLE'S WELFARE

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ABSTRACT

Taxes are a crucial instrument in determining a country's revenue. However, challenges remain, especially in the face of societal resistance to tax collection. To achieve people's welfare, tax regulations are needed, namely tax laws, which require public awareness. Therefore, this paper will discuss the effect of tax law on the welfare of the Indonesian people. This paper uses the type of data that produces descriptive evidence, collects information about the relationship between variables, and deepens the data used in the study in this paper. This study uses secondary documents in the form of writing and figures from articles and news with trusted sites as the object of discussion in this report. The results show that taxes play a central role in Indonesia's economy, and the main source of state revenue is the income sector. Tax amnesty can be a solution to increase tax revenue by capturing new taxes and increasing public awareness about the importance of adherence to tax laws. Increased public awareness is needed so that facilities, education, services, and security can be improved to achieve better public welfare.

Keywords: *tax law, welfare, revenue*

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INTRODUCTION

In the beginning, taxes were not an obligation, but voluntary contributions from the public to the king as a form of support for state interests, such as maintaining security and financing the needs of royal employees (Agustina, 2020). Citizens who do not contribute in the form of goods or services are required to carry out public interest tasks within a certain time limit. Individuals with higher social status and adequate wealth can be relieved of this obligation by paying monetary damages (Hadiyanti, 2008).

Taxes initially in Indonesia were in the form of tribute or voluntary donations from the people to the king or ruler. However, these donations were only for the benefit of the ruler and were not returned to society. Over time, donations from the community are no longer only for the benefit of the ruler, but are directed to mutual benefits, such as maintaining security and building infrastructure. Thus, the funds channeled by the people are directed to collective needs (Tambunan, 2020).

In line with developments, the practice of donations that were originally voluntary and forced to be regulated with better rules, paying attention to the principle of justice. Therefore, the community is involved in the formulation of tax imposition rules, because the tax funds collected will be used for the common benefit of the community.

Taxes are a crucial instrument in determining a country's revenue. The government requires every individual to pay taxes according to established regulations (Felicia & Rasji, 2023). Tax collection is carried out on an obligatory basis based on applicable regulations. Although obliged to pay, the public does not directly get a reward for this obligation, because tax funds are used to finance state needs and expenditures, with the main aim of improving the welfare of the people.

In the tax collection process, which is the main source of state revenue, the government is expected to prioritize good tax collection principles, such as the principles of income productivity, social justice, economic efficiency, ease of administration, and compliance (Kabinga, 2016). A critical aspect of tax collection is that the costs involved in fulfilling tax obligations, such as tax calculation, supervision, and collection, should be done in a simple and efficient manner as much as possible (Tambunan, 2020). The concept of compliance costs includes costs incurred by taxpayers and the government to supervise the implementation of tax obligations (Mangoting et al., 2020)

The existence of the tax sector has an important and strategic role in the administration of government, as can be seen from the State Budget (APBN) and the Draft State Budget which are routinely submitted by the government every year. The increase in the percentage of tax contributions from year to year reflects this role (Prastiwi et al., 2019). The State Budget Law stipulates that the Source of State Revenue consists of Tax Revenue, Non-Tax State Revenue (PNBP), and Grants. State revenue and grant policies aim to support sustainable fiscal policy by optimizing state revenues, especially from within the country. This is in line with the role of income and grants as a source of funds to support development programs.

Tax according to article 1 of Law No. 8 of 2007 concerning General Provisions and Tax Procedures is a mandatory contribution to the state owed by an individual or entity that is coercive based on the Law, with no direct reciprocity and used for state purposes for the greatest prosperity of the people.⁴ With regard to the definition of tax according to Law No. 8 of 2007, It can be concluded that taxes are something that is coercive and must be paid by individuals or entities for the prosperity of the people. According to Feldmann (in Ilanoputri, 2020), taxes can be interpreted as payment obligations to the ruler imposed unilaterally in accordance with the norms established by the ruler, in the absence of remuneration for services or benefits provided to taxpayers, and only aimed at covering general expenses. Smeets also stated that taxes are payment obligations to the government that are regulated through general norms and can be imposed forcibly, in the absence of specific rewards addressed to individuals, with the primary purpose of funding government spending.

Taxes are a crucial source of state revenue in Indonesia, recognized as a legitimate revenue source to support the state government. They are categorized into direct, indirect, subjective, and objective taxes, with direct taxes imposing a fiscal burden on taxpayers, indirect taxes transferring burdens to other parties, and objective taxes focusing on the tax object itself. Central/state taxes have different collection authorities, with proceeds going to the state or regional budget.

Tax law is a set of rules governing how taxes are collected, including the situations or events that trigger the application of taxes, as well as the amount or amount of taxes imposed (Waid, 2020). Meanwhile, Material Tax Law includes provisions and norms related to tax objects, taxpayers, tax rates, and other aspects related to tax debt and legal relations between the government and taxpayers. Examples of material tax laws include Law Number 42 of 2009 concerning Value Added Tax & Luxury Goods Sales Tax, Law Number 12 of 1994 concerning Land and Building Tax, Law Number 36 of 2008 concerning Income Tax, Law Number 13 of 1985 concerning Stamp Duty, and Law Number 20 of 2000 concerning BPHTB.

Formal Tax Law is the provision and procedure for implementing material tax law into reality. Examples of formal tax law involve Law Number 16 of 2000 which was amended by

Law Number 28 of 2007 concerning General Provisions and Procedures for Taxation, and Law Number 19 of 2000 concerning tax collection by forced mail.

Based on the explanation above, it can be seen that taxes are one of the most vital sources of state revenue to support the implementation of government and national development. The important and strategic role of the tax sector in government implementation can be observed through the State Budget Draft submitted annually by the government, which reflects an increase in the percentage of income tax contribution to the state budget from year to year.

In the Non-tax Revenue aspect, policy measures taken by the government to achieve the Non-tax Revenue target involve optimizing revenues from natural resources, especially oil and gas, improving the performance of SOEs, and optimal utilization of non-tax revenues for ministries/agencies (Dita, 2019).

Based on the research above, the income sector has a significant impact on the development of community welfare. Taxes, as a source of development funds, have a crucial role that is reflected in the State Budget (APBN) and every annual draft APBN. To achieve people's welfare, tax regulations are needed, namely tax laws, which require public awareness. Therefore, this paper will discuss the effect of tax law on the welfare of the Indonesian people.

METHOD

The research method used in this study is qualitative method, which aims to investigate, illustrate, explain, and obtain qualities or advantages of social influence that cannot be revealed and measured in quantitative research (Fadli, 2021). This study uses the type of data that produces descriptive evidence, collects information about the relationship between variables, and deepens the data used in the study.

The information presented in this study was obtained from various sources, such as news, journals, and articles contained on the internet. Data collection is carried out directly through electronic media such as mobile phones and laptops to compile articles. The data collection technique used is documentation, where researchers do not collect data directly from the main party of the study (Prasanti, 2018). Data is collected from secondary documents in the form of writing and figures from articles and news with trusted sites as the object of discussion in this report.

Data analysis in this study included three steps. First, during data collection, researchers will select relevant data for research. Second, the results of the selection will be explained in narrative form. Third, researchers conduct analysis and draw conclusions from the data that has been generated (Kaharuddin, 2020). The conclusions drawn are open and dynamic, and if the conclusions cannot be proven by data, new conclusions will be drawn. The process of drawing conclusions is constantly monitored to ensure its credibility can be verified.

RESULTS AND DISCUSSION

Taxes as a State Economic Fund

Taxes as the main source of state revenue, play a crucial role in supporting a country's economy. Despite this, governments often suffer from shortages and are forced to go into debt both at the domestic and international levels. Tax levies are seen as a means of obtaining the necessary funds to finance various expenses, including routine and construction expenditures.

The significant increase in tax revenue is illustrated from the 2001 state budget data until now. For example, tax revenues from 2001 to 2004 showed a significant increase, as well as a simultaneously increased tax ratio. The function of taxes as a budget tool (Budgetair) becomes real, where taxes are used to collect as much funds as possible to support government expenditures, both routine and development.

Not only as a budget tool, taxes also have an important regulatory function (Regularend). Taxes can be used as a tool to regulate society and implement government policies in social and economic aspects. An example is providing tax incentives to increase investment in certain areas. However, the development of the state shows that these two functions are no longer enough. Therefore, the emergence of the investment function as a form of investment by taxpayers to the state is important. This function makes it easier for taxpayers to improve people's welfare through their investments.

The implementation of the three tax functions can be adjusted to the needs and political will of the government. For example, an increase in tax rates can be a tool to regulate society, while the use of budget or investment functions can be used to increase state revenues. In addition, tax rates have an important role in achieving fairness. Flat rates, comparable rates, degressive rates, and progressive rates are tools used to ensure that the tax system benefits all parties without causing economic distortions or injustices.

The importance of taxes as the backbone of state administration growth can be seen from the large amount of state revenue used for national development, social protection, poverty reduction, and infrastructure development. However, there is still great potential that has not been fully utilized, especially in terms of hampered tax collection.

Opposition to tax collection can be active, involving illegal tax avoidance, or passive, where people are reluctant to pay taxes because of an incomprehension of the tax system. Tax amnesty can be a solution to increase tax revenue by capturing new taxes and increasing public awareness.

The function of regional taxes is not only limited to filling regional treasuries (APBD), but also involves the provision of services by the government to the people as a goal of regional autonomy. In this context, the budgetary function plays a major role in filling regional coffers, while the regulenrend or regulating function leads more to the understanding of regional autonomy related to services to the community.

The importance of the regional tax function is further emphasized by the enactment of Law Number 9 of 2015 concerning the Second Amendment to Law Number 23 of 2014 concerning Regional Government, which emphasizes aspects of service to the community. There has been a paradigm shift in the view of local taxes, where the government is expected to provide counterachievements in the form of services to the community. The counterperformance is adjusted to the designation stipulated in the law and its implementing regulations, creating certainty regarding the obligation of counterinterpretation in providing services in accordance with the type of tax applied by the local government. The following are the types of taxes applied by local governments (Ilanoputri, 2020):

- 1) Motor Vehicle Tax and Motor Vehicle Name Reverse Duty: The purpose of using this tax proceeds includes road repairs, road signs, and the implementation of security and security facilities for motorists. In addition, funds are also allocated for the construction of docks/ports, terminals, and other infrastructure, including vehicle refueling points.

- 2) Motor Vehicle Fuel Tax (PBB-KB): The PBB-KB payment entitles taxpayers to facilities and infrastructure related to monitoring fuel quality and prices, as well as controlling their impact on the environment.
- 3) Surface Water Extraction and Utilization Tax: This tax is used by local governments for the maintenance and supervision of surface water ecosystems, involving the supervision and maintenance of waterways, rivers, riverbanks, irrigation, and the like both in terms of quality and quantity.
- 4) Cigarette Tax: Cigarette tax revenue in provinces and districts/cities is directed to support public health services.
- 5) Hotel Tax and Restaurant Tax: Hotel and restaurant taxes are used to ensure the safety and comfort of guests by providing adequate facilities.
- 6) Entertainment Tax: Similar to hotel and restaurant taxes, entertainment taxes aim at promoting all forms of entertainment related to entertainment entrepreneurs and the general public.
- 7) Billboard Tax: Funds from billboard tax are used by local governments for supervision, control, and maintenance of billboard-related facilities and infrastructure, including supervision of advertising materials and aspects of security and aesthetics of their placement.
- 8) Street Lighting Tax: Local governments are expected to use street lighting tax funds to ensure adequate electricity supply and provide sufficient street lighting facilities in their areas.
- 9) Nonmetallic Minerals and Rocks Tax: In addition to supporting the needs of entrepreneurs, this tax is also used for environmental aspects, including setting quality standards and supervision to overcome the impact of environmental pollution.
- 10) Parking Tax: Parking tax is used to regulate and regulate parking around parking management areas, with the aim of providing safe parking services for the community.
- 11) Groundwater Tax: Funds from the groundwater tax are directed to rehabilitation and reclamation due to groundwater exploitation, as a response measure to potential environmental damage such as erosion and drought.
- 12) Swallow's Nest Tax: This tax is implemented to prevent the taking of swallow's nest and is expected to be used to preserve nature.
- 13) UN Rural/Urban and BPHTB: The results of UN and BPHTB tax revenues are focused on improving spatial planning to support the development and development of regional autonomy at the district/city level.

The Effect of Tax Law on People's Welfare

Taxes still do not fully meet the needs of the people, especially in terms of infrastructure development such as roads that are damaged and have not been repaired, lack of bridge facilities that hinder the distribution of goods and cause high economic costs. In the field of education, although the allocation of education funds has reached 20% of the state budget and has increased every year, the impact is felt to be less significant. School operational assistance (BOS) provides a small amount to underprivileged communities, as well as allowances for auxiliary or non-permanent teachers that are minimal. Although operational assistance funds

are more focused on physical rehabilitation of facilities, teacher professional allowances are sufficient to contribute to the level of welfare of teachers.

Large tax revenues are expected to improve the quality of education in Indonesia. In the health care sector, the public health insurance program (jamkesmas) with a total fund of 7.3 trillion provides significant assistance to the poor, although more funds are still needed to ensure the convenience of public health. Indonesia's outdated military equipment, as often seen in land, sea, and air accidents, demonstrates the need for investment to update military equipment.

The sustainability of national development is highly dependent on taxes to achieve people's welfare. A mature strategy and sufficient capital are necessary for national growth, and good resource management is essential to ensure adequate national income to finance development. A country's goal to achieve public welfare can be measured by the success of economic development, public health, and quality of life.

All the principles of services provided by local governments to the community cannot be realized without the support of a deep understanding of the essence of local taxes and the seriousness of local government officials in implementing them. The principle of regional autonomy gives authority to local governments to provide services directly to local communities, which in fact, are often faced by several obstacles in designing a fair tax system (Rasji, 2023). Some of the issues that arise involve:

- 1) There are a number of people with relatively low incomes, but are taxed because of the low average tax rate, so that the lower middle class is also affected.
- 2) Inaccuracies in data related to tax application.
- 3) Lack of accuracy in judgment that can be detrimental to the poor.
- 4) The impact of economic growth affected by the implementation of progressive taxes.

All these factors show the complexity in creating a tax system that is not only fair but also efficient in supporting local government services to the community. Although taxes have an important role in national development, facilities and services that are still lacking show a lack of public awareness in paying taxes. Therefore, increasing public awareness of the importance of adherence to tax law is needed so that facilities, education, services, and security can be improved to achieve better public welfare.

CONCLUSION

Taxes play a central role in the country's economy and people's welfare. As a compulsory contribution of a coercive nature, taxes are the main source of revenue for the government and are used for various state purposes. Its function goes beyond the budgetary aspect, acting also as a regulatory instrument in the social and economic fields. In tax law, which is part of fiscal law, there is a classification of taxes based on the nature, object, and institution of the collector, including material and formal provisions such as tax objects, taxpayers, and tax rates.

Taxes are used to support government spending, including national development, social protection, and infrastructure. The increase in tax revenue reflects its effectiveness as a regulatory tool to achieve social and economic justice. However, challenges remain, especially in the face of societal resistance to tax collection. Initiatives such as tax amnesty are needed to increase tax revenue and awareness. Regional taxes also play an important role in regional

autonomy, with the implementation of the Local Government Law that emphasizes community services in accordance with the type of tax applied.

Although tax revenues are considerable, there are still shortcomings in infrastructure, education, and health. Therefore, more effective strategies and efficient resource management are needed to ensure optimal use of tax revenues for national development and public welfare. Raising public awareness about the importance of adherence to tax laws is key to ensuring adequate services and facilities for the overall welfare of society.

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