



The role of tax law in the national economy

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ABSTRACT

The purpose of our research is to discuss "What is the Role of Tax Law in the National Economy", because tax law plays an important role in regulating the country's economic system. The contribution of tax law to national economic stability and growth is the subject of this research. This study focuses on the impact of tax law on investment, consumption, and income distribution by analyzing the tax law framework in the context of fiscal policy. In addition, this study discusses the role of tax law in influencing taxpayer behavior, tax compliance, and government efforts to manage tax revenue to achieve economic development goals. To promote inclusive and sustainable economic growth, this research emphasizes the importance of clear, transparent, and equitable tax laws. Therefore, policymakers can gain useful knowledge about the function of tax law in the context of the national economy.

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1. Introduction

Taxes, one of the sources of state revenue, are mandatory levies that will be used for social purposes. According to Article 1 of Law No. 6 of 1983, which has been amended into Law No. 16 of 2009, concerning General Provisions and Tax Procedures (KUP), taxes are obligations that must be paid by individuals or entities that are compelling based on the Law, without getting direct rewards, and are used for state purposes for the greatest prosperity of the people (Fakhruzy, 2020a).

Taxes build and maintain the welfare of the people; therefore, the growth of the country's welfare depends heavily on the revenue sector. Since so many taxpayers do not pay their taxes, it is obviously difficult for the state to collect taxes. In this circumstance, the person who owes the tax is the taxpayer, as both the arbitrary and objective conditions of a taxpayer have been met (Larasati, 2022; Purwowidhu, 2024). In the context of tax, the term "objective" refers to the clause that is intended to be used. For example, if someone lives in Indonesia and earns money, they can be considered to meet the objective requirements, and their status will be changed to taxpayer, which means they have to pay tax (Bakeuda, 2021).

Indonesia's economy is growing rapidly. Currently, the country is striving to become even better by conducting national development in various fields in the hope of improving the economy and prospering the lives of its people. Therefore, rules governing tax revenue are necessary to fulfill the country's goals and ensure that the goals are realistic. The state therefore needs rules that can control tax collection to fulfill its objectives and ensure that the objectives it sets for itself are realistic (Arfana, 2017).

The effectiveness of tax law enforcement in Indonesia in the last five years can be seen from several main aspects, such as increasing tax revenues, reforming tax administration, increasing taxpayer compliance, and taking action against tax violations.

Increased Tax Revenue, The Indonesian government has made various efforts to increase tax revenues, including through the tax amnesty program which took place in 2016-2017. This program has succeeded in increasing the taxpayer database and increasing tax revenues.

Tax Administration Reform, The Directorate General of Taxes (DJP) continues to modernize tax systems and processes by adopting more sophisticated information technology. The implementation of e-filing and e-billing systems has made it easier for taxpayers to report and pay taxes.

Increased Taxpayer Compliance, Education and outreach regarding the importance of paying taxes regularly is carried out by the DJP. Intensive tax awareness campaigns on mass and social media also help improve compliance.

Some of the main obstacles in tax law enforcement are taxpayer non-compliance, complexity of regulations and limited resources. Ways to overcome them can be through Education and Socialization, Simplification of Regulations, Increased Supervision and Law Enforcement.

Indonesia's tax system has several differences from other countries in Southeast Asia. In general, Indonesia has a higher corporate tax rate compared to several neighboring countries such as Singapore and Malaysia. However, Indonesia also applies various tax incentives to certain industries and has a complex tax structure that affects tax compliance and administration. Best practices that can be adopted to improve the tax system in Indonesia include simplifying tax regulations, increasing transparency, strengthening supervision and law enforcement, as well as providing measurable tax incentives to encourage investment and economic growth.

Indonesia's economy is growing very fast. Currently, the country is trying to be even better by carrying out national development in various fields in the hope of improving the economy and prospering the lives of its people. Therefore, regulations governing tax revenue are necessary to fulfill the country's objectives and ensure that those objectives can be achieved (Fakhruzy, 2020b).

In order to fulfill the purpose of the country and ensure that the purpose is achieved, there needs to be rules that control tax collection. Because many taxpayers, who are individuals who meet the state's tax collection requirements, are not eligible to pay their taxes (Hidayat & Putri, 2024). As a result, we propose laws that compel and punish taxpayers who do not fulfill their promise to pay taxes (Binus University, 2022). To achieve the country's goals, it is also necessary to have laws that regulate tax revenue. Due to the large number of taxpayers who do not pay taxes, the government must create a mechanism that can provide taxpayers with coercive power (Hudiyanto, 2016)

As a result, tax law is essential for regulating the economy, ensuring the balance of resources, and promoting sustainable progress. In the absence of an effective taxation system, the country will find it difficult to perform essential functions and achieve its economic and social goals (Chamalinda & Rohma, 2023).

Below is the formulation of the problem in accordance with the purpose of this writing is as follows (Marlinah, 2020): a) How do tax laws regulate the economy in Indonesia?; b) What is the impact of the tax law on economic development in Indonesia?; c) How has the Indonesian economy developed in the past five years after the tax law?

2. Method

legal research in general is a form of study based on certain juridical, normative and philosophical principles. This research aims to study existing legal symptoms through analysis of legal facts and then find current solutions to problems that arise in these symptoms (Damayanti, 2019).

a. Method of Approach

The juridical-normative method is used to solve the problem at hand. This method is a research process from the point of view of legal science from the normative juridical side. This method produces legal analysis based on principles and norms that exist in the legal system through examination of primary and secondary materials (Fakhruzy, 2020c).

b. Research specifications

There are three types of research: descriptive, analytical, and descriptive analytical research. All of these types provide a thorough explanation of the research subject in accordance with the law. This legal research uses descriptive analysis. Winarno Suratchmad explains this type of research as follows: (a) The aim is to solve actual and existing problems. (b) The data collected is put together explained, and then analyzed Based on the findings of this research, a list of current phenomena will be made with reference to relevant scientific literature. Consequently, the purpose of this research is to provide a thorough and systematic analysis of all aspects that have to do with economic development in Indonesia.

c. Data Collection Method

Information is collected to achieve the research objectives. Secondary data obtained through desk research is processed using this method. Therefore, data sources are things that must be considered when using secondary data, the limits of the concepts used, and the rigor in collecting data. Secondary data collection techniques are also used to study writings, legal experts, laws and regulations, and lecture materials relevant to this research. Primary and secondary law are two parts of the data collection technique. a) Primary legal materials include legislative institutions. This primary legal material reviewed in writing includes: (a) Law Number 9 of 1994 concerning General Provisions and Tax Procedures, (c) Law Number 10 of 1994 concerning Income Taxes. (d) Law No. 11 of 1994 on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods or Law No. 10 of 2000. (e) Law No. 12 of 1994 on Land and Building Tax (PBB). (f) Law No. 13 of 1985 and Government Regulation No. 7 of 1995 on Stamp Duty

Secondary legal materials, which include data collection methods related to the implementation of land administration, including: (a) Collection techniques on tax law, (b) Journal on the Role of Tax Law in the National Economy. Normative qualitative analysis was used from the beginning to the end of the research as it provided the necessary data for analysis from the beginning. The results of the analysis conducted at the beginning will determine the rest of the research process. This study shows that tax law is influential in the national economy. Able to reach a conclusion is the deductive method, which uses general facts to make specific conclusions.

3. Analysis and Results

3.1. How the Tax Law Regulates the Indonesian Economy

Tax law not only regulates the relationship between the state and legal entities that are obliged to pay taxes, but also regulates the relationship between taxpayers and the government as tax collectors (Hudiyanto, 1992). The two main parts of tax law are material and formal tax law. Material tax law includes regulations that describe the circumstances, deeds, and legal events that should be taxed, as well as who should be taxed. should be taxed and how much the tax should be. Formal tax law regulates the relationship between taxpayers (Darusman, 2019).

Tax employees who perform these tasks, such as tax officials, preliminary evidence examiners, tax investigators, tax digital forensic examiners, state tax bailiffs, objection reviewers, and tax dispute review and handling, are known as tax law enforcers (Indriani, 2016)

In addition, tax laws help establish an effective tax collection system, clarify who and what should be the source of tax collection, and divide the financial burden of the state into people's participation through tax payments (Kusuma & Simanungkalit, 2022).

The amount of tax to be paid is regulated by the tax laws applicable in Indonesia. Knowing, reporting and paying their own tax obligations is a taxpayer's ability given by the self-assessment system. Tax financing is very helpful for the development of the national government because many taxpayers have income but do not fulfill their obligations as taxpayers, such as not reporting, and arrears.

3.2. How the Tax Law Impacts Economic Development in Indonesia

Indonesia's economy has experienced many changes and difficulties in recent years. Indonesia has enormous potential as it has the largest economy in Asia. However, Indonesia's economic growth has slowed in recent years. Growth in 2023 will be slightly lower than the previous year, reaching 5.05%. Indonesia's economy was severely affected by the Asian financial crisis of the late 1990s. Indonesia became the country most affected by this disaster, losing its economic progress during the New Order era (Abadiyah, 2023).

Indonesia's economic conditions have undergone many changes and challenges in recent years. Due to its huge potential, Indonesia's economy is now the largest in Asia, but growth has slowed in recent years. The Asian financial crisis of the late 1990s severely affected Indonesia's economy, and growth in 2023 will be slightly lower than the previous year, reaching 5.05%. The country most affected by this disaster is Indonesia, which lost its economic progress during the New Order era (Rukmini, 2016).

Indonesia's economy, however, has stalled in recent years. The Asian financial crisis of the late 1990s had a major impact on the Indonesian economy, and growth in 2023 will be slightly lower than the previous year, reaching 5.05%. Indonesia has been the most affected by this disaster, as the country lost its economic progress during the New Order era. As the COVID-19 pandemic ended, Indonesia's economy has recovered. Increasing domestic consumption, boosting business activity, and maintaining economic stabilization and monetary expansion were some of the policies taken by the Indonesian government to help the economy recover. However, high unemployment, high inflation, and dependence on raw commodity exports are some of the problems that Indonesia still faces (Purnawan, 2011). Micro, small, and medium-sized businesses (MSMEs) in Indonesia account for 99% of all active businesses, contribute around 60% of the national GDP, and employ nearly 108 million people (Ferdiana & Laksmi, 2018).

Some important things related to Indonesia's tax laws include: Tax law is a collection of rules and regulations that govern the payment of taxes by taxpayers to the government. It plays an important role in the country's economic growth (Pradana, 2013): (a) Law Number 28 Year 2007 on General Provisions and Procedures The subject, object, and basis of tax imposition,

rates, and methods of tax payment are regulated by taxation. (b) Law Number 36 Year 2008 on Income Tax (PPH) regulates tax on income received by individuals and companies. (c) Law Number 42 Year 2009 on Value Added Tax (VAT) and Luxury Goods Sales Tax (STLG) regulates the imposition of VAT on the delivery of taxable goods and/or taxable services within the customs area and STLG on the delivery of taxable goods that are considered luxurious. (d) Law No. 28/2009 on Local Taxes and Levies regulates the types of local taxes that can be levied by provincial and district/city governments.

To regulate the country's revenue and finances, tax laws are essential. Here are some consequences that tax laws have on the national economy (Putri & Taun, 2023): (a) State Revenue Management: The Tax Act allows the government to collect revenue from taxpayers, which is then used to finance infrastructure, education, and healthcare, among others. This ensures that the government has sufficient resources to do its work. (b) Fiscal Policy Management: The Tax Law also enables the government to implement sound fiscal policy. The government can ensure economic stability and improve economic balance by controlling economic growth and controlling inflation. (c) Public Revenue Management: The Tax Act also affects people's income as it gives the government the ability to raise money to improve people's quality of life, such as by building infrastructure and educational facilities. As such, the Tax Act helps to improve people's welfare. (d) Effective Tax Policy Management: The Tax Law also enables the government to manage tax policy well. The government can increase tax revenue and reduce corruption by implementing a clear and transparent tax system. This ensures that state revenues are used efficiently. (f) Economic Recovery-Oriented Tax Policy Management: In light of the Covid-19 pandemic, the government can manage tax policies that focus on economic recovery by using tax incentives to improve economic performance and accelerate economic recovery.

Thus, the Indonesian Tax Law plays an important role in the country's economic growth. Taxes are the main source of state revenue and a tool to regulate economic growth and ensure the financial stability of the country. With taxes, the government can finance necessary expenditures in the public interest and increase the ability of people to contribute to the country's economic progress (Bappenas, 2023).

3.3. The development of the Indonesian economy in the past five years after the tax

The development of the Indonesian economy after the implementation of the Tax Law has shown some significant changes. Here are some examples: (a) Tax Reform: The Tax Law has undergone several reforms, such as simplification of taxation and an increase in the average tax rate. The purpose of this policy is to encourage public participation in paying taxes to the state. (b) Improved Tax Revenue Performance: Using the fiscal consolidation strategy, the government has improved the budget deficit and tax ratio by implementing policies that improve tax revenue performance, tax administration reform, increasing the tax base, and establishing a tax system that prioritizes fairness and legal certainty. (c) Use of NIK as NPWP: The use of NIK as NPWP has helped close the compliance gap and increase tax revenue. This is done to reduce the economy of light, which is one of the barriers to state revenue. Indonesia's economy has been growing in recent years, thanks to the government's efforts to increase tax revenue and reduce the budget deficit. However, there are still some challenges to be faced, such as global uncertainty and a secretive economy that impacts the national economy (Undang-Undang Nomor 1, 2013).

Indonesia's economic growth from 2020 to 2024 showed significant fluctuations due to various global and domestic factors.

Table 1. Global Piracy: Indonesia's economic growth, 2020-2024.

Years	Persentase	Reason's
2020	-2,07 %	The economy is contracting due to the severe impact of the COVID-19 pandemic
2021	3,7%	Growth picks up again as economy recovers from pandemic
2022	5,31%	Strong recovery driven by surge in commodity exports
2023	4,8%	Growth is projected to slow down as the impact of the commodity boom wanes
2024	5,07%	Supported by domestic consumption and investment in infrastructure

Source: Primary data, 2024 (Edited).

4. Conclusion

Changes in taxation in Indonesia shape a broad and complex impact on various aspects of society, including law, economics, and sociology. Taxation changes continue to strive to increase people's purchasing power, investment, and the efficiency of public services to overcome problems. According to the DJP's Annual Report on Performance 2009-2023, taxpayer compliance has increased since 2017, indicating the level of effectiveness of tax law enforcement in Indonesia over the past five years. As the effective application of tax law provides a deterrent effect on non-compliant taxpayers, the application of law affects tax compliance. This increase in compliance affects tax revenue. Preventive supervision conducted on draft local regulations allows the central government to know the legal needs of the people in the regions.

One of the main obstacles in the enforcement of tax law is low public awareness of tax obligations and the sanctions imposed, The failure of law enforcement is inconsistent supervision and sanctions, Limited resources and databases are not complete and accurate, Corruption and offenses committed by tax staff members lower public trust, Limited human resources and knowledge of taxation.

To improve the tax system, the government should increase productivity, reduce administrative errors, use information technology, and cooperate with other countries to share tax data. The government should provide tax legal certainty to increase voluntary compliance and take strict and harsh legal action against those who commit tax crimes. The government should increase international cooperation to prosecute tax offenses and share information.

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