

Chaotic Tax Regulations in Indonesia

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Abstract

This research examines the implementation challenges of Minister of Finance Regulation (PMK) No. 81/2024 concerning *Tax Provisions* for the *Core Tax Administration System* in Indonesia. Using a normative juridical approach, the research analyzes the regulation's alignment with higher laws and its practical implications for stakeholders. The findings reveal three critical issues: (1) potential contradictions with the *VAT Law*, particularly regarding input tax credit provisions; (2) implementation difficulties due to the regulation's complexity and short adaptation period; and (3) legal uncertainties arising from ambiguous formulations. The study highlights how these challenges may undermine the regulation's objectives of simplifying tax administration and improving compliance. The research contributes to the discourse on tax policy reform by demonstrating the tension between ambitious regulatory modernization and practical implementation realities. It recommends several policy improvements, including clearer guidance documents, phased implementation, and enhanced stakeholder education programs. These findings are particularly relevant for policymakers considering similar large-scale regulatory reforms in developing countries. The study underscores the importance of balancing innovation with legal certainty in tax system modernization efforts.

Keywords: tax regulation, Omnibus Law, legal certainty, tax administration reform, Indonesia

INTRODUCTION

In an effort to modernization and digitalization of Indonesia's tax system, the government has issued a very significant regulatory breakthrough, namely Regulation of the Minister of Finance (PMK) Number 81 Year 2024 on Tax Provisions in the Framework of Implementing the Core Tax Administration System (Ariffin & Sitabuana, 2022; Hafizhah et al., 2021; Hakki, 2022; Karisma, 2019; Lolo et al., 2022; Rahmawati & Ibrahim, 2016; Tita et al., 2022; Waluyo, 2017). This comprehensive regulation, which was enacted on October 14, 2024 and effective from January 1, 2025, is a “sweep of the universe” regulation consisting of 11 chapters and 484 articles with a total of 642 pages including appendices, which amends or revokes various tax regulations that existed or were still valid before (Choi et al., 2020; Vitalis, 2019; Wang et al., 2023).

PMK 81/2024 is not just an ordinary regulatory change, but the legal foundation underlying the operationalization of a revolutionary tax application system, namely the Core Tax Administration System (Coretax or SIAP - Core Tax Administration System) (Cotton & Dark, 2017; Djuniardi et al., 2022; Juwita & Qadri, 2024; OECD, 2022; Rahmi et al., 2023). This system is urgently needed by our country because it aims to integrate various tax systems that have been standing alone (silos) with the population administration system and is likely to be connected to other state administration systems, so that it becomes an integrated administrative information system.

This digital transformation is designed to create a more transparent, effective, efficient, and accountable tax ecosystem. By harmonizing 42 previously repealed PMKs, the new regulation provides much-needed technical guidance in the implementation of the core tax administration system, complete with sample document formats as well as examples of tax calculation, collection, and reporting. This will provide significant convenience for taxpayers in managing their tax administration, starting from the registration, reporting, and payment processes, such as:

1. NPWP registration can be done at all tax service offices in Indonesia.
2. With the availability of a virtual account, taxpayers can exercise their rights and/or fulfill their tax obligations electronically.
3. The tax payment due date is uniform on the 15th of the following month.
4. Taxpayers can make payments and deposits from Tax deposits.
5. The government simplifies the process of applying for fiscal facilities if taxpayers fall into a predetermined category.
6. Summing up the creation of a billing code, one billing code can be made to deposit many types of taxes.
7. Easier reporting of tax returns (notification letters).
8. Can obtain tax object numbers (NOPs) online and makes it easier to report Tax Object Notification Letters (SPOP) and can be a good *"dashboard"* for tax officers, allowing DGT to provide early warnings and improve tax compliance without the need to conduct complex manual checks.

The urgency of this issue lies in the potential for widespread confusion, misinterpretation, and disputes, particularly given the regulation's complexity and the severe consequences of non-compliance. Previous research, such as studies by Space Shuttle (2017) and Nasriyan (2019), have emphasized the importance of legal hierarchy and certainty in tax policy, yet gaps remain in understanding the practical challenges of large-scale regulatory overhauls like PMK No. 81/2024. This research addresses these gaps by critically examining the regulation's alignment with higher laws, its operational hurdles, and its impact on taxpayers and administrators. By doing so, it offers novel insights into the effectiveness of the Omnibus Law approach in tax reform and provides actionable recommendations to enhance regulatory clarity and stakeholder confidence. The study's objectives include evaluating the regulation's consistency with legal principles, identifying implementation barriers, and proposing solutions to mitigate risks. Ultimately, this research aims to contribute to more informed policymaking and foster a tax system that balances innovation with legal certainty and public trust.

RESEARCH METHOD

This study used a normative juridical method with a qualitative approach to analyze legal issues in PMK No. 81/2024. Data collection was conducted through literature studies, including analysis of legal documents such as related laws and regulations (Law No. 12/2011, Law No. 13/2022, Law No. 7/2021), PMK No. 81/2024, and relevant scientific articles and official reports. Content analysis of the regulatory text was performed to identify potential inconsistencies, ambiguities, or conflicts with higher legal hierarchy. The data were analyzed descriptively and qualitatively using a legal hermeneutic approach to systematically interpret

the regulatory texts and understand their meaning, context, and implications for legal certainty. The analysis results were then compared with legal principles such as *Lex Superior Derogat Legi Inferiori* and Hans Kelsen's *Grundnorm* theory to assess PMK No. 81/2024's conformity with the Indonesian legal framework. This study also incorporated stakeholder responses, including the official statement of the Directorate General of Taxes (KT-08/2025), to provide practical perspectives. By combining legal text analysis with implementation context, this method provided a comprehensive evaluation of the regulation's impact on the Indonesian tax system.

RESULT AND DISCUSSION

Systematics of the Formation of Positive Law in Indonesia

The provisions for the establishment of laws and regulations or positive laws in Indonesia are regulated in Law No. 12 of 2011 which has been updated with Law No. 13 of 2022. Indonesia adheres to the principle of the Law "*Lex Superior Derogate Legi Inferiori*" which means that regulations that have a lower degree must not be contrary to higher regulations, Hans Kelsen's Theory, namely the Basic Norms (*Grundnorm*) and the Hierarchy of Norms (*Stufenbau Theory-Stufenbau des Recht*) (Antariksa, 2017), this is reflected in articles 3 and 7, Law No.12 of 2011;

Article 3 which reads:

The 1945 Constitution of the Republic of Indonesia is the basic law in the Laws and Regulations.

Article 7 which reads:

The types and hierarchy of Laws and Regulations consist of:

- a. Constitution of the Republic of Indonesia in 1945;
- b. Decree of the People's Consultative Assembly;
- c. Government Laws/Regulations in lieu of Laws;
- d. Government Regulations;
- e. Presidential Regulation;
- f. Provincial Regional Regulations; and
- g. Regency/City Regional Regulations

In addition to the two articles mentioned above, there are still articles that need to be considered, namely about legal certainty, which is stated in the explanation of Article 6 paragraph 1 letter i, Law No. 12 OF 2011 which reads: What is meant by the "principle of order and legal certainty" is that every Material of the Content of Laws and Regulations must be able to realize order in society through the guarantee of legal certainty. Legal certainty is "*sicherheit des Rechts selbst*" (certainty about the law itself). There are four things related to the meaning of legal certainty. First, that the law is positive, meaning that it is a law (*gesetzliches Recht*). Second, that the law is based on facts (*Tatsachen*), not a formulation of judgments that will later be made by the judge, such as "good will", "decency". Third, that the fact must be formulated in a clear way so as to avoid errors in interpretation and also be easy to implement. Fourth, the positive law must not be changed frequently (Nasriyan, 2019).

If we study the systematics above and then apply it to the implementation of PMK 81 of 2024, then in PMK 81 of 2024 we find things that contain elements of one of the articles that

can be considered not in accordance with the rules or provisions in the formation of laws and regulations, namely:

1. This PMK is not in accordance with the explanation of article 6 paragraph 1 letter a, Law No. 12 of 2011 What is meant by the "principle of protection" of laws and regulations must function to provide protection to create public peace.

With an extraordinary number of articles and chapters, namely 484 articles, 11 chapters in 642 pages and only two months, since it was promulgated on October 18, 2024, and which is effective as of January 1, 2025, taxpayers and tax officers are "forced" to understand and be able to implement all the regulations of changes in this PMK, We think it's a very difficult thing. The public is quite worried, anxious and unpeaceful, because this FMD is a type of positive law which means that there is an element of punishment if there are taxpayers or citizens who do not carry out or comply with this regulation.

2. There is one article in PMK 81 of 2024 which, if interpreted, can contradict the article in the regulation with a higher hierarchy, namely Law No. 7 of 2021 concerning the Harmonization of Tax Regulations, with the following explanation;

- In article 375, PMK 81 of 2024 concerning, which reads: **Input tax in a tax period is credited with output tax in the same tax period.** This article can be interpreted as a standard input tax invoice obtained from another party when purchasing goods from a seller who can issue a tax invoice or a taxable entrepreneur (PKP) only has a validity period of 1 tax period or 1 calendar month, this very significant change makes taxpayers worried and anxious about losing the value of the input tax invoice if they do not immediately or late credit the input tax invoice.

What still has a crediting period of three tax periods, or three calendar months is only certain documents whose position is the same as the input tax invoice, according to the WWW attachment or example in PMK No. 82 of 2024.

This article amends : Article 63 paragraph 1, PMK 18 of 2021 which reads: Input tax that can be credited as referred to in article 62 paragraph 1, but has not been credited with output tax in the same tax period, can be credited in the next tax period no later than 3 (three) tax periods after the end of the tax period when the tax invoice is made.

- It turns out that Article 375, PMK 81 of 2024 can be interpreted as contrary to Article 9 paragraph 9, Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (VAT Law/PPnBM) as it has been amended several times, most recently amended by Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law).

Article 9 paragraph 9, reads: **"Input tax that can be credited, but has not been credited with output tax in the same tax period, can be credited in the next tax period no later than 3 (three) tax periods** after the end of the tax period when the tax invoice is made as long as it has not been charged as a fee or has not been added (capitalized) in the acquisition price of BKP or JKP and meets the crediting provisions in accordance with the Law.

This had confused all stakeholders involved in the implementation of PMK 81 of 2024, whether taxpayers, tax consultants or tax officers who were "in the field", in the midst of the turmoil of all stakeholders on February 20, 2025 the Directorate General of

Taxes issued a written statement with the code or number: KT-08/2025 one of the points, namely the fourth point reads: PMK-81/2024 **does not explicitly stipulate** that input tax in e-Faktur can **only** be credited in the same Tax Period, nor **does it prohibit** the crediting of input tax in e-Faktur in the next tax period for a maximum of 3 (three) tax periods. Therefore, in order to accommodate the needs of Taxable Entrepreneurs (PKP), the Coretax DGT application has been updated so that input taxes on e-Faktur can be credited with output tax for a maximum of 3 (three) tax periods in the next tax period.

CONCLUSIONS

Good regulatory goals should be achieved through proper drafting that complies with the applicable laws and regulations, especially since Minister of Finance Regulations, such as PMK No. 81/2024, are legally binding once published, based on delegations from the Tax Law and related legislation (Law No. 12 of 2011 as amended by Law No. 13 of 2022, and Presidential Regulation No. 40 of 2018). Therefore, the formation of PMK No. 81/2024 should carefully consider all relevant legal aspects to ensure stakeholder agreement and smooth implementation. To facilitate this, a phased implementation approach is recommended, supported by comprehensive education programs and robust feedback mechanisms to promote understanding, compliance, and continuous improvement. Future research should focus on the benefits of extensive pre-implementation testing and broader stakeholder consultations in similar regulatory reforms to better align policy objectives with practical outcomes, enhancing legal certainty and fairness in Indonesia's evolving tax system.

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