International Journal of Multicultural and Multireligious Understanding

http://ijmmu.com
editor@ijmmu.com
ISSN 2364-5369
Volume 9, Issue 11
November, 2022
Pages: 315-321

# Collecting Incoming Tax Through Self Assessment System: Ideology and Prosperity

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http://dx.doi.org/10.18415/ijmmu.v9i11.4252

## Abstract

Tax is a state obligation and service as well as the active role of the state and community members to finance various state needs whose implementation is regulated in laws and regulations for the welfare of the nation and state. This study aims to identify the practice of collecting income tax with a self-assessment system in Badung Regency, Bali Province. The research method is exploratory to identify various indications related to the implementation of the self-assessment system in collecting incoming tax while adhering to the taxation principles that are universally adopted, namely justice, administrative convenience/efficiency and productivity of state revenues. Data collection techniques using interview guidelines, and literature study. The informants were tax payers in Badung Regency which were selected purposively. The results reveal that collecting incoming tax through self-assessment system is an endeavor of improvements that are mainly intended for the system and procedures for paying taxes in the current year so as not to disturb the liquidity of taxpayers in running their business. Therefore, the directions and objectives of the improvement of the Income Tax Law are 1) to improve the fairness of tax imposition, 2) to provide more convenience to taxpayers, 3) to support government policies in order to increase direct investment in Indonesia, both foreign and domestic capital investments in certain business fields, especially in Badung Regency.

**Keywords:** *Tax Payer; Self-Assessment; Ideology; Prosperity*

## Introduction

Humans socializing in their environment should not act as they wish and highlight their own interests, but must uphold the value of common interests, so that harmonization of life can be realized based on the norms in that life. The 1945 Constitution as a grundnorm further stipulates that through regulations in it, it is made so that citizens can live in prosperity to achieve their goals, requiring large amounts of funds to finance various development needs in a broad sense. A question may arise is where the funds can be obtained. If it is looked at the state budget, the income received by the state is obtained from two sources, namely domestic revenue and foreign aid. Domestic revenues are obtained from oil and gas revenues, tax and non-tax revenues,

Tax revenue is the most potential source of income for the state, because the amount of tax is in line with the rate of population growth, economy and political stability. Article 23A of the third amendment of the 1945 Constitution states "Taxes and other levies that are coercive for the purposes of the state are regulated by law". Tax levies reduce individual income or wealth but on the contrary are community income which is then returned to the community, through routine expenses and development expenditures which eventually return to the whole community which is beneficial to the people.

Before the tax law is drafted, in the process always pay attention to issues of theory and principles that are universal and unique in nature, especially those related to the issue of fairness of collection. Unlike retribution, which is a form where payments made by individuals can directly receive returns, tax collection in its implementation does not provide direct counterperformance, so a special review is needed to provide arguments to the public about why the state has authority and/or justice. in collecting taxes and why people are obliged to pay taxes. With the rapid socio-economic development as a result of national development and globalization as well as reforms in various fields and after evaluating the progress of the implementation of the tax law so far,

The amendment to the Income Tax Law is still adhering to the taxation principles that are universally adopted, namely fairness, administrative convenience/efficiency and productivity of state revenues and maintains the self-assessment system. Improvements are mainly intended for the system and procedures for paying taxes in the current year so as not to disturb the liquidity of taxpayers in running their business. Therefore, the directions and objectives of the improvement of this Income Tax Law are (1) to increase the fairness of tax imposition, (2) to provide more convenience to taxpayers, (3) to support government policies in order to increase direct investment in Indonesia, both foreign and domestic investment in certain business fields and areas that receive priority. In the self-assessment system, it is implemented to provide maximum trust and freedom for the community in order to increase public awareness and participation in depositing their taxes. The consequence of running this system is that the public must really know the procedures for calculating taxes and everything related to paying taxes, such as when to pay taxes, how to calculate the amount of taxes, to whom the taxes are paid, what happens if there is a miscalculation as well as if ones forget to pay the tax, and what sanctions will be received if tax provisions are violated.

The income tax collection system is based on a self-assessment system using a tax return (SPT). Based on this system, the SPT functions as a means of reporting taxes and accounting for the calculation of the amount of tax payable and reports on the fulfillment of tax payments that have been made in one tax year. Every taxpayer is obliged to take his/her own SPT, fill out, and calculate the SPT. According to Bandiyono and Husna (2019) one should fill out and calculate the tax payable oneself for a tax period and submit the SPT to the Directorate General of Taxes. Tax collection with this self-assessment system creates problematic and inhibiting factors in this system.

## *Literature Review*

Some definitions of tax can be explained that tax is government revenue from imposing on a person's or company's income, expenses, wealth and profits, capital and on immovable property rights. And there is an opinion regarding the definition of tax if viewed from a legal point of view, it is an agreement that arises because of the law that is required by a person who fulfills the conditions determined by law to pay a certain amount of money to the state (treasury) that can be forced without getting a reward that can be appointed directly, which is used to finance state expenditures (routine and development) and which is used as a tool (encouraging and hindering) to achieve goals outside the financial sector (Cahyadini et al, 2021).

Taxes are basically one of the main sources to finance state expenditures, therefore one of the tax functions is as a budgetary function, namely a function located in the public sector and taxes here are a tool (a source) to put in as much money as possible as it is in the state treasury which in time will be used to finance state expenditures (Hajdúchová et al, 2015). According to Sulistyawati (2022) since 1983 tax reforms have been carried where previously it adopted an official self-assessment system, which is a collection system that authorizes the government (fiscus) to determine the amount of tax received by taxpayers into a self-assessment system, namely a collection system that authorizes taxpayers in order to determine the amount of tax due.

The function of the government (tax officials) is to carry out more tasks of coaching, guidance, service and supervision. The existence of taxes in the above sense seems to be only a source of state finances used for public investment, as has been described above, the tax function is to control state policy, because automatically if development is financed from taxes, the people who pay taxes have a role to participate in as well as in exercising control over various state policies through their representatives in the House of Representatives (Mills, 2012). The two functions above are more commonly known as budgetary functions and regularend functions. The function of the budgetary/financial is to put as much money as possible into the state treasury, with the aim of financing state expenditures (Vorontsova, 2018).

Broadly speaking, the tax subject is the parties (person or entity) who will be introduced to the tax, while the object is everything that will be taxed (Haig, 2020). Schratzenstaller et al (2016) state that taxpayers are tax subjects who have met the objective requirements so that they are taxed, in other words, every taxpayer is a tax subject. Vorontsova (2018) put forward that income tax is categorized as a subjective tax, meaning that the tax is imposed because there is a subject that has met the criteria set out in tax regulations. So that there is firmness that if there is no tax subject, then it is clear that it cannot be subject to income tax. In general, the definition of a tax subject is who is taxed. Practically, the definition of tax subject includes personal, undivided inheritance as a unit, entity, and permanent establishment. The definition of income according to the Income Tax Law is any additional economic capacity received or obtained by a Taxpayer, both originating from Indonesia and outside Indonesia which can be used for consumption or to increase the wealth of the Taxpayer concerned, in whatever name and form ( Article 4 of Law No. 7 of 1983). With a very broad understanding of income, then everything that is received or obtained by taxpayers, whether in the form of money, in the form of goods or in the form of favors, is in principle taxable income (Tahk, 2017, Abreu and Greenstein, 2015). It is both originating from Indonesia and outside Indonesia that can be used for consumption or to increase the wealth of the Taxpayer concerned, in any name and in any form (Article 4 of Law No. 7 of 1983). Based on the history of tax collection systems that have been used in Indonesia are:

1. The official assessment system was implemented until 1967.
2. The semi-self-assessment and withholding system was implemented in the period 1968-1983.
3. The self-assessment system was implemented effectively in 1984 on the basis of the reform of the tax laws in 1983, Law no. 7 of 1989, as amended by Law no. 10 of 1994.

## *Research Methodology*

The method applied in this study is an exploratory one, which aims to deeply investigate causes and effects that affect something happened (Arikunto, 2012). Thus, the writers try to investigate some factors concerning the ideological practice of collecting income tax with a self-assessment system in Badung Regency. According to Mardiasmo (2016) there are three ways of collecting taxes, namely (a) Real Stelsel, the imposition of taxes is based on real income, so that the collection is done at the end of the tax year. (b) The assumption of tax imposition is based on the assumption that the income of a year is considered the same as the previous year so that at the beginning of the tax year the amount of tax payable for the current year can be determined. (c) Mixed stelsel, a combination of real *stelsel* and assumed *stelsel*.

## *Results and Discussion*

### 4.1 Implementation of Semi Self-Assessment System and Withholding System

Semi self-assessment is a tax collection system in which the authority to determine the amount of tax owed by a person rests with both parties, namely the obligatory and the tax authorities. The implementation mechanism in this system is based on an assumption that the taxpayer at the beginning of the year assesses the amount of tax debt that must be paid and at the end of the tax year the amount owed is actually determined by the tax authorities. In Indonesia, the semi self-assessment system was applied together with the withholding system, which at that time was known as the Procedure for Paying Own Taxes (MPS) and Paying Other People's Taxes (MPO).

Withholding is a tax collection system in which the authority to determine the amount of tax primarily by a person rests with a third party and not by the tax authorities or by the taxpayer himself. At that time the amount of tax installments was determined by the taxpayer concerned and by a third party based on an assumption, while the actual amount of tax owed would be determined later by the tax authorities (Judisseno, 1999: 25). This implementation is actually much better than the previous collection system, but here and there there are still abuses by tax officials, such as paying taxes on the basis of a compromise with the notion of "knowing and knowing" where the tax authorities often offer accounting services with tax payments. provided that the party being assisted knows the same.

What is meant by MPS and MPO procedures are Calculating Own Tax and Calculating Person Tax. As explained above, tax calculations can be carried out by the taxpayer himself and by third parties based on an assumption or estimate of the amount of tax owed. In the MPS procedure, the public must calculate their own income, wealth and profits, along with taxes that must be paid and deposited into the state treasury without the intervention of the tax apparatus.

Meanwhile, the activities of the tax apparatus are limited to providing information, explanation, research and inspection, calculation and payment of taxes to taxpayers at the end of the calendar year. In connection with the calculation with the MPS system above and for the implementation of timely tax payments and conditions that allow taxpayers to carry out their obligations, it is deemed necessary to have an MPO system to complete the implementation of the MPS procedures. The MPO procedure is a procedure for calculating other people's taxes along with the implementation of withholding and depositing taxes into the state treasury by appointing individuals or entities by the authorized Tax Inspection Office (KIP).

### 4.2 Implementation of Self-Assessment System

The current tax payment system is based on a collection system where taxpayers are allowed to calculate and report the amount of tax that must be deposited. This system is known as a self-assessment system. So the emphasis is that taxpayers must actively calculate and report the amount of tax owed without the intervention of the tax authorities. This system is implemented to provide maximum trust for the community in order to increase public awareness and participation in depositing their taxes. Prior to the implementation of this system, as described above, in Indonesia, an official assessment system was implemented and subsequently a semi-self assessment system and a withholding system, known as the MPS and MPO systems.

By realizing the weaknesses caused by the two systems, we are now using a self-assessment system. Collecting Income Tax (PPh) using the self-assessment system is a series of activities ranging from registration of taxpayers, collection and filling of tax returns, calculations and payments to the State Treasury, and to make this self-assessment system a success, several requirements are required from taxpayers, including:

1. Taxpayer Awareness (Tax consciousness)
2. Taxpayer Honesty
3. Willingness to pay taxes from taxpayers (Tax mindedness)
4. Taxpayer Discipline (Tax Discipline)

**4.3 Implementation of Self-Assessment System for Corporate Income Tax**

Corporate taxpayers include all corporate taxpayers under any name, including cooperative entities, which in this case are distinguished from entities which in their efforts to keep books and use calculation norms. In the self-assessment system, taxpayers must calculate, calculate, pay and report their own tax obligations to the Tax Service Office or tax counseling office. Payments are made using a Tax Payment Letter (SSP) and for reporting using a notification letter (SPT). Tax Payment Letter is a letter used by the Taxpayer to pay or deposit taxes owed to the State Treasury or to the state treasury through the post office and/or State-Owned Enterprise Bank or Regional-Owned Enterprise or other place of payment determined by the Minister of Finance.

This Tax Payment Letter is used as a suggestion to pay taxes and is proof of tax payments. Given that the deadline for submitting the Annual Income Tax Return is 3 (three) months after the last tax year, the amount of tax installments must be paid by the Taxpayer himself before the deadline for submitting the Annual Income Tax Return. Based on this provision, the amount of tax for the months prior to the deadline for submitting the Annual Income Tax Return is the same as the tax installment for the last month of tax for the last month of the previous tax year, but must not be less than the average monthly installment. last tax year. If the tax payable according to the submitted Annual Income Tax Return is more than.

**4.4 Procedures for Payment of Taxes and Obstacles in the Self Assessment System**

The procedure for paying taxes is carried out no later than the due date of payment. The due date is distinguished between the tax payable in a tax year for the tax payable in a period to be paid no later than the 15th (fifteenth) day of the following month. For tax payable in a tax year, it must be paid no later than 3 (three) months after the tax payable ends. So the tax payable must be paid no later than March 31 of the following year.

If March 31 falls on a Sunday or a national holiday, the time for payment is moved forward to March 30. In connection with the payment of this tax, it is possible to file an objection letter on the debt that must be paid. The submission of the objection letter is addressed to the Directorate General of Taxes along with the reasons for the objection.

The implementation of this self-assessment system will certainly cause difficulties in tax collection. This is because this system has never been implemented before and is a new thing for both taxpayers and tax collectors. So that the difficulties experienced by tax collectors and taxpayers are obstacles in collecting taxes with this system.

There are three main things that due to the lack of tax officers cause this obstacle, namely in relation to sending SPT, in terms of checking SPT and in educating taxpayers. The submission of the Annual SPT by the KPP has consequences for the work of the tax officers, because the SPT is only sent by the KPP after the end of the tax year. So that this SPT can be received by the taxpayer before it is due, the delivery must be made as early as possible.

Meanwhile, an annual SPT must be sent to all taxpayers, all taxpayers who already have a TIN, both individual and corporate taxpayers. The next obstacle arises related to the examination and examination of the SPT that has been filled out by the taxpayer. Even though the taxpayer has been entrusted with filling out the SPT, the tax officer still checks the SPT. The next obstacle is the limited number of extension workers at the Tax Extension Office, because the lack of extension workers also results in a lack of information received by taxpayers and as a result, there are many errors in filling out the tax return. Obstacles from Taxpayers The main obstacle is the lack of information received by taxpayers.

Complete and clear information regarding taxation, especially regarding the implementation of tax collection, is needed by taxpayers. For taxpayers, it is difficult to fill out the SPT even though there is a filling manual. There are several things that can be done in overcoming these tax collection barriers. First, the division of the working area of the Tax Service Office is held. The existence of a breakdown of the work area of the Tax Service Office will result in less workload for tax officers, so that difficulties regarding SPT delivery and SPT inspection are reduced. Secondly, Adding Tax Service Offices in each district/city where the dissemination of information other than cooperation to agencies that are directly related to the community, especially to taxpayers.

## *Conclusion*

From the description above, several conclusions can be drawn, namely (1) in the implementation of the self-assessment system for corporate taxpayers it is not running well, not the fault of the taxpayer itself, but in the system and its implementing apparatus, (2) in tax collection income using the self-assessment system turns out to be experiencing many obstacles, both from tax collectors and taxpayers, so that tax collectors with a self-assessment system cannot run optimally.

The inhibiting factors for tax delivery with a self-assessment system include the lack of tax office apparatus, and imperfect tax administration with a self-assessment system, as well as very minimal information that must be received by taxpayers. It can put forward some suggestions as a solution of the above problems. First, in an effort to accelerate the dissemination of information to taxpayers, cooperation with other agencies also needs to be further improved. Secondly, it should be mandatory to register or extensification must be done seriously and nationwide by involving all institutions and community organizations.

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