



Taxation Policy in Indonesia: Dilemma between Revenue Targets with Self-Assessment Systems (A Study of the Implementation of the Minister of Finance Regulation on Access to Tax Information at the East Java DGT Regional Tax Office)

Sri Wahyuni

Universitas Hang Tuah, Surabaya, Indonesia

Email: sri.wahyuni@hangtuah.ac.id

ORCID iD: <https://orcid.org/0000-0002-4677-4840>

Siswo Hadi Sumantri

Universitas Hang Tuah, Surabaya, Indonesia

Email: siswo.hs@hangtuah.ac.id

ORCID iD: <https://orcid.org/0000-0002-2567-2868>

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Abstract

The government relies on tax revenues to finance public endeavours aimed at promoting the welfare of the populace. However, in recent years, tax income has fallen short of initial projections, attributed partly to deficiencies in the self-assessment tax collection framework, where taxpayers' integrity governs the accuracy of tax remittances. To address this, the Government, via the Directorate General of Taxation, instituted a Tax Financial Information Access Policy to streamline tax assessment, collection, and enforcement efforts. The effective implementation of this policy is imperative to mitigate tax irregularities. Drawing upon EDWARD III (1980) "Policy Implementation Theory," this research endeavours to evaluate the execution of Minister of Finance Regulation No.19/PMK.03/2018, which delineates technical protocols for accessing tax financial data, and its impact on augmenting tax revenue. Employing a normative legal approach, the study finds that despite encountering various impediments, the implementation of the technical policy concerning access to tax financial information has marginally bolstered tax revenue at the DGT Regional Office of East Java I. Nevertheless, the efficacy of fully leveraging this policy for tax-related financial transparency remains constrained.

Introduction

Research Background

In 2023, the Indonesian government set a tax revenue target of IDR 1,718 trillion, equivalent to 70 percent of the total state revenue target outlined in the State Budget amounting to IDR 2,463 trillion (as stipulated in Law Number 28 of 2022 on the State Budget for Fiscal Year 2023). This target underscores the significant reliance on tax revenue for national financial needs and development initiatives. Indonesia operates under a self-assessment tax collection system, wherein the accuracy of tax payments hinges upon the integrity of taxpayers themselves (Oo, 2023).

Taxation constitutes a paramount component of state revenue, mandated by "Article 1 number 1 of Law No. 6 of 1983" and "Law No. 16 of 2009," requiring obligatory payments to the state from individuals or entities mandated by law, without direct reciprocal benefits. The bulk of tax revenues are allocated towards public endeavours such as infrastructure development, societal welfare, and other communal utilities (Kristianto et al., 2021). The Directorate General of Taxes oversees the formulation and execution of technical standards and policies in Indonesian taxation. Indonesia adopts an independent taxation system, commonly referred to as a self-assessment system, designed to instil a sense of civic responsibility in taxpayers by entrusting them with the registration for a "Taxpayer Identification Number" and management of their tax affairs autonomously (Ardiansyah, 2017). Under this system, taxpayers are entrusted with the responsibility of computing and remitting their taxes proactively.

The implementation of the self-assessment system in taxation encounters numerous challenges, primarily stemming from the prevalence of taxpayer misconduct, including embezzlement, fraud, and falsification (Imron Rizki, 2018). Despite governmental expectations for the system to optimize tax revenue, it often faces practical difficulties and misuse, as highlighted by Agustini et al. (2021).

Under this system, taxpayers are expected to possess the capability to accurately compute taxes, exhibit integrity, acknowledge the significance of tax payment, and comprehend relevant tax regulations. Consequently, all Indonesian citizens (WNI), foreign nationals (WNA) residing in Indonesia, and legal entities conducting business activities within the country, possessing a Taxpayer Identification Number (NPWP), bear tax obligations. These obligations encompass the submission of annual or periodic tax returns (SPT) and fulfilment of tax computation and payment duties within the stipulated deadlines delineated in tax legislation. According to data from the Ministry of Finance, the number of taxpayers registered in Indonesia as of 2021 amounts to 49.82 million, as illustrated in the accompanying Figure 1.

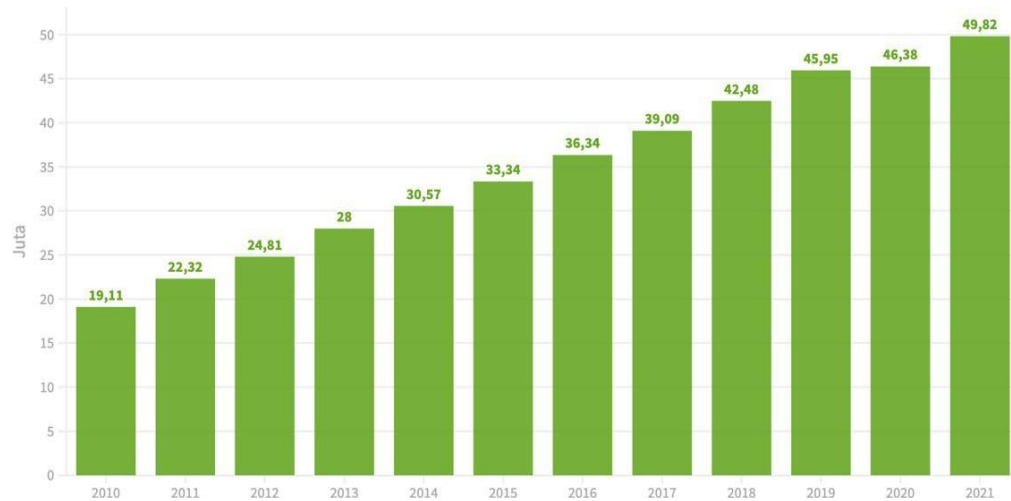


Figure 1: Graph of Indonesian Taxpayers in 2021.
 (Source: Ministry-of-Finance (2022)).

The upsurge in the number of taxpayers in Indonesia can be attributed to various governmental policies, including the sunset policy entailing tax facility provisions, the tax amnesty initiative, and the imposition of higher Income Tax (PPH) rates on individuals lacking a Taxpayer Identification Number (NPWP). Empowered with the authority to ensure taxpayer compliance, the "Directorate General of Taxes" oversees tax audits as part of its enforcement measures. These activities are governed by "Law Number 6 of 1983" on "General Provisions and Procedures for Taxation" (KUP Law), which has undergone several amendments, including the most recent one introduced by "Law No. 11 of 2020" pertaining to "Job Creation."

As delineated in "Article 1 Number 25" of the KUP Law, a "tax audit" entails a systematic process aimed at gathering and analysing data, information, and/or evidence in an adept and unbiased manner, utilizing predefined audit criteria to ascertain compliance with tax obligations and

achieve additional objectives related to tax law enforcement. Tax audits constitute an integral element of the self-assessment framework, facilitating tax authorities in assessing the accuracy of taxpayer compliance with their obligations, thereby exerting a direct influence on tax revenue. Within tax audit endeavours, one of the techniques employed by tax authorities is money flow testing.

During their audit duties, tax auditors employ various methods and techniques to assess taxpayer compliance. According to the guidelines outlined in Circular Letter of the Director General of Taxes Number SE-65/PJ/2013, one such technique is linkage testing. Linkage testing involves verifying a transaction by examining the changes in other related or associated items. Among the critical linkage tests, the money flow test holds significance.

The money flow test encompasses scrutinizing cash, bank, and other cash-equivalent transactions. Its objective is to assess the flow of money within a transaction and/or ascertain the amount of money received within a

specific timeframe, thereby supporting the examination of the accuracy of gross income reported by taxpayers on a cash basis.

The disclosure of financial information from banking and other financial institutions for taxation purposes holds paramount importance, particularly in the context of an independent taxation system where tax compliance rests solely upon taxpayers. The regulatory framework governing access to financial information for tax purposes is stipulated in [Law Number 9 \(2017\)](#), which supersedes Government Regulation in Lieu of [Law Number 1 \(2017\)](#).

Following the issuance of [Minister of Finance Regulation Number 70/PMK. 03 \(2017\)](#) and [Minister of Finance Regulation Number 19/PMK.03 \(2018\)](#) on Technical Guidelines Regarding Access to Financial Information for Tax Purposes, the process for accessing taxpayer financial data has been streamlined. Such requests are no longer routed through the Minister of Finance but are handled directly by the Director General of Taxes or the Head of the DGT Regional Office on behalf of the Director General of Taxes. This procedural refinement significantly enhances the efficiency of tax officials' tasks by reducing the time required to access data, thereby expediting their workflow. The Directorate General of Taxes views this enhanced efficiency and effectiveness as instrumental in augmenting state revenue, particularly within the taxation domain.

Despite a burgeoning literature on Indonesian tax policy, scant attention has been paid to the practical challenges and implications of the self-assessment system in achieving revenue targets. The existing literature, typified by studies such as that by [Alm \(2019\)](#), tends to focus either on theoretical underpinnings or provide broad overviews of the taxation framework, with limited exploration into localized tax rate actualization or the specific ramifications of regulatory measures. Moreover, there is a dearth of research on the practical implementation and management of

legislation such as the Minister of Finance Regulation on Access to Tax Information at the local level, particularly in regions like East Java. This gap in the literature is significant as factors pertaining to the tax environment and enforcement can profoundly shape the efficacy of tax laws and compliance. Furthermore, there is a pressing need for studies elucidating the interplay between meeting revenue targets and sustaining taxpayer compliance within a self-assessment system, especially in light of recent regulatory shifts aimed at bolstering transparency and information accessibility.

To address these lacunae, this research endeavours to elucidate the current implementation of the Minister of Finance Regulation at the East Java DGT Regional Tax Office. It aims to provide meaningful insights into the efficacy of existing regulations and offer recommendations for modifications to ensure harmonization between revenue generation and the self-assessment system. The overarching goal of this study is to underscore the critical importance of granting tax officials access to financial data. Such

access is indispensable for funding Indonesia's national development agenda, which seeks to foster equitable prosperity for all citizens. Hence, facilitating tax revenue necessitates providing tax authorities with comprehensive access to financial information for tax-related purposes.

This research holds significant importance as it deepens our comprehension of Indonesia's tax policy, particularly within the framework of the self-assessment system. By scrutinizing the implementation of the Minister of Finance Regulation on Access to Tax Information at the East Java DGT Regional Tax Office, this study sheds light on local enforcement hurdles and successes. This localized perspective is crucial, as it underscores the pivotal role of location in shaping the efficacy of tax measures. Furthermore, this research contributes to the broader discourse on how governmental bodies can strike a balance between their financial objectives and maintaining trust and cooperation from taxpayers.

Moreover, this study has the potential to identify unique regulatory influences on taxpayers and overall levels of compliance, thereby pinpointing areas for potential policy refinement. The findings of this research will be invaluable to policymakers aiming to enact new tax legislation or improve existing ones, as they glean insights from the study's lessons on both the formulation and implementation of tax laws. Additionally, this study can serve as a reference point for other regions in Indonesia grappling with similar challenges, facilitating the development of more robust and effective tax administration practices nationwide. Thus, this research offers insights that can contribute to the cultivation of a robust and adaptable taxation approach aligning with both state and national economic objectives.

Conceptual Framework

Public Policy

According to [Friedrich \(1968\)](#), a policy can be defined as a deliberate

action undertaken by an organization or government in response to specific challenges within a particular context, with the aim of achieving set goals or objectives. [Lemieux \(1998\)](#) further elaborates that public policy emerges as a result of the efforts of political actors to address public issues within a structured environment, with the process evolving over time.

[Suharto \(2004\)](#) identifies three interconnected components of public policy: an objective, a legitimate or legally viable course of action, and a hypothesis. The key characteristics of public policy include actions designed with specific purposes, governmental activities executed through decision-making processes, regulation of various aspects such as trade, inflation, or public housing, and the distinction between positive (government intervention) and negative (non-action) approaches. Public policy is typically grounded in law and involves authoritative actions aimed at addressing societal challenges. The study of policy encompasses inquiries into what, why, where, and how decisions are made, focusing on

the complexities government organizations encounter in formulating policies, processes, and content.

While rationality principles ideally enhance the quality of public policy-making, [Lowi \(2011\)](#) contends that policies often fall short of satisfying community needs due to the influence of certain interest groups dominating decision-making processes to advance their own agendas at the expense of the public interest.

To address the aforementioned challenges, a series of paradigms have been proposed in public policy making, known as the "5 paradigms." Firstly, the Welfare Economics paradigm advocates for decision-making in public policy to be grounded in economic calculations of profit and loss, alongside considerations for societal welfare. Secondly, Public Choice emphasizes prioritizing decisions made by institutions representing the public interest. Thirdly, Social Structure underscores the importance of considering the diverse interests of societal strata when selecting policy alternatives. Fourthly, Information Processing highlights the necessity of scrutinizing, processing, and analysing data accurately to inform policy decisions effectively. Lastly, Political Philosophy stresses the importance of considering prevailing moral values in policy selection, ensuring alignment with societal norms and ethics ([Bobrow & Dryzek, 1987](#)).

In the context of developing countries, two primary models have been identified. Firstly, the Society-Centred Models encompass three distinct policy approaches. The Social Class Analysis model interprets policy as a tool utilized by the dominant class to safeguard their interests from lower socioeconomic groups, advocating for policies that protect the

marginalized. The Pluralism Model views policy outcomes as products of compromises and coalitions among various interest groups, with the State acting as a mediator. Additionally, the Public Choice Model within this paradigm perceives policies as responses to consumer demands for more efficient public services, reflecting the interests of diverse societal factions.

Secondly, the State-Centred Models, or Rational Actor Model, presupposes rational decision-making by policy makers, despite challenges posed by inadequate resources and data in developing countries. The Bureaucratic Model posits policies as outcomes of political manoeuvring by state officials to advance personal or institutional interests through coalitions and negotiations. Lastly, the State Interest Model asserts that policies are formulated to uphold the integrity of the State and protect its citizens, with the State possessing autonomy in defining public issues and devising solutions ([Fayyaz, 1996](#)).

Policy Implementation

Public policy comprises three interconnected elements: an objective, a legitimate or legally valid course of action, and implementation. Implementation, a pivotal stage in the public policy process, typically

follows the development of a policy with specific objectives, as outlined in the book [Pülzl & Treib \(2017\)](#). Within the realm of public policy, implementation transcends the mere translation of political decisions into procedural protocols via bureaucratic channels; it encompasses considerations of conflict, choice, and the distribution of benefits. Thus, it is accurate to assert that policy implementation constitutes a critical phase in the overall policy-making process. [Subarsono \(2012\)](#) identifies four factors that influence the implementation of policies.

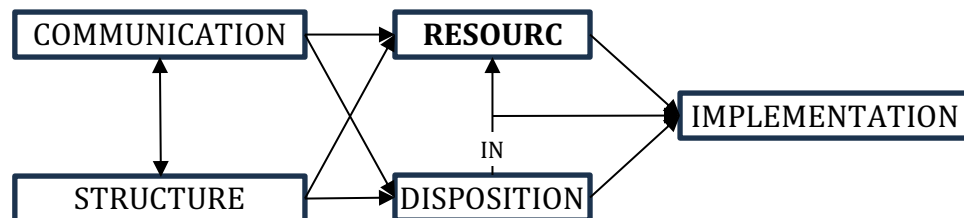


Figure 2: Variables Affecting Policy Implementation.
(Source: [Edward \(1984\)](#)).

- Communication plays a crucial role in ensuring the successful implementation of policies. Implementers must have a clear understanding of the required actions and effectively communicate the goals and objectives of the policy to the target group, thereby minimizing any bias during implementation.
- Adequate resources are imperative for the successful execution of policies. Even if the purpose of the policy has been effectively communicated, implementation will falter without the necessary tools and resources. These resources encompass financial assets as well as the expertise of the implementers.
- The disposition of the implementer, including traits such as dedication, honesty, and fairness, significantly influences the execution of the policy. A positive disposition enables the implementer to adhere to the intended objectives of the policy. Conversely, a mismatch in mindset between the implementer and the policy author can hinder effective implementation.
- The bureaucratic structure of the implementing organization profoundly impacts policy execution. Factors such as fragmentation and the presence of Standard Operating Procedures (SOPs) within the organizational framework play pivotal roles. Extensive organizational structures may undermine accountability and lead to bureaucratic red tape, characterized by intricate processes that impede organizational agility. [Figure 2](#) illustrates the key variables influencing policy implementation.

Policy of Minister of Finance Regulation Number: 19/PMK.03/2018 on Access to Tax Financial Information

Tax authorities utilize requests to gather data and information crucial for monitoring taxpayer compliance and investigating potential tax offenses. This process is deemed essential for preventing tax irregularities.

According to the article, the Head of Bank, Indonesia, possesses the authority to issue written orders directing relevant banks to furnish financial information, provide evidence, or submit reports to tax authorities regarding their customers or taxpayers. Such directives may be issued at the behest of the Minister of Finance. For tax-related purposes, the DGT is empowered to obtain financial data from FSIs, including entities in the capital markets, insurance sector, and banking industry. The provision of financial information by other FSIs or entities is contingent upon the specific circumstances of the taxpayer.

The actualization of the application and inclusion of financial information must be conducted by the Director General of Taxes and officials at the Echelon II level of the DGT Office. Alternatively, the head of the Tax Office may undertake this responsibility on behalf of the Director General of Taxes. The provision of financial information must adhere to the stipulations outlined in Article 25, Paragraph (1), which mandates the inclusion of the type of financial information required, the format and method of provision, and the rationale behind the request. Failure by other FSIs or entities to fulfil such requests may result in sanctions in accordance with applicable regulations.

In light of the [Minister of Finance Regulation Number 19/PMK.03 \(2018\)](#) concerning Technical Guidelines Regarding Access to Financial Information for Tax Purposes, the collection of data on taxpayers and bank parties earmarked for audit becomes imperative. To ensure the efficacy, efficiency, and precision of the data collection process, regulations such as the "Policy Openness Policy Access Information Financial in the East Java I DGT Regional Office" have been instituted. This policy outlines restrictions on parties authorized to access financial information, conferring access solely to officials or tax auditors.

Specific tax officials are authorized to request information or evidence from financial service institutions. These officials include the Director General of Taxes, echelon II officials at the Head Office of the Director General of Taxes, the Head of the Regional Office of the Director General

of Taxes acting on behalf of the Director General of Taxes, or the Head of Tax Service (KPP) acting on behalf of the Director General of Taxes. This authority is granted subsequent to the issuance of [Minister of Finance Regulation Number 70/PMK. 03 \(2017\)](#).

As per Minister of Finance Regulation No. 19/PMK.03/2018 on Technical Guidelines Regarding Access to Financial Information for Taxation Purposes, the requirement for accessing taxpayer financial data no longer necessitates approval from the Minister of Finance. Instead, access is facilitated at the level of the Director General of Taxes or the Head of the DGT Regional Office on behalf of the Director General of Taxes (Article 26 PMK No.70/PMK.03/2017). This streamlined process enhances the efficiency and effectiveness of task implementation, consequently bolstering state revenue within the taxation sector.

In order to finance national development for the advancement and equitable well-being of all Indonesians, the generation of state revenues, predominantly through tax collection, is imperative. Consequently, to meet the demands for tax revenue, it is imperative to afford tax authorities broad access to financial data for taxation purposes. However, ensuring the sustainability and effectiveness of tax amnesty legislation presents challenges to Indonesian tax legitimacy, particularly concerning the enhancement of the tax database hindered by restricted access to fiscal information mandated by various legislations and regulations governing investment markets, financial institutions, taxation, and Islamic banking.

To address these challenges and ensure the success of tax amnesty initiatives, the government must adopt strategies that facilitate database expansion and increased participation. This entails issuing clear and widespread communications to taxpayers regarding their rights and obligations. Additionally, the government should implement segmentation and targeting strategies to effectively engage with different segments of the population. Collaborating with third-party entities can

also be beneficial in raising public awareness and participation in the tax amnesty program. These measures are essential for maintaining public consciousness and support for the tax amnesty program.

The primary purpose of gathering information, besides monitoring compliance with tax obligations, is for law enforcement purposes, particularly in the context of data utilization as evidence in legal proceedings. In matters of law enforcement, the data and information required hold greater significance and validity as they serve as crucial evidence in court proceedings. The authority to request data or information from taxpayers is stipulated in Article 29, paragraph (3) letter c of Law Number 6 of 1983 concerning General Provisions and Procedures for Taxation.

According to Law Number 16 of 2009, tax auditors and investigators are mandated to exercise utmost care in identifying relevant data pertinent to

the cases they handle. Tax officials require specific data and information, including books, records, and documents that form the basis of accounting or recording, as well as other documents containing the outcomes of data processing from electronically controlled record-keeping or digital application programs. These records must be retained for a period of ten (10) years in Indonesia, either at the taxpayer's residence or business premises.

The pivotal shift in Indonesia's taxation framework commenced in 1983 with the enactment of "[KUP Law Number 6 \(1983\)](#)" concerning "General Provisions and Tax Procedures" ([UU KUP, 1983](#)), marking a transition from the official assessment system to a self-assessment system. Previously, tax authorities were responsible for determining the amount of tax payable; however, under the new system, taxpayers are entrusted

with calculating their own tax liabilities in accordance with the law. Consequently, to ensure accurate adherence to tax rights and obligations, the tax authority retains the prerogative to request corrections to tax returns or conduct tax audits.

For a comprehensive analysis of these activities, the tax authority relies on information obtained from third-party sources, including counterparties of taxpayers and governmental or private entities, ensuring timely and accurate payment. The data and information furnished in the Tax Return SPT encompass details regarding taxpayer identity, financial and tax particulars delineated in the prescribed SPT format, tax withholding or collection, and accompanying documentation such as financial statements, depreciation schedules, and entertainment expenditure records.

Tax authorities rely on taxpayer data and information for two primary objectives: firstly, to verify the accuracy of taxes paid, and secondly, to determine the correct amount of tax payable if previous payments were erroneous. Such data from third-party sources may encompass details obtained from banks, intermediary financial institutions, consultants, lawyers, information sharing arrangements with other entities, and governmental agencies. In Indonesia, third-party data may originate from various sources such as financial institutions, accounting firms, notaries, tax advisors, managerial offices, and external entities.

Furthermore, data and information crucial for tax purposes may also be sourced from international parties or entities abroad. This involves the exchange of information between countries through methods such as data requests, automatic exchanges, or voluntary exchanges. The exchanged data may include financial statements, annual tax returns, bank account details, or property ownership information.

Methodology

Research Type and Problem Approach

The study adopted a normative approach, utilizing normative legal

research methods to primarily examine statutory laws, legal instruments, case laws, and regulatory standards pertinent to tax legislation and policies. The primary methodology involved evaluating existing legal frameworks governing taxation in Indonesia to ascertain their alignment and potential conflicts with the objectives of tax collection and the feasibility of implementing a self-assessment regime. In assessing the effectiveness of these regulations in facilitating the DGT in obtaining accurate tax information and ensuring compliance, the study analysed laws, regulations, and interpretations provided by the DGT.

Furthermore, the study delved into the ethical and legal ramifications of the self-assessment system. Through this normative lens, the research sought to enhance comprehension of the efficacy and equity of the current

tax regulatory framework and identify potential modifications to the goals and objectives of revenue collection bodies in relation to the principles underlying the self-assessment system.

Sources of Legal Materials

This study drew upon both primary and secondary legal sources. Primary legal sources included recommendations, regulations, court cases, and government publications, which served as the foundational legal documents and official positions necessary for analyzing taxation policy and the implementation of the Finance Minister's Regulation on tax information within the East Java DGT Regional Tax Office. These primary sources provided the legal framework and official viewpoints essential for the analysis.

Secondary legal sources encompassed books, legal journals, and scholarly articles. These sources contributed to a broader understanding of theoretical, critical, and scholarly perspectives on the practical and legal implications of the "self-assessment system" in Indonesia. By incorporating both primary and secondary legal sources, the study ensured a comprehensive analysis of the tension between revenue targets and self-assessment systems, benefiting from both legal authorities and current academic literature.

Legal Material Collection Technique

The study meticulously followed a systematic approach to sourcing legal information at both primary and secondary levels. The researcher utilized official websites, legal databases, and publications to access government documents, including laws, rules, guidelines, and court decisions. These sources were carefully screened and retrieved to ensure that crucial legal provisions and their interpretations were duly considered.

Additionally, the researcher leveraged university libraries, internet-based academic databases, and legal journals to procure books, academic papers, and journal articles as secondary legal resources. Employing relevant keywords and thematic searches facilitated the exploration of

literature covering the subject comprehensively. Furthermore, the researcher briefly examined the bibliographies and references in the identified sources to gather additional relevant materials.

This comprehensive collection process laid a robust groundwork for analysing the taxation policy and the self-assessment mechanism of the East Java DGT Regional Tax Office through the evaluation of various legal papers.

Analysis of Legal Materials

In this study, legal texts underwent a thorough analysis utilizing a multimodal method involving description, evaluation, and reasoning

processes. Initially, an identification study was conducted to meticulously outline the rules, laws, and policies relevant to the subject matter. This step was vital for ensuring a comprehensive understanding of the legislative framework governing taxes and adherence to the statutory rights of the Minister of Finance regarding access to tax information.

Subsequently, the effectiveness of these legal documents was evaluated through an appraisal process. The researcher examined the degree of correlation between the self-assessment system and income targets, taking into account the advantages and disadvantages of the existing legislation. To bolster these arguments, both deductive and inductive approaches were employed. Inductive research provided broad conclusions drawn from specific and concrete observations, while deductive analysis applied general legal principles to specific events within the East Java DGT Regional Tax Office.

This method facilitated robust argumentation, enabling the formulation of conclusions and recommendations aimed at enhancing alignment between revenue goals and the self-assessment system in Indonesia.

Research Findings

The implementation of taxation policy involves making tax-related information accessible to the public, except for those specifically declared confidential by law. This principle is reinforced by the existence of [UU KIP No.14 \(2008\)](#), which aligns with Article 28F of the 1945 Constitution, guaranteeing the public's right to access public information through various means as regulated by law. Individuals also have the right to attend open public meetings, request information, and seek legal recourse if they encounter obstacles in accessing public information.

Public bodies are obligated to provide accurate, correct, and non-misleading public information to requesters, except for information prohibited from public access by applicable laws. To facilitate the effective and efficient handling of public information, public bodies are authorized to develop information and documentation systems. Additionally, public bodies have the authority to reject information requests that are exempt or

do not comply with legal guidelines, particularly regarding the disclosure of financial data for taxation purposes.

In the context of law enforcement, the necessity for accurate and comprehensive data and information is paramount as they serve as crucial evidence in court proceedings. The authority to request data or information from taxpayers is stipulated in Article 29, paragraph (3) letter c of KUP Law Number 6 of 1983. Tax auditors and investigators exercise meticulousness in identifying relevant data pertinent to the cases they handle.

Specifically, tax officers require various types of data and information, including books, records, and other documents that form the basis of

accounting or record-keeping. Additionally, they seek records that encompass the results of data analysis conducted digitally or through online application programs. It is mandated that such records be maintained in Indonesia for a period of ten years, either at the taxpayer's residence or their place of business.

The significant shift in Indonesia's taxation paradigm commenced in 1983 with the enactment of "[KUP Law Number 6 \(1983\)](#)" on "General Provisions and Tax Procedures" ([KUP Law, 1983](#)), marking the transition from the official assessment system to the self-assessment system. Formerly, tax liabilities were determined by tax authorities, but under the self-assessment system, taxpayers are entrusted with the responsibility to calculate their tax obligations in accordance with the law.

In order to ensure that taxpayers fulfil their tax rights and obligations accurately, the tax authority retains the prerogative to request corrections to tax returns or conduct tax audits. To facilitate a comprehensive analysis of these activities, the tax authority relies on information sourced from third parties, including counterparties of taxpayers or governmental and private agencies.

Policy implementation is a dynamic process wherein implementers engage in activities to achieve desired outcomes aligned with the objectives outlined in public policies. These outcomes, often manifested as programs or policies derived from overarching public policies, aim to be fully executed and adhered to within specified timelines. The information encapsulated in the SPT includes taxpayer identity, financial and tax details, tax withholding or collection data, and accompanying documents such as financial statements, depreciation lists, and entertainment expenses.

According to [Edward \(1984\)](#), policy implementation is influenced by four key factors: bureaucratic structure, communication, resources, and disposition. These factors are interconnected, necessitating simultaneous attention and action across all dimensions.

Effective communication is essential for successful policy implementation, ensuring that implementers are informed about the necessary actions to be taken and the overarching objectives to be achieved. It is crucial to

communicate policy goals clearly to the intended audience to minimize misinterpretations or resistance. Lack of awareness or clarity regarding policy objectives among stakeholders can lead to opposition or obstacles during implementation.

In this study, the communication relationship between financial examiners and taxpayers/banks forms a crucial aspect. The East Java DGT Regional Office I's collaboration with banks revolves around disclosing financial information for tax purposes, serving as a yardstick to evaluate the extent of communication between the regional tax office and banks regarding new policies. The dimension of communication appears to be

effectively executed, evidenced by the well-established cooperation between the Tax Office and banks. This cooperation and partnership are characterized by robust communication and information dissemination methods employed by tax auditors to banks.

The accessibility of financial information has greatly facilitated tax auditors in conducting field tasks. However, obstacles in obtaining banking information for tax audits persist, particularly when banks refrain from providing taxpayer banking data. This reluctance is often attributed to discrepancies between the taxpayer's name and address in the bank's records compared to the information requested. Additionally, in cases where the taxpayer undergoing audit is a priority customer at a bank, bank personnel may withhold banking data. Furthermore, certain banks invoke banking secrecy laws, such as those stipulated in Law Number 10 Year 1998 amending Law Number 7 Year 1992, as grounds for not divulging banking information.

Furthermore, the resource approach plays a crucial role in the successful implementation of policies, with human resources serving as the primary asset. The competence and adequacy of personnel are pivotal factors influencing the proper execution of policies. Despite possessing qualified personnel, policy implementers cannot effectively carry out their responsibilities without the necessary infrastructure, facilities, and support.

The "DGT Regional Office of East Java I" boasts abundant resources, yet the implementation of the information service system policy within the community has encountered challenges. This aligns with resource standards, indicating that successful implementation hinges on the availability of adequate human resources, even when the policy's content has been effectively communicated. Field data reveals that, despite sufficient resources within the DGT East Java I Regional Office, certain banks exhibit inflexibility in providing data related to bank customers as taxpayers.

A significant finding regarding resources highlights suboptimal performance by Examiners in fulfilling their duties, particularly due to challenges in accessing taxpayer data from reluctant banks. Furthermore, enhancing the flexibility of SOPs within the organizational structure can

significantly improve bureaucratic efficiency. SOPs represent prescribed routines or procedures that facilitate the smooth execution of daily tasks by employees, equipment, and managers, ensuring compliance with established norms or minimum standards essential for citizens. Moreover, SOPs foster fragmentation, a process that distributes accountability for various activities, programs, or operations among multiple work units. While each unit operates within its domain, there is still room to enhance operational standards.

At the East Java DGT Tax Office 1, SOPs are implemented in accordance

with Circular Letter No. SE- 15 / PJ / 2018 issued by the Director General of Taxes, which outlines audit policies. The purpose of this Circular Letter is to provide guidance and ensure uniformity of procedures in conducting audit activities by the Audit Implementation Unit.

Additionally, the disposition or attitude of the implementer plays a crucial role in policy implementation. When the implementer aligns with the content of the policy, they are more likely to execute it effectively and willingly. Conversely, if there is disagreement or reluctance from the implementer, the implementation process may encounter obstacles and fail to achieve its objectives.

The disposition of the implementer is influenced by their alignment with previous policies and the intentions behind them. Implementers tend to adhere to the direction set by preceding policies. However, conflicts may arise if the implementer's perspective differs from that of the policy creator, making the implementation process challenging.

This aspect of disposition is associated with the disposition effect, wherein current staff members may hinder policy enactment if they do not align with the preferences of higher-ranking officials. Thus, the disposition of the implementer significantly impacts the success of policy implementation.

The findings regarding the disposition approach reveal that, presently, the implementation of the financial information service system policy at the Regional Office of the DGT of East Java I in several banks across East Java does not fully adhere to the applicable regulations. Despite efforts, hindering factors persist in its execution. One significant obstacle lies in the disposition of certain banks, which have yet to provide the desired information to the Tax examiner adequately. These banks lack the initiative to align with the provisions outlined in Law Number 6 of 1983 concerning General Provisions and Procedures for Taxation, as amended by Law No.11 of 2020 concerning Job Creation.

The existing regulations emphasize the facilitation of procedures for accessing financial information in the context of tax examination after the establishment of the Regional Office of the DGT of East Java I (UUKUP). However, challenges persist, including the failure to submit banking reports, improper execution of fiscal account recognition processes, and a deficit of information or documentation. These issues, in light of the Tax Audit Act and the Tax Office's expectations, hinder the achievement of future objectives related to granting public access to financial data.

Conclusion

The implementation of the "Financial Information Access Disclosure Policy in Tax Audit" at the DGT East Java I Regional Office, encompassing the process of requesting and receiving IBK within the audit section, has been conducted appropriately and in compliance with the stipulations

outlined in PMK 19/PMK.03/2018 concerning Technical Guidelines Regarding Access to Information and/or Evidence or Information Related to Access to Financial Information for Tax Purposes. Although the "Open Access to Financial Information" policy contributes to the level of tax revenue at the DGT Regional Office of East Java I to some extent, its impact is not deemed significant. Other factors exert a more substantial influence on the level of tax revenue at the DGT Regional Office of East Java I, as discussed in the results and discussion section. Several obstacles hinder the implementation of the financial information disclosure policy, including Financial Institutions' failure to submit banking reports, incorrect execution of financial account identification procedures by Financial Institutions, and failure to provide information and/or evidence.

Implications

The study has yielded theoretical and practical implications that are noteworthy.

Theoretical Contributions

This study significantly enriches the extant literature by conducting a thorough examination of the inherent conflict between revenue objectives and Indonesia's self-assessment tax framework, particularly in light of the recent enactment of the "Minister of Finance Regulation on Access to Tax Information." Addressing this gap, the research endeavours to provide empirical insights into the repercussions of policy reforms aimed at augmenting tax transparency and adherence within the jurisdiction of the "East Java DGT Regional Tax Office." The findings shed light on the intricate challenges confronted by tax authorities in balancing the imperative of precise revenue collection against the burden imposed on taxpayers. Additionally, this investigation contributes to the existing body of knowledge by elucidating how enhanced access to tax information can potentially narrow the compliance gap between voluntary disclosure and accurate tax reporting. Moreover, the study's implications extend beyond its immediate context, offering valuable insights for policymakers striving to optimize tax regimes. By bridging theoretical paradigms of tax policy with practical methodologies and performance metrics in the taxation domain, this research serves as a potent tool in bridging this divide.

Practical Implications

From a pragmatic standpoint, this study furnishes valuable insights for taxpayers, legislators, and tax authorities alike. By examining the case of the "East Java DGT Regional Tax Office" and its implementation of the "Minister of Finance Regulation on Access to Tax Information," the study elucidates how improved access to tax data can bolster compliance and revenue collection. It delineates specific challenges faced by tax authorities and proposes measures to alleviate the burden on both the tax office and taxpayers. These findings serve as a practical guide for

policymakers seeking to optimize tax law implementation, ensuring that revenue targets are met efficiently and effectively without unduly burdening taxpayers. Additionally, by enhancing taxpayer awareness and comprehension of tax measures, this study promotes voluntary tax compliance and mitigates the likelihood of disputes. Furthermore, the insights gleaned from this research offer a blueprint that can be adapted and applied in other jurisdictions or countries seeking to enhance their tax systems. Ultimately, this study contributes to the pursuit of fair and effective taxation policies by addressing gaps in policy implementation.

Limitations

Despite its valuable contributions, the research also has several limitations. Firstly, its findings may not be easily applicable to other regions or countries, as it focuses exclusively on the East Java DGT Regional Tax Office and the implementation of the Minister of Finance Regulation on Access to Tax Information. Additionally, the study lacks insights into the experiences and perspectives of taxpayers themselves, which could have provided valuable insights into the challenges associated with the self-assessment system and access to tax information. Moreover, the complexity of tax systems, coupled with their interconnectedness with various regulatory frameworks, poses challenges in isolating the impact of the Minister of Finance Regulation from other factors. Furthermore, the study's geographical scope limitation presents further challenges in integrating regional administrative measures and addressing disparities in local economic development, which may influence the efficacy of tax information access.

Future Research Directions

To enhance the generalizability of conclusions across different regions, it is advisable to expand the study to include other regions of Indonesia in future research endeavours. Furthermore, to obtain richer qualitative data, conducting surveys or interviews with taxpayers would provide insights into how regulations and information accessibility influence their compliance intentions. Additionally, assessing the long-term impact of the Ministry of Finance Regulation on Access to Tax Information would be beneficial for understanding its sustained effects on government revenues and taxpayer behaviour. Moreover, exploring the interplay between this regulation and other tax laws could offer insights into the broader tax environment.

Examining how technological advancements such as data analytics and digital tax filing systems can bolster administrative efficiency and tax compliance would be informative. Comparative studies with countries sharing similar taxation regimes could offer diverse perspectives and help identify optimal solutions and innovative strategies applicable in the Indonesian context. Subsequent research could delve into the strengths and limitations of domestic tax revenue and the effects of international tax information exchange agreements. Additionally, investigating the efficacy of current enforcement systems and the potential of alternative dispute resolution mechanisms in resolving tax issues could be fruitful avenues for future studies.

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