IMPLEMENTATION OF LAW NUMBER 7 OF 2021 ON HARMONIZATION OF TAX REGULATIONS AS AN EFFORT TO IMPROVE THE BUDGET DEFICIT AND INCREASE THE TAX RATIO

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ABSTRAK
This study discusses the Implementation of Law Number 7 of 2021 concerning the Harmonization of Tax Regulations as an Effort to Improve the Budget Deficit and Increase the Tax Ratio During the Covid-19 pandemic in Indonesia, of course, tax income in the state treasury is very important. This research uses a statute approach, conceptual approach, and comparative approach. The legislative approach is carried out by examining interrelated laws and regulations (regeling) and policy regulations (beleidsregel). In this regard, a study was carried out on the ratio legis of the formation of a law. The result of this study is It is undeniable that with the emergence of the pandemic in 2020, tax revenue in Indonesia had contracted very deeply minus 12%. However, the Ministry of Finance revealed that on July 14, 2021, tax revenue in the first semester of 2021 began to improve and the figure was positive compared to 2020. Recording until the end of June, tax revenue managed to collect funds of Rp 557.8 trillion, or an increase of 4.9%. This shows progress in the field of tax that deserves appreciation. It does not stop there, it seems that the government is currently increasingly intensifying to make improvements in the tax sector. It was proven by the enactment of Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP Law) on November 5, 2021. The ratification of this law is in line with ongoing reforms in the tax sector, especially in aspects of regulations and business processes, adjustments to tax policy arrangements that are comprehensive, consolidative, and harmonious are needed so that the presence of Law Number 7 of 2021 concerning Harmonization of Tax Regulations.

Keywords: Taxation, Harmonization of Law, Tax Ratio

INTRODUCTION
During the Covid-19 pandemic in Indonesia, of course, tax income in the state treasury is very important. It is undeniable that with the emergence of the pandemic in 2020, tax revenue in Indonesia had contracted very deeply minus 12%. However, the Ministry of Finance revealed that on July 14, 2021, tax revenue in the first semester of 2021 began to improve and the figure was positive compared to 2020. Recording until the end of June, tax revenue managed to collect funds of Rp 557.8 trillion, or an increase of 4.9%. This shows progress in the field of tax that deserves appreciation.

It does not stop there, it seems that the government is currently increasingly intensifying to make improvements in the tax sector. It was proven by the enactment of Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP Law) on November 5, 2021. The ratification of this law is in line with ongoing reforms in the tax sector, especially in aspects of regulations...
and business processes, adjustments to tax policy arrangements that are comprehensive, consolidative, and harmonious are needed so that the presence of Law Number 7 of 2021 concerning Harmonization of Tax Regulations.

The purpose of this regulatory adjustment is to first increase sustainable economic growth and support the acceleration of economic recovery. Second, to optimize state revenues to finance national development independently towards a just, prosperous, and prosperous Indonesian society. Third, to realize a tax system that is more fair and legally certain. Fourth, to implement the mandate of administrative reform, consolidative tax policy, and expansion of the tax base. And finally, to improve the voluntary compliance of Taxpayers.

Comprehensive, consolidative, and harmonious adjustment of tax policy arrangements is carried out by harmonizing regulations consisting of General Provisions and Tax Procedures, Income Tax, Value Added Tax and Sales Tax on Luxury Goods, Taxpayer Voluntary Disclosure Program, Carbon Tax, and Excise. It is known in the HPP, that material related to Income Tax has been changed and/or added, among others, regarding changes in the imposition of taxes on rules and/or enjoyments, individual and corporate Income Tax rates, depreciation, and amortization, as well as international agreements/agreements in the field of taxation, Value Added Tax (VAT) and Sales Tax on Luxury Goods have also undergone changes such as reducing the exclusion of Value Added Tax objects, rearrangement of Value Added Tax facilities, change of Value Added Tax rate, and imposition of final Value Added Tax rate. The VAT rate increase aims to increase revenue and fairness in the VAT collection process by considering the condition of the community and business activities that are still recovering after the COVID-19 pandemic. In addition, this law also regulates the addition of authority possessed by the Government of Indonesia in terms of multilateral agreements regulated in the Amendment of Article 32A of the Income Tax Law. It is known that this addition is applied to realize international cooperation in the field of taxation so that Indonesia must have an international treaty instrument with Partner countries.

**Law on harmonization of tax regulation amends and adds regulations related to taxation, namely:**

a. Amending the Law on General Provisions and Tax Procedures (KUP Law)

b. Amending the Income Tax Law (Income Tax Law)

c. Amending the Law on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (VAT Law)

d. Set up a Taxpayer voluntary disclosure program

e. Set up a carbon tax

f. Amending the Excise Act
Changes and additions to the above regulatory provisions will have an impact on and or relate to:

a. Law Number 2 of 2020 concerning the Stipulation of Government Regulations instead of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Covid 19 Pandemic and or in Dealing with Threats that Endanger the National Economy and/or Financial System Stability Becomes Law.
b. Law Number 11 of 2020 concerning Job Creation.
c. Law Number 11 of 2016 concerning Tax Amnesty

The target or direction to be realized by the HPP Law is to recover the economy and encourage community welfare that prioritizes the principles of justice and equality. Based on these objectives, the regulation is directed at strengthening tax administration, increasing taxpayer compliance, expanding the tax base, and reorganizing the tax system. The regulatory range of the draft law will reach several subjects, including taxpayers, tax authorities, ministries/agencies, and other countries (NA RUU KUP, 2021: 326).

Optimization of state revenue from the tax sector as mentioned above is not only done by increasing tax rates both Income Tax, Value Added Tax, Stamp Duty, and Land and Building Tax which can result in disruption of the development of the investment climate and the business world, but also how to increase the participation of the taxpayer community to carry out their tax obligations in a compliant manner. Given that the tax system applied in Indonesia is self-assessment, which gives confidence to the taxpayer community to calculate, calculate, pay, and report taxes owed independently, taxpayer community compliance and supervision are central issues that must be regulated in the law on General Provisions and Tax Procedure.

The implementation of the self-assessment system must be followed by adequate supervision through the availability of sufficient data and/or information. In current conditions, data and/or information regarding the financial and economic activities of the taxpayer community needed as a medium of supervision are still incomplete as a result of the lack of a strong legal basis for accessing data and/or information by tax authorities against those who have such data and/or information. This results in a less robust level of supervision of the taxing authorities over the taxpaying community.

This problem arises because in practice there is often disharmony between the provisions in the KUP Law and the provisions of other laws and regulations. For example, to establish a tax database as a mandate under Article 35A of the KUP Law, the Directorate General of Taxes as a tax authority, is often constrained by data confidentiality provisions in the provisions of other laws and regulations that regulate the authority of agencies that administer the data. Thus, the KUP Law must be equipped with provisions that allow data and/or information administrated in all ministries, institutions, and other parties to enter the Indonesian tax administration system with adjustments to policy settings expected to improve the budget deficit and increase tax ratios for...
the sustainability of national development. With this background, researchers formulate the problems in this study. How can Law No. 7 of 2021 concerning Harmonization of Tax Regulations Improve the budget deficit and Increase the Tax Ratio and What are the philosophical, sociological, and juridical considerations or foundations for the formation of the Law on Harmonization of Tax Regulations?

RESEARCH METHODS

This research is focused on the study of the substance of the law governing the General Provisions and Tax Procedures relating to the substance of tax regulations based on the constitution and its implementing regulations. Therefore, this research can be classified as normative legal research that is descriptive. The aspects described in detail in this study are problems that arise in the implementation of General Provisions and Tax Procedures based on applicable regulations.

To solve the problem in this study, an approach is needed. According to Peter Mahmud in his book entitled "Legal Research," there are several approaches that can be used in legal research, namely the statute approach, case approach, historical approach, comparative approach, and conceptual approach (Peter Mahmud Marzuki, 2005: 15)

The nature of the research used by researchers in this study is descriptive, which describes and describes all data obtained from the results of literature studies related to the title of legal writing which is clearly and in detail then analyzed to answer the problems studied. (Soerjono Soekanto, 2012: 32).

RESULTS AND DISCUSSION

Law No. 7 of 2021 concerning Harmonization of Tax Regulations can Improve budget deficits and Increase Tax Ratios. The word harmonization according to the Big Dictionary Indonesian means an effort to find harmony (Ministry of Education and Culture, 2018) which means harmonization is looking for conformity and harmony. Furthermore, A.A. Oka Mahendra explained that harmonization is an effort to harmonize or harmonize (A. Mahendra, 2006: 300) According to Prof. Ahmad M. Ramli, harmonization comes from the word harmony which means harmony, compatibility, harmony. The elements that can be drawn from the understanding of harmonization above are (Wahidin Adam, 2012: 140).
1. The existence of contradictory things, irregularities
2. Harmonize things that contradict to form a system;
3. A process or an effort to realize harmony, conformity, compatibility, compatibility, and balance; and cooperation between various factors in such a way, that these factors produce unity.

The Law on Harmonization of Tax Regulations (HPP) was passed by the government on Thursday, October 7, 2021, in a plenary meeting with the House of Representatives (DPR RI)
which is an integral part of tax reform. This regulation is expected to be the answer that will meet the need for increasing fiscal capacity to boost long-term development. The Law on Harmonization of Tax Regulations or the HPP Law is highly expected by the government to implement it and favor the community. Based on data obtained by most people, 63% are pro the changes in the HPP Law. From the administrative side, the HPP Law closes various regulatory loopholes that still exist and adapts to new developments in the latest business activities, such as the rise of digital-based businesses. Meanwhile, in terms of tax policy, the HPP Law will strengthen aspects of fairness in terms of the tax burden that must be borne by taxpayers, as well as alignment to support the strengthening of the MSME sector. Along with the implementation of the HPP Law, the government targets tax revenue to reach IDR 1,649.3 trillion next year, or equivalent to 109.2% of the target set in the 2022 State Budget Law of IDR 1,510.0 trillion. The government also expects the tax ratio to reach 9.22% next year, higher than the initial estimate of 8.44% of GDP. The following year, the government targets the tax ratio to be 9.29%, 9.53% in 2023, and 10.12% in 2025.

First, the exemption of Income Tax (PPh) for low-income people with a total of 1,377 talks. There were 89.94% approved of the tax exemption. This income tax exemption is considered fair and will be a milestone in tax reform in Indonesia. However, there is also a refutation that this income tax rate adjustment provides partiality to small communities and MSME actors. Because the new income tax rate adjustment imposes a larger rate for people with large incomes and a smaller rate for smaller people. Second, the integration of the National Identity Number (NIK) with the Taxpayer Identification Number (NPWP), with a total of 851 discussions. 83% of people support the integration of NIK with NPWP as part of tax reform and 17% still comment negatively because they think that with NIK becoming an NPWP, when they already have an NPWP they automatically become taxpayers. This could be due to the lack of information obtained by the public so there is a misperception and a negative sentiment towards the NIK regulation which becomes an NPWP. Third, on the implementation of the tax amnesty program with a total of 697 talks. 97% of people reject tax amnesty because they think the HPP Law benefits the rich. Where the law will eliminate criminal sanctions for tax evaders and reduce fines for tax delinquents. But there is also an opinion that this new law is an enthrustment of the oligarchy because it accommodates more of the desires of the buttocks. Fourth, exemption from Value Added Tax (VAT) for health and education services with a total of 541 talks. 86% of people positively welcome this VAT rule change because in the regulation several categories of service goods are still exempt from other countries’ taxes such as education and health. However, there are still people who refuse because they feel this has a negative impact. Fifth, the implementation of the carbon tax with a total of 277 talks. In the study, 90% of people supported the implementation of a carbon tax. Because they consider the implementation of carbon taxes as a form of government commitment to reducing global warming and can control climate change that is happening. In terms of implementation, the use of NIK KTP as an NPWP will be the most
difficult to implement. The reason is, that synchronization is needed between the Ministry of Finance and the Ministry of Home Affairs regarding matching population data. Overall, the HPP Law does not fully reflect Indonesia's tax reform as claimed by the government. However, in the long run, the HPP Law will be a strong capital in facing various dynamic challenges in the future. One of them is expanding the tax base. Expanding the tax base is very important in creating fairness and equality through policy improvements in the collection of income tax (PPh), value-added tax (VAT), excise, and carbon tax. The HPP Law also gives the tax system better governance, justice, and legal certainty. The Minister of Finance assessed that the HPP Law was able to increase voluntary compliance of taxpayers.

Philosophical, sociological, and juridical considerations or foundations for the formation of the Law on Harmonization of Tax Regulations. According to Adam Smith in his book Wealth of Nations with the famous teaching "The Four Maxims", for tax regulations to be fair, they must meet four conditions, namely: (Soemitro, R.2008: 15).

a) Equality (Similarities)
   For the same circumstance or people who are in the same circumstance should be taxed the same.

b) Certainty (Legal certainty)
   In making laws and regulations that are generally binding, efforts must be made so that the provisions contained in the law are clear, unequivocal, and do not contain double meanings or provide opportunities for other interpretations.

c) Convenience of Payment
   Taxes must be collected at the right time, which is when the taxpayer has money. Not all taxpayers have the same convenience moment, which is convenient for them to pay taxes.

d) Economics of Collection
   The fourth condition is related to the collection fee. In making new tax laws, drafters must consider that the cost of collection must be small relative to the incoming tax money. Of course, it is meaningless to collect new taxes, the proceeds of which will mostly be spent on collection fees, so that only a small part of it goes into the state treasury.

The principles of General Provisions and Tax Procedures are as follows:

a) Basics of Justice (Gerechtigkeit)
   According to Apeldorn, the purpose of the law is to regulate peaceful association. The interests of individuals and the interests of human groups are always in conflict with each other. This conflict of interests will always lead to infighting, even war between everyone against everyone, if the law does not act as an intermediary to maintain peace. The law maintains peace by carefully weighing conflicting interests and striking a balance between them because the law can only achieve its goal (regulating peaceful association) if it leads to a just rule means a rule in which there is a balance between the interests that are protected, in which everyone obtains as much as possible which is his part. (L.J. van Apeldoorn,2005:10-11).
b) Principles of Legal Certainty (Legality).

The principle of legal certainty is illustrated by Apeldoorn in the statement that the law establishes general rules that guide people in social life. If the law merely desires justice and has the sole purpose of giving everyone what he deserves, then it cannot establish general rules. And the latter is what to do. It is a condition for him to be able to function. A legal order that has no general rules, written or unwritten is impossible. The absence of a general rule means serious uncertainty about what is fair or unjust. And that uncertainty will always cause disputes between people, thus causing disordered circumstances and not orderly states. So the law must determine general rules and must generalize.

Legal certainty is an inseparable feature of the law, especially for written legal norms. Laws without certainty value will lose meaning because they can no longer be used as a code of conduct for everyone. Ubi jus incertum, ibi jus nullum which means where there is no legal certainty, there is no law. Shidarta, 2006:82).

According to Satjipto Rahardjo, 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 law is positive, meaning that it is legislation (gesetzliches recht). Second, this law is based on facts (tatsachen), not a formulation of judgment that will later be made by the judge, such as "good faith", or "decency." Third, the fact must be formulated clearly to avoid errors in meaning, while also being easy to implement. Fourth, the positive law must not be changed frequently. (Satjipto Rahardjo, 2006: 136).

Fuller also proposed eight principles that must be fulfilled by law and if they are not fulfilled, then the law fails to be called law. The eight principles are as follows: (1) a legal system consists of rules, not based on arbitrary decisions on certain matters (ad hoc); (2) the regulation is made public; (3) is not retroactive, as it would damage the integrity of the system; (4) made in a formulation that is generally understood; (5) there shall be no conflicting rules; (6) must not demand action beyond what can be done; (7) must not be changed frequently; (8) There must be conformity between regulations and day-to-day implementation. (Brotodihardjo, 2013).

c) The Principle of Expediency (Practicality).

A tax law expert, R. Santoso Brotodihardjo uses another term in expressing the purpose of tax collection from the principle of revenue and development. He stated that a reasonable system of tax collection should not contradict state policy in economic and social reports. Tax function In the framework of development, there are two, namely the budgetary function and the regulating function. (Brotodihardjo, 2013).

Foundation Philosophy

The purpose of the Indonesian state based on the Preamble of the 1945 NRI Constitution is to protect the entire nation and all Indonesian bloodshed, promote the general welfare, educate the nation's life, and participate in implementing world order based on independence, lasting peace, and social justice.
To achieve this goal, it is necessary to carry out development in all areas of life-based on Pancasila as the basis of the state. The economic sector is one of the fields that has a significant influence on national development because national economic growth is a measure of state revenue or income used for financing in other fields to improve public welfare.

In a depressed national economy due to the Covid-19 pandemic, the trend of global fiscal consolidation, as well as limited administrative and policy capacity, policies are needed that can increase state revenue to support the increasing state financing needs through strengthening tax administration, increasing taxpayer compliance, expanding the tax base, and improving the tax system that ensures fairness and equality.

To strengthen tax administration, policies are needed to ensure an increase in state revenue, policies are needed regarding the General Anti-Avoidance Rule (GAAR) that can reach various types of tax avoidance that have not been covered by the Special Anti-Avoidance Rule - SAAR) which provides an opportunity for Taxpayers to correct non-compliance through tax payments at special rates, expansion of the Income Tax (PPh) base through the implementation of the Alternative Minimum Tax (AMT) scheme for companies that have lost money for years, and the appointment of other parties as tax collectors and/or cutters as well as the expansion of the VAT base by reducing the group of goods or services that are not subject to VAT and reducing facilities VAT is not collected or VAT is exempt.

**Foundation Sosiologis**

To increase state revenue to support the increasing state financing needs, funding sources derived from tax revenues are needed.

However, there are challenges faced by the government to increase state revenues, especially from the tax sector. First, the Covid-19 pandemic in early 2020 affected the global and national economies and resulted in slowing economic growth, threatening fiscal sustainability due to budget deficits and increasing debt, widening inequality and increasing unemployment.

Second, there is a trend of fiscal consolidation carried out by several countries as an effort to overcome the crisis experienced by these countries due to the COVID-19 pandemic. Fiscal consolidation in several countries is carried out, among others, by increasing corporate income tax rates and increasing spending efficiency which results in streamlining investment spending.

Third, limited administrative capacity and policies owned by the government result in limited fiscal space to finance state expenditures. Some conditions of limited administrative capacity and policies that need to be resolved with this draft law include: the need to regulate billing cooperation between jurisdictions; the need for arrangements regarding the imposition of collection penalties after the issuance of the Review Decision; the need for reorganization of the Mutual Agreement Procedure (MAP); regulation of the appointment of other parties as tax cutters and/or collectors; there are Taxpayers who have not submitted or reported assets for Tax Year 2016 to Tax Year 2019 correctly; the need for rearrangements regarding the termination of investigations, the addition of the authority of Civil Servant Investigators, as well as the need for
arrangements regarding criminal fines so that they are not replaced with imprisonment and must be paid by convicts to ensure the recovery of losses to state revenue in order to encourage taxpayers, suspects or defendants to pay off losses to state revenue and administrative sanctions; there is no regulation regarding the imposition of income tax on nature or enjoyment (fringe benefit); changes to individual income tax rates or brackets are required; there is no regulation regarding GAAR; there is no regulation regarding the reduction of tax incentives for taxpayers with a turnover of less than Rp50 billion; there is no regulation regarding the imposition of AMT; the need to reduce the exemption of VAT objects and VAT facilities; the need to regulate the application of multi-rate VAT; inflexible arrangements regarding the addition or reduction of excise objects; and there is no regulation on carbon taxes.

**Juridical Foundation**

Tax collection is regulated by law by the provisions of Article 23A of the 1945 NRI Constitution which states that taxes and other levies of a coercive nature for state purposes are regulated by law.

The current KUP Law has not regulated or contains substance content that is different from the direction of regulation in this draft law so some parts of the KUP Law need to be replaced or added to accommodate the regulatory needs regarding GAAR, inter-jurisdictional billing cooperation, imposition of fines after the issuance of the Review Decision, application of ultimum remedium in tax crimes, the imposition of AMT minimum income tax, the appointment of other parties as tax cutters and/or collectors, the elimination of tax incentives for taxpayers based on Article 31E of the Income Tax Law, and the application of MAP.

The current Income Tax Law has not regulated or contains substance content that is different from the direction of regulation in this draft law so some parts of the Income Tax Law need to be replaced, added, or subtracted to accommodate the regulatory needs regarding GAAR, inter-jurisdictional billing cooperation, AMT imposition, imposition of income tax on nature and/or enjoyment (fringe benefit), a layer of taxable income and personal income tax rates, elimination of tax incentives for taxpayers based on Article 31E of the Income Tax Law.

The current VAT Law has not regulated or contains substance content that is different from the direction of regulation in this draft law so some parts of the VAT Law need to be replaced, added, or subtracted to accommodate the regulatory needs regarding non-object reductions and VAT facilities, as well as the application of multi-rate VAT.

The section in the Excise Act needs to be adjusted to accommodate the regulatory needs regarding the expansion of excise objects. Regarding the Carbon Tax, no law regulates it.

Some of the improvements made in this bill do not conflict with other laws and are only complementary so there is no need for material adjustments, additions, or reductions in the law.

With the rapid development of socio-economic policies in the economic sector, it is necessary to make improvements to several related parts of the laws and regulations in the field of taxation. Although the regulated material includes General Provisions and Procedures for
Taxation, Income Tax, Value Added Tax, and Excise. However, due to time constraints, urgent needs, and the nature of improvements that are only contained in some parts of the law, arrangements are needed through the KUP Law. Based on the political-legal analysis of the formation of the Job Creation Law and the HPP Law described above, it can be seen that although the Job Creation Law and the HPP Law are both formed using the omnibus method, there are differences between the omnibus method applied to the Job Creation Law and the HPP Law. This can first be seen from the background that underlies the legal politics of the formation of these two laws. The establishment of the Job Creation Law was motivated by a "new idea", namely the establishment of a legal regulation that can facilitate the investment climate while opening up the widest possible employment by combining the "forced" many laws that have diverse materials. Meanwhile, the establishment of the HPP Law was motivated by tax reform through accelerating national economic recovery through optimizing national tax revenue, as well as realizing a tax system that is fair and legally certain. So that the scope of HPP regulation is only limited to harmonizing by combining several tax regulation materials contained in 6 (six) Laws into 1 (one) Law. Differences in the application of the omnibus method It cannot deny the fact that this method is useful in the process of harmonization and simplification of regulations, but in its application, it should still comply with the Constitution and the Law on the Establishment of Laws and Regulations to realize procedural justice and substantive justice.

**Long-Term Fiscal Policy (2023 – 2030)**

By 2024, the infrastructure budget will be sought to be around 4% of GDP. This is in line with the direction of fiscal policy until 2024 will be focused on supporting the Indonesian economy which is expected to be in a transition position towards an industrial country, economic digitalization, and the spread of industrial distribution outside Java. The policy direction of infrastructure development until 2024 will focus on efforts to increase domestic connectivity, strengthen mass transportation and develop modern IT-based transportation, increase logistics system efficiency, and develop new renewable energy to support energy and electricity security.

Furthermore, in the 2025-2029 period, industrialization in Indonesia is estimated to be marked by the condition of the industrial sector outside Java has begun to stabilize, and export activities of high-tech products. Technological advancements, including communication via the internet, will play an important role in encouraging economic growth. Start-up businesses will continue to emerge, but at the same time, industrial automation will affect labor demand. Thus, in addition to providing human resources who have qualifications that can keep up with technological developments, the Government also needs to encourage the growth of new entrepreneurs.

**CONCLUSION**

The characteristics of the Indonesian legal system that adhere to it as a Civil Law state make the existence of Omnibus Law in Indonesia natural if questioned. Because the mechanism was born in countries that apply the Common Law legal system. Therefore, adjustments to the
procedures and characteristics of the Indonesian legal system become the basic guidelines for knowing the position of the Omnibus Law in Indonesia. Materially, several content materials need to be criticized in Law No. 7 of 2021 concerning the Harmonization of Tax Regulations. The existence of content material contained in the Law on Harmonization of Tax Regulations as in Article 17 paragraph (2) gives legitimacy to Government Regulations to regulate tax rates charged to tax subjects who fall into the category of taxpayers. Thus, the purpose of this law does not reflect legal certainty.

Not only that, the provisions in this regulation indicate the asynchronousness of regulations formed with democratic turmoil and reforms, for example, provisions governing Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (VAT) which are fairly ambiguous and do not provide legal certainty. The tax system must be able to create stable and non-cyclical revenues. The tax system must also provide legal certainty and be simple and effective in carrying out its role as a policy instrument and can create justice. In addition, the tax system is expected to be more flexible and able to anticipate technological changes, globalization, changes in business activities, and even respond to unexpected situations. With the enactment of the HPP Law, it is hoped that it will increase revenue, especially in the tax sector, and increase the welfare of the community in general. From the administrative side, the HPP Law closes various loopholes that still exist and adapts to the latest new developments in business activities. This is related to the rise of digital-based businesses following the rapid advancement of information technology. Meanwhile, in terms of tax policy, the HPP Law will strengthen aspects of fairness in terms of the tax burden that must be borne by taxpayers, as well as alignment to support the strengthening of the MSME sector, which is the main actor of the national economy.

The HPP Law reflects the Government's commitment to carry out comprehensive fiscal policy reform. Continuous improvement on the expenditure side through various efforts to strengthen budget efficiency and effectiveness must be accompanied by strengthening on the revenue side. "The success of fiscal policy reform is crucial because it can facilitate other structural reforms, such as reforms in health and education to strengthen human capital and sustainable physical capital. Structural reforms will form the foundation for a sustainable high-growth economy going forward to achieve Advanced Indonesia 2045, through the creation of a competitive investment and business climate.

With the issuance of the HPP Law, a commitment to alignment with the lower middle class can be realized. Such as changes in the Income Tax cluster, namely policy improvements implemented through incentives provided for Taxpayers who run Micro, Small, and Medium Enterprises, progressive tariff improvements on the imposition of Individual Taxpayer Income Tax, and ease of tax administration, one of which includes the use of the National Identity Number (NIK) as a Taxpayer Identification Number (NPWP) for Individual Taxpayers. The alignment of WP MSMEs through the provision of incentives in the form of PTKP limits on the gross circulation of WP OP MSMEs up to 500 million in a year. This means that the WP is not owed and does not
need to pay income tax. Furthermore, MSME Agency WPs, still get an income tax rate facility of 50% as stated in Article 31 Letter E of the Income Tax Law. With the hope that the tax incentives provided can increase the competitiveness of MSMEs in Indonesia. The HPP Law improves the progressivity of income tax rates. By increasing the range of PTKP layers, the lowest tariff remains at 5%, while the highest tariff changes initially from 30% to 35%. This has an impact on the imposition of income tax for various WPs more effectively and fairly. For the imposition of a Corporate Income Tax rate of 22%. This tariff is still said to be competitive and conducive to maintaining the balance of the investment climate in Indonesia.

The ease of administration of the integration of NIK and NPWP data can provide convenience for the community, especially for taxpayers in fulfilling their tax obligations because they only use one identity, so people who have met the criteria as taxpayers do not need to come to KPP to make an NPWP, because NIK already functions as an NPWP. To realize justice and partiality of the HPP Law on the side of Value Added Tax, it is carried out by providing VAT exemption facilities for basic needs, education services, health, and social services that will protect people with middle to lower economies. On the other hand, the increase in the VAT rate from 10% to 11% was done not without reason. This VAT increase is carried out to strengthen the Indonesian economy in the long term and help finance the State Budget, especially in the context of national economic recovery after experiencing a downturn during the pandemic. With various policy changes and improved tax administration performance, the HPP Law is expected to have a positive impact on tax revenue. In the short term in 2022, tax revenue is expected to grow quite high with a taxation ratio in the range of 9% of GDP, and then in the medium term, the tax ratio can reach more than 10% of GDP by 2025, in line with better economic growth and continuous improvement in compliance.

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