ISSN No:-2456-2165

An Analysis of Self-Assesment Tax System in Indonesia

Haryati Nasution
Department of Economics and Business
Jambi University
Jambi, Indonesia

Salman Ego
Department of Economics and Business
Jambi University
Jambi, Indonesia

Yopie Said Ramadhany
Department of Economics and Business
Jambi University
Jambi, Indonesia

Abstract:- This literature review aims to explore the ease of use in researching and understanding the topic of self-assessment system tax in Indonesia over the past five years. self-assessment system is a significant aspect of the Indonesian taxation system and understanding its intricacies is essential for both businesses and individuals operating within the country. By analyzing relevant literature from the past five years, this review aims to provide insights into the accessibility, comprehensibility, and usability of available resources, including academic articles, research papers, government publications, and professional journals. The findings of this review will contribute to a better understanding of the ease of use of literature related to self-assessment system in Indonesia.

Keywords:- *Self-Assessment System; Tax; Tax System.*

I. INTRODUCTION

Over the past decade, Indonesia has significantly improved its tax system in terms of both administrative effectiveness and revenue collection. Despite the need for increased investment on social protection and infrastructure, the tax take is still modest. With the exception of the natural resources sector, expanding tax bases and strengthening tax administration would be preferable than making adjustments to the tax schedule, which appears to be generally consistent with international practice [1].

Indonesian government has carried out reforms in the field of taxation, one of which is the change in the tax collection system, which was originally in the form of an official assessment system, then changed to a semi-self-assessment system and withholding system after the issuance of Law number 8 of 1967 concerning changes and improvements to tax collection procedures. 1944, 1932 wealth tax, and 1925 corporate tax with the MPS (self-collecting taxes) and MPO (collecting people's taxes) procedures, then in 1984 the self-assessment system was fully used in Indonesia after the promulgation of Law number 6 of 1983 Concerning Provisions General And Tax Procedures [2]

Service development also includes digital technology which is part of the efforts of the Directorate General of Taxes to serve all the needs of taxpayers, especially for the type of central tax which is a self-assessment system (SAS) [3]. This system requires the independence of taxpayers in managing it and applies it to tax collection. value added (VAT) and income tax (PPh). Taxpayers must play an active role in calculating, depositing and reporting the amount of their taxes to the tax service office or online [4].

self-assessment tax system is a crucial component of a country's tax system, playing a significant role in generating government revenue and ensuring tax compliance [5]. In the case of Indonesia, the implementation of self-assessment system has become increasingly important as the nation strives to strengthen its fiscal position, enhance tax collection efficiency, and promote sustainable economic growth [6].

This research paper aims to provide a comprehensive analysis of self-assessment system in Indonesia, exploring their impact on various stakeholders and the overall economy. By examining the current regulatory framework, enforcement mechanisms, and potential challenges, this study seeks to shed light on the effectiveness of Indonesia's tax system and identify potential areas for improvement.

To establish a solid foundation for this research, a thorough review of existing literature, academic studies, and relevant government publications will be conducted. These sources will offer valuable insights into the historical development of self-assessment system in Indonesia, the underlying principles, and the evolution of tax rates and structures over time. Moreover, this research will incorporate recent scholarly work and empirical studies to provide up-to-date and comprehensive analysis.

Furthermore, this paper will explore the implications of self-assessment system on different economic sectors and investor behavior. By examining the impact on foreign direct investment (FDI) flows, domestic businesses, and individual taxpayers, we will gain a deeper understanding of the economic consequences of self-assessment system in

Indonesia. The study will also assess the efficiency and effectiveness of the current enforcement mechanisms and propose potential measures to streamline tax collection processes while minimizing the compliance burden on taxpayers.

The findings of this paper will contribute to the existing body of knowledge on self-assessment system and their implications for economic growth and tax revenue in Indonesia. The outcomes will provide valuable insights for policymakers, tax authorities, and stakeholders, aiding them in formulating evidence-based strategies to enhance the country's tax system, foster economic development, and attract foreign investments.

II. LITERATURE REVIEW

To conduct this literature review, a comprehensive search was performed across various academic databases, including but not limited to, JSTOR, Scopus, and Google Scholar. Keywords such as "self-assessment system," "taxation in Indonesia," "tax regulations," and "taxation literature" were used to identify relevant articles, research papers, government publications, online news, and professional journals. Only sources published within the past five years were included to ensure the review reflects the most current state of research and knowledge.

The Self-Assessment System (SAS) is an approach applied to taxation in Indonesia, which requires taxpayers to calculate, report and pay taxes owed independently. This concept gives greater authority and responsibility to taxpayers, while the government acts as supervisor and monitor. In recent years, many studies have been conducted to explore various aspects related to SAS on taxes in Indonesia. In this literature review, we will present a brief overview of some of the research that is relevant to this topic.

Research on Factors Affecting Tax Compliance. Several studies have identified factors that influence tax compliance in the context of SAS in Indonesia. For example, research found that tax self-assessment have a positive affect to taxpayer [7]–[9]. This study provides insight into the factors that can be used to increase taxpayer compliance in participating in the SAS.

Research on Taxpayer Perceptions of SAS: The taxpayer's perception of SAS is also an interesting research subject. Taxpayer perceptions affect SAS and found that a lack of understanding of this system can be an obstacle in implementing SAS effectively [10]. This research underscores the importance of providing taxpayers with clear information and a good understanding of SAS.

Research on SAS Effectiveness and Sustainability: A number of studies have also been conducted to evaluate the effectiveness and sustainability of SAS in the tax context in Indonesia. For example, research show that the effectiveness of tax audits, organizational factors, tax auditors, regulations and management support from the Directorate General of Taxes have met the criteria for the realization of an effective tax audit in Indonesia. However, taxpayer factors, organizational independence and audit quality have not supported the realization of an effective tax audit [11].

Research on the Impact of Technology in SAS Implementation: With advances in technology, the implementation of SAS in taxes in Indonesia is also influenced by technological aspects. Indonesian government improve process of the self-assessment system by utilizing information and communication technology, one of the uses of information and communication technology as well as modernizing the taxation system is the launch of e-filling and e-billing systems [12].

III. DISCUSSION

The Self-Assessment System (SAS) is an approach applied to taxation in Indonesia, which requires taxpayers to calculate, report and pay taxes owed independently. This concept gives greater authority and responsibility to taxpayers, while the government acts as supervisor and monitor. In recent years, many studies have been conducted to explore various aspects related to SAS on taxes in Indonesia. In this literature review, we will present a brief overview of some of the research that is relevant to this topic.

A. Self-assessment System and Tax Compliance

In Indonesia, the self-assessment system and tax compliance are closely related. The self-assessment system is a method of tax collection where taxpayers are responsible for assessing and reporting their income, calculating their tax liability, and filing tax returns [13]. Under this system, taxpayers are expected to accurately assess their tax liability and fulfill their tax obligations voluntarily.

Tax compliance, on the other hand, refers to the degree to which taxpayers adhere to tax laws and regulations by fulfilling their tax obligations in a timely and accurate manner. It encompasses various aspects such as timely filing of tax returns, payment of taxes owed, and proper reporting of income and deductions.

The self-assessment system plays a crucial role in promoting tax compliance in Indonesia [8]. It relies on the principle of trust between taxpayers and the tax authority, as taxpayers are given the responsibility to assess and report their taxes correctly. The tax authority, in turn, assumes a supervisory role to ensure taxpayers comply with their obligations.

To facilitate tax compliance within the self-assessment system, the Indonesian tax authority provides guidance, regulations, and resources to help taxpayers understand their obligations and comply with tax laws. It may also conduct tax audits and investigations to verify the accuracy of taxpayers' self-assessments and ensure compliance [7].

The effectiveness of the self-assessment system in promoting tax compliance depends on various factors, such as taxpayer awareness, education, and the perceived risks and consequences of non-compliance [14]. In Indonesia, the tax

ISSN No:-2456-2165

authority has implemented measures to encourage compliance, such as providing tax incentives, penalties for non-compliance, and implementing electronic systems to simplify the tax filing process.

Overall, the self-assessment system and tax compliance in Indonesia are interconnected, with the self-assessment system relying on taxpayers' voluntary compliance and adherence to tax laws. By fostering tax compliance, the Indonesian government aims to ensure a fair and efficient tax system that supports the country's economic development.

B. Self-assessment and Taxpayer Perceptions

The relationship between the tax self-assessment system and taxpayer perceptions in Indonesia can be complex and multifaceted. The tax self-assessment system is a mechanism by which taxpayers are responsible for determining their own tax liabilities, reporting their income, and paying the appropriate amount of tax. This system relies on taxpayers' honesty and compliance in accurately reporting their income and fulfilling their tax obligations.

Taxpayer perceptions, on the other hand, refer to taxpayers' beliefs, attitudes, and opinions about the tax system and their experiences with it [15]. These perceptions can be influenced by various factors, including their understanding of the tax laws, their interactions with tax authorities, their perception of fairness, the complexity of the tax system, and the level of trust in the government's ability to effectively use tax revenues [16].

The relationship between the tax self-assessment system and taxpayer perceptions can have both positive and negative aspects:

- Compliance and Voluntary Reporting: A well-functioning tax self-assessment system can promote voluntary compliance among taxpayers. If taxpayers perceive the system as fair, transparent, and efficient, they are more likely to willingly report their income and pay their taxes accurately and on time. This can lead to higher levels of tax compliance and revenue collection.
- Trust and Confidence: A positive perception of the tax self-assessment system can contribute to building trust and confidence between taxpayers and tax authorities. When taxpayers believe that their tax payments will be used effectively for public welfare and development, they are more likely to willingly comply with their tax obligations. Conversely, a negative perception of the system can erode trust and result in tax evasion, avoidance, or non-compliance.
- Complexity and Understanding: The complexity of the tax self-assessment system can influence taxpayer perceptions. If the system is overly complex, with complicated rules and procedures, taxpayers may find it difficult to understand their obligations and comply with the requirements. This can lead to frustration, confusion, and negative perceptions of the tax system.
- Interaction with Tax Authorities: The interactions between taxpayers and tax authorities can significantly impact taxpayer perceptions. If taxpayers perceive tax authorities as helpful, responsive, and fair in their dealings, it can contribute to positive perceptions of the tax system. On the other hand, negative experiences, such as harassment, corruption, or inefficient processes, can lead to negative perceptions and a lack of trust in the system.

To improve taxpayer perceptions in Indonesia, it is essential to focus on several aspects:

- Simplification: Simplifying the tax laws, procedures, and forms can help reduce complexity and improve taxpayers' understanding of their obligations. Clear and concise guidelines can make it easier for taxpayers to comply.
- Communication and Education: Enhancing communication and education efforts can increase taxpayer awareness and understanding of the tax self-assessment system. Providing relevant information, workshops, and online resources can empower taxpayers to fulfill their obligations more effectively.
- Fairness and Transparency: Ensuring fairness and transparency in the tax administration, such as minimizing corruption and arbitrary decision-making, can enhance taxpayer trust and confidence in the system. Transparent processes, clear guidelines, and effective dispute resolution mechanisms are crucial in this regard.
- Service Quality: Improving the quality of services provided by tax authorities, such as efficient processing of tax returns, prompt responses to queries, and helpful assistance, can contribute to positive taxpayer perceptions and satisfaction.

By addressing these factors, the relationship between the tax self-assessment system and taxpayer perceptions in Indonesia can be positively influenced, leading to improved compliance, increased revenue collection, and enhanced trust in the tax system.

C. Self-assessment Effectiveness and Sustainability

The relationship between tax self-assessment effectiveness and sustainability in Indonesia can be understood in the context of the country's tax system and its impact on revenue generation, compliance, and overall economic development. Here are some key points to consider:

- Tax Self-Assessment: Tax self-assessment is a system where taxpayers are responsible for calculating and reporting their tax liabilities to the tax authorities. In Indonesia, the tax self-assessment system is implemented through the e-Filing and e-Payment system, where taxpayers are required to submit their tax returns electronically.
- Effectiveness of Tax Self-Assessment: The effectiveness of tax self-assessment is measured by the degree to which taxpayers accurately report their income and pay the correct amount of taxes. When tax self-assessment is effective, it leads to improved compliance, reduced tax evasion, and increased revenue collection for the government.
- Revenue Generation: A well-functioning tax self-assessment system can contribute to sustainable revenue generation for the government. By encouraging taxpayers to accurately report their income and pay their taxes, the system helps to expand the tax base and increase government revenue. This, in turn, provides a stable

source of funds for public expenditure, infrastructure development, and social welfare programs, promoting sustainability in the long run.

- Compliance and Fairness: Tax self-assessment can foster a culture of compliance among taxpayers when it is perceived as fair, transparent, and efficient. When taxpayers have confidence in the system, they are more likely to voluntarily comply with their tax obligations. This strengthens the overall sustainability of the tax system by reducing tax avoidance and evasion.
- Economic Development: A sustainable tax system, supported by an effective self-assessment mechanism, plays a crucial role in fostering economic development. Tax revenues are essential for financing public investments, improving public services, and creating an enabling environment for businesses. When tax self-assessment is effective, it enhances the government's capacity to implement development programs, attract investments, and stimulate economic growth.
- Continuous Improvement: To ensure the sustainability of the tax self-assessment system in Indonesia, it is important for the government to continuously improve its efficiency and effectiveness. This can be done through regular updates to tax laws and regulations, providing clear guidance to taxpayers, enhancing taxpayer education and awareness programs, and leveraging technology to streamline tax processes.

In conclusion, the relationship between tax self-assessment effectiveness and sustainability in Indonesia is intertwined. A well-functioning self-assessment system promotes compliance, revenue generation, and economic development, contributing to the overall sustainability of the country's tax system.

D. Self-assessment System and Technology

The relationship between the tax self-assessment system and technology in Indonesia involves the application of technology to streamline and improve the tax assessment and reporting process for individuals and businesses. Here are some key points regarding this relationship:

- Technology Adoption: The Indonesian government has been actively promoting the use of technology to enhance tax administration and compliance. The adoption of technology aims to simplify tax processes, reduce errors, increase transparency, and improve efficiency in the overall tax system [3].
- Tax technology and self-assessment systems are major contributors to tax evasion. Tax evasion can be decreased by enhancing the self-assessment system and taxation technology. More ideal tax revenue as a result [17].
- The integrated tax technology system with financial institutions gives taxpayers the impression that they cannot avoid paying the taxes that are legally required of them. Increasingly sophisticated tax technology will make it simpler for tax inspectors to monitor economic activity. The study's findings put a nation's tax structures in perspective. A system that has made it simple for the general population to pay taxes needs to be managed and upheld by the government. State tax revenues will rise as a result of the implementation of the self-assessment system and taxing technologies [17].
- Mobile Applications and Online Services: The Indonesian tax authority has also developed mobile applications and online services to provide taxpayers with access to tax-related information, forms, and resources. The mobile application is called M-Pajak. M-Pajak has a role in raising awareness for taxpayers who are used to pay their own calculation, payment and reporting of Final Income Tax obligations through the M-Pajak application [18].

IV. CONCLUSION

Self-assessment tax system in Indonesia has undergone significant improvements and reforms over the years, aiming to streamline the tax administration process and promote voluntary compliance among taxpayers. The system has provided greater autonomy to taxpayers, allowing them to assess and declare their own income and calculate their tax liabilities.

The self-assessment system has several advantages, such as reducing the burden on tax authorities, promoting transparency, and increasing efficiency in tax collection. It empowers taxpayers by enabling them to take responsibility for their tax obligations and encourages them to maintain accurate records and submit timely tax returns.

However, the implementation of the self-assessment tax system in Indonesia is not without challenges. One of the key challenges is ensuring taxpayer compliance and combating tax evasion. Although the system relies on taxpayers' honesty and integrity, there is still a need for robust enforcement measures to deter non-compliance and detect fraudulent activities effectively.

Moreover, the complexity of the tax laws and regulations can pose difficulties for taxpayers in understanding their obligations and correctly calculating their tax liabilities. This calls for continuous efforts by the Indonesian government to simplify tax laws, provide clear guidelines, and enhance taxpayer education and assistance programs.

To address these challenges, the Indonesian tax authorities have taken various measures to improve the self-assessment system. This includes the implementation of e-filing and e-payment systems, which have made the tax filing process more convenient and efficient. The government has also strengthened its tax audit and investigation capabilities to detect and deter non-compliance effectively.

In conclusion, while the self-assessment tax system in Indonesia has shown significant progress, there is still room for improvement. Continuous efforts to enhance taxpayer education, simplify tax regulations, and strengthen enforcement measures will be crucial in ensuring the effectiveness and fairness of the self-assessment system. By striking a balance between taxpayer autonomy and compliance, Indonesia can further optimize its tax collection and foster a culture of voluntary compliance among taxpayers.

ISSN No:-2456-2165

Research on tax self-assessment systems in Indonesia has produced various findings that provide a better understanding of the factors that influence compliance, taxpayer perceptions, effectiveness, sustainability, and the impact of technology in SAS implementation. The results of this research can be a basis for the government, tax agencies, and academics to continue to improve the tax system and increase taxpayer compliance in the future.

REFERENCES

[1]. J. M. Arnold, "Improving the Tax System in Indonesia," no. 998, 2012, doi: https://doi.org/https://doi.org/10.1787/5k912j3r2qmr-en.

[2]. A. Imron Rizki, "Self Assessment system sebagai dasar pungutan pajak di Indonesia," *J. Al-'Adl Vol*, vol. 11, no. 2, 2018.

[3]. M. Arewa and S. Davenport, "The Tax and Technology Challenge," *Innov. Tax Compliance Build. Trust. Navig. Polit. Tailoring Reform*, 2022.

[4]. A. Setiawan, "Lebih Efisien Urusan M-Pajak," *indonesia.go.id*, 2021. https://indonesia.go.id/kategori/keuangan/2906/lebih-efisien-urusan-m-pajak?lang=1 (accessed Jun. 08, 2023).

[5]. M. Kazi Abdul and F. Khandaker Mursheda, "The new fiscal sociology: a study of universal self-Assessment taxpayers in Bangladesh," 2023.

[6]. S. E. M. A. Hamidah *et al.*, *Perpajakan*. Cendikia Mulia Mandiri, 2023.

[7]. E. Satyawati and M. P. Cahjono, "Pengaruh self assessment system dan sistem informasi perpajakan terhadap kepatuhan wajib pajak," *J. Ris. Akunt. Dan Keuang.*, vol. 13, no. 1, pp. 31–43, 2017.

[8]. S. M. Lasmaya and N. N. Fitriani, "Pengaruh Self Assesment System Terhadap Kepatuhan Wajib Pajak," *J. Comput. Bisnis*, vol. 11, no. 2, pp. 69–78, 2017.

[9]. L. Nurlaela, "Pengaruh Self Assessment System dan sanksi perpajakan terhadap kepatuhan wajib pajak pada KPP Pratama Garut," *J. Wahana Akunt.*, vol. 3, no. 1, pp. 1–11, 2018.

[10]. I. N. Akbar, D. Atmanto, and A. Jauhari, "Pengaruh Persepsi Wajib Pajak Orang Pribadi terhadap Pelaksanaan Self Assesment System," *J. Perpajak.*, vol. 7, no. 1, 2015.

[11]. S. A. Lim and L. Indrawati, "Tinjauan teoritis efektivitas pemeriksaan pajak di Indonesia," *BIP's J. BISNIS Perspekt.*, vol. 11, no. 1, pp. 37–58, 2019.

[12]. I. B. P. Pradnyana and G. Das Prena, "Pengaruh Penerapan Sistem E-Filing, E-Billing Dan Pemahaman Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi Pada Kantor Pelayanan Pajak (Kpp) Pratama Denpasar Timur," *Wacana Ekon. (Jurnal Ekon. Bisnis dan Akuntansi)*, vol. 18, no. 1, pp. 56–65, 2019.

[13]. N. Q. Lutfillah and T. A. Setiyawati, "[Dis] Honesty of Taxpayers in the Self-Assessment System," in *1st Annual Management, Business and Economic Conference (AMBEC 2019)*, 2020, pp. 169–172.

[14]. N. Wadesango, A. Mutema, C. Mhaka, and V. O. Wadesango, "Tax compliance of small and medium enterprises through the self-assessment system: issues and challenges," *Acad. Account. Financ. Stud. J.*, vol. 22, no. 3, pp. 1–15, 2018.

[15]. H. B. Taing and Y. Chang, "Determinants of tax compliance intention: Focus on the theory of planned behavior," *Int. J. public Adm.*, vol. 44, no. 1, pp. 62–73, 2021.

[16]. M. J. Salé, O. Muharremi, and M. Hoxhaj, "Albanian Individual Taxpayers Perceptions and Determinants on Ethical Behavior Regarding Tax Compliance," 2021.

[17]. E. A. Sinambela and A. R. Putra, "Self-Assessment System, Tax Technology and Tax Evaison," *J. Mark. Bus. Res.*, vol. 1, no. 1, pp. 51–58, 2021.

[18]. D. Riningsih, A. Chandra, and K. Eferyn, "Pengaruh Penerapan Aplikasi Mobile Pajak (M-Pajak) terhadap Kesadaran Wajib Pajak untuk Membayar PPh Final pada UMKM di Kecamatan Wates Kabupaten Kediri," *J. Bina Akunt.*, vol. 10, no. 1, pp. 268–278, 2023.