

# Indonesian Omnibus Law in Taxation

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The purpose of the State, that is the basis for the Government of Indonesia, is to protect all Indonesians and promote the general welfare, educate the life of the nation, and participate in the order of the world based on independence, eternal peace, and social justice. Reviewed from an economic perspective, Indonesia is a country that lives alongside other countries, and the economy in Indonesia has always been influenced by the global economic situation. The national and global economic environment continues to undergo dynamic changes, among others, due to fluctuations in commodity prices, as well as the trade policies and rising interest rates of other countries. Indonesia faces the same problem as other countries. However, some countries, such as France, Italy, Austria, Spain, India, the United Kingdom, and Australia, have taken the first steps by applying taxes on electronic transactions with different mechanisms. This was achieved unilaterally, without waiting for an internationally agreed consensus at the end of 2020, through the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), which is also known as the Inclusive Framework. The study is classified as a normative, descriptive juridical legal research. This study explores the problems that arise in the implementation of general provisions and procedures of taxation, income tax, value added tax, customs, excise, local taxes, and regional retribution, as well as local governments, according to the prevailing arrangements. In order to increase the economic growth, the required source of adequate investment funding is sourced from tax receipts and private sector participation. Nevertheless, Indonesia's economy is assessed as vulnerable because it is supported only by certain mainstay sectors. In addition, domestic conditions alone have not attracted enough interest to invest and a provision remains that inhibits investment. The omnibus law in taxation, in Indonesia, and from the perspective of philosophical,

juridical, and sociological foundations, provides some advantage and benefit.

**Keywords:** *Omnibus law, OECD, Philosophical, Juridical, Sociological.*

## Introduction

The purpose of the State, that is the basis for the Government of Indonesia, is to protect all Indonesians and promote the general welfare, educate the life of the nation, and participate in the order of the world based on independence, eternal peace, and social justice. When reviewed from an economic perspective, Indonesia is a country that lives alongside other countries, and the economy in Indonesia has always been influenced by the global economic situation. The national and global economic environment continues to undergo dynamic changes, among others, due to fluctuations in commodity prices, as well as the trade policies and rising interest rates of other countries. Within 2014–2019, global conditions were shadowed by uncertainty and economic slowdown.

The International Monetary Fund (IMF) predicts that global economic growth will continue to experience a slowdown, where developed countries will only grow by an average of 1.8 per cent, while developing countries are predicted to grow by 4.4 per cent. The World Bank also predicted that the world economic growth was lower than the same period last year, i.e. only 2.7 per cent. According to the data of the Central Statistics Agency (BPS), amid the uncertainty of the global economy, Indonesia's economic performance is described as being 'good enough'; the economic growth in the third quarter of 2019 reached 5.02 per cent, but still has a vulnerability, due to several factors. First, Indonesia's flagship sector for exports is an unsustainable extractive product, while the manufacturing sector does not show significant growth. Secondly, the lack of competitiveness to invest in Indonesia from both domestic and foreign investment. Including the tax, the prevailing income tax (PPH) rate is assessed as being less competitive with other Association of Southeast Asian Nations' (ASEAN) countries. Furthermore, with the emergence of trade wars and free markets that should provide opportunities for Indonesia as an investment destination, apparently domestic conditions have not attracted enough interest to invest. Thirdly, there is still a provision that inhibits investment.

With regard to taxation reform in several countries, various taxation policies have been easing to create better economic growth. The current trend is in the countries of the Organization for Economic Co-operation and Development (OECD), which is the system of the call from the worldwide territory (Fleming, Peroni, & Shay, 2008). It is also strengthened from the study of the International Monetary Fund (IMF) in 2013, that sought to convince

developing countries to move from the worldwide system to the territory system with the reason for high capital needs for the developing world.

There is an economic risk that slows down as a result of disruption of the taxpayer's business continuity, which, among others, resulted from a loss of taxpayer rights to credit the value added tax (VAT) input tax, even though it has been paid. The current provisions limit the crediting of the input tax on expenditures that are manifestly normal and reasonable business processes of a business activity. The disruption of the taxpayer business is also caused by the amount of taxation, customs, and excise administrative sanctions that must be borne by the taxpayer due to its negligence in carrying out its obligations. The administrative sanction is very large and does not distinguish the imposition of sanctions on the stipulation and sanctions arising from taxpayers to voluntarily fix their mistakes. The amount of administrative sanctions above is not assessed by encouraging taxpayer compliance but tends to interfere with the sustainability of the taxpayer's business, which in turn leads to avoiding the fulfillment of tax, customs, and excise obligations.

The development of the global economy and information technology resulted in increased cross-border transactions, either conventionally or through electronic systems, and on the trade of goods, both tangible goods and intangible goods, and services. In the last decade, there was an increase in trade that transactions were carried out through a series of electronic devices and procedures, which were later referred to as the electronic trading system (PMSE). The PMSE takes place either using a PMSE that is owned by the merchant or service provider or using the provider PMSE (PPMSE). The PPMSE is the business provider of electronic communication means which is used for trading transactions. The PPMSE can be domiciled domestically or abroad. Merchants or service providers who conduct sales transactions using their own PMSE means include online retailers. Meanwhile, the PPMSE business models include marketplace or platform providers or platforms as containers where merchants or service providers may place offers of goods and/or services.

Indonesia faces the same problem as other countries. However, some countries, such as France, Italy, Austria, Spain, India, the United Kingdom, and Australia, have taken the first steps by applying taxes on electronic transactions with different mechanisms. This has been achieved unilaterally, without waiting for an internationally agreed consensus at the end of 2020, through the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), which is also known as the Inclusive Framework. With respect to this, an alternative is required to set up income tax or tax on the delivery of goods and/or services by foreign tax subjects to buyers or users residing in Indonesia, through trading schemes via electronic systems.

In connection with the aforementioned matters, a set of government policies are required in order to strengthen the national economy through increased investment funding. This will create the development and deepening of financial markets, creating legal certainty for tax subjects, ensuring business sustainability and promoting taxpayer compliance voluntarily, creating justice in the climate of striving domestically, and encouraging the national priority sector by providing ease, protection, and simple, fair arrangements.

Firstly, with regards to the investment funding needs in Indonesia, private sector contributions need to be improved by providing incentives in the taxation field. The tax incentives are given to reduce the tax burden that must be borne by the taxpayer. Thus, there is a domestic funding space to increase investment and increase direct investment from abroad, also known as foreign direct investment (FDI). The tax incentive is also intended to ensure domestic capital care and encourage the inclusion of capital from abroad to drive the economy. The incentives that are formulated should provide the appeal of tax burden and investment outcomes abroad, whether in the form of dividends or other income, ready to be invested in Indonesia to drive the economy in the country.

Secondly, in relation to the high tax burden incurred by overseas investors for the interest income received from its investment in Indonesia, and the injustice of the treatment of the invested investor, it is necessary to again arrange the imposition of the PPH on interest in the mean to reduce the cost of fund, in order to encourage funding from overseas. The rearrangement is expected to have a significant impact on the development and deepening of financial markets.

Thirdly, the difference of interpretation in determining the status of tax subject affects the country or jurisdiction entitled to impose taxes. Therefore, it is necessary to provide legal certainty in the form of regulation that clearly confirms the status of the subject tax, which is for Indonesian citizens who are in Indonesia for no more than 183 days in a 12 month period, and foreigners residing in Indonesia for more than 183 days in a 12 month period. In addition to providing legal certainty of tax obligations for Indonesian citizens, the arrangement of these provisions is expected to attract the interests of foreigners who have a special expertise to work in Indonesia.

Fourthly, in line with the purpose of strengthening the economy through support efforts to the sustainability of the taxpayer's business activities, it is necessary to rearrange the crediting of input tax, which is currently deemed less fair for business actors. The right of crediting of the input tax should be given for expenses relating to the business activity and that which has paid its VAT. In addition, there are provisions concerning taxation administrative sanctions that incriminate the taxpayer due to negligence or for correcting errors in the fulfillment of tax obligations voluntarily. Thus, administrative sanctions are expected to be reviewed again

in order to be more equitable by distinguishing the administrative sanctions on the fulfillment of voluntary tax obligations in a self-assessment through the determination of an official assessment. The interest sanctions applied are also expected to observe the interest rates applicable in the financial markets. As a consequence of changes in interest rate sanctions, the same should be applied to the interest paid by the Government and under certain conditions. The rearrangement of these conditions is done with the intention of providing justice, encouraging the taxpayers' voluntary compliance, and reducing the investment barriers.

By guiding the principle of legal certainty, fairness, benefit, and national interest, and to accommodate the need to encourage investment through the different types of policies currently regulated in various laws, it is necessary to undertake a study related to the philosophical, juridical, and sociological factors concerning the urgency of the omnibus law in taxation, in Indonesia.

Based on the background provided above, the following problems can be formulated:

1. What is the urgency of omnibus law in taxation, in Indonesia?
2. What is the legal arrangement of omnibus law in taxation, in Indonesia and from the philosophical, juridical, and sociological perspectives?

The study is classified as a normative, descriptive juridical legal research. This study explores the problems that arise in the implementation of general provisions and procedures of taxation, income tax, value added tax, customs, excise, local taxes, and regional retribution, as well as local governments, according to the prevailing arrangements.

This study uses a comparative approach. A comparative approach is performed by comparing the substance of several parts of the arrangement and implementation of general provisions and procedures of taxation, income tax, value added tax, customs, excise, local tax, and regional levy, as well as local governments in Indonesia or with international arrangements regarding the general provisions and procedures of taxation, income tax, value added tax, customs, excise, local tax, and local government.

## **Literature Review**

### ***Taxation Compliance Theory***

There are several theories of taxation compliance which will be discussed below, namely:

**a. Theoretical Behaviour Theory or Theory of Planned Behaviour, and Theoretical Action Theory or Theory of Reasoned Action**

One of the relevant theory references, which is often used in the analysis of taxpayers fulfilling tax obligations, is the theory of planned behaviour (TPB), in addition to the theory of reasoned action (TRA). Conceptually, the TPB, submitted by Ajzen (1985), is strongly associated with the TRA submitted by Ajzen and Fishbein (1975) because it is a refinement of the TRA. Some literature uses the TPB and the TRA to explain the phenomenon of taxpayers' behaviour in the context of tax compliance and tax awareness or tax morale. According to Lee and Kotler (2011), individuals have a great possibility of adopting a behaviour when the individual has a positive attitude towards a concept of behaviour, obtaining the consent of another individual close to and related to the behaviour, and believing that the behaviour can be done well. This is particularly relevant to voluntary tax compliance. More specifically, this theory provides the assumption that the perceived behavioural control has motivational implications for taxpayer interest. Taxpayers who believe that they have no resources or do not have the opportunity to conduct certain behaviours, may not constitute a strong behaving interest to do so, even if they have a positive attitude towards their behaviour and believe that others will approve if they do so. Thus, it is hoped that the relationship between the controlled perception behaviour with interest is not mediated by the subjective attitude and norms. In addition, there is a possibility of the direct connection between the controlled perception behaviour with behaviour. Behavioural perception controls can affect behaviour indirectly through interest and can also predict behaviour directly. This direct-link model is designated with an arrow that links perception control directly to behaviour. In this case, the behaviour of tax compliance.

**b. Slippery Slope Theory**

One theory that considers taxpayers' compliance from a social psychology perspective, is the theory of slippery slope. The theory, propounded by Kirchler et al. (2008), states that the variables of social psychology and the deter effects positively affect tax compliance. The psychological-social variables tend to impact voluntary tax compliance, whereas the deterrence variables tend to affect tax compliance based on fears of the negative consequences of the tax compliance imposed, also known as the enforced tax compliance. The policies for improving voluntary tax compliance depend on the level of community confidence in the tax authorities. Trust in tax authorities is an important factor to support community compliance in paying taxes. Kirchler et al. (2008) state that belief is a variable determinant of importance to voluntary tax compliance. In addition to the belief factor, the slippery slope theory also states that deterrence factors also affect the taxpayer's level of compliance. However, the ALM (1992) states that deterrence factors, such as examination and tax

finances, are not sufficiently efficient for improving tax compliance due to the actual probability of personal taxpayers to be examined, and that the tax fines are still fairly low. Several literature findings state that a fine taxation policy cannot directly affect voluntary compliance.

The tax authority must combine with a psychological-social policy, such as increasing public confidence in taxpayers through policies to improve community compliance in carrying out its tax obligations.

**c. Fairness Heuristic Theory**

This theory describes the community's behavioural factors as taxpayers in fulfilling their tax obligations. According to this theory, the trust of the public in the tax authorities became the main behaviour that could increase their adherence (Lind E. A., 2001). In line with Lind (2001), the ALM (1992) explains that a person will be obedient to pay taxes on time if the person views that the tax authorities enforce all individuals in the same way and do not exploit or take advantage of the taxes that the person has paid for. According to Lind (2001), the public will carefully observe the tax authority's behaviour. The aspect that becomes the focus of the public observation is the fairness of action undertaken by the tax authorities. The pattern of the relationship between the procedural justice assessment and the distributive justice assessment is not believed to be a one-way relationship (Brockner & Wiesenfeld, 1996; Van den Bos, Wilke, Lind, & Vermunt, 1998b). From the model of personal interest in procedural justice assessment, it proved that the assessment was heavily influenced by the efforts to benefit (Lind & Tyler, 1988). Technically, taxpayers will tend to be obedient in paying taxes if the tax authority is able to be fair in its action. The taxpayer will observe whether the tax authority has exercised its obligations properly or instead acts unfairly by taking advantage of the taxes they have paid.

***Efficient Taxation System Theory***

The OECD (2006) stated that the expansion of the digital sector has been the main driver of economic growth in recent years. The shift to the digital world has impacted communities that go far beyond the context of digital technology alone. This means that given the role of the digital economy is very large, as the key to the current economic growth, the tax imposition formulation on the digital economy is ideally concerned with the principle of efficient tax imposition. Several studies have stated that to create efficient taxes, taxes should be imposed on an international perspective to ensure that each country obtains a fair tax acceptance of cross-border transactions (OECD, 2006). More specifically, the OECD reaffirmed that any adjustment of the existing international taxation principles must be drafted to maintain the fiscal sovereignty of the State, to achieve a fair share of the tax bases

of inter-State electronic commerce (OECD, 2006), and a wide-range, low-rate, and non-discriminatory treatment base. In addition, it is also necessary to consider the concept that the tax burden is not always borne by a legally taxed party, but rather than the price elasticity of the production factor, it is determined by consumer preference, mobility, and competition. Generally, higher tax loads will be borne by the parties which have a lower elasticity. Meaning, the influence of the tax burden on the imposition of the income tax and consumption tax will not be ensured to be borne by one party, but rather, depending on the level of elasticity of the production factor. Furthermore, non-discriminatory criteria which is applied in order to minimise the excess burden, as outlined above, includes fairness between jurisdictions. This means that the allocation of profit and loss is required.

Based on this, Musgrave (2000) formulated several rules regarding tax assignment based on its jurisdiction and tax base, namely:

- a. Local governments should collect taxes on which tax bases have a low mobility between jurisdictions;
- b. The progressive tariff tax can only be imposed by the local government where the administration on the tax base can be implemented efficiently;
- c. A progressive, distributive tax must be imposed by the central government;
- d. The tax that is aimed at the stabilisation and tax policy which the taxation base is not equal to one area with other areas, is more appropriate given its authority to the central government;
- e. Benefit tax and levy are appropriate and can be collected by both the central and local governments.

In newer developments, Martinez-Vazquez and Sepulveda (2011) composed a more general theory of tax assignment based on previously built theories. Different from Musgrave (1983), Oates (1972), and Bird (2008), who emphasise on the ability of local governments to withdraw taxes from their own source revenues, Martinez-Vazquez and Sepulveda (2011) mention that the solution of Opti The Mall of the tax assignment problem is to make marginal costs from public fundraisers identical to all government units and for all types of income, so the government can use multiple sources of income to increase its spending. The general framework allows the optimal analysis of revenue composition beyond taxes from local sources by incorporating non-tax instruments, such as revenue sharing and other inter-governmental transfers.

Adam Smith, in his book, “An Inquiry into the Nature and Causes of the Wealth of Nations” (1776), provides guidelines in taxation regulations. Wherein, tax collectors, in collecting taxes, must make regulations and follow the rules that meet the sense of justice by fulfilling

the following principles, which are also known as "The Four Canons of Adam Smith" or "the Four Maxims":

- a. The similarity or equality, which implies that the same State or person who is in the same State must be subject to the same tax, while different circumstances or persons must be taxed differently.
- b. The certainty, which emphasises that the tax to be paid by a person must be bright and certainly cannot be postponed or negotiable.
- c. The accuracy of payment or convenience of payment, which means that the withholding tax must be done at the right time, especially for the payment. The right moment to collect taxes is the closest time to the receipt or the death of income by the taxpayers concerned.
- d. The economy of collection, which for the taxation authority, the tax collection fee is not greater than the tax imposed, meanwhile the taxpayer fee for the tax compliance costs is not greater than the tax payable.

According to W.J. Langen, residents can be removed from paying a pay tax if the tax-withholding system meets the five principles of withholding tax, as follows:

- a. The principle of the power of the bear, which is the small tax imposed by the large income tax payer, where the higher the income, the higher the tax that is charged;
- b. The basic benefits, where the tax imposed by the State should be used for activities that are beneficial for the public interest;
- c. The welfare principle, which is the tax imposed by the State is used to improve people's welfare;
- d. In the same condition between the WP taxpayer and the other, both shall be taxed the same amount (treated equally);
- e. A detail load principle, where a tax poll seeks detail (possible) when compared with the value of the tax object, so as not to burden the taxpayer.

## **Discussion**

### ***The Urgency or Necessity of Omnibus Law in Taxation***

The existence of omnibus law in taxation is expected to make a positive impact in various business sectors in Indonesia, which can be described as follows:

### ***State Financial Impacts***

The combination of fiscal policy is required to positively impact the State's finances. In this context, the component of the fiscal policy is not merely to achieve the purpose of financing or budgeting, but is also an instrument of intervention in the overall economic interaction. Therefore, the required composition of the fiscal policy components is mutually supporting to compensate for the potential decrease in State acceptance.

Firstly, the decline in tax rates and incentive delivery will decrease inflation and increase the production capacity due to the reduction of the tax burden used for investment or production expansion. The tax rate reduction can lower the tax burden and increase the cost-saving base in the long term of greater economic capacity, resulting in a two-way impact on tax revenues. Increasing the long-term solicitation base stems from the difference of more funds from the decreased load of income tax (PPH) body, which is then used for domestic investment, as well as from the advent of foreign investment. Furthermore, the weight loss of PPH tariffs is gradual aimed at reducing the risk of drastic decline in the country's revenues, in the short term. With the restrained decline in tax revenues through gradually decreasing rates, it is expected that the impact on shopping and government financing can also be controlled.

Secondly, the release of PPH on dividends and other income from overseas results in the potential acceptance of lost taxes. However, this provision is expected to bring back the funds of Indonesian citizens who are abroad and to be used to invest in Indonesia. In the long term, this additional investment is expected to increase the base of the solicitation, which ultimately affects the tax revenues.

Thirdly, the policy of improving input tax crediting settings, and enhancing the arrangement of administrative sanctions, has a direct impact on the taxpayer's voluntary compliance, which ultimately and positively affects the tax revenues. In a matter of arithmetic, the proposal of this provision tends to minimise the tax base in the short term, but will also have a positive impact on the long-term economic growth.

Fourthly, in relation to the policy of setting up the call for PMSE activities, it is hoped that the arrangement of the activities will provide for the expansion of the call base, which will ultimately affect the positive impact of the State acceptance. In addition, the setting of the PMSE call will answer the risk of tax evasion in the electronic transaction scheme and the grinding of the call base, as a consequence of the conversion of conventional transactions to electronic transactions.

### ***Macroeconomic Impacts***

Conceptually, the PPH tariff (rates) reduction policy agency, the reduction of administrative sanctions, and the granting of tax incentives are expected to increase production capacity and reduce the tax burden, which ultimately provides a domino effect against investment or expansion of production. Several literature state that the tax burden reduction is the effect of reducing tax rates in the short term. Meanwhile, in the medium term, the tax rate change policy has a more dramatic influence on the impact of bidding on products, employment, and productivity.

Firstly, the weight loss rate of the PPH agency gradually turned out to have a positive impact on some macroeconomic proxies covering gross domestic product (GDP), household consumption, investment, employment, government consumption, and inflation in the long term. It can eventually provide a greater continued impact on business expansion, increase investment by lowering the cost of obtaining savings after government-determined mandatory reserves, also called the 'cost of fund' in the capital market, guarantee the preservation of domestic capital, and promote the inclusion of capital from abroad, driving the real sector domestically, and encouraging fiscal stability continuously.

Secondly, in line with the aim of increasing investment funding through the re-arrangement of bonds, the tax incentives are expected to facilitate the Government in creating equality (a level playing-field) among investors. This includes minimising the potential gross up by foreign and domestic investors to compensate for the imposed taxes, providing flexibility for the Government in dealing with the dynamics of the financial markets, namely by the PPH tariff on the bonds interest rate, and encourages domestic investors to be able to invest directly in the domestic market.

Thirdly, setting up a solicitation of electronic transactions is a government effort to ensure the ideal competition for business people, including between conventional business and digital business, as well as among business people and abroad. Thereby, the tax arrangement of electronic transactions provides a fairer competition stimulus that encourages the placement of value added and funding in almost all sectors that are in the scope of the digital economy.

Fourthly, the rearrangement of provisions regarding local tax is expected to provide an impact to increase investment and multiply the number of business actors in the area through:

- a. Granting legal certainty for business actors to invest in Indonesia without burdened levies not regulated in law;

- b. Reduce the number of local regulations and regional head regulations on the PDRD which impedes the investment climate and ease of effort through the sanction of local regulations and regional head regulations that impede investment;
- c. Disagreements to the central government in conducting national fiscal policy through the uniformity of certain regional tax rates;
- d. Work with the Regional Chief in establishing regional taxation facilities.

### ***Social Impact***

The formulation of tax policies related to lowering tariffs, setting administrative sanctions, and granting facilities, as well as arrangements regarding the solicitation of PMSE activities that create the same treatment, is expected to be a determinant of a subjective norm that encourages taxpayers' intention to be more voluntarily compliant. In addition, the reduction in tax rates, expansion of the base of taxation, and simplification of tax regulations is also expected to encourage the emergence of voluntary compliance, which is assessed to provide a significant influence on tax revenues. With further attribution to local tax provisions, the rearrangement of these provisions is expected to improve compliance with regional taxation obligations through the determination of local regulations on the PDRD governing a more rational PDRD tariff. From the viewpoint of the development of social interaction in general, the tax incentives and equivalent taxation arrangements between the conventional and electronic are expected to encourage social transformation, market development, innovation, outsourcing, and knowledge. In general, the formulation of taxation policies in this bill can provide certain implications to environmental issues and employment issues. In this context, the formulation of settings to reduce the tax burden that can be used for investment or production expansion will increase the allocation of funding to address employment and environmental issues. In addition, the arrangement of the bill is also expected to provide implications on increasing State acceptance and answering issues of social gaps.

### ***Cultural Impact***

From the perspective of a legal approach, the omnibus law can be seen as a tool for conducting a cultural change of planned communities to become more advanced. With the decline in tariffs and fiscal incentives given, the tax compliance is expected to increase by both those who have become taxpayers and those who have not. Associated with business culture and innovation, this bill can also be seen as a way of governing through taxation policy to help the business and industrial world and cultivate innovation, which in the end, is expected. In addition, it increases the tax compliance which also fosters business activities in the community, known as the trickle-down effect.



In terms of the bureaucratic culture, the policy makers, in this case, the Government, tries to position itself as a development agent, which is a facilitator of economic growth and is not just a policymaker. The existence of business activities will grow the job field, so that it can be one of the deductions of criminality.

### ***The Governing law of Omnibus Law in Taxation, in Indonesia from the Perspectives of Philosophical, Juridical, and Sociological Foundations***

#### ***Philosophical Perspectives***

The purpose of the Indonesian State, as mentioned in the opening of the Constitution 1945, is to protect all nations and throughout Indonesia's blood, promote the general welfare, educate the life of the nation, and contribute to the world based on independence, lasting peace, and social justice.

To achieve this goal, it should be supported by the development of all areas of life based on Pancasila, as the foundation of the country. One area that is quite influential in national development is the economic field. The national economic growth becomes a measure for the acceptance or income of countries, which is used for financing in other areas that will eventually improve people's welfare.

To ensure economic growth, it requires overcoming investment climate barriers, creating a conducive business climate, and encouraging the growth of high-competitiveness industrial or business products in national and international markets, providing simple and equitable protection and arrangement.

The development of the global economic situation also encourages the occurrence of commodity or trade fluctuations, business behaviour changes, and inflation that can affect the state of the national economy. In organising government affairs and service to the community, the local government is given funding sources or revenue assignment. As an autonomous region, the government is given the authority to collect taxes and levies (tax assignment), and to make loans (local rate power), as well as provides a regulated inter-level government transfer system.

The granting of authority is part of the implementation of fiscal decentralisation, as mandated in article 18A, paragraph two of the Constitution 1945, which regulates that the financial relationship, public service, and utilisation of natural resources and other resources between central and local governments is governed and executed fairly, and harmonised by law. Furthermore, in accordance with Article 23A UUD 1945, it is mandated that taxes and other levies that are pushy for State purposes are governed by law.

### ***Sociological Perspectives***

In order to increase the economic growth, the required source of adequate investment funding is sourced from tax receipts and private sector participation. Nevertheless, Indonesia's economy is assessed as being vulnerable because it is supported only by certain mainstay sectors. In addition, domestic conditions alone have not attracted enough interest to invest and a provision remains that inhibits investment.

There are several conditions that need to be resolved by the draft, and these laws include:

- a. There are investment barriers to the provision of investment funds, both domestic and foreign, to improve the economy;
- b. There is a difference in the interpretation of the taxation status of certain tax subjects which has resulted in the uncertainty of taxation obligations of certain WNI, and a lack of interest by skilled foreigners to work in Indonesia;
- c. The risk of an economic slowdown as a result of the setting of crediting of less than fair input for business actors, and the imposition of administrative sanctions and interest rewards does not encourage voluntary compliance of taxpayers, and does not support sustainability taxpayer business activities;
- d. There is no flexibility for governments to provide taxation facilities that encourage economic growth;
- e. There is a legal void to obtain the right to solicit the State of Indonesia for the delivery of goods or services from foreign enterprises to buyers or services users in the country, and the inequality of taxation treatment among business actors in the country with foreign enterprises regarding the trade of goods and/or services through electronic systems;
- f. There is a regional tax and regional levy policy (PDRD) that is not concerned with the ease of effort and investment and has not been aligned with the national fiscal policy, as well as the absence of legal basis that authorises the central government to intervene against local tax-withholding policies.

### ***Juridical Perspectives***

The withholding tax is governed by law pursuant to the provisions of article 23A UUD 1945, which mentions that taxes and other levies that are pushy for State purposes are governed by law.

With the rapid development of socioeconomics and policy in the field of economy, it is necessary to make improvements to the relevant sections in the taxation law. Given the regulated material, including the general provisions and procedures of taxation, income tax,

value added tax, customs, excise, local tax, and regional levy, as well as local governments, necessary arrangements in law are required to regulate the taxation policy to strengthen the economy.

## **Conclusion**

Based on the results of the research and the analysis of the subject matter discussion, the following conclusions can be offered:

1. Omnibus law in taxation is able to provide solutions to the problems faced in the life of the nation, State, and society because of the development of the global economy and information technology related to taxation, including:
  - a. Increase the supply of investment funds originating from both domestic and foreign sources to improve the economy;
  - b. Provide legal certainty on the obligation of taxation of certain Indonesian citizens (WNI) and encourage the interest of foreigners who have a special expertise to work in Indonesia;
  - c. Provide business continuity support that can accelerate economic growth by re-crediting more equitable input tax for business actors, administrative sanctions variation, and interest rewards which encourage voluntary taxpayer compliance;
  - d. Provide flexibility for governments to provide taxation facilities in encouraging economic growth;
  - e. Provide the arrangement of tax imposition on the delivery of goods or services from foreign enterprises to buyers in the country, and to create an equality of taxation treatment among business actors in the country with foreign enterprises, particularly in relation to the electronic sales model of goods and services, as well as to improve the central government's role in controlling the burden and administration of local taxes.
2. Omnibus law in the taxation review of philosophical, juridical, and sociological perspectives can provide economic reinforcement by placing taxes as one of the State's obligations for its residents who have the means to participate in State financing and national development, increase the State acceptance of the tax sector as the economic development continues to increase, and provide a legal basis for the taxation of transactions in line with the developments in the field of information technology, and the developments that occur in the material provisions in the field of taxation.

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