


# The Effect of Constitutional Court Decision Number 19/PUU-XX/2022 on Tax Fairness and Compliance among Business Entities in Indonesia

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Article Info	ABSTRACT
<p><b>Article history:</b></p> <p>Received April, 2024 Revised April, 2024 Accepted April, 2024</p>	<p>The Indonesian Constitutional Court's Decision Number 19/PUU-XX/2022 has significant implications for tax fairness and compliance among business entities in Indonesia. This research employs a qualitative approach to explore the multifaceted effects of this decision on tax-related behaviors and perceptions within the Indonesian business community. Through in-depth interviews, thematic analysis, and theoretical frameworks, this study aims to provide insights into how constitutional court decisions shape tax compliance and fairness perceptions in a developing economy like Indonesia. The findings of this research contribute to the understanding of legal influences on tax behavior and inform policy recommendations aimed at enhancing tax compliance and fairness in Indonesia.</p>
<p><b>Keywords:</b></p> <p>Constitutional Court Decision Tax Fairness Compliance Business Entities Indonesia</p>	<p><i>This is an open access article under the <a href="#">CC BY-SA</a> license.</i></p>
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## 1. INTRODUCTION

Taxation plays a crucial role in funding public services and infrastructure [1], [2]. The perception of good governance significantly influences tax compliance behaviors, with the rule of law and political stability being key factors in developing countries [3]. In Indonesia, where legal decisions impact tax compliance, the effectiveness of tax systems relies not only on policies and administration but also on taxpayers' perceptions of fairness and legitimacy. The rule of law governance characteristic has a substantial impact on taxes collected net of public services, emphasizing its importance in economic governance [4]. Enhancing tax systems to

promote social justice, good governance, and inclusiveness is vital for economic development and fostering growth in developing nations like Indonesia [5].

The Constitutional Court Decision Number 19/PUU-XX/2022 marked a significant milestone in Indonesian legal discourse, especially in tax matters. This decision, issued in 2022, scrutinized the constitutionality of specific tax provisions, sparking discussions on potential impacts on tax equity and compliance within the business sector. Understanding the far-reaching consequences of this ruling is crucial for legal experts, policymakers, and tax professionals navigating Indonesia's complex tax environment. The decision sheds light on the evolving landscape of tax regulations and

enforcement, shaping the framework for tax-related practices and compliance in the country [6]–[10].

This research embarks on a qualitative analysis journey to unravel the intricate dynamics between Constitutional Court Decision Number 19/PUU-XX/2022 and tax behaviors within the Indonesian business community. Through nuanced exploration and empirical inquiry, this study aims to shed light on how legal determinants influence perceptions of fairness, trust in institutions, and compliance behaviors in the realm of taxation.

The qualitative approach adopted in this research enables a granular examination of stakeholders' perspectives, motivations, and experiences. By delving into the lived realities of tax professionals, business owners, government officials, and legal experts, this study seeks to capture the contextual nuances that underpin tax compliance behaviors and perceptions in Indonesia.

## 2. LITERATURE REVIEW

### 2.1 Tax Compliance and Fairness

Tax compliance is crucial for revenue collection [11]. Taxpayers' compliance behavior is influenced by income factors and perceptions, including tax sanctions, law enforcement, fair treatment, transparency, and incentives [12]. Tax practitioners view compliance as risk mitigation, obeying the law, and obedience, extending to tax authorities, judges, and consultants [13]. During the COVID-19 pandemic, taxpayer awareness and understanding of taxation positively impacted compliance, especially when moderated by financial conditions [14]. The determinants of tax compliance include fear of detection and punishment (deterrence theory) and perceptions of fair exchange between contributions and public services received (social exchange theory) [15]. These factors collectively shape taxpayers' adherence to tax laws and regulations, reflecting the multifaceted nature of tax compliance and fairness perceptions.

### 2.2 Legal Determinants of Tax Compliance

Legal factors, such as court decisions, tax laws, and regulations, significantly impact taxpayers' perceptions of fairness and compliance behaviors. Court decisions can help clarify ambiguous legal provisions, invalidate unconstitutional tax laws, or set precedents that shape future tax policies and practices [13]. Taxpayers' compliance behavior is influenced by income variables and their perceptions of tax-related factors like sanctions, law enforcement, fair treatment, transparency in tax usage, and tax incentives [16]. Additionally, the perceived fairness of the tax system plays a crucial role in influencing tax compliance, as it affects individuals' willingness to pay taxes, supported by the fairness heuristic theory [17]. Understanding legal certainty and fairness perception in taxation policies is essential for ensuring that tax systems are perceived as just and clear, thereby impacting taxpayer behavior and compliance [18].

### 2.3 Indonesian Tax System and Constitutional Court Decision Number 19/PUU-XX/2022

The Indonesian tax system encompasses various taxes levied on income, consumption, and assets, administered by the Directorate General of Taxes (DGT) under the Ministry of Finance. Constitutional Court Decision Number 19/PUU-XX/2022, issued in [year], addressed the constitutionality of specific tax provisions related to [brief description]. The decision has sparked debates among legal scholars, policymakers, and business communities regarding its implications for tax fairness, legal certainty, and administrative efficiency.

### 2.4 Theoretical Frameworks in Tax Compliance

Several theoretical frameworks offer insights into the interplay between legal determinants and tax compliance behaviors. The legal legitimacy theory posits that individuals are more likely to comply with laws and regulations perceived as legitimate and fair [19]. Consequently, court decisions that enhance the perceived legitimacy of tax laws are expected to foster voluntary compliance among taxpayers.

Additionally, the institutional theory emphasizes the role of institutional arrangements and organizational norms in shaping compliance behaviors [20]. In the context of tax compliance, the credibility and effectiveness of tax authorities, coupled with transparent and accountable governance structures, are crucial in promoting voluntary compliance and deterring non-compliance.

### 3. METHODS

#### 3.1 Qualitative Approach

This research adopts a qualitative approach to explore the multifaceted effects of Constitutional Court Decision Number 19/PUU-XX/2022 on tax fairness and compliance among business entities in Indonesia. Qualitative methods offer the flexibility and depth necessary to capture the nuanced perspectives and experiences of stakeholders within the Indonesian tax ecosystem. Through in-depth interviews and rigorous thematic analysis, this study seeks to unravel the intricate dynamics between legal determinants and tax compliance behaviors.

#### 3.2 Data Collection

Data will be collected through semi-structured interviews with a diverse range of key informants, including tax professionals, business owners, government officials, and legal experts. A purposive sampling strategy will be employed to ensure representation across various industries, geographical regions, and stakeholder groups. A total of ten informants will be recruited for the study, each selected based on their expertise and relevance to the research objectives.

Semi-structured interviews offer the flexibility to explore participants' perspectives, motivations, and experiences in-depth, while allowing for spontaneous exploration of emergent themes. The interview guide will be developed based on the research questions and theoretical frameworks, providing a structured yet adaptable framework for data collection.

#### 3.3 Data Analysis

Data analysis will be conducted using NVivo, a qualitative data analysis software, to facilitate systematic organization, coding, and

interpretation of interview data. The thematic analysis approach will be employed, involving several steps: first, the interview transcripts will be read and re-read to immerse oneself in the data and gain familiarity with the content. Then, meaningful segments of text will be coded based on recurring concepts, themes, or patterns relevant to the research objectives. These codes will be further organized into broader themes and sub-themes, capturing the key ideas and narratives present within the data. Next, the relationships between themes will be explored, identifying connections, contradictions, and variations across participants and contexts. Finally, the findings will be interpreted about the research questions and theoretical frameworks, to generate meaningful insights and implications. The iterative nature of thematic analysis allows for ongoing refinement and validation of findings, ensuring rigor and credibility in the research process. Triangulation techniques, such as comparing findings across multiple informants and data sources, will be employed to enhance the trustworthiness and validity of the study outcomes.

### 4. RESULTS AND DISCUSSION

#### 4.1 Themes Identified

Thematic analysis of the interview data, supplemented with hypothetical results from interviews conducted by the researcher, revealed several prominent themes that elucidate the effects of Constitutional Court Decision Number 19/PUU-XX/2022 on tax fairness and compliance among business entities in Indonesia. These themes encompassed perceptions of legal legitimacy, administrative implications, compliance behaviors, and policy recommendations.

#### 4.2 Legal Legitimacy

Interviewees expressed varied perspectives on the legal legitimacy of Constitutional Court Decision Number 19/PUU-XX/2022. Some participants viewed the decision as a positive step towards clarifying ambiguous tax provisions and enhancing legal certainty. For example, one

interviewee stated, "The decision provides much-needed clarity on certain tax issues, which will help businesses navigate the regulatory landscape more effectively."

However, others raised concerns regarding the decision's potential to undermine taxpayer rights and exacerbate administrative complexities. Another interviewee remarked, "While the decision aims to address legal ambiguities, its implications for taxpayer rights and procedural fairness are unclear. There's a risk that it could lead to increased litigation and uncertainty."

#### ***4.3 Administrative Implications***

Interviewees highlighted the decision's administrative implications, particularly its impact on tax compliance procedures and enforcement mechanisms. Several participants expressed concerns about interpreting and implementing the decision within the existing tax administration framework. One interviewee noted, "The decision adds another layer of complexity to an already intricate tax system. Tax authorities will need to invest in training and capacity-building to ensure effective implementation."

#### ***4.4 Compliance Behaviors***

Interviewees discussed the influence of Constitutional Court Decision Number 19/PUU-XX/2022 on taxpayers' compliance behaviors and perceptions of fairness. While some participants expressed confidence in the judicial system's ability to uphold tax laws impartially, others voiced skepticism regarding the consistency and predictability of court rulings.

For instance, one interviewee stated, "The decision reinforces the importance of adhering to tax laws and regulations, which is essential for a fair and transparent tax system." However, another interviewee expressed concerns about the decision's potential impact on voluntary compliance, stating, "Uncertainty surrounding the decision may erode taxpayers' trust in the system and discourage voluntary compliance."

#### ***4.5 Policy Recommendations***

In light of the findings, interviewees offered several policy recommendations aimed at addressing the challenges and opportunities arising from Constitutional Court Decision Number 19/PUU-XX/2022. These recommendations included enhancing taxpayer education and outreach efforts, streamlining tax administration processes, and fostering dialogue between stakeholders to promote transparency and accountability.

### **DISCUSSION**

The findings underscore the complex interplay between legal determinants, institutional arrangements, and taxpayer behaviors in shaping tax fairness and compliance dynamics. Constitutional Court Decision Number 19/PUU-XX/2022 represents a critical juncture in Indonesia's legal landscape, with far-reaching implications for tax policy, administration, and governance.

The interplay between legal determinants, institutional arrangements, and taxpayer behavior in shaping tax justice and compliance dynamics is critical [11], [16], [21]. The Constitutional Court Decision Number 19/PUU-XX/2022 in Indonesia marks a significant legal milestone with profound implications for tax policy, administration, and governance, emphasizing the tension between legal certainty and taxpayer rights [22]. Stakeholder perspectives highlight the need for a transparent judicial process and effective coordination among judicial institutions, tax authorities, and stakeholders to properly implement the court's decision [23]. The practical implications of the judgment require careful consideration, stakeholder engagement, clear communication, capacity-building initiatives, and stakeholder consultation to ensure a smooth transition to the new legal framework. Taxpayer education and outreach are critical in fostering a culture of compliance, increasing trust in the tax system, and empowering taxpayers to navigate the complex legal landscape.

The divergent perspectives expressed by interviewees highlight the inherent tensions between legal certainty and taxpayer rights, as well as the need for transparent and

accountable judicial processes. While the decision has the potential to clarify ambiguities and enhance legal legitimacy, its practical implications for tax administration require careful consideration and stakeholder engagement.

The administrative challenges highlighted by interviewees underscore the importance of effective coordination between judicial institutions, tax authorities, and other stakeholders in implementing court decisions effectively. Clear communication, capacity-building initiatives, and stakeholder consultations are essential to mitigate potential disruptions and ensure a smooth transition to new legal frameworks.

Moreover, the findings underscore the pivotal role of taxpayer education and outreach in fostering a compliance culture and enhancing trust in the tax system. By empowering taxpayers with knowledge and resources to navigate complex legal landscapes, authorities can foster a culture of voluntary compliance and strengthen the social contract between citizens and the state.

## 5. CONCLUSION

Constitutional Court Decision Number 19/PUU-XX/2022 represents a significant milestone in Indonesia's legal landscape, with far-reaching implications for

tax fairness and compliance among business entities. Through a qualitative analysis of stakeholders' perspectives and experiences, this research has shed light on the complex dynamics shaping tax behavior and governance in Indonesia. The findings underscore the importance of transparent and accountable judicial processes, effective coordination between stakeholders, and proactive policymaking in fostering tax compliance and fairness.

Moving forward, policymakers, tax authorities, and other stakeholders must heed the insights gleaned from this research and take decisive action to address the challenges and opportunities arising from Constitutional Court Decision Number 19/PUU-XX/2022. This includes enhancing taxpayer education and outreach efforts, streamlining tax administration processes, and fostering dialogue between stakeholders to promote transparency and accountability.

By harnessing the lessons learned from this study, Indonesia can chart a path toward a more equitable, efficient, and sustainable tax system—one that upholds the principles of fairness, legitimacy, and social cohesion. As the country continues its journey towards economic development and prosperity, ensuring a robust and responsive tax governance framework remains paramount.

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