



Understanding Tax Law, Taxes, Tax History, Tax Functions and Tax Type Classification

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Abstract

The branch of public law known as tax law regulates the relationship between the state as tax collector and the public as taxpayers. The purpose of this study is to provide a comprehensive explanation of the definition, fundamentals, history, function, and classification of taxes. Tax law is divided into formal tax law, which regulates how taxes are collected, and material tax law, which regulates the types of tax obligations. According to experts such as Rochmat Soemitro, R. Santoso Brotodihardjo, and PJA Adriani, taxes are mandatory contributions to the state to finance general expenditures for the welfare of the people, without direct compensation. Taxes have existed since prehistoric times and have developed in complexity in the modern era as a result of the industrial revolution 4.0 and the digitalization of the tax system. Indonesian taxes have undergone many changes from the era of kingdoms and colonialism to the tax reforms implemented in 1983. Taxes serve a budgetary function, which functions to regulate the economy, stabilize prices, and redistribute income. One can categorize taxes based on their characteristics, objectives, and collecting institutions. It is hoped that this study will provide a conceptual basis for improving the tax law system and increasing awareness of taxpayer law.

I. INTRODUCTION

Taxes, one of the main pillars of a state's financial system, play a crucial role in financing various government needs and the country's progress. In a modern country like Indonesia, taxes are not only the largest source of state revenue but also a crucial tool for regulating the economy, improving welfare, and regulating social and political functions. Therefore, tax laws, which regulate tax collection, implementation, and enforcement, are crucial to achieving state goals.(Sudrajat, 2020).

Tax law, also known as tax law, is a branch of law that specifically examines taxes as its primary subject. Although the two have different meanings, the terms "tax law" and "fiscal law" are often used interchangeably in Indonesia. All matters relating to tax collection are regulated by tax law, from the subject and object of taxation, the rights and obligations of taxpayers, to the procedures for resolving tax disputes. Fiscal law, on the other hand, is broader, encompassing

several aspects of state finances.(Nurwani et al., 2024).

Experts such as R. Santoso Brotodihardjo, Rochmat Soemitro, Bohari, and PJ Suwarno have provided various definitions of tax law. They assert that tax law is a set of regulations governing the relationship between the state as tax collector and the public as taxpayers, including rights, obligations, and consequences. Furthermore, law enforcers and taxpayers rely on tax law to fulfill their obligations and obtain legal protection.(Sinaga, 2016).

The Indonesian tax law system has undergone various changes and adjustments over time, both in terms of regulation and implementation. For example, Law No. 28 of 2007 concerning Provisions on Tax Procedures forms the primary legal basis governing tax procedures comprehensively and serves as the basis for other sectoral tax laws.(Siregar & Kusmilawaty, 2022).

This article will discuss the definition, scope, and history of tax law, along with its place in the

Indonesian tax system. It is hoped that a more transparent, accountable, and equitable tax system will be built if the fundamentals of tax law are properly understood.

II. RESEARCH METHODS

This study uses qualitative methodology and a literature review. The focus of the research is to analyze the concepts, foundations, and history of tax law in Indonesia through a review of relevant literature and legislation. A descriptive-analytical approach is used, meaning tax law concepts are described and analyzed from the perspective of their meaning, legal basis, and historical development.(Yusuf, 2016).

This study examines primary legal sources (statutes, government regulations) and secondary sources (books, journals, and expert opinions). Data sources include scientific literature, tax law reference books, legal journals, and expert opinions such as R. Santoso Brotodihardjo, Rochmat Soemitro, Bohari, and PJ Suwa.

The purpose of this research is to deeply examine the definition, foundations, and development of tax law in Indonesia. This will be achieved by comparing various sources (triangulation), including literature, expert opinions, and regulations, to ensure the data is accurate and provides a strong perspective. The goal of this research is to help optimize a national tax system that is fair, transparent, and socially just.

III. RESULTS AND DISCUSSION

A. Understanding Tax Law

In Dutch, tax law is called *belastingrecht*, and in English, tax law. Tax law and fiscal law are two terms used in Indonesia. In fact, the substance of fiscal and tax law is different. While fiscal law examines taxes and parts of state finances, tax law focuses on taxes.(Hasanah & Ardini, 2021).

In a broad sense, tax law encompasses all laws related to taxes, while in a narrow sense, tax law consists of a set of written rules that instruct both tax officials and taxpayers to comply with legal regulations. Administrative and criminal sanctions are the types of sanctions that can be applied.

Several academics have proposed definitions of tax law. According to R. Santoso Brotodihardjo, tax law, also known as fiscal law, is the totality of regulations governing the government's authority to confiscate people's assets and return them to the public through the state treasury. Therefore, it

is part of public law that regulates the legal relationship between the state and individuals or legal entities obligated to pay taxes (taxpayers). Government efforts(Fitria & Muiz, 2021).

Tax law, according to Rochmat Soemitro, is a collection of laws that regulate the relationship between the government, which collects taxes, and the people as taxpayers. Tax law explains who is required to pay taxes and their responsibilities to the government, what items are taxable, when tax debts arise and are written off, collection methods, objections, and so on. State administrative law includes tax law.(Ariwangsa & Kariyani, 2022).

Tax law, according to Bohari, is defined as "a collection of regulations governing the relationship between the government as tax collector and the people as taxpayers." Therefore, in the field of taxation there will be two legal subjects: the state and the community as taxpayers. Because both have the status of legal subjects, they have rights and obligations that must be regulated by law.(Diamastuti, 2016).

According to PJ Suwarno, tax law (*belastingrecht*) encompasses laws governing tax-related matters, such as tax collection methods and so on, as well as laws governing the resolution of tax disputes. This demonstrates that studying tax law involves not only studying taxes but also studying the legal aspects of tax law.(Utami Putri Fadhila & Vania, 2023).

From the definition of tax law above, it can be concluded that tax law explains:

1. Who are the Taxpayers (tax subjects);
2. What objects are subject to tax (tax objects);
3. Taxpayers' obligations to the government;
4. The emergence and elimination of tax debts;
5. How to collect taxes;
6. How to file objections and appeals to the tax court.

Law No. 28 of 2007 concerning General Provisions and Tax Procedures only defines tax law as "general provisions" for other tax laws, but does not specify them. Thus, Law No. 28 of 2007 serves as a *kaderwet*, or legal framework, protecting sectoral tax laws.

Understanding tax law can help law enforcers carry out their obligations and authority to enforce tax law. Conversely, it can help taxpayers fulfill their obligations and exercise their rights to obtain legal protection as a result of tax law enforcement.(Indriyasari & Maryono, 2022).

2. Formal tax law is the tax law that regulates how material tax law works. This includes

tax assessment notification letters, objection letters or appeals against criminal law requirements, investigations, billing letters, bookkeeping, tax payments or collection, tax calculation techniques, administrative sanctions, and others. Formal tax penalties include: a). Law No. 16 of 2000 concerning General Provisions and Tax Procedures, as amended by Law No. 28 of 2007; and b). Law No. 19 of 2000 concerning tax collection by means of a writ of enforcement.

B. Basics of Tax Law

Tax law consists of two parts, namely material tax law and formal tax law. Material tax law is a tax law that explains the conditions, actions, and events that are subject to tax. In addition, tax debts, tax objects, tax subjects, and rates are all present or appear together. Material tax penalties include: a). Law No. 36 of 2008 concerning Income Tax; b). Law No. 42 of 2009 concerning Value Added Tax and Luxury Goods Sales Tax; c). Law No. 20 of 2000 concerning BPHTB; d). Law No. 12 of 1994 concerning Land and Building Tax; and e). Law No. 13 of 1985 concerning Stamp Duty.

C. Definition of Tax According to Experts

1. According to NJ Feldmann in his book *De overheidsmiddelen van Indonesia*, Leiden, 1949, *belastingen zijn afdwingbare prestaties die aan de overheid verschuldigd zijn (volgens algemene, door de overheid vastgestelde normen), en dienen alleen voor de dekking van publieke uitgaven*. Feldmann, like Seligman, argues that there is no counter-performance from the state against tax payments because taxes are a performance that is unilaterally imposed by and owed to the ruler (according to norms that are generally determined), without any counter-performance, and is solely used to cover general expenses. (Sudrajat, 2020).
2. According to MJH Smeets in his book *De Economische Betekenis der Belastingen*, published in 1951, tax is a performance given to the government which is owed through general norms and can be enforced, without any possibility of counter-performance that can be pointed to. (Qataria Putri Ishak & Roro Kirana, 2023).
3. According to PJA Adriani in R. Santoso Brotodihardjo, "Tax is a contribution to the state (which can be enforced) which is owed

by those who are obliged to pay it according to the regulations, without receiving any repayment, which can be directly appointed, and the purpose of which is to finance general expenses related to the state's duty to organize government." Sommerfeld defines tax as a transfer of resources which must be carried out from the private sector to the government sector based on regulations in return for carrying out direct and balanced returns, so that the government can carry out its duties in running the government without any obligation." (Innovative et al., 2024).

4. According to Rochmat Soemitro in his book *Basics of Tax Law and Revenue Collection*, "Tax is a contribution from the people to the state treasury based on the law (which can be enforced) without receiving any reciprocal services (counter-performance), which can be directly demonstrated and used to pay for general expenses", with the following explanation: "can be enforced" means: if the tax debt is not paid, the debt can be collected with his book entitled *Tax and Development* can be used to draw conclusions from his definition which is then maintained, which is a correction of the first part of his previous definition. (Qinayya et al., 2024).

Taxes are the transfer of wealth from the people to the state to finance routine expenditures, and "the surplus is used for public savings, which is the main source for public investment. As amended by Law Number 16 of 2009, Law Number 6 of 1983 concerning General Provisions and Tax Procedures states, "Taxes are mandatory contributions to the state owed by individuals or bodies that are coercive in nature based on law, without receiving direct compensation, and are used for state purposes for the greatest prosperity of the people."

D. Tax History

Taxes have existed since the beginning of human civilization, demonstrating the existence of humans as social beings. Taxes in prehistoric times were dues, gifts, or tributes given to leaders, either voluntarily or by force. Because the king was God's representative and protected the people, maintained national security, built and maintained infrastructure, paid royal officials, and organized religious ceremonies, a large portion of taxes were used to pay tribute to the king. Taxes

influenced social, economic, and cultural aspects in addition to politics and security.(Hertati, 2021).

As part of human civilization, taxes can be exploitative or collaborative. The former refers to gifts to political or religious leaders or infrastructure development, while the latter refers to the exploitation of resources for the benefit of those in power. Labor, agricultural products, or money can be used to pay taxes. Those who fail to pay agricultural products are required to perform work related to the public interest for a specified period. Some individuals with higher social status and wealth can pay compensation to be exempted from this obligation.

E. History of Taxation in Indonesia from the Kingdom to the Reformation

In Indonesia, taxes were first implemented during the kingdom era. They were then implemented again during the East Indies period from 1600 to 1800 and 1803 to 1821, which was a period of forced cultivation. Then came the Japanese occupation from 1942 to 1945 and the independence revolution from 1945 to 1950. Next came the Sukarno administration from 1950 to 1966, followed by the Suharto administration from 1967 to 1998. The tax system under Sukarno's administration still largely adopted the Dutch colonial system.(Mardatilla, 2021)The first tax reform was implemented in 1983 during Sukarno's administration. Furthermore, tax regulations and systems have been continuously modified over time.

During the kingdom era, taxes already existed in various regions of the archipelago. European countries such as Portugal, England, Spain, and the Netherlands began arriving in the archipelago to trade in the East Indies in the 16th century. Although they carried the flag of trade, European countries eventually took over many of the kingdoms' territories in the archipelago. By imposing tax obligations, the Dutch trading company dominated the East Indies trade, earning it the nickname "Kontingen faded oster," or queen of the east. At that time, everyone was responsible for government finances. The VOC relied heavily on tax funds. During the East Indies, also known as the Dutch East Indies, from 1803 to 1821, tax collection was widely criticized for being exploitative and causing misery for the indigenous population. Subsequently, the land ownership system was transformed into a tax system.(Hertati, 2021).

As a result, the taxes imposed at that time were very expensive, then entered the forced cultivation phase during the Japanese occupation from 1942 to 1945. During the occupation, Japan continued to apply land tax, also known as land tax, to all types of productive land, which were required to be taxed by the British and the Dutch.

Taxation created a new chapter in Indonesian history after Indonesia's independence. Article 23 of the 1945 Constitution of the Republic of Indonesia states that taxes are regulated by law. The Ministry of Finance was immediately established on August 19, 1945, with tax officials. During President Sukarno's administration, some colonial regulations were still in place due to the unstable situation during the post-revolutionary government. After several name changes, the Directorate of Regional Development Pathways (Dipeda) was established in 1965. The tax bureaucracy system subsequently changed during President Suharto's administration from 1967 to 1998.

Under President Suharto's administration, Indonesia's first tax reforms were implemented in 1983. At that time, the tax collection system shifted from a formal assessment system to a self-assessment system. Empowering citizens to calculate, report, and pay their own taxes changed the previously manual process of tax collection, which was previously handled by tax collectors. Tax collectors supervised and directed the process of fulfilling tax obligations. This change in mechanism aimed to increase citizen involvement in paying taxes to meet shared needs and goals:

The National Tax System (PSPN) reform was also implemented during the 1983 tax reforms. This simplified much of the system left over from Dutch colonial rule. That year, five tax law packages were issued: General Provisions and Tax Procedures (KUP), Income Tax (PPh), Value Added Tax (PPN), Luxury Goods Sales Tax (PPnBM), Land and Building Tax (PBB), and Stamp Duty. Subsequent tax reforms began in 1991 and continue through 2020. From 2002 to 2008, tax reforms focused on how the Directorate General of Taxes operates.

Subsequently, tax reforms were implemented from 1991 to 2020. From 2002 to 2008, reforms focused on the structure of the Directorate General of Taxes and improved business processes and services within the Directorate General of Taxes and Customs. From 2008 to 2016, reforms continued to streamline the system in response to the tax slowdown. To increase

investment, public purchasing power, and business activity, various policies were implemented, providing incentives, facilities, and tax concessions.

F. Tax Function

The following are included in the functions of taxes: a). The first function of taxes is as a budgetary or revenue function: taxes are one of the sources of funds received by the government to finance expenditures. Currently, a large portion of state revenues comes from the tax sector, which is included in the domestic revenue component of the State Budget. b). The second function of taxes is as a regulatory function: taxes are used as a tool to regulate or implement government policies in the social, economic, and political fields. Examples include the imposition of import duties and sales taxes on luxury goods and certain imported goods to protect domestic goods; the provision of tax incentives to encourage investment; and the imposition of export taxes on certain goods to meet domestic needs. c). The third function of taxes is as a stability function: taxes as state revenue can be used to create government policies. One example is a price stability policy that aims to reduce inflation by using more effective and efficient taxes to regulate the circulation of money in society. d). The fourth function of taxes is as a revenue redistribution function: taxes are used to finance national expenditures and development, create employment opportunities, and increase public income. (Khalimi & SH, 2020).

G. Classification of Tax Types

1. Based on their nature, there are two types of taxes: Direct taxes are imposed by the taxpayer themselves, cannot be shifted to others, and are imposed repeatedly at certain times. Indirect taxes are imposed only in certain situations.
2. Based on its Purpose: a). Subjective tax refers to the personal circumstances of the Taxpayer (Subject), and only then is the objective circumstances considered. b). Objective tax refers to the object, namely the condition, action, or event that gives rise to the obligation to pay tax. Once the object is known, the subject is sought.
3. Based on the collecting institution: a. Central Tax: is a type of tax collected by the central government and managed by the Ministry of Finance or the Directorate

General of Taxes. b. Regional Tax: is a type of tax collected by the regional government and managed by the Regional Development Planning Agency (BPKAD).

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

Tax law is a branch of public law that governs the relationship between the state, as tax collector, and the public, as taxpayers. Conceptually, tax law is divided into material and formal tax law, each of which regulates the substance and method of enforcing tax obligations. Taxes themselves are compulsory contributions made without direct compensation and are used to finance the government budget for the general welfare.

Throughout history, Indonesia's tax system has evolved from the kingdom era to the contemporary reform era. The 1983 tax reform, for example, introduced a personal assessment system. As both a source of revenue (budgeting function), a tool for economic regulation (regulating function), and a means of price stabilization, taxes play a crucial role in national development.

Taxes are classified based on their nature, purpose, and collecting agency. This demonstrates the complex and extensive role of taxes in the government system. To build a fair, transparent, and accountable tax system, understanding tax law is crucial.

B. Suggestion

1. The government must strengthen tax regulations and law enforcement that are consistent, transparent, and supported by bureaucratic reform and improving the quality of human resources of tax officials to increase public trust.
2. Taxpayers must strengthen tax regulations and law enforcement. It is hoped that as part of participation in national development, legal awareness and compliance with tax obligations will increase. The government must continue to improve tax outreach and education.
3. Researchers and academics must conduct in-depth analysis and evaluation of effective tax systems and applicable laws so that the tax system in Indonesia can continue to develop in accordance with technological, economic, and social advances.

4. Policymakers must create tax policies that support social justice, particularly in targeting the informal sector.

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