Types of Tax Collection in the Indonesian Taxation System and Their Impact on Taxpayers

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	The tax collection system in Indonesia plays a crucial role in determining the effectiveness of state revenue and the level of taxpayer compliance. Three types of tax collection systems are used: the official assessment system, the withholding system, and the self-assessment system. The official assessment system directly determines the amount of tax payable, while the withholding system involves a third party withholding and remitting tax on behalf of the taxpayer. The self-assessment system empowers taxpayers to calculate, pay, and report their own taxes. This study aims to analyze the differences in the characteristics of these three systems and evaluate their impact on taxpayer behavior. The method used is a qualitative descriptive approach through literature review. The results show that the self-assessment system encourages independence and tax awareness, but presents challenges in oversight. The withholding system is considered effective in ensuring tax revenue, but still poses the potential for withholding errors. Meanwhile, the official assessment system grants full control to the tax authorities, but tends to be less efficient and less actively involves taxpayers. Understanding these three systems is crucial in developing fair and efficient tax policies that can improve compliance and minimize the administrative burden on taxpayers.

I. INTRODUCTION

Taxes are a vital source of state revenue, essential for financing government expenditures and supporting national development. Taxes are crucial for the continuity of national development. Therefore, the government continues to explore various potential tax coverage opportunities while emphasizing public tax compliance. However, tax compliance, which stems from public awareness of fulfilling tax obligations, is certainly not a stand-alone phenomenon. The numerous tax issues that frequently arise, whether stemming from taxpayers (the public), tax officials (the tax authorities), or the tax system itself, demonstrate the complexity of taxation. Every tax collection must cover all taxpayers; no individual or entity is exempt from tax collection. Tax collection must be non-discriminatory, and the same tax regulations must be applied, as intended by the theory of horizontal equity. To achieve effective tax collection, Indonesia implements three main systems in its tax mechanism: the official assessment system, the withholding system, and the self-assessment system (Mardiasmo, 2018).

These three systems have different characteristics, procedures, and impacts on taxpayer obligations and behavior. pay and report the amount of tax themselves.

The withholding system involves a third party, such as an employer or designated agency, whose job is to deduct and remit taxes on another party's income (Waluyo, 2017). Each of these systems has advantages and disadvantages, and each impacts the level of compliance and administrative burden felt by taxpayers.

This study aims to analyze the types of tax collection systems. The official assessment system is one in which the tax authority directly determines the amount of tax payable. In this system, the taxpayer's role is passive. In contrast, the self-assessment system, which applies in Indonesia, gives taxpayers full trust in calculating their tax obligations and evaluating their impact on taxpayer behavior and compliance.

II. RESEARCH METHODS

The research method used is a qualitative descriptive approach using library research

techniques, collecting data from books, journals, and relevant tax regulations. This study aims to provide a clearer picture of the effectiveness of each system and provide considerations for future tax policy development.

III. RESULTS AND DISCUSSION

A. Types of Tax Collection in the Indonesian Taxation System

The tax collection system is a mechanism or procedure used to determine the amount of tax payable by taxpayers to the state. This system serves as a means to manage and collect tax debts from obligated parties, ensuring optimal and timely state revenue from the tax sector. In practice, this system plays a crucial role in ensuring tax compliance and orderly tax administration.

Legally, the legal basis governing the tax collection system in Indonesia is stipulated in Law Number 10 of 1994. This law contains complete provisions regarding who is included as a tax subject, what the tax objects are, and how to calculate and settle tax obligations. Over time, the tax collection system in Indonesia is classified into four main types, namely the official assessment system, a system in which the government has the authority to determine the amount of tax to be paid; the self-assessment system, which is a combination of government authority and the active role of taxpayers; the self-assessment system, where taxpayers are fully entrusted to calculate, pay, and report their own taxes; and the withholding system, namely tax collection by a third party (withholding agent/collector) appointed by the state before the income is received by the taxpayer (Aris Prio Agus Santoso, 2020).

1. Official Assessment System

The Official Assessment System is a tax collection system in which the government, specifically tax officials or the tax authorities, has full authority to determine the amount of tax owed. In this system, taxpayers have minimal active participation, as the tax authorities handle the calculation and determination of the tax amount entirely.

This system has several key characteristics. First, only the tax authorities have the authority to determine the amount of tax payable by taxpayers. Second, taxpayers are passive and simply await the tax authorities' determination of the amount of tax payable. Third, tax debts are only considered valid and binding after the tax authority issues a Tax Assessment Letter (SKP). However, this system is not without several weaknesses. One such weakness is that the implementation of tax obligations becomes heavily dependent on tax officials. This dependence risks reducing taxpayers' awareness and responsibility in fulfilling their obligations to the state.

Furthermore, the procedures within this system tend to be complex and bureaucratic, potentially hindering efficient tax collection and opening up opportunities for abuse of authority by tax officials. For these reasons, this system is gradually being abandoned and replaced by systems that give taxpayers a greater role, such as the self-assessment system, which is considered to encourage more active public participation in fulfilling tax obligations independently (Hasanal Mulkan, 2023).

2. Self Assessment System Self Assessment

The system is a tax collection system that gives full authority to taxpayers to calculate, pay and report the amount of tax owed to the state.

In this system, the government, through the tax authorities or tax authorities, only plays a supervisory role without directly intervening in the tax determination process. The main goal of this system is to encourage public awareness and active participation in fulfilling their tax obligations, while creating a more transparent and efficient system (Khalimi, 2022). The main characteristics of the self-assessment system are:

a. The authority to determine taxes lies with the Taxpayer: It is not the tax authorities who calculate the amount of tax, but the Taxpayer himself who determines it based on the applicable provisions.

b. Taxpayers are active: Taxpayers not only calculate, but also deposit their taxes into the state treasury and report their taxes through SPT (Tax Return).

c. The entire process is carried out independently: from calculation, payment, to reporting, it does not require direct intervention from the tax authorities.

d. The tax authorities only act as supervisors: The government (through the tax authorities) only carries out inspection and supervisory functions, without being involved in determining the amount of tax.

e. High level of transparency: Because the process is carried out by the taxpayers themselves, honesty and openness are highly relied upon.

f. Encouragement of voluntary compliance: This system relies on the awareness and personal responsibility of taxpayers (Thomas Sumarsan, 2022).

While this system offers advantages in terms of efficiency and increased tax awareness, it also requires the public to have a thorough understanding of tax provisions, from calculation methods to reporting and payment procedures. Without such understanding, the system risks misreporting and non-compliance, necessitating optimal government education and oversight. Although the term "Assessment System" is not explicitly stated in Indonesian tax laws and regulations, contextually, it is understandable that the Income Tax collection system adheres to the principle of a Self-Assessment System. This is evident in the provisions that give taxpayers full responsibility for calculating, paying, and reporting their own tax obligations.

In addition, in Government Regulation Number 91 of 2010 concerning Types of Regional Taxes Collected Based on the Determination of the Regional Head or Paid by the Taxpayer Himself, also reflects the application of the self-assessment system, although the term used is "paid by the Taxpayer himself." This provision applies to several types of regional taxes whose management relies on the awareness and responsibility of the taxpayer directly, such as Motor Vehicle Fuel Tax, Cigarette Tax, Hotel Tax, Restaurant Tax, Entertainment Tax, Street Lighting Tax, Non-Metallic Mineral and Rock Tax, Parking Tax, Bird's Nest Tax, and Land and Building Acquisition Fee (BPHTB).

This shows that both in the context of central and regional taxes, the principle of self-assessment has been widely adopted as a form of modernization and efficiency in tax administration (Dewi Kania Sugiharti, 2021).

3. With Holding System

The withholding system is a tax collection system in which the government authorizes a third party to carry out the entire tax process, from calculation and withholding to payment and reporting. This third party generally consists of an employer, business entity, or officially appointed financial institution, acting on behalf of the taxpayer in fulfilling their tax obligations. This system is considered effective because it ensures certainty and efficiency of tax revenue, particularly for periodic taxes such as salaries or dividends.

In the context of implementing a tax collection system, it is important to understand the state's justification for collecting taxes from its citizens. This is based on various theories or principles that provide moral, social, and legal legitimacy for the tax authorities' authority. Some important theories in this regard include: insurance theory, which likens taxes to the state's protection contribution to its citizens; interest theory, which views taxes as a return for benefits received from the state; devotion theory, which emphasizes taxes as a form of service to the state; bearing capacity theory, which considers an individual's ability to pay taxes; purchasing power theory, which links taxes to consumption levels; and development theory, which views taxes as the primary means of financing national development. These theories serve as the normative and practical basis for building a fair and sustainable tax system (Adrian Sutedi, 2011).

B. The Impact of Tax Collection from an Economic, Legal and Sociological Perspective

1. Impact of the Collection from an Economic Perspective

Taxes have a direct impact on disposable income, the income available to individuals after taxes are deducted. This disposable income determines how much consumption can be undertaken. When taxes are raised, disposable income decreases, thereby reducing purchasing power for consumption. This decrease in consumption can ultimately lead to a decrease in equilibrium national income. Conversely, if taxes are lowered, disposable income increases and consumption tends to rise, which then drives an increase in national income, assuming

other factors affecting national income remain constant. Taxes are also a major source of government revenue.

Therefore, increased tax revenue will directly increase government revenue. If these funds are used for government spending, the government's spending will increase. Because government spending is a key component in calculating Gross Domestic Product (GDP), a tax increase followed by increased government spending can boost GDP growth. In other words, there is a positive relationship between taxes and government spending, as well as between government spending and GDP.

2. Impact of Collection Viewed from a Legal Perspective

The impact of tax collection also has legal aspects related to legality, regulations, provisions, and the legal basis and implications. The primary focus is on the legal aspects governing the rights and obligations between the tax authorities (the government as tax collector) and taxpayers. This includes procedures for fulfilling tax obligations, procedures for asserting taxpayer rights, and provisions regarding the inception and termination of tax debt.

Based on this explanation, taxes have two main functions, namely:

1. Budgetary Function. Taxes serve as the primary source of state revenue to finance various expenditures. The state requires funds to carry out routine tasks and for development. These funds are largely obtained from taxes. Tax revenues are used to cover state expenditures such as goods purchases, employee salaries, and maintenance costs.
2. Regulatory Function. Through fiscal policy, the government uses taxes as an instrument to direct economic and social policies. For example, to encourage investment from both domestic and foreign sources, the government can provide incentives or tax breaks. Furthermore, to protect domestic industry, the government can impose high import duties on imported products.

3. The Impact of Voting Seen from a Sociological Perspective

From a sociological perspective, tax collection in society has social impacts, particularly related to the consequences felt by the community and the benefits received from paying taxes. The hope is that funds obtained from taxes can be used to finance national development that is equitable and fair across all levels of society. The government has designed various programs to allocate tax funds effectively, one of which is through the provision of subsidies to ease the burden on the community. Thus, the community has actually enjoyed the benefits of the taxes they pay, although often without them realizing it. Currently, the government still provides subsidies in various vital sectors that directly impact people's lives, such as fuel subsidies (BBM), electricity subsidies, temporary direct community assistance (BLSM), the rice program for low-income communities (raskin), public health insurance (Jamkesmas), and the development of public infrastructure such as roads, bridges, schools, hospitals, and community health centers. All of these efforts are aimed at improving the welfare of society as a whole (Hamja, 2018).

C. **The Impact and Challenges of Tax Collection in the Technology Era for Taxpayers**

The digital tax system is a form of tax adaptation to digital-based economic activities. With advances in information technology, the way businesses, consumers, and the government interact has also changed, including in terms of tax reporting and payment. This system aims to ensure that digital transactions remain taxed according to regulations, thereby maximizing potential state revenue from this sector. One of the system's advantages is its ability to monitor transactions in real time, enabling the government to detect tax evasion more quickly. For example, the digital tax system can record online sales transactions and automatically calculate the amount of tax due.

Digital transformation in taxation also includes the use of e-filing and e-billing (Gunadi & Widianto, 2020). E-filing simplifies the online tax reporting process, reduces errors, and speeds up administrative processes. Meanwhile, e-billing facilitates the electronic submission and payment of tax bills, making the process more efficient and transparent, and improving taxpayer

compliance. Digital taxation also supports electronic payments, such as through credit cards, bank transfers, and other digital methods, making it easier for taxpayers to pay taxes, while simultaneously reducing the risk of errors.

Furthermore, online data integration between taxpayers, tax authorities, and related institutions enables faster and more accurate information exchange. This improves oversight efficiency, accelerates data analysis, and minimizes manual errors. With a real-time, connected system, tax compliance is easier to monitor and potential violations can be identified promptly (Junaidin & Sunarmin, 2023).

The Harmonization of Tax Regulations Law (UU HPP), passed in 2021, is a strategic initiative by the Indonesian government to align tax policies with technological advances. This law allows for digital taxpayer data management, and tax system efficiency is enhanced by utilizing the latest technology (Karisno et al., 2024). However, in a technology-based tax system, data security is a crucial issue in the digitalization process. Managed information, such as financial data and taxpayer personal identities, is highly sensitive and must be protected by a robust security system. The potential for data leaks or misuse can raise concerns, ultimately leading to a decline in taxpayer trust and compliance with digital systems.

To address this, the Directorate General of Taxes (DGT) needs to implement robust cybersecurity protocols, including data encryption, multi-layered authentication, and a real-time monitoring and response system for digital threats. Furthermore, transparency in data management and public education regarding personal data protection are also crucial to build public trust and encourage active participation in the digital-based tax system (Anak Agung Gede Agung Indra Prathama, 2024).

IV. CONCLUSION AND SUGGESTIONS
A. Conclusion

Indonesia's tax collection system consists of three main types: the Official Assessment System, the Self-Assessment System, and the Withholding System, each with its own characteristics, advantages, and challenges in practice. The dominant shift to the self-assessment system reflects efforts to modernize and increase taxpayer participation in fulfilling tax obligations independently.

In terms of impact, taxes have a significant impact on economic, legal, and sociological aspects. Economically, taxes influence purchasing power and consumption, and are a primary source of state revenue. Legally, taxes are regulated within a statutory framework that guarantees the rights and obligations of both the tax authorities and taxpayers. Socially, tax revenues serve as the foundation for equitable development and social welfare.

In the digital era, the implementation of technologies such as e-filing, e-billing, and digital-based data integration has increased efficiency and transparency in the tax system. However, serious challenges remain, particularly in the area of personal data security, which requires increased government attention to maintain public trust. Overall, Indonesia's tax collection system has shown positive progress, but improvements in taxpayer education, oversight, and data protection are still needed to create a fair, efficient, and sustainable tax system.

B. Suggestions

Based on the study's findings, it is recommended that the government continue to improve tax literacy and education for the wider public, particularly to support the effectiveness of the self-assessment system, which requires active participation from taxpayers. Continuous education can help reduce reporting errors and increase voluntary compliance. Furthermore, strengthening oversight and law enforcement is crucial to ensure fairness and legal certainty in the implementation of tax obligations. The government needs to balance a persuasive approach with firm legal action against violations to create a transparent and trustworthy tax system. Furthermore, in the digital era, the use of information technology in the tax system must be accompanied by reliable data security guarantees. Protection of taxpayers' personal and financial information must be a priority to maintain public trust in the digital system. The government also needs to develop an integrated system across institutions to improve efficiency and accuracy in reporting

and oversight. With these steps, it is hoped that the tax collection system in Indonesia will be more effective, fair, and adaptable to changing times.

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