JURNAL PUSAKA
Media Kajian dan Pemikiran Islam

LP3M IAI Al-Qolam
Jurnal Pusaka (2021) Vol.11 No.2 : 62 - 79
p-ISSN 2339-2215 | e-ISSN 2580-4642

STATE REVENUE (TAX SYSTEM AND POLICIES, SHIFTING OF THE TAX BURDEN, WELFARE LOST DUE TO TAX)

Suyanto[1]
Universitas Dr. Soetomo Surabaya
[1] suyanto_fe@unitomo.ac.id

Received : 08-11-2021 | Revised : 25-11-2021 | Accepted : 05-12-2021

Abstrak

Pendapatan pemerintah adalah penerimaan yang diterima dan digunakan pemerintah untuk menjalankan fungsinya sehingga dapat secara mandiri membayar pengeluarannya yang meningkat di sektor publik. Pajak biasanya merupakan sumber pendapatan utama suatu negara, mendanai pembangunan nasional dan pengeluaran pemerintah. Tujuan penelitian ini adalah untuk mengetahui bagaimana kode pajak dan politik pajak beroperasi, serta bagaimana beban pajak telah berubah dan berapa banyak kesejahteraan yang hilang akibat perpajakan. Pajak adalah kewajiban yang harus dibayar oleh seseorang atau badan kepada negara yang dipaksakan oleh undang-undang, tidak mempunyai timbal balik secara langsung, dan digunakan untuk tujuan pemerintahan untuk kepentingan rakyat. Dalam pemungutan pajak, ada tiga sistem. Politik perpajakan di Indonesia diatur dalam 10 undang-undang, dan perubahan beban pajak dibagi menjadi dua bagian. Kelebihan beban yang dikenakan oleh pajak disebut sebagai kesejahteraan yang hilang karena perpajakan.

Kata kunci: *ekonomi; pendanaan; sistem; pajak; kesejahteraan*

1. INTRODUCTION

A nation will undoubtedly develop in various fields to achieve its goals, which means that greater state spending will require state revenues or revenues generated domestically rather than relying on aid or loans from abroad, which will inevitably lead to an increase in state revenues or an increase in debt. This means that state funds will be used to pay for all state expenditures. As a support, Indonesia has a financial system that is used to distribute development money to help its growth. Taxes are one of the main ways of raising money for development, but there are other ways as well. In this case, the survival of the Indonesian state depends on taxation.

This system, which is one of the legacies of the Dutch nation, is very important for generating government revenue. Law Number 6 of 1983 which regulates general provisions and procedures for taxation, which took effect on January 1, 1984, contains tax laws and regulations which regulate general provisions and procedures for taxation. The 1945 Constitution and the philosophy of Pancasila became the basis for Law Number 6 of 1983. More than 70% of the Indonesian government's revenue between 2007 and 2019 came from taxes. This can be seen from the Indonesian state tax collection in 2019 of IDR 1,545.3 trillion with a contribution of 78.9% to overall state revenue. The state can carry out its duties, such as building infrastructure, policing to achieve common goals and avoid social conflicts, pursuing people's welfare and prosperity, upholding justice, and other tasks, through taxation.

The general public is responsible for fulfilling this duty by paying taxes, which reflect the tax-related obligations of the state. Because taxes are a strategic matter that is always monitored by the public, taxes are the main source of state money. In essence, no one pays taxes voluntarily and happily because they feel they do not get any benefits in return for paying their taxes. Since taxes are inherently coercive, failure to pay them on time or doing so on purpose can result in administrative and criminal sanctions for taxpayers. The community is expected to be active in completing their tax commitments, therefore it is necessary to have public knowledge among taxpayers. This situation can exceed the rights of taxpayers who must be protected based on the principles of revenue collection, given the enormous power of the Government in taxation of the general public. Don't let the government's desire to increase taxes in order to significantly increase state revenues actually violate people's rights. On the other hand, when they see less profit from paying their taxes, people tend to be lazy to pay taxes. This is the reason why there are persistent questions about whether taxes are really good for society. The impact of tax utilization is difficult to quantify due to the indirect nature of the counter-tax gain.

2. RESEARCH METHOD

Research scientific techniques are used to further knowledge, solve problems, and respond to research questions. Therefore, research techniques are very important in supporting the research process. This study uses a descriptive qualitative methodology (Hermawan & Amirullah, 2016). Researchers are important instruments in the study of research objects, according to qualitative research methods. Data collection methods are combined, data analysis is inductive, and research findings are more concerned with meaning than generalization (Prasanti, 2018).

An approach to collecting data called the observation method requires careful observation and documentation of the phenomenon being investigated (Supardi, 2006). The authors of this study collected data from the internet and combined it with tax information on various companies gathered through information about the tax system and tax politics, changes in the tax burden, and welfare loss due to taxes.

Documentation is the process of finding and compiling information about anything from books, newspapers, periodicals, treatises, transcripts, journals and other written sources (Arikunto, 2006). This study uses documentation studies to hone its research analysis on the taxation system and taxation politics, changes in the tax burden, and welfare lost due to taxation. The researcher's notes from this study are proof that he has collected materials that will be used as material for his observations.

3. RESULT AND DISCUSSION

a) Tax System

Paying taxes is one way for the government to fulfill its obligations, and is also a way for taxpayers to contribute to government financing and the progress of the nation. According to the tax code, paying taxes is not only a duty of citizens but also a right that helps support government spending and societal progress. Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures states that obligatory state contributions owed by individuals or entities according to the law are coercive because they are not directly paid for and used for the needs of the state for the greatest possible prosperity of the people, are made without their consent and are not subject to tax.

According to Prof. Dr. P. J. A. Andriani, taxes owed to the state by citizens who are required to pay them according to general regulations (laws), without reward for achievement, and which can be directly delegated and used to finance public expenses in order to fulfill state responsibilities. Taxes are communal contributions to the state (which can be imposed). According to Prof. Dr. H. Rochmat Soemitro SH, taxes are transfers of money from the people to the state treasury to cover ordinary expenses, with the excess being used for *public saving*, is the main source of financing *public investment*. According to Sommerfeld Ray M., Anderson Herschel M., & Brock Horace R, taxes are the transfer of funds from the private sector to the public sector which must be carried out with certain guidelines and without obtaining direct or proportional rewards so that the government can carry out its mandate.

Indonesia is a constitutional state, so everything must be regulated in law as the rule of law. One of them is the collection of taxes regulated in Article 23 paragraph (2) of the 1945 Constitution which states that "taxes and levies for state purposes are regulated by law". Several factors must be considered when writing a tax code, including the state's implementation of the law's tax collection process must be ensured to be efficient. Legal guarantees that taxpayers will not be treated uniformly. Legal guarantees that the taxpayer's privacy will be protected.

Tax has a certain purpose as a reality in society. Taxes generally serve two main purposes: a regulatory or regular end function and a budgetary function, also known as a budget. Taxes function as a means to optimally enter money into the state treasury in the budget function. The main purpose of this tax is as a vehicle to bring in regional funds which are then placed in the state treasury. Taxes, on the other hand, are used as a regulatory tool in regular or regulatory functions to mobilize society in the direction desired by the government. To ensure that community activities are aligned with government goals and intentions, these arrangements are used to promote and manage them (Chidir, 1993). There are also two other functions: a redistribution function, in which taxes are used to redistribute income and welfare to reduce social and economic inequality; and the stabilization function, where taxes are used to maintain economic stability, such as the stability of the rupiah exchange rate, monetary stability. This function is related to the regulatory function, among others (Kamila, 2007).

Three categories make up the tax collection system, namely (Prasetyo, 2017) *Official Assessment System*, this is a tax collection system that gives the government the ability to know how much tax the taxpayer has to pay. The existence of the authority of the tax authorities to calculate the amount of tax owed, the passivity of the taxpayer, and the tax burden after the tax assessment letter is sent by the tax authorities are the characteristics of this system. *Self Assessment System*, this is a tax collection system that gives people the freedom to calculate their own tax obligations. Taxpayers have the ability to determine the nominal with this approach, taxpayers are involved in the process, and the tax authorities only function as supervisors, not interfering. *With Holding System*, this is a tax collection system that gives people the freedom to calculate their own tax obligations. Taxpayers have the ability to determine the nominal with this approach, taxpayers are involved in the process, and the tax authorities only function as supervisors, not interfering.

Every year, tax money is very important to maintain the state budget in the APBN. With the availability of tax resources from the APBN each year, government and development tasks can be completed effectively in accordance with the plans and programs implemented by each government unit (departments, ministries, agencies and other state institutions). For the first time, the national tax system was overhauled through tax reform in order to create a sound tax base so that it is feasible and reliable (tax reform). Making the Tax Law is the first step for renewal because the old law is considered outdated and not in accordance with the development of the national economy and the times. The official assessment system has been modified to become a self-assessment system. In addition, adjustments are made to entities responsible for (mostly) tax management, mainly through the tax authorities, in this case the Director General of Taxes. In addition, the functionality and completeness of information technology used to manage and handle tax-related activities as a whole were also improved.

The three systems can be used as the basis for tax collection procedures. The first step, known as the real stelsel, requires that taxes be collected based on actual wealth or income so that new collections can be made at the end of the tax year, when income is known. Second, the system of presumption, especially tax collection, is based on views regulated by law. The last, there are mixed systems, which combine real systems and presumed systems. In this system, the amount of tax is determined at the beginning of the year based on an estimate (outlook), and at the end of the year it is adjusted to the actual situation. The following principles should guide tax collection for government to function effectively:

The Basis of Justice

Adam Smith put forward various hypotheses regarding the principle of justice, including *equality*, that is, it is better if the tax burden imposed on the tax subject is equal to his ability, that is, it is the same as the benefits he gets from government protection. If a country is not allowed to treat taxpayers differently than they should be treated the same. *Certainty*, according to this principle, the subject of tax becomes legal certainty which takes precedence, and the taxpayer's tax payment must be straightforward and not compromised. Taxpayers and provisions relating to their payments are in the same condition. *Convenience of payment*, that is, taxes are collected at the most favorable time for the taxpayer, namely just before receiving income or taxable profits. *Economic of collective*, that is, tax collection should be carried out as sparingly as possible and avoid costs that are greater than the tax revenue itself because if the cost is greater than the revenue, the tax collection will be meaningless (Nuramntu, 2005).

In essence, these principles conform to the purpose of law, namely to achieve justice. Fair in legislation, including the imposition of taxes and the general public, adjusting to each ability. Fair in its implementation, namely the right to submit objections to taxpayers, postponement of payments, submission of appeals to the Tax Advisory Council.

Basic Benefits

Countries can use tax funds to meet their needs without committing any fraud. In order to encourage people to fulfill their tax obligations. Thus, it is expected that the government can maintain public trust in openness and utilize it as effectively as possible. So that people do not feel as if paying taxes in vain.

The Principle of Tax Collection

The following conditions must be met for the tax collection procedure to function properly, Jurisdiction of domicile (place of residence), shows that taxpayers, both inside and outside the country, have the right to be taxed by the state for all their income. Source, meaning that the state has the authority to collect tax on income earned within its territory, regardless of the taxpayer's residence. Nationality, meaning that the application of taxes is associated with the citizenship of the taxpayer. Every foreigner residing in Indonesia is obliged to pay taxes. Juridical, meaning that tax collection must be based on laws that guarantee strict justice. Economical, meaning that it emphasizes the desire of the state so that the lives of its citizens continue to improve. As a result, taxes must be levied in a way that does not hinder normal economic operations. Financial, meaning that the cost of collecting taxes must be kept to a minimum in order to be able to deposit as much money as possible into the state treasury. Simple, meaning that the tax collection system must be as basic as possible so that tax payments are easier for taxpayers (Idris, 2018).

Taxes are classified into three types, namely as follows (Rahayu, 2019):

a) Types of taxes based on the method of collection

Taxes are classified into two types based on how they are collected Direct Tax, is a tax that cannot be transferred to another person or party and must be paid by the Taxpayer himself. For example, consider income taxes. Indirect Tax, is a tax that can be charged to different people or entities. Consider Value Added Tax (VAT), for example. There are three components that make up direct and indirect taxes, and the three components are as follows: The person who is responsible for taxes, if there are causes or events that result in the imposition of taxes, a person is legally obligated to pay taxes legally. Tax bearers are people who bear the economic burden of taxation. Tax burden bearers are those who are required by law to pay tax burden.

b) Types of taxes by nature

Taxes are classified into two types based on their nature: Subjective Taxes Especially taxes whose imposition takes into account the special circumstances of taxpayers. For example, income tax (PPh). Objective Tax, which is a tax that is imposed without regard to the personal condition or place of residence of the Taxpayer and instead focuses attention on things, circumstances, actions or events that cause the obligation to pay taxes as the goal. Value Added Tax (VAT) and Sales Tax on Luxury Goods (PPnBM).

c) Types of taxes based on collecting institutions/authorities

Taxes are divided into two categories, Central Taxes and Regional Taxes, based on the organization responsible for collecting them. Central Tax is a tax that is controlled by the Central Government, mainly through the Directorate General of Taxes of the Ministry of Finance. Income Tax (PPh), Value Added Tax (VAT), Sales Tax on Luxury Goods (PPnBM), Stamp Duty, Land and Building Tax (PBB) are central taxes overseen by the Directorate General of Taxes. Regional taxes are taxes administered by regional governments both at the provincial and district/city levels, and the income received is the main source of APBD financing, both for financing regional household routine expenditures and for regional development. In addition to motor vehicle transfer fees, motor vehicle transfer fees, motor vehicle fuel, surface water, and cigarette taxes, local governments also collect provincial and district/city taxes in rural and remote areas as follows: hotel tax, restaurant tax, entertainment tax, billboard tax, street lighting tax, non-metal mineral and rock tax, parking tax, groundwater tax, swallow's nest tax, and land and building tax.

The tax rate is the rate used to calculate how much tax must be paid. Tax rates generally fall into one of four categories: Proportional tax rates, in particular, the proportion of taxes set regardless of tax base. For example, Value Added Tax (VAT) of 10% will be charged on each delivery of taxable goods/services. Regressive/fixed tax rates, namely the nominal tax that is set regardless of the tax base. Tariffs on stamp duty as an example degressive tax rate, which is the percentage of tax that decreases as the tax base grows. Progressive tax rates, which are percentages of tax that increase with the tax base.

There are various forms of progressive tax rates, such as: progressive-progressive tax rate, namely the tax collection rate whose percentage increases as the value of the tax object increases, with the percentage increase that continues to increase for each increase in the value of the object for a certain amount. Proportional progressive tax rates, namely tax collection rates whose percentage increases with the increase in the value of the tax object, where the percentage increase is fixed for each increase in the value of the object up to a certain level. Progressive degressive tax rate, namely the tax collection rate whose % increases as the value of the tax object increases, with an increase in the percentage that decreases along with the increase in the value of the object by a certain amount.

If the amount of tax payable is based on a Tax Collection Letter, Underpaid Tax Assessment Letter (SKPKB), Additional Underpaid Tax Assessment Letter (SKPKBT), Correction Decision Letter, Objection Decision Letter, or Appeal Decision Letter, and the Tax Bearer fails to pay within the period determined, the Directorate General of Taxes can take tax collection actions. The following tax collection procedures will be carried out if the tax obligations listed in the Tax Assessment Letter are not paid by the payment deadline: *Letter of Reprimand*, which is issued if tax obligations are not paid within 7 days from the due date of payment (30 days from the date of issuance of SKP, installment due date). This Letter of Reprimand must be paid within 21 days of issuance. *Distress Letter*, namely a letter issued if the tax debt is not paid within 21 days from the date of the Reprimand Letter. The tax bailiff notifies this forced letter with a tax collection fee weighted with a forced letter of Rp. 50.000,-. Tax obligations must be paid immediately within 2 days of the Tax Bailiff issuing the Distress Warrant. *Letter of Confiscation*, namely if the tax debt is not paid within 2 x 24 hours after the Tax Bailiff issues the Warrant. Tax bailiffs can carry out confiscation at a cost of Rp. 100,000,- each Warrant of Confiscation. *Auction*, namely if the tax obligation has not been paid within 14 days of confiscation and is not followed by an announcement of the auction at least twice in the mass media. The sale of confiscated goods through auction is handled by the State Auction Center and takes place no later than 14 days after the announcement of the auction.

In the event that the forced billing fee and the confiscation fee have not been paid, the advertisement fee for the auction announcement in the newspaper and the auction fee will be charged at the time of the auction. The ability to collect taxes, including interest, fines, increases, and tax collection fees, ends more than five years after the Tax Collection Letter, Underpaid Tax Assessment Letter, Additional Underpaid Tax Assessment Letter, Rectification Decision Letter, Objection Decision Letter, Appeal Decision Letter, and Decision for Reconsideration has been issued. The end of tax collection can be postponed if: Forced letter issued; Taxpayers directly or indirectly acknowledge tax payable; Underpaid tax assessment letters and additional underpaid tax assessment letters are sent; or Tax evasion criminal investigation conducted.

The tax authority can issue an invoice immediately and simultaneously without carrying out the collection activities mentioned above if: tax bearers will never return to Indonesia; taxpayers transfer the goods they own/control to stop or limit the activities of companies/workers in Indonesia; it is indicated that the Tax Bearer will dissolve the business entity, merge or expand the business, transfer ownership/control of the organization, or change other forms; the state will dissolve business entities.

The assets of the Taxpayer have been seized by a third party or there are signs of bankruptcy (Direktorat Jenderal Pajak, 2020).

In the event that the taxpayer is dissatisfied with the tax assessment charged to him or with the deduction/collection by a third party, he can file an objection. Taxpayers can submit objections to Underpaid Tax Assessment Letters (SKPKB), Additional Underpaid Tax Assessment Letters (SKPKBT), Overpaid Tax Assessment Letters (SKPLB), and withholding/collection by third parties based on the requirements of tax laws and regulations. Objections can be submitted to the Tax Service Office where the Taxpayer is registered. It is not possible to delay the obligation to pay taxes and collect by filing an objection. If the objection does not comply with the requirements, it will not be evaluated because it is not an Objection Letter. Within three months from the date of SKPKB, SKPKBT, SKPLB, or SKPN, or the date of billing by a third party, an objection must be filed. The Directorate General of Taxes must decide on objections filed within 12 months of receipt of the objection letter. If more than one year has passed and the Directorate General of Taxes has not rendered a decision, the objection submitted is said to be accepted. Depending on the circumstances, the objection decision may approve, reject, or increase the tax payable. If the Taxpayer's objection is rejected, partly strengthened, or increases the amount of tax still payable, the Taxpayer is subject to administrative sanctions in the form of a fine of 50% of the total tax based on the decision on the tax objection. paid before filing an objection.

Taxpayers can appeal the Objection Decision Letter to the Tax Court if they are still not satisfied after receiving the Objection Decision Letter for the objection they submitted. Not later than three months after receiving the objection decision letter, the application shall be submitted in writing in Indonesian with certain reasons and supported by a copy of the objection decision letter.

Taxpayers can submit claims to the Tax Court for execution of forced warrants, confiscation warrants, or auction announcements; prevention decisions in the framework of tax collection; decisions relating to the implementation of tax decisions other than those referred to in Article 25 paragraph (1) and Article 26; issuance of tax decision letters or objection decision letters issued in a manner that does not follow the procedures or procedures outlined in the provisions of the tax laws and regulations.

14 days after the billing process is permitted to file a lawsuit against the tax collection implementation. This time is non-binding if it cannot be resolved due to events beyond the control of the plaintiff and is given an extension of 14 days from the day the events beyond the control of the plaintiff end. Meanwhile, a lawsuit against a decision other than the subject matter of the lawsuit must be filed within 30 days after the decision is received. This time is non-binding if it cannot be resolved due to events beyond the control of the plaintiff and is given an extension of 14 days from the day the events beyond the control of the plaintiff end. Lawsuits that have been dismissed due to the election of a chairman or the appointment of a Single Panel/Judge cannot be re-submitted.

Taxpayers still have the option to submit a Judicial Review of the Tax Court's decision from the Supreme Court if they are still not satisfied. Through the Tax Court, an application for judicial review can only be submitted to the Supreme Court once. The Tax Court's decision is not suspended or terminated by a request for review. Depending on the reason for submitting the review, different time frames apply: If the decision of the criminal court judge has permanent legal force and is subsequently declared valid by the criminal judge, or if the decision of the tax court is based on lies of the opposing party which is known after the case has been decided or based on evidence presented no later than three months after the discovery of the lie or fraud.

The day and date of discovery must be stated under oath and approved by the appointed official if new written evidence is important and decisive and if known at the trial stage in the tax court will result in a different decision. submitted no later than three months after the discovery of evidence. Unless the court decision grants part or all and adds to the tax that must be paid, then it is filed no later than three months after the decision is rendered if the thing that is not demanded or more than what is demanded is granted. Claims must be filed no later than three months after the decision is sent if part of it has not been resolved regardless of the reasons. If the decision made clearly violates the provisions of the relevant laws and regulations, it must be appealed within three months from the date the decision was sent.

The following guidelines are followed for consideration by the Supreme Court and deciding on a request for judicial review if the Tax Court decides to make a decision through an ordinary procedural examination, the Supreme Court will have made a decision within six months of receiving the request for review. The Supreme Court issues a decision within one month after receiving the request for review, in the event that the Tax Court issues a decision after a quick procedure review. The decision regarding the application for review must be taken in an open session. A request for review can be withdrawn before a decision is made, and cannot be resubmitted after it has been revoked.

The organization of the Directorate General of Taxes operating at the Head Office, Regional Offices and Tax Service Offices has undergone significant changes and continues to develop towards modernization. To answer the expectations of many parties as tax stakeholders, management changes are very important and beneficial. In addition, tax modernization is carried out in order to realize excellent public service, *clean government*, and *good governance*. Thus, tax collection can be optimized appropriately, usefully, and efficiently. Of course, the intent and purpose of government tax modernization goes beyond maximizing tax revenues (*budgets*) only. Tax provisions, processes and initiatives are also consistently aimed at improving services to make them more community-friendly and especially business-friendly. Therefore, it is believed that people's perception of taxes, which so far has been seen as a curse and even as a measurable burden, will change. The general consensus is that paying taxes is a participatory (qualitative) commitment of every citizen to the government. General plan of tax reform (*tax reform*) which includes the modernization of the taxation system.

b) Tax Politics

Political shares are used as proof of the capital contribution made by the people to the state at the time of its establishment to show people's ownership of the nation, which is symbolized by ownership of voting rights. Meanwhile, the privileges in the political system here include getting the first opportunity to be elected and selecting state administrators, as well as assessing the administration, implementation and accountability of state administration. With such a foundation, a compelling argument for the legitimacy of taxes as a political reality can be made. Taxes cannot be seen only as a means for the government to meet financial obligations. When the government uses taxes to carry out its regulatory mandates, limiting the ownership of the rich while protecting and enticing the economically weak to share in income, taxes are turned into a political tool. Since taxes are a tool or instrument that can equalize income and resolve conflicts of interest between the rich and the poor, what the Marxists fear will not happen.

Ten laws, seven of which are material laws on taxes, regulate the subject, object and rate of tax and who is taxed in Indonesia. These laws include: Income Tax Law (PPh): Law Number 7 of 1983 as amended by Law Number 17 of 2000. Law on Value Added Tax and Sales Tax on Luxury Goods (PPN and PPnBM): Law Number 8 of 1983 as amended by Law Number 18 of 2000. Land and Building Tax Law (PBB): Law Number 12 of 1985 as amended by Law Number 12 of 1994. Stamp Duty Tax Law (BM): Law Number 13 of 1985. Law on Land and Building Rights Acquisition Fees (BPHTB): Law Number 21 of 1997 as amended by Law Number 20 of 2000. Regional Tax and Retribution Law (PDRD): Law Number 18 of 1997 as amended by Law Number 34 of 2000. Non-Tax State Revenue Law (PNBP): Law Number 20 of 1997.

The more formal law (procedure) is governed by three laws, namely: KUP Law (General Provisions and Tax Procedures): Law Number 6 of 1983 as amended by Law Number 28 of 2007 which regulates how taxpayers and the government exercise their tax rights and obligations. PSSP Law (Forcing Tax Collection by Letter): Law Number 19 of 1997 as amended by Law Number 19 of 2000 which regulates the procedures for billing and issuing forced letters. PP Law (Tax Court): Law Number 14 of 2000 regulates how taxpayers use their rights to file lawsuits for violations of procedures committed by the government as tax authorities and their rights to challenge the tax value set by the government.

c) Shifting Tax Burden

PSAK 46 states that the tax expense (*tax expense*) or tax revenue (*tax income*) is deferred tax and the total amount of current tax is determined when determining the profit or loss for a particular period (Zain, 2008). Transferred tax burden (*transferred*) from the subject (*taxpayer*) to other parties; in other words, it is probable that the person or entity that is the subject of the taxpayer will not bear or pay for it. It is this increase in the source of tax revenue that supports state finances that causes a change in the tax burden. As a result, taxes have to bear less of a burden, principals will support them, and this can lead to various tax-related interests. The subject of the taxpayer is also bothered by changes in the tax burden. Taxpayers can switch from the first subject to the second or any other subject. In this case it has to do with how taxes are paid (*the incidence of taxation*).

One of the methods used in tax planning is to shift the tax burden (*shifting*). Tax planning is the process of organizing the business of taxpayers or groups of taxpayers in such a way that tax debts, both originating from income taxes and other taxes, are kept to a minimum, as long as this can be practiced and does not conflict with the provisions of the applicable laws and regulations (Mangonting, 1999). The tax burden is often not borne by those who are initially responsible for paying it as a result of changing behavior and market adjustments. When households can adjust their behavior and do something to avoid paying taxes, the tax burden shifts. In general, broad-based taxes are more difficult to shift and more likely to persist than partial taxes (Case & Fair, 2007).

In an economic sense, the issue is whether the tax burden can be transferred or not, which has implications for the character of the tax. The tax rate is defined as the amount of government tax revenue equal to the amount of product produced. The amount of money available is the result of shifting the tax burden to consumers, which is associated with a decrease in the price of goods per unit. Profits from transferring the tax burden can cover or reduce the amount of tax to be paid.

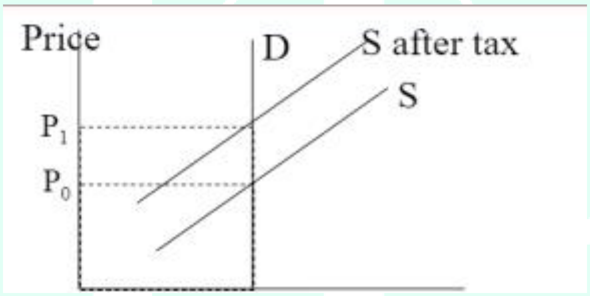
The comparison of the elasticity of demand and the elasticity of supply is used to determine the ratio of the transferred tax burden and how much is still borne by each seller or producer. However, this method cannot determine the actual receipt of the amount of commodity traded after tax. For simplicity, keep in mind that the functions of demand and supply are the same, but the sales tax that is collected is in the form of an advaloren tax of 25% of the selling price of goods. When demand equals supply, an equilibrium price is reached. If there is no balance between demand and supply, producers will as much as possible divert taxes by increasing the selling price of goods to consumers, while consumers do not have certainty about the cost of goods traded. Because the seller has the ability to increase the price of goods twice, increase the price of goods without tax and increase the price of goods with tax.

The elasticity of demand is the sensitivity of customers to changes in demand for goods or services as a result of price fluctuations. If consumer demand for goods and services is elastic, the capacity of producers to shift their tax burden onto consumers is more likely to reduce demand (taxes imposed by consumers will increase prices). If it is close to inelastic, companies or producers will easily shift the tax burden to consumers.

To understand how the elasticity of demand affects tax incidence, it will be assumed that supply is equal in the two cases being compared. With this example, we will then contrast elastic demand with inelastic demand. Buyers will bear less of the tax burden if the demand curve is more elastic. If the demand curve is perfectly elastic, the buyer is responsible for all sales taxes. The greater the elasticity of the demand curve, the greater the decrease in the quantity of commodities sold due to the collection of sales tax by the government. The amount of the tax burden borne by consumers and producers is determined by the elasticity of demand. The greater the inelasticity of the demand curve, the greater the proportion of the tax burden borne by consumers. Conversely, the higher the tax burden borne by producers, the more elastic the demand curve.

The shift in the VAT burden is an event that occurs in the market for taxable goods. Now, with VAT per unit of product supplied, how can the tax burden be shifted to consumers? If the market is perfect competition, then no seller or producer may individually increase the price of their goods (shift the tax burden). If sellers work together to increase the price of the item they are offering, a new price can be increased. After being subject to "special" VAT, when the VAT is applied not only to one company but to all goods produced by all companies in that industry. Variable costs will increase overall for any organization. By subtracting the VAT per unit of goods produced, the average total cost and marginal cost are increased by the VAT on the various goods produced or sold, resulting in the same average total cost (AC) and marginal cost (MC). In other words, AC and MC grow with a tax per unit of commodity, at the same price level, and with this tax requiring each firm to always equate that price level with its new marginal cost, resulting in a decrease in supply and an increase in output. in price. Continue.

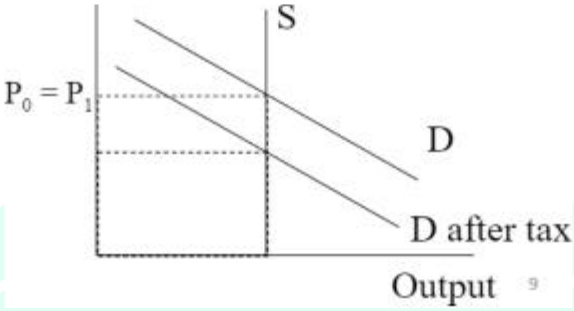
In other words, a pattern of steady demand but lower supply will result in an increase in price. VAT that is transferred to consumers seems to be proportional to the increase in the price of goods, and the rest is still borne by producers or sellers. From the corporate side, the corporate tax burden and the burden transferred to consumers which are also borne by producers are the same in the industry.



Bagan 1. Since demand is inelastic in the example above, the buyer bears the entire tax burden

The VAT burden can be shifted forward to consumers (*ahead shifting*) or backwards to the raw material business actor (*backward shifting*), according to supermarket. The shift in the VAT burden to the future illustrates how the tax burden shifts and how much of the tax burden can be shifted by producers (taxpayers) and how much they have to bear. As a result, the price of goods will increase and sales will decrease, indicating a shift in the tax burden going forward (*forward shifting*) and indicates that the cost of the tax is borne jointly by the seller and the buyer. The producer intends to increase the cost of the good per unit, but because of market forces such as supply and demand, prices only increase by an amount less than taxes. Therefore, the amount of tax sharing can be calculated by knowing the level of elasticity of supply and demand (Supermoko, 2002).

Entrepreneurs of raw materials currently bear the burden of transferring the VAT burden. If producers are required to pay VAT per unit of goods produced and cannot shift the tax burden to consumers by increasing prices, producers will try to shift the VAT burden backwards by lowering the purchase price of raw materials from raw material entrepreneurs. This will result in a backward shift of the tax burden (*backward shifting*). According to him, the decline in demand for raw materials is what drives up prices and the number of goods demanded by producers. As a result, producers and entrepreneurs of raw materials both bear the burden of VAT related to the decrease in the selling price of raw material entrepreneurs to producers as consumers of raw materials. The magnitude of the elasticity of supply and demand for each determines how much of the VAT burden is shared by producers of raw materials vs apparel.



Bagan 2. Due to the inelasticity of supply, sellers are solely responsible for paying taxes

The government's VAT revenue is equivalent to the number of garments produced. Meanwhile, the quantity of money available is the result of transferring the VAT burden to the raw material business actor, namely the amount of raw material purchased multiplied by the decrease in the unit price of the raw material. The benefits resulting from this transfer of the VAT burden are sufficient to pay the amount of VAT that must be paid, but it could be less. Comparison of elasticity of demand and elasticity of supply can be used to determine the ratio of the VAT burden transferred and how much is borne by the garment maker. However, there is a disadvantage in not knowing what the total revenue for producers will be after deducting VAT. As a result, it is required to determine how much clothing is traded after the VAT is applied. This will be determined by the demand and supply functions for VAT-free clothing (Metokohy, 2013).

There are two types of shifting of the tax burden with respect to indirect taxes: Shift to face (*forward shifting*) is the shift of the tax burden from producers to consumers in the direction of the flow of goods. Since the buyer must pay the price of the goods plus taxes, this move increases the price of the goods. For example, if a manufacturer sells a taxable good to a buyer, the buyer must pay the price of that item plus Value Added Tax (VAT). Backward shift (*backward shifting*) In contrast to product flows, there is a shift in the tax burden, with buyers shifting the cost of the tax to sellers. This kind of shifting of the tax burden reduces the amount of money given to sellers (producers), so that the amount of money received or to be received by sellers (producers) is reduced by value added tax. For example, farmers sell tobacco to cigarette makers.

Another problem that often arises in discussions about the tax system is that a number of taxes are paid by the taxpayer only to find out that the person who suffers or bears the tax is not a taxpayer. In other words, the taxpayer is not the same as the bearer of the tax burden. As a result, taxpayers can transfer part or all of their tax burden to other people.

So the problem of sharing the tax burden (*incidence of taxation*) is the issue of who bears the final tax burden after a shift. In an economic sense, the question whether the tax burden can be transferred or not has implications for the nature of taxes. Indirect taxes are those whose burden can be shifted, while direct taxes are those whose weight cannot be shifted.

Sales taxes, including excise duty, are the most frequently transferred taxes. Tobacco excise, for example, is collected by cigarette makers, but the responsibility for paying the excise lies with cigarette customers. Increasing the price of cigarettes is one approach to redistributing the tax burden. The tax burden is assumed to shift forward (*forward shifting*) in this case. If cigarette entrepreneurs are unable to increase the price of their cigarettes after being subject to tobacco excise, they will try to shift the tax burden backwards (*backward shifting*), namely by lowering the purchase price of its inputs (in this case tobacco) from tobacco sellers (e.g. farmers). So, shift backwards (*reverse shifting*) is the opposite of a forward shift.

It is clear that shifting the tax burden is an act of self-avoidance from paying a light tax burden, meaning that there are no legal consequences and not many people question it. Consequently, we cannot claim that transferring the tax burden is illegal. Actually, the shifting of the tax burden can be divided into four stages: The first stage, the tax burden lies with the person (taxpayer) who calculates the payment with the state. This is directly related to the imposition of the tax itself for people who pay taxes at the tax office and is called "*impact of taxation*". The next stage is called "*the shifting of taxation*" namely in the form of shifting the tax burden, this is an intermediate process, namely the transfer of the tax burden from taxpayers to bearers of the tax burden. The third stage is called "*incidence of taxation* namely the emergence of the last monetary burden after the shift, then the tax burden cannot be shifted again. The last (fourth) level is called "*effect of taxation*", namely the emergence of economic consequences with "*incidence of taxation*". For example, there are increasing differences in the distribution of income in real terms after the tax is imposed.

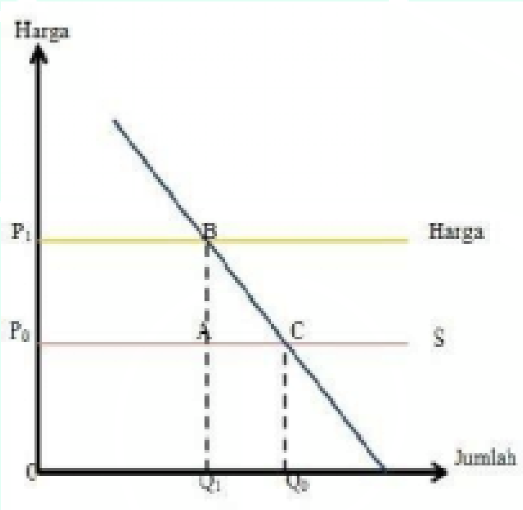
d) Welfare Lost Due to Taxes

The basic capital of every country for development is taxation. Taxation has a significant impact on the sustainability of a country, both in terms of infrastructure development and human resource development. Influence, among others, concerns the field of welfare or well-being. The definition of prosperity is the state of a healthy, peaceful and prosperous society (Widyastuti, 2012).

At the time of taxation, the customer must pay a higher commodity price than the producer or seller receives. This is due to fees paid to the government. In some situations, taxes will result in a burden that is greater than the amount collected. The excess burden imposed by taxation is referred to as the welfare lost due to tax (*Welfare Cost of Taxation*). It is important to distinguish between the indirect costs and the direct costs associated with obtaining production inputs from the private sector (Putri, 2019).

The following example shows the difference: imagine that sales tax is levied on a certain product, but the tax is so high that the product is zero. This scenario implies that there are no direct tax costs because the government cannot collect any taxes. However, there is clearly a cost to society as a whole, as taxes are things that were not created but are still needed by individuals. Therefore, there is a mis-allocation of production resources, which makes customers dissatisfied and reduces their welfare, resulting in a high tax burden for consumers. As a result, even though there are no direct tax costs in this situation, there will be lost welfare costs due to taxation (*Welfare Cost of Taxation*). If a certain level of sales tax is imposed but still generates a certain amount of tax revenue, this will result in tax welfare costs (*Welfare Cost of Taxation*) or direct costs (*Direct Cost of Taxation*).

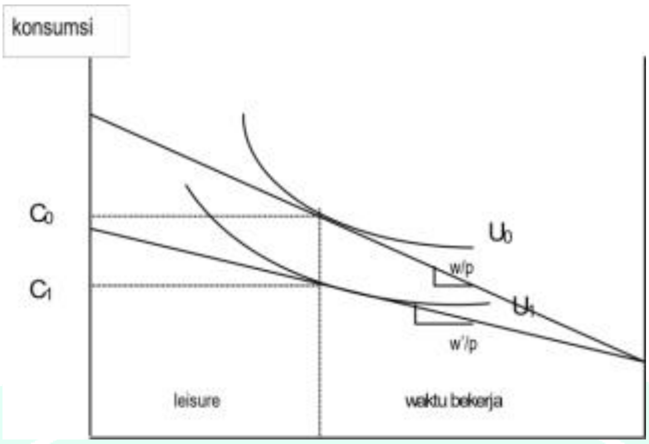
When we know that there is a welfare cost, we can compare the tax to other taxes and determine which type of tax is more expensive for society, allowing the government to make other tax decisions. Thus, high welfare costs can guide the government to distribute productive resources as efficiently as possible (Adam Dosa Pertama, 2018).



Bagan 3. High welfare cost

According to the above curve, the original price of the good is P0 and the supply curve is S, but when the good is taxed, the supply curve changes to S+T. Consequently, the initial price increases from P0 to P1, while production decreases from Q0 to Q1. *The Direct Cost Taxation* (tax revenue) is the same as P0P1BA. The current consumer price is higher than the initial price, i.e. P0 > P1, which is a source of misallocation which gives rise to welfare costs. Reducing product consumption from Q0 to Q1 means that revenue of BCQ0Q1 is lost. The production resources needed to produce Q0 and Q1 can be used to produce more of another good. As a result, taxes can limit the creation of taxable commodities and direct the diversion of production resources to other uses. However, the value of other products made (ACQ0Q1) is less than the value of other goods lost due to taxation (BCQ0Q1). The difference or difference between BCQ0Q1 and ACQ0Q1 is = BAC because it is *net loss of benefit*.

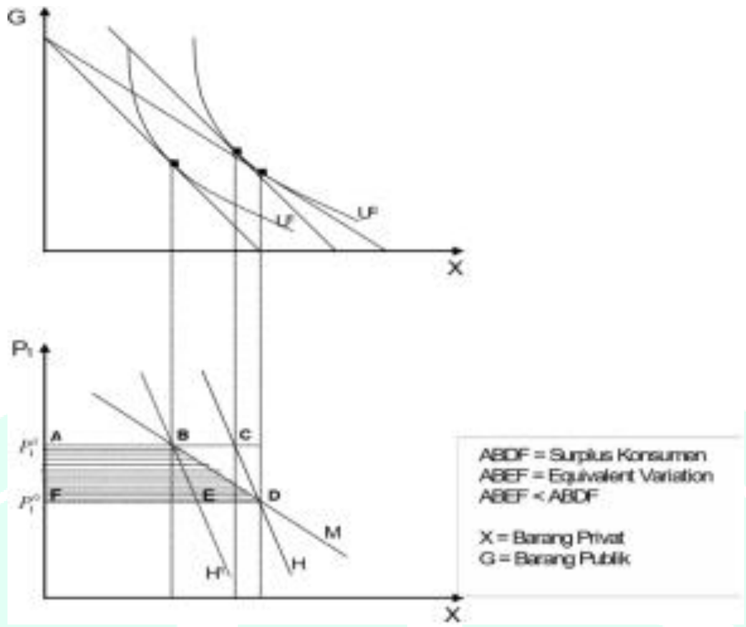
By understanding *Welfare cost*, the public can compare taxes and determine which one is the most burdensome to the community, thus enabling the government to make other tax decisions. Likewise, the quantity of welfare costs can guide the government in distributing productive resources as efficiently as possible.



Bagan 4. Distribution of productive resources

Income taxes reduce the amount of money each individual can spend, producing substitution and income effects. This is illustrated in the graph above, where an increase in income taxes necessitates a decrease in wages, and each individual's utility decreases from U0 to U1 as a result of the income effect. In other words, as the number of hours worked together increases, the income generated by workers also increases. This was the amount of money he was willing to spend on various items. In essence, we can see the substitution effect of salary fluctuations. However, to be clear, this effect is not depicted in the image above (Suratman, 2019). In this case W' = w(1-t), so w'<w and w'/p < w/p, where w= wages; t= income tax rate; and p = price, so w/p = real wages.

We can estimate the elasticity of substitution between labor and leisure from the figure above, which has theoretically been reported in various literatures, including Binger and Hoffman (1988) and Layard and Walters (1994). It is actually possible to investigate the efficiency effects of various tax policies on the potential to skew decision-making about labor supply because labor supply is endogenous. The reduced ability of the people to buy various consumer goods will be a sign of changes in welfare caused by the implementation of income tax. Contrary to previous models, which hypothesize that consumption and leisure drive individual satisfaction levels, this study divides individual consumption into two categories: private goods and public goods. Thus, individuals who pay taxes will be less able to purchase both commodities at the same income level. The illustration below shows how it works:



Bagan 5. Purchasing commodities

According to the graph above, an increase in income tax will result in a decrease in the taxpayer's income, which will decrease his utility. The figure above, where the area of proportional variance is smaller than consumer surplus, illustrates the decline in welfare caused by income tax policies.

The burden on society will be reduced (experiencing "*deadweight loss*") if the tax rate is lowered. In the end, lightening the burden on the community can boost the local economy. According to quantitative projections for the 1999 fiscal year based on analysis conducted in the US, each US$80 billion cut (or about 5% of the total federal tax collection) would result in an economic gain of US$287 billion over the next period. The positive influence of imposing taxes can have an impact on economic development in both developing and developed countries.

4. CONCLUSION

Taxes are owed by people who are obliged to pay them according to general regulations (laws), without reward for achievements, which can be appointed directly and whose purpose is to finance public expenditures because the state is obliged to administer the government. Taxes are people's contributions to the state (which can be forced). Ten laws regulate taxation politics in Indonesia, seven of which are substantive laws on taxation and three of which regulate more formal laws (ordinances).

Transferred tax burden (*shifting*) from the subject (taxpayer) to other parties; in other words, it is probable that the person or entity that is the subject of the taxpayer will not bear or pay for it. Two types of shifts in the tax burden are forward and backward shifts.

Consumers have to pay more for goods at the time of taxation than producers or dealers do. This is due to the costs incurred by the government. Taxes can sometimes result in a burden that is greater than the amount received. Tax welfare costs (*Welfare Cost of Taxation*) refers to the additional burden incurred by taxation. Direct and indirect expenditure related to the acquisition of manufacturing inputs from the private sector must be explicitly distinguished.

REFERENCES

Adam's First Sin. (2018). *Problematizing the Implementation of the Indonesian Tax System*. July 2012. http://www.kompasiana.com/

Arikunto. (2006). *Research Methodology*. Build Script.

Case, K. E., & Fair, R. C. (2007). *Economic Principles*. Erlangga.

Chidir, A. (1993). *Elementary Tax Law*. you are

Directorate General of Taxation. (2020). *Tax Collection*. www.Pajak.go.id

Hermawan, S., & Amirullah. (2016). *Book of Metpen Sigit and Amirullah.pdf*.

Idris, A. (2018). *Economy Public*. Deepublish.

Kamila. (2007). *Know Taxation*. White Cempaka.

Mangonting, Y. (1999). An Introduction to Minimizing Tax Alternatives. *Journal of Accounting and Finance*, *1*.

Memukay, S. (2013). Effect of Imposition of Value Added Tax on Shifting Taxes and Overburden (Studies on the Garment Industry and Garment Consumers in West Java). *Journal of Economic and Financial Studies*, *17*.

Nuramntu, S. (2005). *Introduction to Taxation*. Granit.

Prasanti, D. (2018). Use of Communication Media for Adolescent Girls in Searching for Health Information.*Lontar Journal*, *6*, 16.

Prasetyo, A. (2017). Implementation of Withholding, Depositing and Reporting of Income Tax Article 4 Paragraph (2) on Land and Building Leases by PT Herlina Indah for the January to June 2015 Tax Period. *Journal of Administrative Reform*, *4*, 14.

Putri, N. S. (2019). *The Effect of Taxes on Economic Growth in Indonesia*. Sriwijaya University.

Rahayu, T. (2019). Overview of the Implementation of Collection, Deposit and Reporting of Value Added Tax (VAT) at PT. Mainest Creative Style.*Journal of Applied Economics and Business*, *15*, 2.

Supardi. (2006). *Research methodology*. Smart Press Foundation.

supermoco (2002). *Public Economics for Regional Finance and Development*. Andi.

Suratman, E. (2019). The Effect of Income Tax on Welfare: A Theoretical Model. *Journal of Development Economics*, *10*, 127.

Widyastuti, A. (2012). Analysis of the Relationship between Worker Productivity and Employee Education Level on Family Welfare in Central Java, 2009.*Economic Development Analysis Journal*, *1*, 3.

Zain, M. (2008). *Tax Management*. Salemba Four.