

Indonesia's Tax Performance and Dividend Tax Reform Policy: From Self to Official Assessment System

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ARTICLE INFO

Article history

Received: January 15, 2025

Revised: December 18, 2025

Accepted: December 24, 2025

Keywords

Dividend Taxation;

Legal Certainty;

Self-Assessment System;

Tax Reform;

Tax Policy;

ABSTRACT

Tax law reform in Indonesia aims to establish a simple, fair, and legally certain tax system within a self-assessment framework. One strategic aspect of this reform is dividend taxation, which lies at the intersection of state fiscal interests, economic neutrality, and investment competitiveness. This study analyzes Indonesia's tax policy and the evolution of dividend tax reform through three main focuses: the normative foundation and development of national tax policy strengthening the self-assessment system under the law on harmonization of tax regulations, the transformation of dividend taxation from a classical system to a single-tier approach with conditional exemptions; and implementation challenges related to legal certainty, regulatory structure, and taxpayer compliance culture. The research applies statute, conceptual, and comparative law approaches. The findings show that: first, strengthening self-assessment under HPP Law improves administrative efficiency but still faces challenges in tax literacy and normative consistency; second, dividend tax reform reduces the risk of double taxation but has not fully achieved normative simplification due to reliance on technical regulations; and third, regulatory fragmentation and the absence of certain statutory definitions create legal uncertainty that may affect compliance and system effectiveness. Accordingly, the study highlights the need for coherent normative reconstruction to enhance legal certainty, tax neutrality, and fiscal legitimacy in supporting national economic stability.



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1. Introduction

Tax law reform aims to establish a national tax system based on the core principles of simplicity, equity, and legal certainty.¹ The principle of simplicity has consistently been a key element in various tax reforms across countries, so tax reform is often understood as an effort to simplify the tax legal framework to make it easier to understand, implement, and monitor.² In Indonesia, this goal is reflected in the enactment of Law Number 7 of 2021

¹ Xueren Zhou, Nian Liu and Ran Chen, 'The Impact of Tax Reduction Policies on Fine and Confiscation Revenues: Evidence from China's VAT Reform', *Economic Modelling*, 155 (2026), 107431 <https://doi.org/https://doi.org/10.1016/j.econmod.2025.107431>

² Yu Liu and Xiaoxue Zhao, 'Fiscal Capacity and Capital Misallocation: The Economic Costs of Tax Evasion', *Journal of Public Economics*, 255 (2026), 105581 <https://doi.org/https://doi.org/10.1016/j.jpubeco.2026.105581>

concerning the Harmonization of Tax Regulations (HPP Law), which introduces changes to the tax law structure, including regulations related to dividend taxation.³ Indonesia's tax system currently operates within a self-assessment system, where taxpayers are given full trust to independently calculate, account for, pay, and report their tax obligations in accordance with statutory provisions. In this model, the state positions taxpayers as the primary actors in fulfilling tax obligations, while the tax authorities play a supervisory role through audit, collection, and sanction enforcement mechanisms. However, the effectiveness of the self-assessment system is highly dependent on the clarity of legal norms at the statutory level, because legal certainty is the main prerequisite for taxpayers to be able to understand and carry out their obligations properly.⁴

Although the HPP Law aims to improve harmonization and simplification of the tax system, several normative issues remain in the design of dividend tax regulations.⁵ Article 4 paragraph (1) letter g of the Income Tax Law continues to broadly define dividends as a tax object without providing a clear economic classification, potentially creating ambiguity in the application of modern tax policies based on tax neutrality.⁶ Furthermore, Article 4 paragraph (3) letter f, as amended by the HPP Law, introduces tax exemptions on domestic dividends for individual taxpayers with certain reinvestment requirements. While this policy aims to reduce economic double taxation and encourage domestic investment, the regulation is conditional exemption and relies on derivative regulations, such as Minister of Finance Regulation Number 18/PMK.03/2021. This creates potential legal uncertainty because substantive elements are not fully regulated in the law. This type of regulatory structure risks over-delegation and could weaken the principle of legal certainty in the self-assessment system.⁷

Normative issues are also evident in the cross-border dividend regulations in Article 26 of the Income Tax Law, which lacks a statutory definition of beneficial ownership. Therefore, the application of the benefits of double taxation avoidance agreements relies on administrative interpretation. This situation can lead to differing interpretations and increase the risk of disputes related to treaty shopping. Furthermore, the tax withholding mechanism in Article 23 still exhibits structural complexity because it is not fully integrated with the final and non-final tax regimes, potentially increasing the compliance burden and contradicting the principle of simplification intended by the reform.⁸

³ Nur Derajad Kartikowati, 'Analisis Yuridis Sengketa Wajib Pajak Ketentuan Umum Dan Tata Cara Perpajakan Putusan Pengadilan Pajak', *Innovative: Journal Of Social Science Research*, 4.4 (2024), 6161–73 <https://doi.org/10.31004/INNOVATIVE.V4I4.13214>

⁴ Yang Pan and Xihao Wu, 'The Role of Local Governments in Tax Enforcement and Tax Avoidance by Local State-Owned Enterprises: Evidence from China', *Journal of Contemporary Accounting & Economics*, 22.1 (2026), 100541 <https://doi.org/https://doi.org/10.1016/j.jcae.2026.100541>

⁵ Salwa Fitry and others, 'Analisis Perubahan Ketentuan Subjek Pajak Orang Pribadi Pada Undang-Undang Cipta Kerja Terhadap Pajak Penghasilan Orang Pribadi Dan Mobilitas Sumber Daya Manusia', *Jurnal Pajak Dan Keuangan Negara (PKN)*, 3.1 (2021), 98–111 <https://doi.org/10.31092/jpkn.v3i1.1286>

⁶ Aurora Putri Jehova and Linda Santioso, 'Pengaruh Self-Assessment System, Tax Morale, Dan E-Filing Terhadap Kepatuhan Pajak Bagi Wajib Pajak Orang Pribadi', *Co-Value Jurnal Ekonomi Koperasi Dan Kewirausahaan*, 15.4 (2024) <https://doi.org/10.59188/covalue.v15i4.4704>

⁷ Virzika Siti and others, 'Implementasi Self Assesment System Pph Orang Pribadi Di Kpp Pratama Semarang Candisari', *Diponegoro Law Journal*, 14.3 (2025), 2025 <https://doi.org/10.14710/DLJ.2025.51858>

⁸ Desi Andriyani and Dinar Riftiasari, 'Analisis Penerapan Withholding Tax System Pada Pajak Penghasilan Final Pasal 4 Ayat 2 Atas Usaha Jasa Konstruksi Di PT. Aditata Bersama Aplikator', *Jurnal Manajemen Ekonomi Dan Akuntansi*, 1.2 (2025), 152–56 <https://doi.org/10.63921/jmaeka.v1i2.42>

Other legal challenges relate to legal culture and implementation capacity. Relatively low levels of tax literacy and high perceptions of tax burdens can reinforce differing interpretations of norms in self-assessment practices, contributing to increased tax disputes. Furthermore, the digitalization of tax administration, strengthened through reforms to the HPP Law, is intended to increase efficiency and transparency, but it also raises new legal issues related to data protection, cybersecurity, and the validity of electronic evidence in tax law enforcement processes. In the context of the global economy, the challenges of harmonizing international tax law are increasingly significant, particularly regarding the risks of double taxation, transfer pricing, and the need to adjust domestic legal frameworks to align with international tax regimes without compromising a country's fiscal sovereignty.⁹

To understand the extent to which the normative and structural design of tax reforms has a tangible impact on fiscal performance, an analysis is required that is not solely doctrinal but also supported by empirical indicators related to taxpayer compliance and state revenue realization. Therefore, the following table and graph are presented as analytical instruments that demonstrate the relationship between changes in the tax legal framework through the HPP Law, the dynamics of taxpayer compliance in the self-assessment system, and the stability of tax revenue performance. This data serves as empirical evidence that complements the previous normative analysis, particularly in assessing whether regulatory simplification, increased legal certainty, and strengthened tax administration structures actually contribute to improving the overall effectiveness of the tax system.¹⁰

Table 1. Indicators of Tax Compliance and Revenue Performance Improvement

Indicator	Data / Findings	Legal Implications
Tax return filing compliance	Fluctuations in individual taxpayer return filings, influenced by tax literacy and service accessibility	Legal certainty and taxpayer education are essential
Tax literacy	Significant impact on taxpayer compliance	Equity → understanding of rights and obligations
Digitalization of services	Facilitates access but requires system stability	Neutrality → administrative efficiency
Tax revenue realization	100.14% of target achievement (2024)	Tax reform enhances fiscal effectiveness

Source: Research on taxpayer compliance and Directorate General of Taxes performance reports

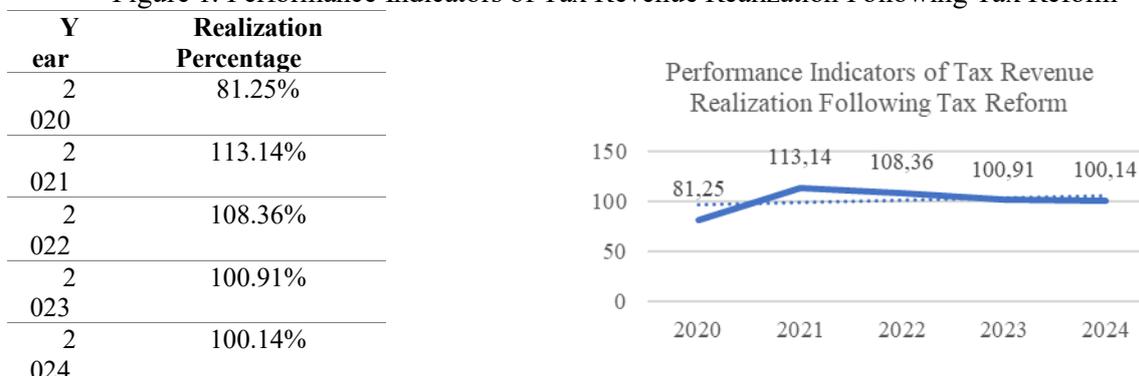
Tax reform in Indonesia demonstrates that increases in tax revenue are not solely determined by adjustments in tax rates or fiscal policy measures, but rather by the transformation of the legal structure of taxation capable of enhancing systemic legitimacy and fostering voluntary taxpayer compliance. Stable trends in tax revenue reflect the success of reform efforts in establishing a balance between legal certainty, distributive justice, and economic neutrality. Nevertheless, reforms that are excessively oriented toward revenue maximization without due consideration of legal certainty may generate regulatory uncertainty and taxpayer resistance. Accordingly, tax reform policies must be

⁹ Indah Shofiyah and others, 'Kebijakan Pengecualian Pajak Dividen: Kabar Baik Atau Buruk Bagi Investor', *Jurnal Akuntansi Dan Keuangan*, 28.1 (2023), 48–54 <https://doi.org/10.23960/jak.v28i1.872>

¹⁰ Andriyani and Rifiasari.

designed as adaptive, consistent regulatory mechanisms grounded in the principles of modern tax law.¹¹

Figure 1. Performance Indicators of Tax Revenue Realization Following Tax Reform



Source: Performance Accountability Report (LAKIN), Large Taxpayer Tax Service Office One (KPP Wajib Pajak Besar Satu), 2024

Figure 1 illustrates that post-reform tax revenue realization trends demonstrate a notable degree of stability, as revenue performance has consistently met or exceeded established targets. The increase in realization rates from 81.25% in 2020 to 100.14% in 2024 indicates that tax reform initiatives have contributed not only to strengthening taxpayer compliance but also to enhancing the effectiveness of fiscal supervision mechanisms. Moreover, the realization of tax revenues amounting to IDR 131.07 trillion in 2024, surpassing the projected target, suggests that tax reform has generated measurable institutional and operational impacts beyond mere regulatory restructuring, reflecting improvements in overall fiscal performance.¹²

Tax performance has significant normative and structural implications for national economic governance, as it reflects the state's capacity to carry out its redistributive and stabilization functions through fiscal instruments. Optimizing tax revenues is not only related to increasing state revenues, but also to the ability to create legal certainty, policy stability, and fiscal legitimacy that support the sustainability of public services and macroeconomic stability. The consistency and predictability of the tax system are crucial factors for economic actors and investors in decision-making, making the design of clear and integrated legal norms a key prerequisite for creating a stable investment climate.¹³

Conversely, unstable tax performance caused by regulatory complexity, fragmented normative structures, or ambiguous legal interpretations can lead to fiscal distortions and increase economic uncertainty. Therefore, a comparative analysis with other jurisdictions is relevant to understanding how the design of norms and legal structures affects the

¹¹ Fatma Ulfatun Najicha and Maya Khater, 'Reforming Tax Object Sales Value Regulation for Equitable Regional Revenue', *Contrarius*, 1.2 (2025), 151–71 <https://doi.org/10.53955/contrarius.v1i2.212>

¹² Xuanyu Jiang and others, 'Individual Investors' Dividend Taxes and Corporate Innovation: Evidence from China', *China Journal of Accounting Studies*, 6.3 (2018), 394 – 420 <https://doi.org/10.1080/21697213.2018.1567123>

¹³ Yang Pan and Xihao Wu, 'Tax Centralization, Political Connections, and Corporate Tax Avoidance', *European Journal of Political Economy*, 91 (2026), 102792 <https://doi.org/https://doi.org/10.1016/j.ejpoleco.2025.102792>

effectiveness of the tax system.¹⁴ Singapore has implemented simplification through a single-tier system, thereby enhancing legal certainty and tax neutrality, while China has emphasized strengthened oversight through a beneficial ownership framework and cross-border control. Both approaches provide important lessons for strengthening the normative design of taxation in Indonesia.¹⁵

The success of tax reforms in Singapore and China can be identified through different fiscal performance indicators and legal designs. Singapore demonstrates stable tax performance, with a tax revenue ratio of around 13–14% of GDP, relatively low by OECD standards but still capable of supporting investment competitiveness and economic stability. This reflects the effectiveness of simplification-based legal design, including the implementation of a one-tier corporate taxation system that eliminates additional taxes on dividends at the shareholder level. In contrast, China has demonstrated success through large-scale fiscal revenue collection and strengthened tax oversight capacity, including the development of anti-avoidance mechanisms and enhanced administrative enforcement. These differences in indicators demonstrate that the success of tax reform is measured not only by tariff levels or revenue amounts, but also by how the design of legal norms and institutional structures can create a balance between legal certainty, economic efficiency, and tax base protection.¹⁶

Prior scholarship has examined Indonesia's tax system from both normative and empirical perspectives. Latifah (2025) argues that the implementation of self-assessment enhances taxpayer compliance but remains constrained by challenges relating to legal certainty and administrative oversight.¹⁷ Nugroho (2022) identifies a structural gap between the doctrinal concept of self-assessment embedded in statutory law and its practical implementation, which may generate legal uncertainty and undermine revenue optimization.¹⁸ Hasan (2014) further emphasizes that tax policy design must balance its dual role as both a fiscal instrument and a regulatory tool to avoid economic distortions.¹⁹ Building upon this body of research, the novelty of this article lies in its normative examination of the relationship between national tax performance and dividend tax reform through the lens of a paradigm shift from self-assessment toward mechanisms approximating official assessment, thereby proposing a new analytical framework to assess

¹⁴ Teguh Erawati and Riranti Desinta Pawestri, 'Pengaruh Self Assessment System Terhadap Tax Evasion', *Jurnal Simki Economic*, 5.2 (2022), 119–23 <https://doi.org/10.29407/jse.v5i2.131>

¹⁵ Farida Akbarina and others, 'COMPREHENSIVE STUDY OF TWELVE PERCENT VALUE ADDED TAX INCREASE IN THE LIGHT OF LEGAL UTILITY THEORY AND HUMANISM COMMUNICATION THEORY', *JURNAL ILMIAH EDUNOMIKA*, 9.2 SE-Articles (2025) <https://doi.org/10.29040/jie.v9i2.17003>

¹⁶ Christopher Wissuchek and Patrick Zschech, 'Prescriptive Analytics Systems Revised: A Systematic Literature Review from an Information Systems Perspective', *Information Systems and E-Business Management* 2024 23:2, 23.2 (2024), 279–353 <https://doi.org/10.1007/S10257-024-00688-W>

¹⁷ U. Silmi Latifah, 'Pengaruh Kepatuhan Pembayaran Pajak Dengan Sistem Self Assessment Pada Masyarakat Indonesia.', *Jurnal Hukum Lex Generalis*, 6.8 (2025), 1–13 <https://doi.org/https://doi.org/10.56370/jhlg.v6i4.1149>

¹⁸ Azis Alam and Adrianto Dwi Nugroho, 'Pemenuhan Self Assessment System Dalam Pemungutan Bea Perolehan Hak Atas Tanah Dan Atau Bangunan Terhadap Jual Beli Tanah Dan Atau Bangunan Di Kota Makassar', *Recital Review*, 5.2 (2023), 305–23 <https://doi.org/10.22437/rr.v5i2.24307>

¹⁹ D. Hasan, *Environmentally Related Taxes on Manufacturing Industries in Indonesia: Developing an Effective Framework for Environmental Sustainability and Revenue Raising*, Expo 2011 Higher Degree Research : Book of Abstracts, 2014 http://www.businessandeconomics.mq.edu.au/research_expo/2011

how policy design and collection mechanisms shape legal certainty, administrative effectiveness, and revenue stability in Indonesia.²⁰

This study aims to provide a normative legal analysis of Indonesia's tax policy framework by examining three interrelated dimensions. First, it analyzes the evolution of the national taxation system and the strengthening of the self-assessment mechanism within the framework of the HPP Law, including its institutional design, operational dynamics, and implications for taxpayer compliance and administrative efficiency. Second, the study evaluates the evolution of dividend taxation policy, particularly the transition from a classical system toward a semi single-tier approach, by identifying normative issues, regulatory inconsistencies, and policy objectives underlying recent reforms. Third, through a comparative analysis with Singapore and China, the research assesses how different statutory designs influence tax performance and legal certainty, with the aim of identifying legal gaps and proposing recommendations for a more coherent normative structure capable of enhancing legal certainty, administrative effectiveness, and the legitimacy of Indonesia's taxation system.²¹

2. Research Method

Positioned within normative legal scholarship, this study applies doctrinal research methods by integrating statutory analysis, conceptual frameworks, and comparative legal evaluation.²² This approach is selected because the research focuses on evaluating normative structures, reconstructing policy design, and conducting conceptual analysis of dividend tax reform and the transformation of tax collection systems. Methodologically, the study integrates three primary approaches. First, the statute approach is conducted through an analysis of the regulatory framework governing the self-assessment system and dividend tax policies. This analysis includes the identification of normative structures, policy rationality, and the legal implications of regulatory changes for legal certainty and tax neutrality. Second, the conceptual approach is employed to develop an analytical framework grounded in legal theory. Gustav Radbruch's theory of legal values is used to evaluate the balance between legal certainty, justice, and utility in tax policy design. In addition, Lawrence M. Friedman's legal system theory is applied to examine the relationship between legal substance, legal structure, and legal culture in the implementation of the self-assessment system. Adam Smith's classical principles of taxation and Richard Musgrave's theory of the fiscal functions of the state are utilized as normative evaluative frameworks to assess system efficiency, tax neutrality, and fiscal stabilization functions. Third, a comparative law approach is undertaken by comparing Indonesia's dividend tax policy model with practices in Singapore and China. This

²⁰ Yossinomita Yossinomita and others, 'The Impact of Tax Reform on Tax Ratios: A Comparative Analysis of the Transition from the Official Assessment System to the Self-Assessment System in Indonesia and Selected Asian Countries', *Journal of Tax Reform*, 11.2 (2025), 282 – 305 <https://doi.org/10.15826/jtr.2025.11.2.202>

²¹ Rifka Nadya Heviana, Fahnun Nisa and Levana Dhia Prawati, 'Tax Digitalization and Transparency: The Role of Core Tax Administration System (CTAS) in Indonesia's Tax Reform', in *2024 International Conference on Information Technology Systems and Innovation, ICITSI 2024 - Proceedings* (Institute of Electrical and Electronics Engineers Inc., 2024), pp. 169 – 175 <https://doi.org/10.1109/ICITSI65188.2024.10929365>

²² Efendi Ibnu Susilo and others, 'Legal Discovery in Indonesia's Tax Dispute Framework', *Journal of Human Rights, Culture and Legal System*, 5.1 (2025), 319–50 <https://doi.org/10.53955/jhcls.v5i1.496>

comparative analysis aims to identify normative design, governmental legal policy strategies, and implementation mechanisms that contribute to the effectiveness of tax reform within each jurisdiction.²³ The legal materials used consist of primary legal sources in the form of tax legislation, as well as secondary legal materials including academic literature, scholarly articles, tax administration performance reports, and relevant policy documents. The analytical technique is qualitative in nature, employing normative interpretation, legal argument construction, and comparative analysis to generate more coherent and effective policy design recommendations.²⁴

3. Results and Discussion

3.1. Taxation System Policy in Indonesia

The taxation system within a state plays a strategic role in supporting various processes of national development. Taxation constitutes one of the dominant sources of state revenue and serves an essential function in the administration of government as well as in sustaining the continuity of national and civic life.²⁵ Accordingly, tax regulation continues to undergo reform as a response to economic dynamics and the evolving needs of development. The national taxation system is grounded in a constitutional foundation that governs the management of state finances, with regulations that are dynamic in nature and responsive to temporal developments. A significant milestone in Indonesia's fiscal history occurred on 1 January 2001, marking the commencement of systematic tax reform aimed at strengthening the states revenue base.²⁶ Over time, the legal framework governing Income Tax (*Pajak Penghasilan/PPH*) underwent principal codification through Law Number 36 of 2008. However, in response to the complexities of the modern economy, the government subsequently implemented further restructuring through an omnibus law approach under Law Number 11 of 2020 concerning Job Creation.²⁷

The culmination of this series of reforms is reflected in Law Number 7 of 2021 (HPP Law). The enactment of the HPP Law does not merely constitute an administrative amendment; rather, it represents a strategic effort to align the domestic tax architecture with global economic standards. Systematically, this body of policy has been designed to establish legal certainty for taxpayers while simultaneously providing fiscal instruments that support sustainable national economic growth.²⁸

²³ Özgür Biyan and Güneş Yılmaz, *A Taxation Problem Caused by Digital Economy: Definition of Virtual Establishment, Current Perspectives in Public Finance* (Peter Lang AG, 2019) <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85112696691&partnerID=40&md5=3b82d71a89a95015d3f44165da87c100>

²⁴ Dinda Agustin Wulandari, Abdul Kadir Jaelani and Ong Argo Victoria, 'Income Tax Regulations for Child Content Creators on TikTok Platform: The Inefficacy of Indonesian Legal Frameworks', *Journal of Sustainable Development and Regulatory Issues*, 2.2 (2024), 145–57 <https://doi.org/10.53955/jsderi.v2i2.35>

²⁵ Nur Annisa Idul Fitri, Paulus K Allo Layuk, and Yohanes C Seralurin, 'Sistem Administrasi Perpajakan Modern Dan Kesadaran Wajib Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi Pengusaha Muda', *Jurnal Akuntansi Dan Keuangan Daerah*, 17.2 (2022), 203–17 <https://doi.org/10.52062/JAKED.V17I2.2588>

²⁶ Siti Maryanah, Maldena Zahra, and Anita Rahmawati, 'Transformasi Administrasi Publik Diera Digital', *Karimah Tauhid*, 3.7 (2024), 8206–12 <https://doi.org/10.30997/KARIMAHTAUHID.V3I7.14213>

²⁷ Candra Safitri and others, 'Sosialisasi Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan dan Pelatihan Pembukaan Pajak Pada Wajib Pajak UMKM Bandung Presto Paguyuban Ulam Raos Sejahtera Kota Semarang Guna Meningkatkan Pengetahuan Dan Kepatuhan Pajak', *JMM - Jurnal Masyarakat Merdeka*, 6.1 (2023), 58–71 <https://doi.org/10.51213/jmm.v6i1.134>

²⁸ Natalia Bawamenewi and others, 'Analisis Implementasi Perhitungan Dan Pelaporan PPH Pasal 21 Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan (UU HPP) Atas Gaji

The amendment to the Law on General Provisions and Tax Procedures through the Law on the Harmonization of Tax Regulations reinforces the self-assessment system as a manifestation of the state trust in taxpayers to fulfill their tax obligations.²⁹ This system is founded upon core policy orientations encompassing: the enhancement of tax collection efficiency to support state revenue; the improvement of services, legal certainty, and equity to strengthen investment competitiveness while continuing to support the development of small and medium sized enterprises; adaptation to socio economic developments and advances in information technology; the reinforcement of balance between taxpayers' rights and obligations; the simplification of tax administrative procedures; the strengthening of the accountable and consistent implementation of the self-assessment principle; and the promotion of a more conducive and competitive business climate.³⁰

Further provisions concerning the self-assessment system are stipulated in Article 2 paragraph (1) of HPP Law, which provides that: “*All Taxpayers who have fulfilled the subjective and objective requirements in accordance with the provisions of tax laws and regulations under the self-assessment system are required to register with the office of the Directorate General of Taxes to be recorded as Taxpayers and simultaneously to obtain a Taxpayer Identification Number.*” In other words, this system places primary emphasis on the active role of taxpayers in tax collection through self-assessment. The principal characteristics of the self-assessment system encompass several aspects. First, the determination of the amount of tax payable is conducted independently by the taxpayer. Second, the taxpayer assumes an active role throughout all stages of fulfilling tax obligations, commencing from calculating and remitting to reporting the tax due. Third, the tax authority does not directly determine the amount of tax payable; rather, it functions as a supervisory body overseeing the implementation of such tax obligations.³¹

Self-assessment system implemented in Indonesia positions the tax administration as an agent of the government in performing functions of guidance, service provision, and supervision over the fulfillment of tax-payers rights and obligations. Under the application of tax collection techniques based on this system, the realization of voluntary compliance constitutes one of the principal indicators for measuring the effectiveness of the taxation system. Accordingly, public trust is required, particularly with respect to the integrity of the tax administration as an instrument for promoting public welfare.³²

Implementation of the self-assessment system in Indonesia constitutes a manifestation of the foundational objectives of Law Number 6 of 1983, which has undergone various transformations through Law Number 16 of 2009 and was most recently refined by HPP

Pegawai Negeri Sipil Pada Kantor Kecamatan Bekasi Barat Tahun 2022’, *Innovative: Journal Of Social Science Research*, 3.5 (2023), 1211–18 <https://j-innovative.org/index.php/Innovative/article/view/4975>

²⁹ Nurul Latifah Pancawardani and others, ‘Sosialisasi Dan Implementasi Undang-Undang Harmonisasi Peraturan Perpajakan (Uu Hpp)’, *Jurnal Abdimas Indonesia*, 2.3 (2022), 316–23 <https://doi.org/10.53769/jai.v2i3.288>

³⁰ Amelia Febi Utami and Sri Andriani, ‘Self Assessment System, Pengetahuan, Dan Sanksi Pajak Berpengaruh Terhadap Kepatuhan Pajak Dengan Religiusitas Sebagai Variabel Moderasi’, *Gorontalo Accounting Journal*, 7.2 (2024), 295–312–295–312 <https://doi.org/10.32662/gaj.v7i2.3518>

³¹ FC Susila Adiyanta, ‘Kewajiban Administrasi Perpajakan Wajib Pajak Dalam Sistem Self Assessment’, *Administrative Law and Governance Journal*, 5.1 (2022), 57–74 <https://doi.org/10.14710/ALJ.V5I1.57-74>

³² Rita Dwi Putri and others, ‘Optimalisasi Tax Planning Atas PPh: Tinjauan Literatur Terhadap Praktik Dan Regulasi Perpajakan Di Indonesia’, *Integrative Perspectives of Social and Science Journal*, 2.03 Juli (2025), 5535–44 <https://ipssj.com/index.php/ojs/article/view/710>

Law. The essential purpose of this regulatory evolution is to establish a taxation governance framework that is more organized, transparent, and accessible to all segments of society.³³ By simplifying administrative procedures, the government seeks to eliminate bureaucratic barriers that have long been perceived as burdensome to taxpayers, thereby fostering a more efficient and accountable fiscal ecosystem.

There are four principal pillars that constitute indispensable prerequisites within this system, namely tax consciousness, moral integrity in reporting, the subjective willingness to contribute (willingness to pay), and procedural compliance with the applicable law.³⁴ The synergy between the simplification of bureaucratic processes and the strengthening of the ethical psychological dimensions of taxpayers constitutes a key factor in realizing the effective and sustainable independence of tax compliance. Tax collection under the self-assessment system comprises the following sequence of activities. First, the taxpayer registers with the Tax Service Office. Second, the taxpayer independently calculates and/or determines the amount of tax payable. Third, the taxpayer remits the tax to a designated bank or post office. Fourth, the taxpayer reports such remittance to the Director General of Taxes. Fifth, the taxpayer independently determines the amount of tax payable through the proper and accurate completion of the Tax Return (*Surat Pemberitahuan/SPT*). The mechanism of this system is implemented through the submission of a personal report concerning taxable and non-taxable objects, the amount of expenditures, and the calculation of the tax payable by completing and submitting the Tax Return (SPT), accompanied by payment of the self-assessed tax due. The submitted SPT constitutes evidence of such determination.³⁵

The transition of Indonesia's taxation system from an official assessment model to a self-assessment regime has precipitated a fundamental reform encompassing five strategic pillars: organizational structure, human resources, information technology, regulatory framework, and data infrastructure.³⁶ From an institutional perspective, the Directorate General of Taxes (DJP) has consistently strengthened its organizational structure in order to enhance operational effectiveness. In alignment with this objective, the development of the human resources pillar is directed toward the establishment of a competent and integrity driven apparatus as the foundation of professional governance. From the technological standpoint, the reinforcement of integrated information systems constitutes a crucial instrument in supporting accurate data driven decision making.³⁷

Meanwhile, within the regulatory pillar, policy measures are directed toward broadening the tax base and providing stronger legal certainty. The series of reforms across these pillars is intended to enhance taxpayer compliance and optimize state revenue through

³³ Ahmad Galuh Riwanto and others, 'Hubungan Kebijakan Hukum Dan Administrasi Pajak', *Jurnal Atribusi Hukum*, 1.1 (2025), 36–44 <https://lenterapublikasi.com/index.php/jah/article/view/135>

³⁴ Andiani Putri and Priyo Hari Adi, 'Pengaruh Self Assessment System Terhadap Kepatuhan Pajak', *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 13.01 (2022), 321–30 <https://doi.org/10.23887/JIMAT.V13I01.38012>

³⁵ FC Susila Adiyanta, 'Kewajiban Administrasi Perpajakan Wajib Pajak Dalam Sistem Self Assessment', *Administrative Law and Governance Journal*, 5.1 (2022), 57–74 <https://doi.org/10.14710/ALJ.V5I1.57-74>

³⁶ Virzika Siti and others, 'Implementasi Self Assesment System Pph Orang Pribadi Di Kpp Pratama Semarang Candisari', *Diponegoro Law Journal*, 14.3 (2025), 2025 <https://doi.org/10.14710/DLJ.2025.51858>

³⁷ M. Fauzal and Otong Rosadi, 'Politik Hukum Penerapan Sistem Self Assesment Dalam Pemungutan Bea Perolehan Hak Atas Tanah Dan Bangunan Pada Transaksi Jual Beli', *Ekasakti Legal Science Journal*, 2.3 (2025), 252–64 <https://doi.org/10.60034/t0zzsm72>

innovation in administrative systems. Through the improvement of technology based service quality, this transformation is expected not only to promote fiscal efficiency but also to cultivate public trust in the credibility of the national taxation system amid the dynamics of the global economy.³⁸ The distinction between the Official Assessment system and the Self-Assessment system may be delineated as follows:

Tabel 2. Differences between the Official Assessment System and the Self-Assessment System in the Indonesian Taxation System

Comparative Aspect	Official Assessment System	Self-Assessment System
Determination of Tax Payable	Determined by the tax authority	Calculated independently by the taxpayer
Role of the Taxpayer	Passive; awaits tax assessment issued by the authority	Active in calculating, paying, and reporting taxes
Role of the Tax Authority	Dominant in calculating and determining tax liability	Functions as supervisor and compliance examiner
Basis for Tax Determination	Based on data collected and analyzed by the tax authority	Based on the taxpayer's calculations and reporting
Level of Government Supervision	High, as assessment is conducted directly by the authority	Relatively lower; supervision is conducted through audits
Primary Responsibility	Lies with the tax authority	Lies with the taxpayer
Administrative Efficiency for the State	Requires substantial administrative resources	More efficient for the state as part of the administrative burden is shifted to taxpayers
Potential for Reporting Errors	Lower, as assessment is determined by the authority	Higher if taxpayer compliance and understanding are low
Primary Objective of Implementation	To ensure certainty in the amount of tax payable	To promote voluntary compliance and taxpayer participation

Source: Compiled by the author based on any literature

Table 2. demonstrates that under the Official Assessment system, the tax authority plays a dominant role in calculating and determining the tax payable, thereby rendering the taxpayer relatively passive. Government oversight is extensive, primary responsibility rests with the authority, and the risk of reporting errors is comparatively lower; however, this model requires a substantial state administrative apparatus. Conversely, under the Self-Assessment system, taxpayers actively calculate, pay, and report their own tax liabilities, while the authority functions principally as a supervisory body. This arrangement results in more efficient state administration and fosters taxpayer awareness, yet governmental oversight is relatively less intensive and the potential for reporting errors is correspondingly greater.

Although the self-assessment system grants taxpayers full autonomy to independently calculate and report their tax liabilities, the Directorate General of Taxes (DJP) continues

³⁸ Alifvia Amanda and others, 'Pengaruh Pengetahuan Perpajakan, Self Assessment System, E-Filling, Tingkat Pendapatan Dan Kesadaran Wajib Pajak Terhadap Kepatuhan Wajib Pajak', *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*, 5.2 (2023), 456-67 <https://e-journal.unmas.ac.id/index.php/kharisma/article/view/6817>

to play a crucial role in exercising supervisory and safeguarding functions.³⁹ The Directorate General of Taxes (DJP) exercises two principal authoritative functions, namely audit and collection or enforcement, which are intended to verify the accuracy of reported tax data. One of the law enforcement instruments vested in the DJP is the authority to issue a Tax Underpayment Assessment Letter (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*). Pursuant to Article 13 paragraph (1) of the HPP Law, an SKPKB may be issued within a period of five years from the time the tax becomes payable where, based on audit findings, non-compliance with formal or material tax obligations is identified.⁴⁰

In addition to corrective measures through audit procedures, the Directorate General of Taxes (DJP) also conducts preventive supervision through the issuance of a Request for Explanation of Data and/or Information Letter (*Surat Permintaan Penjelasan atas Data dan/atau Keterangan/SP2DK*). Pursuant to Circular Letter SE-05/PJ/2022, the SP2DK functions as an instrument for the Head of the Tax Service Office (*Kantor Pelayanan Pajak/KPP*) to request clarification from taxpayers regarding discrepancies identified in the Tax Return (*Surat Pemberitahuan/SPT*). The issuance of this letter constitutes a follow up to indications of non-compliance with prevailing tax regulations. Through the SP2DK mechanism, the government prioritizes a persuasive approach by providing taxpayers with the opportunity to undertake voluntary correction prior to the initiation of more comprehensive audit actions.⁴¹

Research on the influence of the Self-Assessment system on tax compliance was conducted by Aurora Putri, who argued that the Self-Assessment system has a significant impact on the tax compliance of individual taxpayers. This conclusion is based on findings indicating that the existence of a taxation system structured around Self-Assessment facilitates taxpayers' active participation in fulfilling their tax obligations.⁴² Subsequently, research on the influence of the self-assessment system on tax compliance was also conducted by Andini Puti. Her study concluded that the Self-Assessment system significantly affects tax compliance. This finding indicates that the higher the accuracy in independently determining the amount of tax payable, timely remittance, and the proper and punctual submission of the Tax Return (*Surat Pemberitahuan/SPT*), the higher the level of taxpayer compliance.⁴³ Another study related to the Self-Assessment system was conducted by Nisa & Nur Latifah (2019). However, their findings indicated that the self-assessment system did not have a significant impact on tax revenue, primarily due to

³⁹ Rusnan Rusnan, Johannes Johny Koynja, and Erlies Septiana Nurbani, 'Implikasi Penerapan Asas Self Assessment Sistem Terhadap Peningkatan Penerimaan Pajak', *Journal Kompilasi Hukum*, 5.1 (2020), 15–29 <https://doi.org/10.29303/jkh.v5i1.33>

⁴⁰ Toyyibatuz Zaimah, 'Efektivitas Sistem Self Assessment Dalam Pajak Penghasilan Di Kantor Pelayanan Pajak Pratama Batu', *Jurisdictie: Jurnal Hukum Dan Syariah*, 7.1 (2016), 44–58 <https://doi.org/10.18860/j.v7i1.3678>

⁴¹ Aurora Putri Jehova and Linda Santioso, 'Pengaruh Self-Assessment System, Tax Morale, Dan E-Filing Terhadap Kepatuhan Pajak Bagi Wajib Pajak Orang Pribadi', *Co-Value Jurnal Ekonomi Koperasi Dan Kewirausahaan*, 15.4 (2024) <https://doi.org/10.59188/covalue.v15i4.4704>

⁴² Putri Jehova and Santioso.

⁴³ Andiani Putri and Priyo Hari Adi, 'Pengaruh Self Assessment System Terhadap Kepatuhan Pajak', *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 13.01 (2022), 321–30 <https://doi.org/10.23887/JIMAT.V13I01.38012>

taxpayers' insufficient understanding of how to properly complete the Tax Return (SPT) and their limited knowledge of applicable tax policies.⁴⁴

The implementation of the self-assessment system inevitably carries a substantial risk of errors, fraud, and even tax evasion by taxpayers. The accuracy of the processes of tax calculation, remittance, and reporting relies solely on the taxpayer's own understanding and perspective. Moreover, a portion of taxpayers continues to experience difficulties in determining the precise amount of tax payable.⁴⁵ These challenges are, among other factors, influenced by the complexity of tax provisions and the limited technical guidance within regulations regarding the methods for calculating taxes across various types of business activities. Such conditions frequently result in errors in the computation of tax obligations, particularly among corporate entities with diverse transactional characteristics. From an administrative perspective, restricted access to taxpayer data also constitutes a barrier to effective supervision. This limitation in information has the potential to diminish the effectiveness of the tax authority's control functions in ensuring accurate reporting and timely payment of taxes.⁴⁶

Another obstacle in the implementation of the self-assessment system is the potential for inconsistency in reporting and assessment of tax obligations, particularly when oversight and support from the tax authority are not yet operating optimally.⁴⁷ This situation underscores the importance of conducting comprehensive training and outreach programs on the mechanisms and procedures of the self-assessment system for taxpayers, thereby ensuring that understanding of tax obligations is developed accurately and appropriately.⁴⁸

Moreover, there remains a number of taxpayers who lack adequate capacity to calculate their own tax obligations, even among those with relatively high levels of income. Generally, they are aware of their tax obligations but do not understand the correct methods for calculating taxes, which often leads them to neglect these obligations due to confusion during the calculation process.⁴⁹ These findings are consistent with the research conducted by Karin⁵⁰ which indicates that many taxpayers still do not fully understand their tax obligations. In fact, even after obtaining a Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*), some taxpayers remain unaware of the accompanying administrative implications. As a result, when a Tax Assessment Letter (*Surat Ketetapan*

⁴⁴ Fadlun Nisa and Siti Nurlatifah, 'Analisis Pelaksanaan Self Assessment System Dan Kepatuhan Wajib Pajak Badan Dalam Rangka Meningkatkan Penerimaan Pajak Pada Kantor Pelayanan Pajak Bekasi Barat', *Jurnal Akuntansi Dan Bisnis Krisnadwipayana*, 6.2 (2019), 70–81 <https://doi.org/10.35137/jabk.v6i2.297>

⁴⁵ Teddy Effendy and others, 'Sengketa Pajak Dalam Sistem Self-Assessment: Tantangan Dan Solusi Di Indonesia', *Jurnal Intelektualita: Keislaman, Sosial, Dan Sains*, 14.1 (2025) <https://doi.org/10.19109/intelektualita.v14i1.27639>

⁴⁶ Nisa and Nurlatifah.

⁴⁷ Putri and Adi, 'Pengaruh Self Assessment System Terhadap Kepatuhan Pajak'.

⁴⁸ Karin Dian Ramadhani and Danny Wibowo, 'Analisis Self Assessment Wajib Pajak Dalam Mengisi Surat Pemberitahuan (Spt) Tahunan Orang Pribadi Di Kabupaten Sidoarjo', *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 14.3 (2025) <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/6222>

⁴⁹ Bakhtiar dan Ludfie Jatmiko Asas Kesetaraan Pada Imbalan Bunga Bagi and others, 'Asas Kesetaraan Pada Imbalan Bunga Bagi Wajib Pajak Dalam Rekonstruksi Hukum Pajak Indonesia: Self Assessment, Taxpayer's Rights, Interest Reward', *The Prosecutor Law Review*, 2.2 (2024) <https://doi.org/10.64843/prolev.v2i2.45>

⁵⁰ Ramadhani and Wibowo.

Pajak/SKP) is issued *ex officio*, taxpayers often file objections due to a perceived lack of prior adequate socialization and guidance.

The enactment of Law Number 7 of 2021 represents a state initiative to address these obstacles through the strengthening of digital systems and the integration of tax data, thereby enhancing the validity of reporting and minimizing the potential for manipulation within the taxation system. The implementation of electronic tax reporting and payment services, including the use of e-filing and the integration of the National Identification Number (*Nomor Induk Kependudukan/NIK*) with the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*), constitutes a key instrument in the modernization of tax administration as mandated by the HPP Law. The digitalization of tax administration facilitates taxpayers in fulfilling their obligations more efficiently and transparently, although compliance in the informal sector remains a structural challenge requiring further policy intervention.⁵¹

HPP Law also introduces the concept of a Single Identity Number (*Sistem Identitas Tunggal/SIN*) through the designation of the National Identification Number (NIK) as the Taxpayer Identification Number (NPWP) for individual taxpayers residing in Indonesia. This provision is regulated in Article 2 paragraph (1a) of Chapter II, which governs General Provisions and Tax Procedures. The policy expands the national tax base, as all adult residents holding an identity card (*Kartu Tanda Penduduk*) are administratively integrated as potential taxpayers. Consequently, the number of NPWP holders has increased significantly compared to the previous system.⁵²

The designation of the NIK as a unique, lifelong single identity aims to strengthen tax administration by simplifying taxpayer identification processes, enhancing data accuracy and consistency, and optimizing supervision and enforcement of tax compliance. The integration of population and tax data is expected to create an administrative system that is more effective, efficient, and responsive to economic dynamics. The HPP Law is also understood as a regulatory instrument that reinforces the implementation of the self-assessment system within Indonesia's tax administration.⁵³ Within this system, taxpayers are granted the authority to independently calculate, remit, and report their tax obligations, while the state assumes the role of ensuring compliance through structured mechanisms of supervision, audit, and law enforcement. By strengthening data integration, digitalizing administration, and expanding the tax base, the HPP Law establishes a normative and operational framework that supports the effective implementation of the self-assessment system in a more accountable and measurable manner.

Moreover, the HPP Law represents a concrete form of law enforcement in the field of taxation, as it not only regulates fiscal incentives and administrative simplification but also strengthens instruments for monitoring and enforcing taxpayer compliance. This regulation provides a firmer legal basis for the tax authority to conduct compliance verification, data exchange and utilization, as well as the proportional application of administrative

⁵¹ Utami and Andriani.

⁵² Dwi Putri and others, 'Optimalisasi Tax Planning Atas PPh: Tinjauan Literatur Terhadap Praktik Dan Regulasi Perpajakan Di Indonesia'.

⁵³ Safitri and others.

sanctions.⁵⁴ Thus, the HPP Law serves a dual function: as an instrument of tax administration reform and as a law enforcement mechanism aimed at establishing legal certainty, enhancing voluntary compliance, and maintaining the credibility of the national taxation system. The implementation of these policies is carried out by the Directorate General of Taxes as the national tax administration authority. The execution of tax administration reform is expected to increase taxpayers' voluntary compliance, strengthen state revenue in the medium and long term, and create a taxation system that is more equitable, efficient, and responsive to economic dynamics.⁵⁵

3.2. Evolution of Dividend Tax Reform Policy

The imposition of income tax on dividends in Indonesia has been in effect since 1944 and has continuously undergone progressive regulatory developments.⁵⁶ On 2 November 2020, the Government, together with the House of Representatives, enacted Law Number 11 of 2020 concerning Job Creation. Subsequently, in 2021, Law Number 7 of 2021 on the Harmonization of Tax Regulations was implemented as part of efforts to adjust and align tax policy with the normative framework established under the Job Creation Law. Dividends are the distribution of a company's net profit to its shareholders as determined through the General Meeting of Shareholders (RUPS), with the amount regulated under Law Number 40 of 2007 (profit after deducting reserves). As a form of income derived from capital participation, dividends are legally classified as a taxable object in accordance with Article 4 paragraph (1) letter g of the Income Tax Law (UU PPh).⁵⁷ However, the implementation of the Job Creation Law (*UU Cipta Kerja*) and the HPP Law has introduced fundamental changes in the classification of this taxable object. The main modification lies in the separation of the status of cooperative Surplus of Operating Results (*Sisa Hasil Usaha/SHU*), which is no longer equated with dividends. This reclassification aims to provide a more specific fiscal treatment to support the strengthening of the cooperative economy and to align policy with the dynamics of national investment.⁵⁸

Prior to the regulatory changes introduced by the Job Creation Law and the HPP Law, Indonesia's dividend taxation system adhered to the classical system, also known as the two-tier system.⁵⁹ Under this system, tax is first imposed at the corporate level and subsequently applied again on post tax profits distributed to individual shareholders. The system does not provide a mechanism to mitigate double taxation and applies different

⁵⁴ Zara Tania Rahmadi and others, 'Implikasi Kehadiran Undang-Undang Hpp Dan Insentif Perpajakan Sehubungan Covid 19 Terhadap Kewajiban Perpajakan Klaster Ppn', *Rekaman: Riset Ekonomi Bidang Akuntansi Dan Manajemen*, 6.1 (2022), 33–41 <https://ojs.jurnalrekaman.com/index.php/rekaman/article/view/133>

⁵⁵ Galuh Kartiko, Sri Hudiari, and Dyah Metha Nurfitriasi, 'Implementation of Law Number 7 Of 2021 On Harmonization of Tax Regulations As An Effort to Improve the Budget Deficit And Increase The Tax Ratio', *Journal of Law and Regulation Governance*, 1.2 (2023), 76–88 <https://doi.org/10.57185/jlarg.v1i2.18>

⁵⁶ Imam Agus Faisol and Emi Rahmawati, 'Analisis Persepsi Wajib Pajak Dan Implementasi Undang-Undang Cipta Kerja Segmen Kemudahan Berusaha Bidang Perpajakan', *InFestasi*, 18.1 (2022), InPress <https://doi.org/10.21107/infestasi.v18i1.14616>

⁵⁷ Indah Shofiyah and others, 'Kebijakan Pengecualian Pajak Dividen: Kabar Baik Atau Buruk Bagi Investor', *Jurnal Akuntansi Dan Keuangan*, 28.1 (2023), 48–54 <https://doi.org/10.23960/jak.v28i1.872>

⁵⁸ Cahyo Adi Prayogo and Imam Muhasan, 'Pengecualian Dividen Sebagai Objek Pajak Penghasilan Dalam Undang-Undang Cipta Kerja', *Jurnal Pajak In (Indonesian Tax Review)*, 6.2S (2022), 503–11 <https://doi.org/10.31092/jpi.v6i2s.1937>

⁵⁹ Shofiyah and others.

dividend tax rates depending on the characteristics of the recipient, including classification under Article 23, Article 26, and Article 4 paragraph (2) of the Income Tax Law.⁶⁰

Following the enactment of the Job Creation Law, Indonesia adopted a single-tier dividend tax system. Under this system, tax on dividends is generally levied only at the corporate level, while dividends received by domestic individual taxpayers are no longer subject to tax, provided that the applicable conditions are met.⁶¹ The latest regulations classify corporate profits as taxable only at the company level, while dividends received by individual shareholders may be exempt from taxation under certain conditions. First, domestic dividends received by individual taxpayers are exempt from tax if they are reinvested in Indonesia within a specified period; if not reinvested, such dividends are subject to a final income tax of 10%. Second, domestic dividends received by domestic corporate taxpayers are exempt from taxation without any specific ownership requirements. Third, foreign dividends and post-tax income from permanent establishments abroad received by domestic taxpayers, whether corporate or individual, are excluded from taxable objects provided they are invested or used to support business activities in Indonesia within a designated timeframe.⁶²

Table 3. Comparative Analysis of Income Tax (PPh) on Dividends

Aspect	Pre-Existing Dividend Tax Regulations	Current Dividend Tax Regulations (Post-Omnibus Law on Job Creation & HPP Law)
Tax Object	Dividends received by taxpayers in Indonesia, sourced from both domestic and foreign entities.	Dividends received by taxpayers in Indonesia, sourced from both domestic and foreign entities.
Tax Rates	<p>Tax rates were contingent upon the taxpayer's legal status and the dividend source:</p> <p>Individual Taxpayers: Generally subject to a final tax rate of 10%.</p> <p>Corporate Taxpayers: Generally subject to a tax rate of 15%.</p> <p>Provisions for tax reduction or exemption on foreign dividends were available based on applicable Double Taxation Avoidance Agreements (Tax Treaties).</p>	<p>Significant shifts have occurred in the taxation of dividends:</p> <p>Dividends received by domestic taxpayers are exempted from Income Tax (Non-Taxable Object), provided they are reinvested within the territory of Indonesia for a specified duration.</p> <p>Dividends received by foreign taxpayers are generally subject to a 20% rate or as stipulated by the relevant Tax Treaty.</p> <p>Primary Objective: To provide fiscal incentives for taxpayers to conduct domestic reinvestment.</p>
Legal Basis	Law Number 7 of 1983, Article 4 Paragraph (1) concerning Income Tax, as amended multiple times.	The legal framework includes Law Number 7 of 2021 (Harmonization of Tax Regulations), Law Number 36 of 2008 (Income Tax), and the Omnibus Law on Job Creation, specifically Article 4 Paragraph (3) of the Income Tax Law.

Source: Compiled by the author based on any literature

The table data delineates a fundamental comparison of Indonesia's dividend taxation schemes before and after the implementation of the Job Creation Law and the HPP Law. This policy transformation emphasizes a shift in the tax structure toward providing

⁶⁰ Made Sudarma and I Nyoman Darmayasa, 'Historisitas Filosofis Konsep Pemajakan Dividen Pada Undang-Undang Cipta Kerja', *Jurnal Akuntansi Multiparadigma*, 12.2 (2021), 312–28 <https://doi.org/10.21776/ub.jamal.2021.12.2.18>

⁶¹ Selvia Irani Rohali and Rachmad Utomo, 'Perlakuan Pajak Penghasilan Atas Dividen Serta Dampaknya Bagi Pertumbuhan Investasi Di Indonesia, Malaysia, Singapura, Dan Filipina', *Jurnal Pajak Indonesia (Indonesian Tax Review)*, 6.2S (2022), 529–49 <https://doi.org/10.31092/jpi.v6i2s.1842>

⁶² Faisol and Rahmawati.

incentives for capital owners to reinvest in the domestic market. Legally, the restructuring of tax rules under the HPP Law carries three crucial implications for the investment ecosystem: first, the mitigation of double taxation to ensure legal certainty for investors; second, the minimization of aggressive tax planning practices, such as disguised dividends, to optimize state revenue; and third, the creation of investment incentives expected to drive national economic growth through the strengthening of domestic capital.

The mechanism for imposing income tax on dividends is closely linked to investor behavior in financial decision making, as the amount of tax directly affects the net profit received by shareholders. Prior to the enactment of Law No. 7 of 2021 (HPP Law), Indonesia implemented a two-tier tax system that levied tax both at the corporate level and at the individual level, thereby creating a phenomenon of double taxation that often acted as a disincentive for investors.⁶³ However, the introduction of the HPP Law brought a breakthrough by providing a tax exemption facility for dividends received by individual taxpayers, provided that such profits are reinvested within Indonesia within a specified period. This measure effectively mitigates the issue of double taxation, which has long posed a significant barrier to the investment climate. By offering tax incentives to individuals willing to reinvest dividends in the domestic market, the government has successfully created a strong financial appeal for investors to maintain and expand their capital investment in Indonesia.⁶⁴

This policy change effectively eliminates financial barriers arising from double taxation and creates a strong incentive for shareholders to expand their business operations domestically. By providing conditional tax relief for reinvestment, the government has successfully aligned investor interests with national development objectives. Ultimately, this regulatory transformation is projected to contribute positively, in aggregate, to the realization of national investment and to strengthen macroeconomic stability through more productive circulation of domestic capital.⁶⁵

Without a reduced tax rate policy, companies may be inclined to reinvest dividends in Indonesia only to the extent necessary to satisfy the minimum statutory holding period. The absence of fiscal incentives could limit the long-term reinvestment commitment of foreign investors. Therefore, the synergy between these two policy instruments is crucial, as it may significantly strengthen Indonesia's competitiveness in attracting and retaining global investment.⁶⁶ In the context of strengthening investment, the government has the opportunity to increase the inflow. Foreign investment is promoted through strengthened investment promotion and the optimization of international economic cooperation. Enhancing the role of Indonesian investment and trade promotion agencies abroad is

⁶³ Primandita Fitriandi, 'Pajak Berganda Secara Ekonomis Atas Penghasilan Dividen Di Indonesia Dan Alternatif Penyelesaiannya', *Jurnal Pajak Indoneisa (Indonesian Tax Review)*, 2.1 (2019), 68–76 <<https://doi.org/10.31092/jpi.v2i1.559>>.

⁶⁴ Santy WN Fitnawati, Anisa Nurul Hidayah, and Tryola Nadia, 'Sistem Regulasi Dan Kebijakan Perpajakan Di Indonesia Perspektif Ekonomi Islam', *Profit: Jurnal Kajian Ekonomi Dan Perbankan Syariah*, 3.1 (2019), 71–97 <<https://doi.org/10.33650/profit.v3i1.541>>.

⁶⁵ Alayya Rihadatul Aisyah and others, 'Kajian Hukum Atas Subjek Dan Objek Pajak Penghasilan Dalam Prespektif Keadilan Dan Kepatuhan Wajib Pajak', *Judge: Jurnal Hukum*, 6.02 (2025), 148–60 <<https://doi.org/10.54209/judge.v6i02.1339>>.

⁶⁶ Aula Aufa Ahdy and others, 'Kajian Hukum Tentang Kepatuhan Wajib Pajak Dalam Sistem Perpajakan Indonesia', *Al-Zayn: Jurnal Ilmu Sosial & Hukum*, 3.5 (2025), 7424–39 <<https://doi.org/10.61104/alz.v3i5.2385>>.

expected to expand access for foreign investors to channel capital, thereby supporting sustainable economic growth.

Corporate policies that distribute high dividends have been shown to significantly expand the individual shareholder base. However, this phenomenon tends to have the opposite effect on institutional investors.⁶⁷ This group of investors often adopts a more conservative approach toward dividends due to tax considerations; the higher tax rate on institutional dividends compared to capital gains encourages them to focus more on asset value growth rather than profit distribution. The restructuring of dividend classification under the HPP Law is designed to create a more conducive business environment for domestic corporations. By eliminating taxes on dividends received by domestic corporate entities, investor confidence in regulatory stability is strengthened, which in turn stimulates capital inflows into local companies. Furthermore, the policy of exempting taxes on reinvested dividends represents a strategic measure to drive the national economy. This practice of reinvestment is expected not only to strengthen corporate capital structures but also to generate a multiplier effect, including the creation of new employment opportunities and sustainable economic growth across Indonesia.⁶⁸

Although the HPP Law is projected as an instrument for the integration and simplification of tax regulations, several significant practical obstacles remain. One of the primary challenges is the implementation disconnect between the Job Creation Law and the HPP Law. While the HPP Law seeks to harmonize the provisions of its predecessor, in practice, the regulations on income tax (PPh) on dividends introduced by the Job Creation Law have not yet been fully integrated coherently. This inconsistency risks creating ambiguity for taxpayers in interpreting legal compliance, which may ultimately undermine legal certainty in the fiscal sector.⁶⁹

The second gap lies in the lack of clarity regarding the definition and technical criteria for domestic reinvestment mechanisms. While the HPP Law promises tax exemptions for reinvested dividends, the absence of specific parameters concerning the type and duration of eligible investments creates administrative challenges for taxpayers. This ambiguity has the potential to generate uncertainty in investment decision making, thereby limiting the effectiveness of the tax incentives offered by the government for business actors. Third, this regulatory transition carries significant consequences for the restructuring of corporate tax planning strategies. Although the new policy aims to mitigate double taxation and close avenues for tax avoidance, the process of adapting to the new legal norms requires a considerable allocation of time and resources. Companies face short term challenges in adjusting their internal systems and financial policies to align with the dynamic regulatory

⁶⁷ Rita Dwi Putri and others, 'Optimalisasi Tax Planning Atas PPh: Tinjauan Literatur Terhadap Praktik Dan Regulasi Perpajakan Di Indonesia', *Integrative Perspectives of Social and Science Journal*, 2.03 Juli (2025), 5535–44 <https://ipssj.com/index.php/ojs/article/view/710>

⁶⁸ Dimas Darmawan and others, 'Implikasi Pajak Dalam Penentuan Bentuk Badan Usaha: Sebuah Tinjauan Perencanaan Pajak', *Inovasi Jurnal Ekonomi Dan Akuntansi*, 4.1 (2025), 10–18 <https://doi.org/10.59696/investasi.v4i1.224>

⁶⁹ Notika Rahmi and Damith Gangodawilage, 'SWOT Analysis of Indonesian Tax Administration Innovation in the Digitalization Era', *Ilomata International Journal of Tax and Accounting*, 3.1 (2022), 375–87 <https://doi.org/10.52728/IJTC.V4I1.423>

framework.⁷⁰ Therefore, the synergy between clear technical regulations and administrative preparedness becomes a key factor to ensure that the intended objectives of the HPP Law can be realized without imposing undue operational burdens on taxpayers.

Finally, from the perspective of tax equity, this policy has drawn criticism for creating a fiscal burden disparity between capital owners and wage earners. There is a perceived contrast in which income from capital (dividends) can be tax exempt if reinvested, whereas labor income (salaries/wages) remains subject to progressive income tax under Article 21 without a comparable exemption. Moreover, the direct benefits of this policy are primarily experienced by those with the capacity to invest. For individuals who rely on daily wages and lack surplus income to purchase shares or reinvest, the advantages of the policy are very indirect, realized mainly through the potential creation of employment opportunities.⁷¹ Therefore, the effectiveness of this policy strongly depends on oversight by the Directorate General of Taxes (DJP). If the reinvested funds genuinely enter the real sector, the broader society stands to benefit. However, if the capital circulates only within passive financial instruments without generating employment, the benefits will remain confined to the group of capital owners alone.

3.3. Challenges and Opportunities for Improving Indonesia's Tax Performance and Dividend Tax Reform Policy

In tax law studies, normative design at the primary legislation level is viewed as a key determinant of tax system effectiveness because norms at this level establish the distribution of authority, the structure of tax incidence, and the limits of administrative interpretation.⁷² Unlike secondary policy instruments or operational technical regulations, primary legislation serves as a constitutive framework that determines legal certainty, systemic coherence, and anti-abuse legitimacy.⁷³ Therefore, a methodological evaluation of dividend tax reform requires a comparative approach to statutory design across jurisdictions that have implemented different regulatory models.⁷⁴ A comparative perspective shows that the success of reform depends heavily on the clarity of norm construction in primary legislation that systematically integrates the principles of legal certainty, neutrality, and anti-abuse doctrine.⁷⁵

The case faced in Indonesia is a structural challenge because the current normative design of dividend taxation is still fragmentary and dependent on administrative

⁷⁰ Fitria Arianty, 'Implementation Challenges And Opportunities Coretax Administration System On The Efficiency Of Tax Administration', *Jurnal Vokasi Indonesia*, 12.2 (2024), 2 <https://doi.org/10.7454/jvi.v12i2.1227>

⁷¹ Gladwin Wijaya and others, 'Keadilan Dan Kepastian Hukum Dalam Sistem Perpajakan Indonesia: Penelitian', *Jurnal Pengabdian Masyarakat Dan Riset Pendidikan*, 4.2 (2025), 11915–21 <https://doi.org/10.31004/jerkin.v4i2.3747>

⁷² Agus Munandar Uli Lasdao Mara, 'Digitalization of the Tax System in Indonesia: Opportunities and Challenges of Coretax Implementation', *Indonesian Interdisciplinary Journal of Sharia Economics (IJSE)*, 8.3 (2025), 167–86 <https://doi.org/https://doi.org/10.31538/ijse.v8i3.8386>

⁷³ Haula Rosdina, Maria R U D Tambunan and Edi Slamet Irianto, 'Review of Implementation of the Inclusive Framework on Base Erosion and Profit Shifting in Indonesia', *Intertax*, 47.6–7 (2019), 635 – 651 <https://doi.org/10.54648/taxi2019062>

⁷⁴ Bucior and Jaworska, CCLXX.

⁷⁵ Hera Khairunnisa and others, 'Examining Strategies and Technological Aspects of Taxation Among Micro, Small, and Medium Enterprises in Indonesia', ed. by In C.S. and others, *Smart Innovation, Systems and Technologies*, 431 (2025), 203 – 212 https://doi.org/10.1007/978-981-96-1210-9_18

regulations, in contrast to the statutory-based system approach developed in Singapore and China.⁷⁶ Indonesia's dividend taxation legal framework is primarily regulated by the Income Tax Law (Law No. 7 of 1983, as most recently amended by Law No. 7 of 2021 concerning the Harmonization of Tax Regulations). However, doctrinally, the existing regulatory structure exhibits several fundamental inconsistencies. A fragmented regulatory hierarchy exists, with the Income Tax Law establishing only general principles, while substantive aspects that determine the operationalization of the policy are regulated in implementing regulations such as the Minister of Finance Regulation (PMK) or the Director General of Taxes Regulation.⁷⁷ This situation is evident, for example, in the regulation of dividend reinvestment requirements, which form the basis for tax exemptions, which are not comprehensively formulated in the law but are further regulated through PMKs, including PMK No. 18/PMK.03/2021 and its derivative regulations. Overly broad delegation of norms has the potential to lead to over-delegation, a situation where norms that should be at the primary legislation level are instead transferred to the administrative regulatory level, thereby reducing legal certainty and increasing the risk of inconsistent interpretation.⁷⁸

The absence of a clear statutory basis creates significant potential for divergent interpretations, particularly in treaty shopping disputes, and may weaken Indonesia's position in enforcing international anti-tax avoidance standards. For instance, Article 4 paragraph (1) letter g of the Income Tax Law formulates dividends as taxable income through a broad and undifferentiated object definition, without incorporating any economic classification. Normatively, this formulation reflects the principle of comprehensive income taxation, under which all accretions to economic capacity are subject to tax. However, the provision does not distinguish between active dividends, derived from substantive economic participation, and passive dividends, generated primarily from portfolio investment. The absence of such differentiation gives rise to legal ambiguity, particularly in determining the normative justification for exemptions or preferential rates. In comparative international practice, this economic classification frequently serves as the conceptual foundation for the adoption of single tier systems or participation exemption regimes.⁷⁹

Based on the legal value theory of Gustav Radbruch, law must strive to balance three fundamental values: legal certainty, justice, and utility. In the field of taxation, legal certainty assumes a dominant position, given the coercive nature of tax obligations and the imperative of normative predictability. Taxpayers must be able to ascertain, in advance and with clarity, the scope of their fiscal responsibilities. When essential norms concerning dividend taxation and the scope of applicable exemptions are delegated to administrative

⁷⁶ Gentiga Muhammad Zairin and others, 'Advancing Taxation in the New Era: Enhancing Tax Ratios with the Core Tax Administration System (CTAS)', in *Innovations in Information and Decision Sciences*, ed. by Vikrant Bhateja, Maitreyee Dey, and Roman Senkerik (Singapore: Springer Nature Singapore, 2025), pp. 85–98 https://doi.org/https://doi.org/10.1007/978-981-96-0147-9_8

⁷⁷ Heviana, Nisa and Prawati.

⁷⁸ Sugeng, Widya Romsindah Aidy and Andre Cardenas, 'Digital Taxation on Over-The-Top Services: A Comparative Study of Regulations in Indonesia and the ASEAN Region', *Media Iuris*, 8.2 (2025), 331 – 370 <https://doi.org/10.20473/mi.v8i2.71267>

⁷⁹ Ni Putu Wiwin Setyari and others, 'Tax Revenue Optimization Strategy in "Shadow Economics": Prospective Approach', *International Journal of Public Policy and Administration Research*, 12.2 (2025), 114 – 132 <https://doi.org/10.18488/74.v12i2.4244>

regulations or left to technical interpretation, the equilibrium among these legal values is disturbed. In such circumstances, legal certainty risks being subordinated to administrative discretion. Consequently, fragmentation of regulatory norms at the statutory level may be regarded as inconsistent with the Radbruchian conception of legal certainty, particularly within a rule of law framework that demands clarity, stability, and foreseeability in tax legislation.⁸⁰

Another challenge relates to the lack of structural integration in the design of the norm, particularly in Article 4 paragraph (3) letter f which provides a dividend tax exemption facility but is not equipped with an automatic compliance mechanism at the statutory norm level. As a result, implementation relies on additional administrative systems that have the potential to increase complexity and compliance burdens.⁸¹ Article 4 paragraph (3) letter f of the Income Tax Law creates conditional exemptions and normative uncertainty. Amendments through the HPP Law introduce domestic dividend exemptions for individual taxpayers with reinvestment requirements. Doctrinally, this norm indicates a shift towards eliminating economic double taxation. However, from a legal certainty perspective, the conditional exemption approach creates problems. The primary norm is not self-executing because it relies on derivative regulations, the scope for administrative discretion is broad, and the tax system becomes behavior-driven (reinvestment incentives) rather than structurally coherent. Therefore, this norm has not achieved the statutory clarity seen in a single-tier system.⁸²

From Lawrence M. Friedman's perspective, the effectiveness of a legal system is determined by the interaction between legal substance, legal structure, and legal culture. If the legal substance at the statutory level does not form a clear normative framework, then implementation by the tax administration structure tends to rely on discretionary interpretation. In Indonesia, reliance on derivative regulations indicates that the legal substance does not fully provide a coherent systemic design, thus creating tension between legal norms and the implementation practices of the self-assessment system.⁸³

Furthermore, Article 23 of the Income Tax Law contains a fragmented withholding structure. The domestic withholding tax provisions in Article 23 are not fully aligned with the final/non-final tax regime, resulting in overlapping compliance obligations. From a doctrinal tax design perspective, withholding should function as an enforcement mechanism, not a source of normative complexity.⁸⁴ Article 26 of the Income Tax Law creates a lack of statutory beneficial ownership. Article 26 regulates withholding tax on dividends to foreign taxpayers, but does not contain a statutory definition of beneficial owner. Reliance on technical regulations and administrative interpretations results in legal

⁸⁰ E. Fernando M. Manullang, 'Misinterpretasi Ide Gustav Radbruch Mengenai Doktrin Filosofis Tentang Validitas Dalam Pembentukan Undang-Undang', *Undang: Jurnal Hukum*, 5.2 (2022), 453–80 <https://doi.org/10.22437/ujh.5.2.453-480>

⁸¹ Yossinomita and others.

⁸² Silvy Christina, 'Tax Compliance of Individual Taxpayer in DKI Jakarta, Indonesia', *International Journal of Trade and Global Markets*, 15.1 (2022), 96 – 103 <https://doi.org/10.1504/IJTG.M.2022.120908>

⁸³ Lawrence M. Friedman, *The Legal System: A Social Science Perspective* (New York: Rusel Sage Foundation, 1975).

⁸⁴ Muhammad Arsalan Khan and Siti Nuryanah, 'Combating Tax Aggressiveness: Evidence from Indonesia's Tax Amnesty Program', *Cogent Economics and Finance*, 11.2 (2023) <https://doi.org/10.1080/23322039.2023.2229177>

uncertainty for international taxpayers and the potential weakness of Indonesia's position in treaty abuse disputes.⁸⁵

Singapore's dividend tax reform is a significant example of the reconstruction of normative design at the statutory level through the implementation of a one-tier corporate tax system as stipulated in the Singapore Income Tax Act, effective since Year of Assessment (YA) 2003.⁸⁶ Structurally, this reform is characterized by the elimination of the imputation system that previously allowed tax credits at the shareholder level, as well as a shift towards final taxation concentrated at the corporate entity level as the primary tax subject. Consequently, dividends distributed from profits already taxed at the corporate level are normatively exempt from additional taxation at the shareholder level. This statutory design provides clarity regarding tax incidence by establishing the corporate entity as the primary point of taxation, thereby eliminating economic double taxation through explicit legal mechanisms, rather than through administrative incentives or conditional exemptions.⁸⁷ In addition to increasing legal certainty, this approach also simplifies the domestic tax deduction mechanism because withholding tax is no longer the primary instrument for dividends already taxed at the corporate level.⁸⁸ Thus, Singapore's experience shows that simplification of the dividend taxation system can be achieved through the design of clear norms at the primary legislation level, which can then serve as a normative reference for Indonesia in formulating a more coherent single-tier system and reducing regulatory fragmentation.⁸⁹

China's approach to dividend tax reform demonstrates a different orientation than Singapore's domestic simplification model, namely through strengthening the cross-jurisdictional transaction oversight framework in the Enterprise Income Tax Law (2007).⁹⁰ Normatively, this law establishes several key statutory elements, including the definition of a resident enterprise based on the concept of a place of effective management, the imposition of a withholding tax on dividend payments to non-resident enterprises, generally at 10 percent, and the integration of the concept of beneficial ownership as a prerequisite for obtaining treaty relief.⁹¹ In addition to the provisions in the main law, the normative construction of beneficial ownership is clarified through administrative regulations that establish indicators of economic substance, including the degree of control over income, exposure to economic risk, the existence of real business activity, and the prohibition against using an entity solely as a conduit entity. This legal design provides strong normative legitimacy for tax authorities in assessing the substance of transactions

⁸⁵ Prianto Budi Saptano, Ismail Khozen and Sabina Hodžić, 'Local Government Taxing Power for Digital Consumption: A Case Study of Hotel, Restaurant, and Entertainment Taxes in Indonesia', *Lex Localis*, 21.4 (2023), 1141 – 1165 [https://doi.org/10.4335/21.4.1141-1165\(2023\)](https://doi.org/10.4335/21.4.1141-1165(2023))

⁸⁶ Zairin and others.

⁸⁷ Endang Mahpudin, 'Digital Tax Reform in Indonesia: Perspective on Tax Policy Development', *Journal of Infrastructure, Policy and Development*, 8.8 (2024) <https://doi.org/10.24294/jipd.v8i8.7032>

⁸⁸ Amelia Cahyadini, Josep Irvan Gilang Hutagalung and Zainal Muttaqin, 'The Urgency of Reforming Indonesia's Tax Law in the Face of Economic Digitalization', *Cogent Social Sciences*, 9.2 (2023) <https://doi.org/10.1080/23311886.2023.2285242>

⁸⁹ Maria R U D Tambunan, 'Rethinking Tax Treatment during The Covid-19 Pandemic: A Note on Indonesia's Omnibus Law Job Creation Taxation Cluster', *Journal of the Australasian Tax Teachers Association*, 16 (2021), 170 – 197 <https://doi.org/10.54648/taxi2019062>

⁹⁰ Jiang and others.

⁹¹ Oliver Zhen Li, Hang Liu and Chenkai Ni, 'Dividend Taxes, Investor Horizon, and Idiosyncratic Volatility', *Accounting Review*, 96.3 (2021), 403 – 430 <https://doi.org/10.2308/TAR-2018-0642>

and rejecting artificial or treaty-shopping-oriented structures. Thus, the Chinese model demonstrates that the effectiveness of oversight of cross-border dividend distribution depends not only on withholding tax rates, but primarily on the existence of a statutory framework that explicitly integrates the beneficial ownership doctrine into the tax law system. This approach can serve as a normative reference for Indonesia in strengthening the legal basis for beneficial ownership to enhance legal certainty and the effectiveness of the anti-abuse regime.⁹²

Based on the conceptual approach used in this study, the normative design of dividend taxation must be evaluated through the balance of legal values as proposed by Gustav Radbruch, the relationship between legal systems according to Lawrence M. Friedman, as well as the classical principles of taxation from Adam Smith and the theory of the fiscal function of the state from Richard Musgrave. From the Radbruchian perspective, legal certainty is a primary prerequisite in a tax system due to its coercive nature, so core norms must be clearly formulated at the statutory level.⁹³ Meanwhile, Friedman's legal system theory suggests that the ambiguity of legal substance at the statutory level will encourage the dominance of administrative interpretation by the legal structure, potentially leading to inconsistent implementation in the self-assessment system. From a fiscal economic perspective, the principles of certainty and neutrality proposed by Adam Smith and the stabilization function of Musgrave demand a coherent tax system design that does not rely on conditional administrative incentives.⁹⁴ adWith this theoretical framework, the Indonesian case can be understood as facing structural challenges because the normative design of dividend taxation is currently fragmented and dependent on administrative regulations, in contrast to the statutory-based system approach developed in Singapore and China.⁹⁵

Table 4. Comparative Legal Gap Analysis: Indonesia vs Singapore vs China

Normative Aspects	Indonesia	Singapore	China	Identified Legal Gaps
Statutory Clarity (Regulations at the law level)	Dividend exemptions are conditional (Article 4 paragraph (3) letter f of the Income Tax Law) and depend on derivative regulations.	Dividend exemptions are regulated directly in the Singapore Income Tax Act through the one-tier corporate tax system.	Cross-border arrangements and beneficial ownership have a statutory basis in Enterprise Income Tax Law	Indonesia experiences a lack of statutory clarity because the main norms are not self-executing.
Structural Design (Tax System Architecture)	Hybrid regime: a combination of general tax objects + conditional exemptions without a single design principle	Single-tier corporate tax system with clear tax incidence at the corporate level	Withholding-based monitoring with a structural design based on resident vs. non-resident enterprise	Indonesia does not have a coherent legal architecture that serves as a systemic principle.

⁹² Xin Yu and others, 'Dividend Payouts and Catering to Demands: Evidence from a Dividend Tax Reform', *International Review of Financial Analysis*, 77 (2021) <https://doi.org/10.1016/j.irfa.2021.101841>

⁹³ Farida Akbarina and others.

⁹⁴ Tasnim Alam, 'Canon of Taxation of Adam Smith, Philosophical Revelation and a Short Comparative Discussion in the Context of Modern Taxation Structures', 2019, 1–16 <https://doi.org/http://dx.doi.org/10.2139/ssrn.3783037>

⁹⁵ Liu and Zhao.

Treatment of Economic Double Taxation	Partial elimination through reinvestment exemption	Complete elimination through a statutory single-tier system	Focus on cross-border income monitoring	Indonesia does not yet have a systematic double taxation elimination mechanism.
Anti-Abuse Framework	Beneficial ownership does not yet have a statutory definition in the Law	Anti-abuse is more system-based through single-tier simplification	Beneficial ownership test integrated into the legal framework	Indonesia has a normative gap in its statutory anti-abuse framework
Withholding Mechanism	Domestic withholding remains complex (Article 23)	Minimum domestic withholding	Withholding as the main instrument of cross-border supervision	Indonesia's withholding structure is not yet aligned with the system design

Source: Compiled by the author based on comparative analysis of Indonesian tax regulations, Singapore one-tier tax system framework, and China's dividend taxation policies, interpreted through the principles of Adam Smith's classical taxation theory and comparative tax law literature

From Table 4, it becomes increasingly clear that a comparative analysis of Indonesia, Singapore, and China reveals three major normative legal gaps that influence the effectiveness of dividend taxation in Indonesia. First, there is a statutory clarity gap, where dividend exemptions in the Indonesian system are still conditional and heavily dependent on derivative regulations, so that statutory norms are not fully self-executing.⁹⁶ In contrast, Singapore adopts a statutory simplification approach through a one-tier corporate tax system that explicitly establishes dividend exemptions at the shareholder level as a direct consequence of corporate-level taxation. China also demonstrates a high level of statutory clarity, particularly in its resident enterprise regulations and beneficial ownership framework. Second, the structural design gap is evident in the absence of clear systemic architectural principles in Indonesian dividend tax law. Unlike Singapore, which adopts single-tier taxation as the primary design of its dividend tax system, Indonesia still operates a hybrid regime that combines a broad definition of taxable objects with conditional exemptions, resulting in normative complexity and interpretative uncertainty.⁹⁷ Meanwhile, China demonstrates a different structural design by positioning the withholding tax as the primary oversight mechanism for cross-border dividend distribution. Third, the anti-abuse framework gap arises because the concept of beneficial ownership in Indonesia lacks a statutory basis in law, so the implementation of anti-treaty shopping relies on technical regulations and administrative interpretation.⁹⁸ In contrast, China has integrated the beneficial ownership doctrine into a formal legal framework, providing strong legitimacy for tax authorities to assess economic substance and reject artificial structures.⁹⁹

⁹⁶ Dewi Kusuma Wardani and Nurhayati Nila, 'Pengaruh Self Assessment System, E-Commerce Dan Keterbukaan Akses Informasi Rekening Bank Terhadap Niat Melakukan Penghindaran Pajak', *Akuntansi Dewantara*, 3.1 (2019), 38–48 <https://doi.org/10.29230/ad.v3i1.3340>

⁹⁷ Yu and others.

⁹⁸ Pan and Wu, 'Tax Centralization, Political Connections, and Corporate Tax Avoidance'.

⁹⁹ Ming Chen, Linghao Yan and Xiancheng Xiong, 'Financial Regulation and Corporate Tax Avoidance: Evidence from China', *International Review of Economics & Finance*, 106 (2026), 105015 <https://doi.org/https://doi.org/10.1016/j.iref.2026.105015>

Based on these comparative findings, normative reform of dividend taxation in Indonesia can be directed at reconstructing the design of the law through a hybrid approach that integrates domestic simplification as implemented in Singapore with strengthening the anti-abuse framework as developed in China.¹⁰⁰ In the legislative framework, changes can begin with a revision of Article 4 paragraph (3) letter f of the Income Tax Law to change the domestic dividend exemption scheme from a reinvestment-based conditional exemption to an unconditional exemption as long as the dividends originate from after-tax profits, thus aligning with the principle of single-tier corporate taxation. In addition, it is necessary to add a statutory definition of “beneficial owner” in Article 1 of the Income Tax Law that includes criteria for economic substance, control over income, and exposure to economic risk as a normative foundation for the application of anti-tax avoidance rules. Strengthening the legal framework can also be done through a revision of Article 26 of the Income Tax Law by including a clause that confirms that the granting of benefits from double taxation avoidance agreements only applies to parties who meet the beneficial ownership test based on economic substance.¹⁰¹ In line with the direction of system simplification, simplification of Article 23 of the Income Tax Law should be considered by reducing or eliminating the withholding tax mechanism on domestic dividends within the context of implementing a single-tier system. Overall, this hybrid approach has the potential to create a more systemically coherent dividend tax regime, increase legal certainty, maintain the principle of economic neutrality, and strengthen the integrity of the national tax base through a clearer and more consistent statutory design.¹⁰²

The current regulatory framework does not yet provide a clear statutory basis for domestic dividend exemptions, the definition of beneficial ownership, and an integrated anti-abuse mechanism.¹⁰³ Therefore, an amendment to the Income Tax Law is proposed to implement a coherent single tier taxation system, strengthen the statutory definition of beneficial ownership, and explicitly codify anti avoidance rules in accordance with comparative best practices. In this context, Article 4 paragraph (3) should be revised by inserting paragraphs (3a), (3b), and (3c), stipulating that dividends received or obtained by domestic individual taxpayers from domestic entities, derived from profits that have been subject to corporate income tax, are excluded from the object of Income Tax; that such exclusion is grounded in the principle of single tier corporate taxation whereby profits are taxed exclusively at the corporate level; and that the application of this exclusion does not require reinvestment or the fulfillment of additional administrative conditions. This reformulation is intended to eliminate domestic economic double taxation, enhance statutory clarity, and reduce interpretative uncertainty arising from reliance on subordinate regulations.

¹⁰⁰ Putri and Adi.

¹⁰¹ Teddy Effendy and others, ‘Sengketa Pajak Dalam Sistem Self-Assessment: Tantangan Dan Solusi Di Indonesia’, *Jurnal Intelektualita: Keislaman, Sosial Dan Sains*, 14.1 (2025), 200–218 <https://doi.org/10.19109/intelektualita.v14i1.27639>

¹⁰² Elia Rossa and others, ‘Pengaruh Self Assessment , Sosialisasi Perpajakan Dan Sistem Informasi Perpajakan Terhadap Tingkat Kepatuhan Wajib Pajak’, *Jurnal Manajemen Riset Inovasi*, 2.1 (2023), 212–20 <https://doi.org/10.55606/mri.v2i1.2214>

¹⁰³ Aida Nur Nur Hasanah and Aidil Susandi, ‘Implementasi Dan Kendala Self Assessment System Dalam Pemungutan Pajak Indonesia’, *TAQNIN: Jurnal Syariah Dan Hukum*, 5.02 (2023), 98–111 <https://doi.org/10.30821/taqnin.v5i02.17635>

This provision is designed to simplify the normative structure of dividend taxation, eliminate economic double taxation, and enhance legal certainty through explicit regulation at the statutory level rather than reliance on subordinate instruments. Furthermore, an amendment to Article 26 of the Income Tax Law is proposed through the insertion of a new paragraph (1d), which stipulates that the application of preferential rates or treaty benefits under a Double Taxation Avoidance Agreement shall be granted only to parties that satisfy the beneficial owner criteria as defined in Article 1 number (xx). This formulation aims to strengthen the statutory foundation of the beneficial ownership principle, prevent treaty shopping practices, and reinforce Indonesia's position in implementing international anti-tax avoidance standards within a rule of law framework.

The subsequent proposal concerns the introduction of a new provision establishing an Anti Abuse Dividend Rule within the Income Tax Law. Specifically, a new Article 18B should be inserted between Article 18 and Article 18A. This provision would stipulate that tax authorities are granted the authority to disregard, recharacterize, or adjust any transaction or series of transactions primarily undertaken to obtain tax advantages in relation to dividends, where such arrangements lack adequate economic substance. In assessing the presence of economic substance, consideration shall be given, *inter alia*, to the existence of genuine economic activities, exposure to real economic risks, the performance of substantive functions and effective control over income, as well as the absence of intermediary or conduit characteristics. Paragraph (3) should further clarify that this provision constitutes a specific general anti avoidance rule applicable to dividend income. Normatively, this formulation aims to strengthen the statutory basis for combating treaty abuse and artificial arrangements, while ensuring coherence with broader anti avoidance principles and enhancing legal certainty within the national tax framework.

Dividend tax regulations are directed to follow the following hierarchy of norms. At the statutory level, fundamental elements are regulated, including the definition of dividends, the implementation of a single-tier corporate taxation system, the definition of statutory beneficial ownership, and anti-abuse rules.¹⁰⁴ At the government or ministerial level, administrative procedures for implementation are regulated, while technical regulations at the Directorate General of Taxes level focus on operational mechanisms and digital reporting. Based on an analysis of Articles 4, 23, and 26 of the Income Tax Law, the primary challenge to dividend tax reform in Indonesia lies not solely in the direction of fiscal policy, but rather in the design of legal norms, which remain fragmented and do not provide sufficient interpretive certainty. The experience of comparative jurisdictions such as Singapore and China demonstrates that regulatory stability and structural simplification of norms at the statutory level are key factors in improving the effectiveness of the tax system and state revenue performance.¹⁰⁵

¹⁰⁴ Sujoko Bagus and others, 'Interpretation of Jimenez's Theory in Contract Law Practice in Indonesia', *JURNAL ILMIAH GEMA PERENCANA*, 4.3 (2026), 1971–1986 <https://doi.org/10.61860/jigp.v4i3.343>

¹⁰⁵ Nicholas Nathan Santoso, Angeliny Angeliny and Florencia Irena Lawita, 'Pengaruh Self Assessment System, Teknologi Informasi, Dan Pemahaman Perpajakan Terhadap Tingkat Kepatuhan Wajib Pajak Orang Pribadi Di Tangerang Raya', *AKUA: Jurnal Akuntansi Dan Keuangan*, 4.3 (2025), 433–42 <https://doi.org/10.54259/akua.v4i3.5220>

4. Conclusion

The reform of the Indonesian tax system demonstrates a transformation effort toward more modern fiscal governance by strengthening the self-assessment system as the primary paradigm of tax administration. Analysis of tax policy and dividend tax reform shows that regulatory changes through the HPP Law have significant normative, structural, and implementation implications for legal certainty and the effectiveness of the tax system. First, strengthening the self-assessment system through the HPP Law increases administrative efficiency and broadens the tax base through digitization and data integration. However, its effectiveness still faces challenges related to tax literacy, norm consistency, and the need for balanced oversight between trust-based governance and enforcement mechanisms. Second, the evolution of dividend tax policy demonstrates a shift from a classical system to a semi-single-tier approach through a reinvestment-based conditional exemption mechanism. This reform has successfully reduced the potential for economic double taxation, but the normative design, which relies on derivative regulations, means that the norms are not fully self-executing and potentially creates legal uncertainty. Third, a comparative analysis shows that the success of dividend tax reform is strongly influenced by the consistency of norm design at the legislative level. The simplification model in Singapore and the strengthening of oversight through the beneficial ownership framework in China demonstrate the importance of reconstructing a more coherent, integrated, and interpretatively certain normative design. Therefore, dividend tax reform in Indonesia needs to be directed at simplifying statutory norms, strengthening clear legal definitions, and integrating regulatory design and oversight mechanisms to enhance voluntary compliance, tax neutrality, and the legitimacy of the national tax system.

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