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# Submission and Settlement of Tax Disputes Through Objection, Appeal, and Judicial Review

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***Abstract***
This comprehensive study delves deeply into the intricate landscape of tax dispute resolution in Indonesia, highlighting the critical need for a holistic and effective approach. Utilizing normative juridical research methodology, the paper rigorously evaluates Indonesia's current strategies in managing tax disputes, shedding light on the imperative for alternative methods. The research findings advocate for the establishment of an autonomous institution dedicated to tax dispute resolution and mediation, aiming to foster a system that is both equitable and efficient. The study discerns significant challenges within the existing framework, notably prolonged resolution periods, intricate filing prerequisites, and the financial strain on taxpayers. Through a resolute endorsement of mediation and the creation of a specialized dispute resolution entity, the researchers envisage a streamlined tax dispute resolution process that not only addresses current hindrances but also elevates the standards of justice afforded to taxpayers. This call for reform underscores the commitment to refining the taxation system in Indonesia, ultimately contributing to a fairer and more accessible resolution process for all stakeholders involved.

## 1. Introductioan

Taxes are one of the largest state revenues and the largest source of development financing in Indonesia. With this tax contribution, the tax sector must be managed in such a way that this sector can be relied on in many ways, including in submitting disputes and resolving disputes. Tax disputes arise because Taxpayers and authorized officials issue decisions that can be submitted for Appeals and Lawsuits to the Tax Court based on tax laws and regulations, including Lawsuits regarding the implementation of collection based on the Tax Collection Law with forced letters (Pamungkas, 2011; Rachmawati & Sari - ono, 2011).

Tax disputes arise between the taxpayer and the tax authority, if the taxpayer cannot agree on a tax assessment based on the results of a tax audit, or act in the framework of tax collection and collection, and other decisions are made by the Directorate General of Taxes. The problem that often occurs with taxpayers is that their objections are always rejected, so they have to appeal to the tax court. In the appeal process, taxpayers usually win their cases. With tax court cases piling up and wasting taxpayers' time and energy seeking justice and legal protection, it is important to find a solution. For them, instead of dealing with problems and seeking justice, their time should be used to encourage economic growth (Ilyas & Burton, 2012).

Filing and resolving tax disputes, namely appeals, lawsuits and judicial review, requires time and is a long process. However, many have appealed the tax dispute resolution to the Supreme Court. Therefore, it is necessary to identify the taxpayer's motivation for filing an appeal regarding tax dispute resolution. The purpose of this research is to determine the possibility that the party in conflict will win in a tax dispute case, after that it will analyze the application of regulations and try to provide solutions in filing and resolving tax disputes in Indonesia.

## 2. Literature Review

Law no. 28 of 2007, which outlines provisions in the general tax method (KUP), establishes that taxes are obligatory contributions to the state, mandated by law and imposed on private individuals or entities. This financial obligation serves the collective needs of the state, aiming to foster maximum prosperity for its citizens without direct reciprocation. Taxpayers, encompassing both private individuals and entities, function as contributors, deductors, and collectors of taxes. They bear specific rights and obligations dictated by tax regulations and legislation.

Individuals or entities meeting the criteria for tax liability must dutifully report their income, wealth, and property holdings in compliance with taxation laws. Tax disputes, arising within the realm of taxation, involve conflicts between taxpayers or tax withholders and authorized officials. These disputes manifest as a consequence of decisions that may be contested or litigated in tax court, aligning with established regulations in tax legislation. The Directorate General of Taxes, situated as one of the echelons under the Indonesian Ministry of Finance, holds the responsibility of formulating and executing policies while standardizing technical aspects in the field of taxation. This institution plays a pivotal role in the administration and regulation of taxation within the country.

## 3. Methodology

This study employs a normative juridical approach. Muhjadi and Nuswardani (2012) define normative legal research as the evaluation of legal issues, delving deeply into the cornerstones of legal knowledge and the established norms. Khalimi (2017) further expounds on this, emphasizing the scrutiny of legal norms that have been formulated. In the approach to legal study adopted in this research, the focus is on Indonesia's endeavors in managing regulated taxation disputes, examining the practices within the Administrative Law Tax and Court Law Tax frameworks. The data for this study is gathered through a comprehensive review of literature and secondary sources, primarily in the form of documents, including legal texts and other relevant materials. A normative juridical approach is employed to ensure data validity, aligning with the norms established in law and regulations.

## 4. Results and Discussion

### 4.1 Understanding Tax Disputes

The KUP Law does not explicitly define the meaning of tax disputes, but Article 25 paragraph (1) grants taxpayers the right to raise objections to the tax officer's decisions. This indicates that objections can be submitted when there is a tax dispute, with limited eligibility defined in Article 25 paragraph (1) of the KUP Law. The definition of tax disputes is specifically outlined in Article 1 Paragraph 5 of the DILJAK Law, not in the KUP Law. According to this law, tax disputes arise in the taxation field between taxpayers, tax bearers, and authorized officials due to appealable decisions or lawsuits filed in accordance with tax laws and regulations. Notably, objections are considered part of tax disputes, marking the beginning of the appeal process resolved at the Objection Institution stage. Tax disputes involve conflicts between taxpayers, tax withholding agents or collectors, as well as tax bearers and officials, pertaining to the application of tax laws. The disputes encompass various scenarios, such as disagreements between taxpayers and tax officials, tax cutters or collectors with tax officials, taxpayers with tax withholding or collectors, and tax bearers with tax officials. The contested elements usually revolve around the amount of tax owed or the imposition of administrative penalties like interest, fines, or increases.

### 4.2 Submission of Tax Disputes

The legal foundation for objection filings is detailed in the General Regulations and Tax Procedures (UU KUP) and its implementing regulations, specifically Article 25 and Minister of Finance Regulation (PMK) No. 25. 202/PMK.03/2015. Taxpayers must adhere to several requirements before submitting objections, including providing written submissions in Indonesian, explaining calculations and reasons, and ensuring compliance with specified timeframes. According to PMK No. 9/PMK.03/2013 and PMK No. 202/PMK.03/2015, when a taxpayer raises an objection, the deadline for payment of contested taxes is temporarily suspended for a maximum of one month from the objection decision date. Tax disputes, during the appeal stage, are centered on legally permitted taxable objects.

These include notices of tax payable for land and building tax collections, various tax assessments, and withholding and payment of taxes by third parties. The legal basis for filing appeals is stipulated in Articles 188 to d. 194 HIR (for Java and Madura regions) and Article 199 d. 205 RBg (outside Java and Madura). Taxpayers must fulfill specific requirements when submitting appeals, such as declaring before the Registrar of the District Court, paying the full appeal fee, and choosing between written or oral submission. Taxpayers also have the right to request a review, governed by Article 66 paragraph (1) of the Supreme Court Law. However, judicial reviews of decisions are explicitly prohibited by Article 24 paragraph (2) of the Judicial Power Law.

### 4.3 Tax Dispute Resolution

Objections initiate the tax dispute resolution process, involving tax assessment letters that have not been approved by the taxpayer. The Directorate General of Taxes (DJP) is responsible for administratively handling these objections. The regulations for objections have become more stringent over time, and failing to meet formal requirements may prevent further processing, denying taxpayers the opportunity to seek justice through the tax dispute procedure. The DJP provides a 12-month period for reviewing and deciding on taxpayer objections. If the DJP does not issue a decision within this timeframe, the objection is considered accepted. However, this lengthy process raises concerns about the fair and timely resolution of disputes, potentially contradicting the sense of justice for both taxpayers and the community.

In contrast, the Customs and Excise Law mandates that the General of Customs and Excise must decide on an objection within 60 days. Failure to do so results in the objection being deemed accepted, with specific conditions for guarantee repayment. To address the challenges mentioned, alternative tax dispute resolution methods, such as mediation by independent parties, are proposed. Researchers recommend the establishment of a mediation and tax dispute resolution body, a non-ministerial government institution tasked with handling objections and acting as an independent mediator between taxpayers and the DJP (Khalimi, 2017).

## 5. Closing

The objection marks the initiation of the tax dispute settlement process, addressing tax assessment letters not yet approved by the Mandatory Tax. This administrative task is overseen by the Directorate General of Tax. Taxpayers (WP) must state the mandatory tax amount and provide reasons, complying with additional conditions, including paying the tax stated on the SKP for agreed correction. The Directorate General of Tax allows a 12-month review period for WP objections. If no decision is made within this timeframe, the objections are deemed accepted.

The 12-month duration poses challenges for taxpayers seeking legal certainty regarding the acceptance, partial acceptance, rejection, or potential increase in mandatory taxes. For excise duty objections, taxpayers must submit a written objection to the Director General within thirty days, accompanied by a guarantee letter matching the duty paid. If the objection is rejected, the guarantee is considered payment, and if accepted, the guarantee is returned. Failure to meet formal requirements in objection submissions can hinder further processing, denying taxpayers access to the tax dispute procedure and prolonging dispute resolution. To address these issues, alternative methods such as tax dispute mediation by independent parties are recommended.

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