

Democratization of Taxation in Indonesian Perspective: A Systematic Analysis

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ABSTRACT

Indonesia as a country that has just started its tradition of political life with a democratic system certainly requires global intervention. It is necessary to involve liberal concepts that will be the means for the creation of a democratic political system. Avoiding choosing such a system will have serious economic and political consequences because the countries that support this ideology are the countries that control the world economy. This paper seeks to investigate with a systematic approach, democratization of tax reform in the Indonesian experience. By describing the dynamics of development and theoretical studies on taxation and democracy, the results of the study state that the idea of democratic taxation is important to put forward for the more open the political climate and the development of free markets and increasing public political awareness demands transparency in tax management, for strengthening a democratic economic system. The implications are then discussed.

Keywords: Democratization, Taxation, Indonesian Experiences, Tax Reformation

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INTRODUCTION

Indonesia as a country that has just started its tradition of political life with a democratic system certainly requires global intervention. It is necessary to involve liberal concepts that will be the means for the creation of a democratic political system. Avoiding choosing such a system will have serious economic and political consequences because the countries that support this ideology are the countries that control the world economy. Choosing a democratic system and market freedom as a socio-economic mechanism will encourage the creation of a better, more competitive political life. The relationship between the state and the people will be smarter. The people are no longer easily mobilized by the state. The state requires the conscious and intelligent involvement of citizens in various ongoing political processes.

For now, debates about values or ideologies are common in new countries or countries that are seeking and formulating a democratic political system. In general, they consider that the old values passed on by authoritarian regimes are considered incompatible with the current changes in progress. Thus, it is necessary to institutionalize new values that follow the changes that occur, including the retraction of the state constitution which is the main source of institutionalizing the values or ideology of the state.

The values accommodated in the state constitution are values derived from various traditions and customs that exist in society. The traditions and customs of the people, especially at the regional level that have become symbols or identities of regional communities, are currently dealing with global values that come dramatically and offer a number of new things that provide pragmatic and practical values. Global values that have now entered people's lives through various channels and mass media, especially electronic and print media, have changed the way people perceive everything, including the meaning of life. Maybe those global values bring a new spirit to society, at least the spirit of liberalism. The ideology of capitalism which is part of the global trend will gain victory in the struggle for world ideologies to defeat other ideologies, such as socialism, communism, Islam and Confucianism (Fukuyama, 1992; Huntington, 1957).

STRENGTHENING DEMOCRATIC VALUES

For Indonesia, the election of a liberal socio-political system will reduce the suspicion of outsiders, as well as bring possibilities for national economic, social and political improvement. Between economic development and the availability of a liberal system is something that is hard to deny in recent economic and political developments. According to Parson (2008); Fukuyama (1992), liberal democracy is a system that is more capable of resolving disputes in a complex modern society.

Opening oneself to liberal and democratic values will lead to important changes in the structure of society. Paternalistic and primordial values have been very dominant in Indonesia because they have been nurtured by ruling state elites. The impact is the creation of a massive and authoritarian political order. The people are co-opted by the state and the rulers because the people perceive the ruling elite as a high social group, thus encouraging a resignation to their policies.

The influx of global values brings a general tendency to integrate the lives of domestic/local communities into the global community in various fields Exchange of goods and services, exchange and development of ideas regarding democracy, human rights, the environment, migration, and various human trafficking phenomena were occur as well as the crossing in local and national boundaries as a common phenomenon that continues down to the level of the most local communities. Domestic or local communities are now part of chains of trade, exchange of ideas, and transnational companies.

It seems important to pay attention to the impact of these trends. Among these impacts is the emergence of global governance. In the trade sector, for example, Indonesia is a member of the WTO (World Trade Organization) which is bound by the rules it ratified. In terms of labor, Indonesia is a member of the ILO (International Labor Organization) which must pay attention to the principles of implementing human rights in the lives of those in need.

The same applies to issues related to micro and macroeconomics. In general, economic matters, these

issues have prompted the government to enact a number of old values that have been legalized by the constitution (laws, presidential regulations, ministerial decrees, regional regulations) to be updated according to global trends. The inclusion of global values is not a black and white phenomenon that can be easily and quickly managed, either by the state or by civil society. It is necessary to seriously explore various ideas, initiatives and actions from domestic circles so that global versus local conflicts do not produce extreme solutions. Combining the flow of globalization with various local traditions, values or ideas is a theme that needs to be studied in depth (Arfani, 2003).

The process of the entry of new values which later became an important sphere in the construction of democratic politics after the New Order had great potential in the tendency towards global politics and markets. However, there is also a tendency for cultural and social fragmentation that leads to rediscovery of local traditions and identities. The global trend and the shifting of local values can be seen from two dimensions. First, the process of change at the global level led to the emergence of international institutions. These institutions then have the opportunity to influence the state and domestic society. In the first route, the role of formal institutions between countries at the international level is very prominent. Second, the process of change at the global level has led to the emergence of international institutions. These institutions then influence, especially the domestic community, then also the state. The second route shows the role of the international community, such as the epistemic community, in influencing domestic society (Mugasejati & Armawi, 2000; Arfani, 2003).

In order to respond or at least make adjustments to this global trend, a national autonomy strategy is needed (Mugasejati & Armawi, 2000). The strategy is carried out by reducing a large number or even completely ending contact with the international community which is considered to endanger sovereignty and autonomy in policy making. The cases of Cuba and North Korea taking the path of isolation are extreme examples in the economic field. In non-economic issues, such as human rights and democratization, a number of countries make policies that limit their citizens to access to information or political participation in order to prevent the intervention of global values. Second, mutual recognition. This strategy still leaves political decisions or policies as the state's authority but leaves the process of integrating the domestic economy into international markets. The state seeks to create policies in accordance with market demands and cooperate with other countries in the form of non-binding consultations.

Third, coordination. This strategy emphasizes the importance of cooperation so that national policies are mutually compatible. The goal is to avoid unintended results together. This strategy also encourages the state to be active in various international negotiations that seek to establish international institutions on certain issues. Fourth, explicit harmonization or collaboration. In this strategy, the state accepts a joint arrangement in its national policy. This also applies to the monitoring process carried out by international institutions to ensure compliance with any applicable agreements - this applies both substantively and procedurally. State policies that conform to various agreements in the field of international investment in OECD (Organization for Economic Cooperation and Development) countries, as

contained in the MAI (Multilateral Agreement on Investment), are examples of such policy making.

Fifth, federalist mutual governance. This strategy encourages the state to surrender part of its sovereignty to international institutions by forming a supranational organ. The European Union, within certain limits, is an example of an international institution that has supranational organs to regulate certain fields, one of which is the monetary regime which issues and regulates the circulation of the Euro currency in its member countries (Mugasejati & Armawi, 2000; Arfani, 2003; Abbas et al., 2020; Abbasi et al., 2020). In certain cases, the government often finds it difficult to be independent from foreign countries, especially donor agencies such as the International Monetary Fund (IMF) & Computer-Generated Imagery (CGI). Governments accept a number of conditions they want, as a result of which new values begin to operate and old values are slowly being abandoned. Even though it is still within certain limits, in the long term it will have an impact on new processes in society. These donor agencies always encourage each country to integrate in the world market through several policies, including; first, reducing the value of the currency to make it more competitive; second, reducing trade barriers so as to encourage local industries to be more competitive in dealing with cheaper imported products; third, providing export incentives such as tax breaks and financial subsidies; fourth, stimulate foreign investment by creating free trade areas or providing tax exemptions. In addition to a number of these programs, there are also a number of assistances under the International Monetary Fund (IMF) programs that remain firm with its main framework, namely plunging into the free trade mechanism (Prasetyo, 2003; Ahmad et al., 2018; Arshad et al., 2020).

The process of transforming global values is also carried out through educational institutions. Educational institutions are an arena for educating and educating the nation's children. In many ways' education produces new values that are considered more rational, objective and empirical, such as liberalism, secularism, and democracy. In other aspects, global values are absorbed by society through mass media (electronic and print). Often the mass media have the biggest role in reconstructing society so that it is more in line with global values, whose main domain is capitalism. Mass media is part of the socialization of the interests of the capital because they own the mass media.

TAX REFORMULATION AS THE BASIS FOR THE INSTITUTIONALIZATION OF DEMOCRACY

In a condition of a society that is experiencing transition, the state immediately reconstructs new values to match the spirit of change and at the same time replaces old values that are no longer in line with change. The institutionalization of these values often results in socio-political upheaval in society, such as in the Anti-Pornography and Porno-Action Law (APP). Although the Draft Law (RUU) is a moral tool for society, the controversy over the Draft Law (RUU) is very large in the community. This indicates a shift in values and cultural orientation in society. In the past, for example, people considered it taboo when girls showed their genitals, but now eroticism and various behaviors that were previously considered disgrace and taboo are considered commonplace and some even call it art creations. The shift in value that occurs due to the infiltration of global values also has an impact on the taxation aspect.

The occurrence of a rapid shift in value led to reform of the tax system. In 2000, the taxation system reformulation was carried out in accordance with changes in the political system. However, the taxation system changed in 2000 through Law no. 34 are considered to have not responded much to the development of global values. This law gives authority to local governments to determine the number of tariffs on certain types of taxes, collect, and use them according to the authority the regions have. Dissatisfaction with the law has prompted some groups to immediately reformulate the taxation regulations. Now a rocky taxation bill is being prepared.

Reconstruction of Law No. 34 of 2000 has been carried out in an effort to adjust to developments, such as in the matter of determining tax rates, the amount of tax, and which ownership should be subject to tax. Draft Law (RUU) on the Fourth Amendment to Law No. 7 of 1983 concerning Income Tax, Article 4 states that the tax object includes income earned by taxpayers, including remuneration related to work or services received or obtained including salaries, wages, allowances, honoraria, commissions, bonuses, gratuities, pension payments, or compensation in other forms, unless provided otherwise in this law paragraph (1) letter (a). The main ideas contained in the 2003 Final Report, which summarize a number of thoughts on reforming the tax law. Its purpose is to adjust to the ongoing shift in value.

Tax reform is a process to adapt a number of possibilities for the creation of a taxation regime that is just, democratic, and in accordance with the spirit of change. Tax reform will still be grounded in the spirit of change. In fact, the spirit of liberalism makes a big contribution to the country.

The shift in cultural values takes place within the scope of political change, where the political articulation of the people has obtained significant space. In this context, a shift in value takes place. Stone values have shifted the life habits of the local community and exist as a rational choice over old values that have a strong tendency to reinforce feudal culture. At this stage, the local cultural shift has a positive impact on the pattern of relations between the people and elites in the regions, from a hegemonic pattern to an egalitarian one. Local elites are not considered by the people as patrons who are seen as having certain advantages compared to clients. If the regional and central elites make mistakes, the people will immediately react to respond to these mistakes and mistakes.

The shift in values at this level has a positive impact on the operation of meaningful political instruments between the people and the center of power. A balanced relationship pattern in taxation practices is considered important because taxes hold an important control for the birth of a balanced relationship between the people and the ruling elite. Because of this, tax reform needs to be carried out continuously in every political episode to respond to the nation's economic development. If investment weakens and economic activity slumps, this will have an impact on state revenue from the tax sector. Taxpayers often face a number of tax burdens and levies in various forms when opening a business or investing in shares. This situation must be accommodated in tax system reform by mapping the provisions to determine the nature of which are mandatory and which are not among tax types, and to determine which taxes should be lowered and which types of taxes should be increased.

The emergence of a number of legal products produced by the state institutions of the DPR since the fall of the Stone Order had a major impact on the operation of new values in society, such as the amendment to the 1945 Constitution which resulted in a democratic political work system or policies regarding the president-vice president elected directly by the people (as well as regional heads). This is an integral part of the operation of institutionalized liberal values through the state constitution as well as strong evidence that the old values adopted by society have lost their power to respond to rapid social, political, economic and cultural changes. At the cultural level, for example, society is increasingly familiar with capitalist and liberalist values. Although they are far from cosmopolitan life, the influence of the mass media has driven a shift in life orientation.

In a cultural system that is undergoing a shift towards a more democratic system, there are values, constitutions and freedoms in a more significant portion. Humans themselves are social and political creatures to realize their potential. According to [Dahl \(2008\)](#), humans must live together in a political society. A good person must be a good citizen. A good country is a society founded by good citizens. A good citizen has the qualities of civil virtue. That virtue is the tendency to seek the good of all people in things of a common nature; because of this, a good country is one that not only imposes obligations on its citizens, but also increases them.

In one study, respondents in the study stated that the value shift in the taxation system; both in the matter of authority between the center and the regions, the determination of tax rates, orientation to justice and welfare, as well as community involvement in the taxation system is very strong, encouraging old values to be renewed with stone values that are more in line with the life of a democratic nation and state. Changes in the structure of the state, as well as changes in the political, economic, legal and tax systems are active responses to the will of change. This change is the answer to the exploitative life that has occurred during the New Order era (1966-1998), both the exploitation of the center of the region and the exploitation of the people by the state or owners of capital which are very contrary to democratic values. Progress in the aspect of equality and shifting social and patrimonial structures, colonial to national, is part of the political dialectic ([Kuntowijoyo, 1997](#); [Ashraf et al., 2020](#); [Balakrishnan et al., 2019](#); [Jabarullah et al., 2019](#)).

Change must be interpreted substantially in the sense that these changes and shifts in value must have a positive contribution to society. [Kuntowijoyo \(1997\)](#) says that changes in values in society must reflect several things. First, power is a mandate from God and the people which must be held responsibly by sharing power with the social power that lives in society. Second, social welfare is regulated based on a kinship system in the sense that a process of egalitarianist based on popular idealism must be endeavored, social life is not a place for conflicts between classes and groups, but rather a place of conciliation where conflicts are resolved. The idealization of the nation's culture lives on the basis of personality in culture and the government together with the community takes steps towards preservation, innovation, and projections towards their own culture. Fifth, order is a practical ideology which is a positive rather than a negative step.

The shift in the culture of power and the state system is an integral part of the construction of social, economic, political and legal values in society towards democracy. These changes, which are marked by the modernization of social life in society, have the potential to reconstruct the way of thinking, work and general orientation of policy makers to direct their policies towards the creation of justice and social welfare. It is in this context that the paradigm shift in the tax bureaucracy is taking place, marked by reform of the taxation system with a number of authorities delegated to regions. The addition of tax types or bases to taxpayers is in accordance with the development of modern society. In a report on the results of an academic study on the main issues of tax policy reform in 2003, it was stated that a number of types of tax that were potential and of economic value to be imposed on taxpayers with an appropriate amount aimed at maximizing state revenue from the domestic sector.

Shifts that appear in the value structure in the tax sector formulated by the tax elite, which are related to tax subjects, tax objects, income reduction/calculation of taxable entrepreneurs (PKP), non-taxable income (PTKP), special tariff rate structures, tax payments in the current year, investment facilities. Likewise, in the matter of Income Tax, Value Added Tax (PPN), Sales Tax on Luxury Goods, Land and Building Tax, and Acquisition Fees for Land and Buildings, and import and excise duties, the rules are reformulated with the aim of adjusting to the current changes and shifts that are taking place in society. It needs to formulate issues of tax reform and various matters relating to taxes and submits amendments to the Taxation Law and Regulations relating to taxes.

CONCLUSION

The idea of taxation democracy is important to put forward for various reasons. First, the more open the political climate and the development of free markets. Second, increasing public political awareness demands transparency in tax management, and third, strengthening a democratic economic system. Tax as an economic sector that is directly related to the people needs to be managed with a democratic mechanism and system.

A number of aspects are needed to measure the implementation of a democratic tax system, namely first, effective citizen participation. Every citizen has an equal and effective opportunity to be involved in tax policy making. Second, participation. Every citizen has room to be effectively involved in giving a voice in tax policy making. Third, intelligent understanding. Every citizen has an equal and effective opportunity to learn alternative policies that can be applied. Fourth, implementation of the agenda. Every citizen has an exclusive opportunity to correct or support a tax policy. These various prerequisites have not been properly institutionalized in the tax management process in Indonesia.

In practice, the ideals of democratization of taxation are not easy things to do. Until now, the relationship between state and society in the tax management process is still asymmetrical. This unequal relationship pattern is reflected in the strong state authority in determining the sources and allocation of taxes attached to the public. On the other hand, people are considered solely as taxpayers, who must fulfill all their obligations without being able to claim the rights they should have.

People are not given free space to determine the tax policy process according to the preferences they want.

The democratization of taxation does not work because the mindset of most of the elite tax authorities still sees taxes as tribute that must be paid by the public to the state. Tax is an obligation that must be attached to every citizen, but it does not have to be accompanied by rights so that the government has the right to regulate tax management without having to consult with the public. The formulation of tax regulations is still centralized and is the sole authority of the central government.

At the same time, not many people are aware of their rights. Public participation in tax payments which has increased in recent years is not accompanied by their awareness of the importance of taxes as a mechanism of public control over the government and the state. The tax management process so far has not been deeply rooted in the public's mind. Therefore, tax reform should not be limited to the administrative dimension in an effort to increase public compliance as taxpayers. However, it must also be directed to increase awareness and willingness to involve the taxpayer community to participate in taxation activities. Thus, taxes are not only a major source of potential state revenue but can also be an instrument for the formulation and implementation of democratization.

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