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AN INDEPENDENT TAXATION AUTHORITY IN THE FORM OF A STATE REVENUE AGENCY IN A STUDY

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ABSTRACTS

In an evolving global context, the need for a State Revenue Agency separate from the Ministry of Finance is increasingly urgent. This separation of functions will provide a strong foundation in improving the state revenue system and the management of state finances, and reduce the risk of corruption and misuse of state finances. Therefore, immediate steps should be taken to establish an independent State Revenue Agency to meet the increasingly complex challenges and demands of the times. Several theories support the establishment of an independent tax and revenue authority. Agency principle theory explains the importance of separating tax functions from other government agencies to avoid conflicts of interest and ensure efficient tax collection. Public choice theory also underlines the need for an independent authority to prevent political intervention that could potentially harm the public interest. The research method which includes literature study, comparative analysis, interviews, qualitative analysis, and normative approach will provide a comprehensive understanding of independent tax and revenue authorities and their implications in state financial management. Despite difficult challenges and obstacles, the establishment of an independent revenue agency authority remains possible with strong political support, consensus, and commitment to improving transparency, accountability, and efficiency in the management of state finances. In conclusion, the independence of tax and revenue authorities plays a crucial role in the management of state finances. Efficiency, transparency, accountability, and public trust are the main benefits that can be gained from this independence. Although there are challenges in implementing it, measures to separate the taxation function from political interference and other parties' interests should be championed to ensure optimal state revenue collection and fair distribution of the tax burden for all citizens.

A. INTRODUCTION

The establishment of an independent tax and revenue authority has become an important topic in the discussion of fiscal policy and state financial management. In this context, this abstract aims to illustrate the importance of the establishment of an independent tax and revenue authority and present the opinions and theories that support it. When discussing the concept of fiscal policy, it relates to the activities of the state, the purpose of which is to provide changes in its expenditure and tax revenues, in particular, an increase in the rate of production activity and volume, as well as the level of employment of the population. (Nikiforov, P., Greshko, R., Marych, M., Marusiak, N., Kharabara, V., & Gladchuk, O., 2023).

This research focuses on the concept of an independent tax and revenue authority as an entity separate from the ministry of Finance or other government agencies. In many countries, an independent tax authority is necessary to improve effectiveness and efficiency in the collection of state revenues as well as to ensure greater transparency and accountability in the management of state finances. Relevant expert and practitioner opinions have consistently emphasised the advantages of establishing an independent tax and revenue authority. One of the main advantages is increased efficiency in tax collection and tax law enforcement. An independent authority has the ability to make faster and more efficient decisions in managing tax issues, reducing the potential for conflicts of interest and political intervention.

In addition, an independent tax authority can improve transparency and accountability in state financial management. They can encourage the implementation of fair and consistent tax policies, avoid political interventions that could potentially harm the public interest, and strengthen public trust in the tax system. Frecknall-Hughes, J., Gangl, K., Hofmann, E., Hartl, B., & Kirchler, E. (2023) explain that taxpayers are not directly related to tax authorities. This is common in the scope of taxation.

In conclusion, the establishment of an independent tax and revenue authority has significant advantages in the management of state finances. Expert opinions and theories supporting it emphasise the importance of efficiency, transparency and accountability in state revenue collection. Therefore, the implementation of an independent tax and revenue authority should be considered by countries to improve the overall financial management of the country. Wendt, F. (2022) explains that taxation: taxation is legal and widely regarded as legal, and then taxation is carried out for adjustments, for example when sales tax is introduced into the system.

This research discusses the urgency of establishing a State Revenue Agency separate from the Ministry of Finance. In many countries, state revenue and state financial management are still incorporated in one entity, the Ministry of Finance. However, there is an urgent need to separate these functions to improve effectiveness, transparency and accountability in state financial management.

The separation of the functions of state revenue and state financial management has some significant benefits.

Firstly, the separation can improve focus and efficiency in revenue collection. A separate Revenue Agency can specialise in designing policies and implementing activities that support revenue collection more effectively. This may reduce the risk of manipulation and abuse in revenue collection.

Second, separation of functions can strengthen transparency and accountability in state financial management. With an independent State Revenue Agency, oversight and control over budget utilisation can be significantly improved. A State Revenue Agency that focuses on revenue collection can provide more accurate and up-to-date information to the State Financial Management Agency, which is responsible for budget allocation and utilisation with greater effectiveness and fairness.

Third, the separation of the functions of state revenue and state financial management can reduce potential conflicts of interest that may arise. With an independent State Revenue Agency, taxation and fiscal policies can be more objective and based on broader considerations. This can promote better policies in revenue collection and budget allocation, and reduce the risk of decisions being based on political or sector-specific interests.

The separation of the functions of state revenue and state financial management has been a topic of debate among experts. The following is a summary of some experts' opinions regarding the separation of functions:

1. Ahmed Zoromé:
   Ahmed Zoromé, in his article entitled *"Separating Revenue Administration from Public Financial Management,"* argues that separating the functions of state revenue and state financial management can provide significant benefits. According to him, this separation can improve transparency, accountability, and efficiency in state financial management. With the separation of functions, state revenue can be managed independently and focus on revenue collection, while state financial management can focus more on budget allocation and utilisation.
2. *International Monetary Fund* (IMF):
   The IMF, in its public policy guide, states that separating the functions of state revenue and state financial management can help reduce conflicts of interest and increase transparency in the fiscal system. According to the IMF, this separation allows for a clearer focus on revenue collection and management of state expenditure, and strengthens oversight and control of state finances.
3. Charles E. McLure Jr:
   Charles E. McLure Jr, in his article entitled "*Separation of Revenue Administration from Tax Policy and Tax Administration,"* supports the separation of the functions of state revenue and state financial management. According to him, this separation can reduce the risk of manipulation and misuse of state finances. With the separation of functions, state revenue can focus on collecting revenue with better effectiveness and fairness, while state financial management can focus more on spending in accordance with state development priorities.

While there are opinions in favour of separating the functions of state revenue and state financial management, there are also opposing opinions. Some experts argue that the integration of such functions can enable better coordination between revenue collection and state financial management. Sadigov, M. M. (2020) is based on the context of public financial management. Aljaloudi & Warrad (2020) conducted an analysis of the optimal size of the public sector, to analyze the highest level of economic growth, namely regarding the relationship between the level of state development, efficiency regarding the financial system.

It is important to note that each country has different contexts and policies. Therefore, the decision to separate or integrate the functions should be based on an in-depth analysis and take into account the needs and conditions of the country.

In understanding the State Revenue Agency (BPN), there are several theories that are relevant and can be used as a basis in analysing and understanding the functions and roles of BPN. Here are some related theories that you can use in your paper:

Theory of Public Administration

Public administration theory provides a conceptual foundation for understanding government organisations, including NPAs. It emphasises the principles of effective management and governance in public organisations, such as efficiency, effectiveness, accountability and transparency.

State Revenue Theory

State revenue theory discusses the sources of government revenue and the strategies used to collect that revenue. In the context of BPN, this theory is relevant in understanding the types of state revenue (such as taxes and non-tax state revenue) as well as the principles of collection and management.

Theory of Taxation

Taxation theory is closely related to tax revenue. This theory includes principles of taxation, such as tax fairness, tax efficiency, tax elasticity, and the economic impact of the tax system. In the context of BPN, this theory is useful for understanding tax policies and strategies applied in collecting tax revenues.

Tax Compliance Theory

Tax linkage theory studies the factors that influence the level of compliance of taxpayers in fulfilling their tax obligations. This theory can provide insight into strategies and approaches that can be used by BPN to increase the level of taxpayer compliance and reduce the tax gap.

State Revenue Dependency Theory

The theory of state revenue dependency discusses the influence and impact that the amount of state revenue has on the fiscal stability and economic policy of a country. This theory is relevant in understanding the importance of good management from the NMB in collecting and managing state revenues to support fiscal sustainability and state development.

B. RESEARCH METHOD

Literature Study:
Conduct literature searches and analyses related to concepts, theories, and case studies on tax authorities and independent state revenue.

Comparative Analysis:
Compare and analyse case studies of countries that have established independent tax and revenue authorities to evaluate their successes, challenges and implications.

Interview:
Conduct interviews with taxation experts, government officials, or relevant practitioners to gain a more in-depth perspective on the establishment of an independent tax and revenue authority.

Qualitative Analysis:
Qualitatively analyse the data and information obtained from literature review, case studies, and interviews to describe the advantages, challenges, and recommendations related to an independent tax and revenue authority.

Normative Approach:
Using a normative approach to formulate recommendations and suggestions based on literature analysis and research findings

C. CONCEPTS AND DEFINITIONS

1. Tax Authorities

A tax authority refers to a body or institution that has the authority and responsibility to collect, administer, and enforce tax laws within a country. The tax authority acts as the entity in charge of overseeing and regulating all tax-related aspects, including the collection, administration, and enforcement of tax laws.

The definition of a tax authority may vary from country to country, depending on the existing tax structure and policies. However, in many countries, tax authorities have some common characteristics, including:

1. Authority and Powers:
   Tax authorities have the authority established by law to collect and enforce taxes. They have the power to issue tax regulations, collect tax information, determine tax liabilities, and take action against tax offences.
2. Tax Collection:
   Tax authorities are responsible for the collection of taxes from taxpayers. They may use various methods and procedures to collect taxes, including the mailing of tax notices, direct collection, or through co-operation with financial institutions.
3. Tax Law Enforcement:
   Tax authorities have the authority to enforce tax laws and impose sanctions against violations. They can conduct audits, investigations, and legal actions against individuals or entities that violate tax provisions.
4. Service and Guidance:
   In addition to collecting and enforcing taxes, tax authorities also provide services and guidance to taxpayers. They provide tax information, assist taxpayers in filling out tax forms, and provide clarification on applicable tax provisions.
5. Taxation Policy:
   Tax authorities can be involved in tax policy development. They provide input to the government related to tax policies that can affect the economy and finances of the country.

   The main objective of tax authorities is to collect state revenues necessary for the financing of governance and the provision of public services. They also play a role in encouraging tax compliance, minimising tax evasion practices, and bringing about fairness in the tax system.

   It is important to note that the definition and role of a tax authority may vary from country to country, depending on the tax system and government structure in place.

2. State Revenue

Concept and Definition of State Revenue

State revenue refers to all sources of revenue received by a country's government to finance government activities, public service provision, infrastructure development, and

other programmes. State revenue is one of the important components in state financial management and plays a central role in a country's economic development.

The definition of state revenue can include various types of revenue, including:

Tax

State revenue often comes from taxes imposed on citizens and business entities. Taxes can include various types, such as income tax, value-added tax (VAT), property tax, sales tax, and so on. Taxes are a major source of revenue for many countries and are used to finance various government activities.

Customs and Excise:

Duties and excises are a form of state revenue obtained from imports, exports, or other international trade activities. Import duties, export duties, and excise duties are levied on goods that cross national borders and are used to regulate international trade and collect state revenue.

Natural Resource Revenue:

State revenue can also come from the exploitation of natural resources, such as oil, natural gas, minerals, or forest products. These revenues are obtained through royalties, production taxes, or revenue sharing from natural resource extraction and management activities.

Income from Assets and Investments:

State revenue can come from income earned from the government's ownership of assets and investments. This can include income from leasing government-owned land or buildings, dividends from state-owned companies, or income from financial investments held by the government.

Other Revenue Sources:

In addition, state revenue may include other sources of revenue, such as fines and penalties, revenue from licences and permits, donations and grants from third parties, and interest and income from government financial activities.

The main purpose of state revenue is to finance the needs of government, including the provision of public services such as education, health, infrastructure, security, and social services. State revenue is also used to finance economic development, poverty alleviation programmes, and various other programmes aimed at improving the welfare of the community.

State revenues must be properly managed to ensure sound state finances, fiscal independence, and efficient utilisation.

Non-tax revenue refers to all sources of revenue received by a country's government other than taxes. It includes various types of revenue that are not directly related to tax obligations. Some examples of non-tax revenue concepts and definitions include:

1. Income from Investment Profits:

   The government may earn revenue from the profits of investments held by it. This includes income from shareholdings in companies, gains from the sale of investment assets, or dividends from government investments.
2. Revenue from Natural Resources:

   State revenue can also come from the exploitation of natural resources that are not related to taxes. For example, the government may obtain revenue from royalties or profit sharing obtained from the exploitation of natural resources such as oil, gas, or minerals.
3. Revenue from Sale of Assets:

   State revenue can be obtained through the sale of government assets, such as the sale of land, buildings, or public facilities. These revenues can be used to finance government activities or help reduce budget deficits.
4. Revenue from Services and Licences:

   The government may earn revenue from the provision of services and licences. For example, the government may charge a fee for granting business licences, patents, trademarks or copyrights to individuals or companies.
5. Revenue from State-Owned Enterprises:

State revenue can also be obtained from state-owned companies. Dividends received from state-owned companies are a significant form of non-tax revenue.

The purpose of non-tax revenue is to diversify state revenue sources and reduce dependence on taxes. By optimising revenue potential from other sources, the government can broaden the revenue base and create diversity in the management of state finances.

In the management of non-tax revenues, it is important to ensure transparency, accountability, and efficiency in the use of these resources. The government must have clear policies, adequate regulations, and accurate reporting systems to ensure that non-tax revenues are used effectively and efficiently for the public good.

3. Independence in the Context of Tax Authority and State Revenue

State financial management is a crucial aspect in maintaining economic stability and fulfilling public needs. In this context, the independence of tax and revenue authorities is an important factor to ensure effectiveness, efficiency, transparency, and accountability in the collection of state revenues. This independence refers to the separation of the tax authority's functions from political interference or the interests of other parties that may influence tax decision-making.

One of the main reasons why the independence of tax and revenue authorities is necessary is to ensure efficiency in tax collection and enforcement of tax laws. In this context, independence ensures that tax decisions are made objectively and based on the law, without political interference or pressure from vested interests. An independent tax authority can focus on its core tasks, which are to collect state revenue efficiently, avoid corrupt practices, and apply tax rules fairly and consistently.

In addition to efficiency, the independence of tax and revenue authorities also brings benefits of transparency and accountability in the management of state finances. With strong independence, the tax authority can formulate policies and perform its duties without political interference or external pressures that may interfere with the decision- making process.

This is important in ensuring that the use of public funds is in line with established objectives, as well as minimising the risk of abuse of power and corruption.

In addition, the independence of tax and revenue authorities also gives people confidence in the tax system. When people see that tax collection is done fairly, transparently, and without political intervention, they will feel more motivated to comply with their tax obligations. This independence can also increase investors' confidence in long-term investments, as they believe that state revenues will be managed properly and professionally.

However, implementing the independence of tax and revenue authorities is not easy. Several challenges arise, such as political objections, legal uncertainty, lack of public support, as well as resistance from the bureaucratic sector that may lose some of their power and control. In addition, the success of the tax authority's independence also depends on factors such as human resource capacity, strong institutions, and clarity on the roles and responsibilities of the institution.

4. Factors and barriers

The establishment of an independent state revenue authority may be faced with several challenges and obstacles that make it difficult. The following are some of the factors that can make it difficult to establish an independent state revenue authority:

1. Political Objection:
   The establishment of an independent revenue agency may involve a transfer of power from interested parties, including the finance ministry or other government agencies. Sometimes, there are political objections to the establishment of an independent agency, as it may reduce political control over tax policy and revenue collection.
2. Legal Uncertainty:
   The establishment of an independent state revenue agency may require changes in the existing legal framework. Legal uncertainty or lack of consensus among stakeholders may complicate the legal changes required to support this independent body.
3. Lack of Resources:
   Establishing and running an independent revenue agency requires sufficient resources, including budget, qualified personnel, and adequate infrastructure. The lack of these resources can be an obstacle in establishing an effective independent agency.
4. Bureaucratic Resistance:
   The existing bureaucracy may have vested interests and could face resistance to change. They may fear losing their control or power in the management of state finances if an independent body is established. Resistance from within the bureaucracy may make it difficult to establish this independent body.
5. Lack of Public Awareness and Support:
   The establishment of an independent state revenue agency requires support from the public and other stakeholders. Lack of awareness or sufficient understanding of the benefits and importance of this independent body may reduce support and hinder the establishment process.
6. Security and Corruption Issues:
   In some countries, the presence of independent bodies in revenue collection can pose a threat to groups involved in illegal activities or corruption. This can make it difficult to establish independent bodies as they may face pressure or threats to their security.Advantages of an Independent Tax and Revenue Authority

5. Effectiveness and Efficiency of State Revenue

An independent Tax and Revenue Authority can provide a number of significant advantages in terms of revenue effectiveness and efficiency. The following is an overview of some of these advantages:

1. Consistent Law Enforcement:
   An independent tax authority can apply consistent enforcement in collecting taxes and cracking down on tax offences. With independence, it can enforce tax rules without political interference or external pressure. This increases effectiveness in ensuring tax compliance and reduces the likelihood of unfair or discriminatory treatment of taxpayers.
2. Better Resource Management:
   Independent tax authorities can manage resources more efficiently and effectively. They can allocate budgets, personnel, and infrastructure more optimally to ensure better tax collection, monitoring, and enforcement. With better management, state revenue can be increased overall.
3. Avoidance of Political Interference:

An independent tax authority is free from political pressure or political interference that could potentially influence tax decisions and actions. This allows the institution to perform its duties objectively and independently, without favouring any particular interest. Thus, effectiveness and fairness in tax collection can be improved.

4. Increased Tax Compliance:
   With an independent tax authority that is professionally managed and transparent, people will be more likely to comply with tax obligations. Improved trust and legal certainty will encourage taxpayers to report their income honestly, pay their due taxes, and avoid tax avoidance or evasion. This will result in an overall increase in state revenue.
5. Simplification and Improvement of the Tax System:
   Independent tax authorities can advocate for simplification and improvement of the tax system. They can review existing tax policies, evaluate imbalances or inefficiencies, and recommend necessary changes. These efforts can improve the efficiency of the tax system and increase state revenue.

6. Promotion of Transparency and Accountability:
   Independent tax authorities promote transparency and accountability in the tax process. They can provide information that is more accessible and understandable to the public, hold annual reports, and publicly disclose their policies and practices. This helps build public trust and strengthens the legitimacy of tax institutions.

Overall, independent tax and revenue authorities provide benefits in terms of revenue effectiveness and efficiency. They can improve tax collection, increase compliance, improve resource management, and drive improvements to the overall tax system. This contributes to a sustainable increase in state revenue and better financing for development and public services.

6. Transparency and Accountability in State Financial Management

An independent Tax and Revenue Authority provides a number of advantages in terms of transparency and accountability in the management of the country's finances. The following is an overview of some of these advantages:

1. Increase Transparency:
   Independent tax authorities play a role in overseeing and managing state revenues. With their independence, they can implement transparent practices in tax collection, monitoring, and management. Information related to revenue, tax policies, and the use of public funds will be more accessible to the public. This provides confidence and legal certainty to taxpayers and builds transparency in the management of state finances.
2. Encouraging Accountability:
   Independent tax authorities are responsible for the collection and management of state revenues. They must account for the use of public funds and ensure that state expenditure is in line with established policies. With an independent authority, accountability is enhanced as the institution can act without political pressure or interference from other parties. The public can monitor and assess whether state revenues are being utilised efficiently and in accordance with set objectives.
3. Reduction of Corruption Potential:

An independent tax authority reduces the potential for corruption in state financial management. By separating taxation power from political power, it can enforce tax rules objectively and fairly. This reduces opportunities for misuse of public funds or personal gain from the tax system. The existence of an independent authority also allows for strict oversight of the taxation process and monitoring of state financial transactions.

4. Increased Integrity in Tax Law Enforcement:
   Independent tax authorities provide stronger enforcement of tax laws. They can investigate and prosecute tax offences with great objectivity and independence. This creates a fairer environment and ensures that tax rules are enforced indiscriminately. The existence of an independent authority builds public confidence in the tax system and provides legal certainty to taxpayers.
5. Public Participation and Community Engagement:
   An independent tax authority can encourage public participation and community involvement in the country's financial management. The public is given better access to tax information, policies, and decision-making processes. They can also provide input, lodge complaints, or report tax offences. More active public participation helps increase transparency, strengthen integrity, and build trust in the management of state finances.

Overall, independent tax and revenue authorities provide significant advantages in terms of transparency and accountability in public financial management. Through high transparency, reduced potential for corruption, strong law enforcement, and more active public participation, independent authorities build public trust, ensure efficient use of public funds, and strengthen integrity in public financial management.

7. Reduction of Potential Conflicts of Interest

1. Flexibility's relationship with acceptance
2. Optimistic Timeline of BPP Based on Law + Existing KUP Timeline (BPP LPNK)
3. Overview of Tax Revenue Agency in institutional structure (KUP Bill) LPNK (Non- Ministerial Government Institution)
4. A description of the ideal Tax Revenue Agency, including the stages to be achieved if budgetary, human resource and organisational flexibility is obtained, namely
   a. Preparation of Agency Strategic Plan
   b. changes to the Budget Structure based on the percentage of cost of collection based on the targets set by the Law with the procurement mechanism of the Head of the Agency regulation and based on the Strategic Plan
   c. HR additions and HR Management changes
   d. Establishment of new units including construction of new offices
   e. Improved services based on the latest technology
   f. Establishment of Centre of Excellence (Tax Education Centre)
   g. Establishment of an Overseas Tax Intelligence Unit
   h. Split into 3 types of tax offices, namely service office, supervisory office and enforcement office.
   i. Establishment of Tax Officer Association
   j. Tax investigator mechanism
   k. Provision of life, health and education insurance to all tax officers

l. Establishment of Tax Supervisory Commission and Special Staff/Experts
- Tax Supervisory Commission
  - Established by the President
  - Consists of at least 4 Members and 1 Chairperson or at most 8 Members and 1 Chairperson
  - Budget charged to Tax Revenue Agency Budget
  - Members consist of the TNI Commander, Chief of Police, Attorney General, Minister of Finance, academics, practitioners, business associations, community leaders, representatives of factory employee associations.
  - In charge of providing input related to tax issues to the chairman of the agency
  - Assigned for 1 year and can be re-elected for a maximum of 2 periods
- Expert Staff
  - Established by the Chairman of the Board
  - Consists of a maximum of 2 former tax leaders (Director General) and 3 other parties
  - Budget charged to Tax Revenue Agency Budget
  - In charge of providing input related to taxation issues to the chairman of the agency
  - Assigned and dismissed based on the decision of the chairman of the body
  - Redesign benefits and THP for tax officers
  -

8. Challenges in Establishing an Independent Tax and Revenue Authority

Political Objections

Establishing an independent tax and revenue authority is a complex and frequent challenge faced by many countries. This challenge involves political issues that have the potential to affect the independence of tax and revenue agencies. Some of the key challenges include:

1. Political Interference
   One of the main challenges is political intervention or pressure on tax and revenue agencies. Politicians or certain interest groups may seek to influence the taxation process for their personal or group interests. This can lead to loss of independence and undermine the efficiency of the tax system.
2. Opposition from Affected Parties
   Some parties affected by tax reform and changes in the tax system may be strongly opposed. They may have special interests that are threatened by the changes and will seek to block efforts to create an independent tax authority.
3. Political Instability
   Countries with unstable political situations or in internal conflict may find it difficult to establish independent tax and revenue agencies. Political instability can disrupt tax reform efforts and undermine public confidence in the institution.
4. Lack of Political Agreement
   Establishing an independent tax authority often requires political agreement between various political forces. If there are divergent views and a lack of understanding on the importance of tax independence, the process of establishing an independent institution can be hampered.

5. Corruption and Abuse of Power
   Corruption is a serious threat to the independence of tax and revenue agencies. Corrupt practices can affect the process of tax collection, law enforcement, and state budget allocation. Therefore, fighting corruption and ensuring institutional integrity are crucial in establishing an independent tax authority.
6. Limited Resources and Capacity
   Building and maintaining an independent tax and revenue agency requires adequate resources and capacity. Challenges faced include lack of budget, lack of well-trained personnel, and shortage of adequate infrastructure.
7. Supervision and Accountability
   Independent tax authorities must be closely monitored to ensure that their duties are carried out with transparency and accountability. Ensuring adequate accountability within these institutions is an important challenge, especially when political and economic aspects are involved.

Legal Uncertainty

The challenge of legal uncertainty can be a serious obstacle to establishing an independent tax and revenue authority. Legal uncertainty refers to the lack of clarity or confusion that arises in the interpretation and application of laws relating to tax institutions. The following are some of the challenges related to legal uncertainty in establishing an independent tax authority:

1. The Blurred Legal Framework:
   Uncertainty may arise from the lack of a clear legal framework or ambiguity in the legislation regarding the establishment of an independent tax authority. If legal regulations are inadequate or ambiguous, this may hinder concrete steps in creating an independent institution.
2. Diverse Interpretations:
   Differences in the interpretation of the law by law enforcement agencies, courts, or other government institutions can lead to uncertainty in the implementation of tax regulations. If different interpretations of the law are applied, the independence of tax agencies may be compromised and consistent decisions may be difficult to reach.
3. Rapid Policy Change:
   Legal uncertainty can also arise from rapid or frequent changes in tax policy. If there are too frequent or sudden policy changes, this can confuse stakeholders, both among taxpayers and within the tax institution itself. As a result, the independence and credibility of the tax institution may be jeopardised.
4. Lack of Legal Protection:
   If tax and revenue agencies do not have adequate legal protection, they may be vulnerable to political interference, intimidation or pressure from interested parties.Strong legal protection is an important factor in ensuring the independence of such agencies.
5. Slow Legal Process:
   If the judicial system experiences bottlenecks or slow legal proceedings, this can lead to uncertainty in tax law enforcement. Protracted resolution of tax cases or delays in legal proceedings can raise doubts and reduce trust in an independent tax authority.

Lack of Resources

Lack of resources is a real challenge in establishing an independent tax and revenue authority. Lack of resources can refer to several aspects included in this context:

1. Budget Shortfall:
   Inadequate financing may hinder the establishment and operationalisation of an independent tax authority. Tax agencies need funds to carry out their tasks, such as data collection, tax law enforcement, auditing, and dispute resolution. Budget shortfalls can result in reduced operational capacity and limitations in tax monitoring and enforcement.
2. Personnel Limitations:
   The success of an independent tax authority largely depends on the availability of qualified and trained personnel. However, there is often a shortage of skilled and trained labour in the field of taxation. Personnel shortages can hamper the ability of tax agencies to effectively manage the tax system and take necessary enforcement actions.
3. Inadequate Infrastructure:
   Inadequate infrastructure, including information and communications technology, robust database systems, and adequate physical facilities, can be an obstacle to running an independent tax authority. Systems that are not modern and integrated can slow down processes and increase the risk of errors or data loss.
4. Lack of Access to Data:
   Collecting, analysing and processing accurate and detailed data is essential to the role of tax authorities. However, lack of access to relevant and up-to-date data can make it difficult for tax agencies to assess tax compliance, detect tax evasion, or identify other potential sources of state revenue.
5. Lack of International Co-operation:
   Independent tax authorities can also be constrained by a lack of international co-operation. Efforts to counter tax evasion and money laundering often require information exchange and co-operation between countries. If international co-operation is limited, tax agencies may face difficulties in obtaining information and enforcing laws effectively.

Bureaucratic Resistance

The challenge of bureaucratic resistance is one that is often faced when trying to establish an independent tax and revenue authority. Established bureaucracies may have internal interests and dynamics that can cause resistance to change. Some of the challenges that can arise are:

1. Uncomfortable with Change:
   The existing bureaucracy may feel uncomfortable with the proposed changes in establishing an independent tax authority. Such changes may disrupt existing structures and routines, and affect the power and authority held by the current bureaucracy.
2. Unclear Roles and Responsibilities:
   Establishing an independent tax authority may create uncertainty about the roles and responsibilities of the existing bureaucracy. The bureaucracy may fear losing

power and control over tax policies and processes, creating uncertainty and resistance to the establishment of an independent tax authority.

3. Concerns about Political Influence:
   Bureaucracies tied to current political power may worry that the establishment of an independent tax authority will reduce their influence or threaten their position. They may try to maintain the status quo and obstruct the process of establishing such an independent institution.
4. Protection of personal or group interests:
   Some members of the bureaucracy may have personal or class interests connected to the existing tax system. They may see the establishment of an independent tax authority as a threat to their benefits or privileges, resulting in resistance to the change.
5. Lack of Willingness to Share Information:
   Establishing an independent tax authority requires greater access to relevant tax information. However, a resistant bureaucracy may be reluctant to share information transparently and openly with an independent body. This may affect the performance of an independent tax authority and state revenue.

Lack of Public Awareness and Support

Lack of public awareness and support can be a serious challenge in the effort to establish an independent tax and revenue authority. Public awareness and support are important because an independent tax institution needs legitimacy and public trust to operate effectively. Some of the challenges that could arise are:

1. Ignorance of the Importance of Tax Independence:
   Many members of the public may not fully understand the importance of tax independence and why an independent tax authority is necessary. They may not realise that tax independence is an important factor in maintaining the integrity of the tax system and preventing abuse of power.
2. Low Trust in Government:
   If people have low trust in the government, including existing tax institutions, they may be less supportive of the establishment of an independent tax authority. Low trust may be caused by corruption issues, law enforcement failures, or non-transparency in the tax system.
3. Indifference to Tax Compliance:
   For some individuals, taxes may be perceived as an unnecessary burden or obligation. Lack of awareness of the positive impact brought by the establishment of an independent tax authority may result in a lack of public support for such measures.
4. Interest Group Influence:
   Special interest groups may try to influence public opinion and lobby against the establishment of an independent tax authority. They may be concerned that an independent body will interfere with the benefits or privileges they derive from the existing tax system.
5. Ineffective Communication:
   Lack of effort to effectively communicate the benefits and importance of an independent tax authority to the public can lead to a lack of awareness and support. Poor communication or lack of easy-to-understand information about the role of such an independent body may make the public hesitant or uninterested.

8.1 Security and Corruption Issues

Security and corruption-related challenges are serious concerns in establishing an independent tax and revenue authority. Security and corruption can threaten the integrity, transparency and effectiveness of such tax institutions. Some of the challenges that may arise are:

1. Security Threats to Tax Data:
   Independent tax authorities must protect sensitive and confidential data collected from taxpayers. Threats to data security, such as cyber-attacks, hacking or information theft, can undermine public trust and lead to financial losses and potential misuse of such data.
2. The Effect of Corruption in the Taxation System:
   Corruption is a serious threat to the independence and integrity of tax authorities. Corruption can take many forms, from the acceptance of bribes, tax evasion by tax officials, to the misuse of tax funds. Corruption undermines public trust and reduces the effectiveness of taxation.
3. Extortion and Intimidation:
   Extortion and intimidation of independent tax authority employees can hinder law enforcement and efforts to fight corruption. Interested parties may try to influence or pressure tax officials to avoid paying taxes or to obtain special treatment.
4. Lack of Effective Sanctions and Law Enforcement:
   If sanctions and enforcement against tax offences are weak or ineffective, this can create an enabling environment for corruption and fraud. Lack of strict enforcement against tax offences can undermine the integrity of tax institutions and reduce public confidence.
5. Existence of Money Laundering and Tax Avoidance Syndicates:
   Money laundering syndicates and complex tax evasion practices can pose a serious challenge to independent tax authorities. These syndicates often use complex schemes involving international transactions to hide assets or avoid tax liabilities. Combating these practices requires strong international co-operation and adequate resources.

9. Case Study

Here are some examples of countries that have independent tax and revenue authorities:

a. United States:
The Internal Revenue Service (IRS) is an independent tax revenue agency in the United States. Although the IRS falls under the US Treasury Department, it has separate authority and powers in the collection and enforcement of tax laws.

b. English:
Her Majesty's Revenue and Customs (HMRC) is the independent tax revenue body in the UK. HMRC is responsible for collecting and enforcing tax laws in the UK.

c. Australia:
The Australian Taxation Office (ATO) is Australia's independent tax revenue agency. The ATO is authorised to collect taxes and provide taxation services and enforcement.

d. Canada:
The Canada Revenue Agency (CRA) is an independent tax revenue agency in Canada. The CRA is responsible for collecting taxes and providing taxation services to Canadians.

e. Germany:
The Federal Central Tax Office (Bundeszentralamt für Steuern, BZSt) is an independent tax revenue agency in Germany. The BZSt is authorised to collect and administer federal taxes in the country.

f. Brazil:
The Federal Revenue of Brazil (Receita Federal do Brasil, RFB) is an independent tax revenue agency in Brazil. The RFB is responsible for collecting and enforcing tax laws in the country.

g. Netherlands:
The Tax and Customs Administration (Belastingdienst) is an independent tax revenue agency in the Netherlands. The Belastingdienst has the responsibility for collecting taxes and running the tax administration in the country.

The above list is just a few examples of countries that have independent tax authorities. It is important to note that the structure and name of the tax revenue body may vary by country.

D. ANALYSIS AND DISCUSSION

Successes and Overview of Solutions to Challenges in the Case Studies

A. To overcome the challenge of Political Objection, it is important for the country to have a strong political commitment to implement tax reform and create an independent tax authority. It also requires public support and active participation in the decision-making process. In addition, transparency, accountability and strict enforcement against offences should be an integral part of efforts to create an independent and efficient tax system.

B. To address the challenge of legal uncertainty, the following steps can be taken:

1. Improving Legal Clarity:
   Clear and comprehensive legislation governing the establishment and functioning of an independent tax authority is required. Cooperation between the legislature and the executive is needed to develop a clear legal framework and reduce ambiguity.
2. Consultation and Participation:
   Involving taxation experts, stakeholders, and the general public in the tax policy formulation process can help reduce legal uncertainty. Broad consultation and active participation will ensure that different perspectives are considered and a more solid and consistent policy can be produced.
3. Training and Capacity:
   Improving the capacity and knowledge of tax agency employees on tax law will help reduce diverse interpretations and strengthen consistent enforcement.
4. Adequate Legal Protection:
   Ensuring adequate legal protection for tax and revenue authorities is an

important step in maintaining their independence. These protections should include freedom from political interference, assurance of institutional independence, and legal action against attempts at intimidation or pressure.

5. Justice System Reform:
   Improving the efficiency and accessibility of the tax justice system is an important step to overcome the slow legal process. A fast and fair judicial process will increase trust in the tax authority and strengthen tax law enforcement.

Addressing the challenge of legal uncertainty requires strong political commitment, co- operation between various stakeholders, and comprehensive legal system reform.

C. To address the challenge of lack of resources, the following steps can be taken:

Budget Increase:

The government should prioritise adequate budget allocations for tax and revenue agencies. This will enable them to develop infrastructure, recruit and train qualified personnel, and improve overall operational capacity.

Training and Human Resource Development:

Investment in the training and development of tax employees is essential. Efforts are needed to improve the quality and skills of existing personnel, as well as to increase the attractiveness of the tax profession for young professionals.

Investment in Infrastructure and Technology:

Improved information and communication technology infrastructure, including a robust database system, can improve the efficiency and ability of tax agencies to effectively manage the tax system.

International co-operation:

The government needs to actively participate in international cooperation in terms of tax information exchange and the implementation of anti-tax avoidance regulations (P3B). This cooperation can provide great benefits for tax authorities in tracking and cracking down on tax evasion practices that harm the country.

Policy Evaluation:

Continue to evaluate tax policies and procedures to identify new ways to improve efficiency and effectiveness. Optimising the use of existing resources can help address any resource shortages that may occur.

By making efforts to address resource shortages, tax agencies can build and maintain their independence and improve their ability to collect taxes efficiently and fairly.

D. To overcome the challenge of bureaucratic resistance, the following steps can be taken:

1. Communication and Dialogue:
   It is important to establish good communication with members of the bureaucracy and explain the benefits and objectives of establishing an independent tax authority. Engaging them in dialogue and listening to their concerns can help reduce resistance.

2. Education and Training:
   Providing education and training to members of the bureaucracy on the benefits and importance of an independent tax authority can help them understand the change and see how it can improve the efficiency and effectiveness of the tax system.
3. Inclusive Policy:
   Involving members of the bureaucracy in the tax policy formulation and change process can help reduce resistance. They need to feel that their interests and contributions are valued and considered in the process of establishing an independent institution.
4. Strong Oversight and Accountability:
   Ensuring there are strong oversight mechanisms in place for independent tax authorities, including for members of the bureaucracy, can help build trust and reduce their concerns about losing control and authority.
5. Partnership Formation:
   Developing a partnership between an independent tax authority and the existing bureaucracy can help overcome resistance and facilitate a smoother transition. Good collaboration and mutual support between both parties can create a more harmonious working environment.

Overcoming bureaucratic resistance requires a well-planned strategy and effective communication. It is important to engage stakeholders, clarify the benefits of establishing an independent tax authority, and build trust to achieve the goal.

To address the challenge of lack of public awareness and support, the following steps can be taken:

1. Education and Information Campaign:
   It is important to organise education and information campaigns that involve the wider public. This campaign should convey a clear message about the importance of tax independence, the benefits of establishing an independent tax authority, and its positive impact on society as a whole.
2. Openness and Transparency:
   Ensuring transparency in the operations of tax and revenue agencies can help build public trust. The public should be given greater access to tax information, policies, and decision-making processes. This will strengthen awareness and enable better public participation.
3. Community Involvement in Policy Making:
   Involving the public in tax policy making can help build support and trust. The public should be given the opportunity to provide input, ask questions, and participate in the tax policy formation process.
4. Effective Communication with the Media:
   The media has an important role in shaping public opinion. Effective communication with the media, including conveying clear and reliable information on the purpose and benefits of establishing an independent tax authority, can help increase public awareness and support.
5. Collaboration with Related Parties:
   Collaborating with civil society organisations, non-governmental organisations, and other groups with similar interests can help expand outreach and strengthen community support. This collaboration can involve joint campaigns,

seminars, public discussions and other activities.

In order to establish an independent tax and revenue authority, it is important to pay attention to public perception and support. By conducting education, effective communication, and involving the public in the decision-making process, public awareness and support can be improved.

E. To address the challenges related to Security and Corruption Issues, the following steps can be taken:

1. Improved Data Security:
   Independent tax authorities should adopt robust security measures to protect the tax data collected. This includes implementing adequate cybersecurity protocols, protection against unauthorised access, data encryption and strict privacy policies.Strengthening Corruption Prevention:
   Strengthening corruption prevention mechanisms within tax agencies, such as ethics regulations, internal financial audits, and whistleblowing, is essential. Strict internal audits and effective investigation procedures can help uncover and prosecute cases of corruption.
2. Protection against Extortion and Intimidation:
   Improving the protection of tax officials through appropriate policies, involving law enforcement officials in cases of extortion or security threats, and providing training on handling dangerous situations are important steps.
3. Improved Sanctions and Law Enforcement:
   Strengthening sanctions and enforcement against tax offences, including acts of corruption and tax evasion, is an important step. It is important to ensure that tax offences are dealt with firmly and effectively, and that no one is exempt from the rules.
4. International co-operation:
   Strengthening international co-operation in combating money laundering and tax evasion can help address these challenges. Information exchange, investigative collaboration and policy harmonisation between countries are important steps in combating illegal practices involving cross-border transactions.

Through strong corruption prevention efforts, enhanced data security, strict law enforcement, and active international cooperation, independent tax authorities can minimise security and corruption risks and build integrity and public trust.

Implications and Lessons for Other Countries

If the authority of the tax revenue body is in Indonesia, there are several implications and lessons learnt for other countries:

1. Increased Transparency and Accountability:
   The existence of an independent tax revenue authority in Indonesia will provide an example of the importance of transparency and accountability in the tax system. Other countries can learn that separating taxation power from political power and providing an independent authority can improve the integrity and effectiveness of tax institutions.

2. Increased Tax Compliance:

   Indonesia's independent tax revenue authority can provide lessons on how to improve the level of public tax compliance. With strong law enforcement, strict supervision, and effective education campaigns, other countries can adopt successful strategies to encourage tax compliance.

3. Countering Corruption and Tax Avoidance:

   Indonesia has faced significant corruption and tax evasion challenges. Through the establishment of an independent authority, the country can provide lessons on how to fight corruption and tax evasion by strengthening prevention, enforcement, and international co-operation. Other countries can adopt a successful approach to addressing these issues.

4. Improving Service Efficiency and Quality:

   The existence of an independent tax revenue authority can bring lessons on improving efficiency and service quality. Other countries can learn from Indonesia's strategies in improving tax processes, adopting modern information technology, and providing better services to taxpayers.

5. The Importance of Community Involvement:

   Indonesia's experience in establishing an independent tax revenue authority can also provide lessons on the importance of public involvement in the taxation process. Active participation of the public in determining tax policy, monitoring, and reporting violations can increase transparency, strengthen integrity, and build public trust.

   In this regard, other countries can learn and apply successful principles and practices from Indonesia's experience in establishing an independent tax revenue body authority. This can assist other countries in strengthening their tax systems, increasing state revenues, and improving overall public financial management.

E. CONCLUSION

Summary of Findings

The Board of Tax Revenue (BPP) is an independent authorisation that we have not had up to now, reinforced by the

NAWA CITA: Redesign of Fiscal Architecture, in accordance with ARTICLE 23a of the 1945 Constitution, the Taxation Law itself (formal includes KUP, material includes PPh, PPN, PBB, BPHTB and PPnBM, executors are not facilitated).

The relatively low ratio of tax revenue to GDP at around 12% shows the large untapped tax potential caused by the limited capacity of DGT (In the last 11 years, the tax ratio has been relatively stagnant and tends to fall around 11% - 13%, and only twice reached the revenue target in the APBN).

Data from several countries in the world show that the ratio between the number of tax officials and the population in Indonesia is among the smallest.

Data from several countries in the world show that the ratio between the number of tax officials and the population in Indonesia is among the smallest.

In order to achieve optimal revenue, DGT faces obstacles in providing human resources, infrastructure, budget, and forming an ideal organisation.

In terms of human resources, the ASN Law is no longer in accordance with the current challenges of tax institutions

The ASN Law and rules are applied generally to all government agencies, so there is no exception for DGT and this makes it difficult for DGT to respond to existing challenges.

- Executing DGT's HR management *blueprint*
- Fulfil urgent HR needs
- Retaining highly capable employees and preventing demoralisation
- Establish an appropriate *reward and punishment* system
- Process HR mutations and promotions to fill vacant positions quickly
- Determine the right training scheme
- Development of employee performance measurement mechanism

In terms of Organisation, the Organisational Structure is inadequate to meet the needs of the tax authority

- Organisational Structure is difficult to change as it has been set with one structure model
- DGT must obtain approval from several agencies outside DGT such as the Secretary General of the Ministry of Finance, KemenPAN-RB and State Secretariat.
- Responding to business and economic developments
- Efficiency in performing organisational functions (e.g. related to *span of control)*
- In certain circumstances, it may be possible to form specialised teams outside the formal structure.
- Provide legal protection for tax officers in carrying out their duties

In terms of Infrastructure, insufficient Infrastructure (Office, IT, operational vehicles) Infrastructure planning and procurement is dependent on BMN (State Property) provisions

In terms of budget, budget preparation and management is inflexible

DGT's budget fulfilment is highly dependent on the budget ceiling *(resource envelope*) of the Ministry of Finance and the procedures for budget utilisation.

- Rigid budget allocation hampers the implementation of strategic programmes
- Flexibility in responding to external and internal demands
- Infrastructure planning and procurement to support organisational needs

Finally, the establishment of an independent tax and revenue authority has significant advantages in the management of state finances. Expert opinions and theories supporting it emphasise the importance of efficiency, transparency and accountability in state revenue collection. Therefore, the implementation of an independent tax and revenue authority should be considered by countries to improve the overall financial management of the country.

9.1 Recommendation

Comparison of Current Condition of DG Tax, LNPK of KUP Bill, and Ideal Condition of Tax Auth ority

NO	PERIHAL	DJP SAAT INI	LPNK PAJAK	OTORITAS PAJAK IDEAL	DAMPAK

1	**Dasar Hukum Terbentuknya**	Perpres 28/2015 (Sejak tahun 2015. Sebelumnya hanya diatur melalui Peraturan Menkeu)	RUU KUP Existing (Pasal 1 ayat 40)	UU Badan Penerimaan Pajak (UU tersendiri) atau dibentuk dalam RUU KUP (revisi psl 1)	- UUD 1945 Pasal 23A terwujud - Dasar Hukum yang kuat dan setara
2	**Bentuk Instansi**	Ditjen (eselon I) di bawah Kementerian Keuangan	LPNK (Es.1) di bawah koord. Kementerian Keuangan (Pasal 95 ayat 3)	Badan bertanggungjawab langsung kepada Presiden berdasarkan UU	- Menghilangkan hambatan birokrasi - Minimalisir konflik wewenang dan kepentingan - Mengurangi beban kerja Kementerian Keuangan
3	**Status Pegawai**	ASN	ASN	NON ASN	- Kebutuhan akan fleksibilitas pengelolaan SDM terpenuhi - Kebijakan SDM tidak dibatasi UU ASN dan turunannya
4	**Kepala Badan**	Dipilih dan diberhentikan oleh presiden berdasarkan rekomendasi Menteri Keuangan dan terikat oleh UU ASN	Dipilih dan diberhentikan oleh presiden berdasarkan rekomendasi Menteri Keuangan dan terikat oleh UU ASN	Dipilih dan diberhentikan langsung oleh Presiden	- Kinerja pajak terkait langsung sebagai prestasi presiden sehingga harus memiliki visi dan misi yang sama dengan presiden - Kepala Badan Bertanggung jawab secara langsung kepada presiden

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1. *"Public Finance"* by Harvey S. Rosen and Ted Gayer, This book covers topics related to public finance, including state revenue and state financial management. Relevant sections can provide a broad understanding of the role and function of the State Revenue Agency.

2. *"Taxation and Public Finance in Transition and Developing Economies"* by Richard

M. Bird and Jorge Martinez-Vazquez This book discusses taxation and public finance in the context of transitioning or developing countries. Relevant sections on State Revenue Agencies or Tax Revenue Agencies can provide insights into the challenges and related practices in such countries.

3. *"Taxation: A Very Short Introduction"* by Stephen Smith This book provides a brief but informative introduction to the taxation system, including state revenue and state financial management. It can provide a good understanding of the basic concepts and principles related to the State Revenue Agency.

4. *"Taxation and Development: The Weakest Link?"* by Graham Harrison This book analyses the relationship between taxation and development, including the role of Revenue Agencies or Tax Revenue Agencies in the context of developing countries. It provides an interesting perspective on the importance of effective revenue management in achieving development goals.

5.Publications and reports from international organisations such as the *International Monetary Fund* (IMF), *World Bank*, and *Organisation for Economic Co-operation and Development* (OECD). These organisations frequently issue publications, reports, and guides on taxation, public finance, and revenue. This material includes research, policy analyses, and best practices related to revenue agencies or tax revenue agencies in various countries.

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