

## ECONOMIC ANALYSIS OF LEGAL CERTAINTY IN TAXATION: REGULATORY IMPACT ASSESSMENT OF INDONESIA'S TAX DISPUTE RESOLUTION MECHANISMS

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Article	Abstract
<p><b>Keywords:</b></p> <p>Economic Analysis of Law, Regulatory Impact Assessment, Tax Dispute, Legal Certainty, Taxation</p> <p><b>History of Article</b></p> <p>Received: April 15, 2025;</p> <p>Reviewed: April 22, 2025;</p> <p>Accepted: April 23, 2025;</p> <p>Published: April 29, 2025</p> <p><b>DOI:</b> 10.56282/sblrv3i3.563</p>	<p>An effective and fair taxation system is key to fiscal stability and economic development. In Indonesia, tax dispute resolution mechanisms such as objections, appeals, and lawsuits face challenges of effectiveness, high economic costs, and regulatory ambiguity, which ultimately reduce legal certainty and taxpayer trust. This study aims to analyze the effectiveness, economic costs, and regulatory clarity of tax dispute resolution mechanisms in Indonesia using a doctrinal legal approach and the Economic Analysis of Law. This study finds that the dispute resolution process tends to be lengthy and costly, digital infrastructure is still limited, and regulations frequently change without adequate harmonization. Alternative dispute resolution methods like mediation and arbitration are considered to have potential, but their implementation is not yet optimal due to legal framework limitations. The novelty of this research lies in its interdisciplinary approach, the application of a Regulatory Impact Assessment (RIA), and the evaluation and evidence-based policy recommendations for reforming the tax dispute resolution system. The findings of this research are expected to strengthen legal certainty, reduce economic burdens, and enhance efficiency within the Indonesian taxation system.</p>

\*Disclaimer: This article is a private scientific study of the researcher and does not reflect the institution's opinion/policy.

### A. INTRODUCTION

An effective and fair taxation system is a primary foundation for a country's fiscal stability and economic development. In Indonesia, the complexity of tax regulations and

the dynamics of their enforcement often create legal uncertainty for taxpayers. This uncertainty not only affects tax compliance but also imposes additional economic burdens due to lengthy and high-cost dispute resolution processes.

Tax dispute resolution mechanisms in Indonesia, such as objections, appeals, and lawsuits, often face challenges in terms of efficiency and effectiveness. Lengthy and complex processes can hinder the timely resolution of disputes and create high-cost burdens for the parties involved. Furthermore, a lack of clarity in regulations and dispute resolution procedures can exacerbate the legal uncertainty faced by taxpayers. There is a notion that several alternative dispute resolution methods, such as mediation and arbitration, are considered to offer the potential for resolving disputes more efficiently and at a lower cost. However, the implementation and utilization of these alternative mechanisms are still limited in Indonesia, necessitating an evaluation of the obstacles and opportunities for their application. Thus, an analysis of the effectiveness, economic costs, and regulatory clarity of tax dispute resolution mechanisms in Indonesia is crucial for enhancing legal certainty and the overall efficiency of the taxation system.

Research is needed to doctrinally analyze the effectiveness, economic costs, and regulatory clarity of tax dispute resolution mechanisms in Indonesia. Using an economic analysis of law approach, this study will evaluate the extent to which existing mechanisms can provide legal certainty and economic efficiency for the parties involved. The objective of this research makes it important for addressing three existing problems. First, how effective are the tax dispute resolution mechanisms in Indonesia in guaranteeing legal certainty for taxpayers? Second, to what extent do the economic costs incurred by tax dispute resolution mechanisms impact the efficiency of the taxation system in Indonesia? Third, how do the clarity and consistency of regulations governing tax dispute resolution mechanisms affect implementation and taxpayer trust in the taxation system?

Several previous studies exist regarding tax dispute mechanisms in Indonesia, but they have limitations that this legal study addresses with its novelty. A study by Dwiputri & Kusufi (2019) analyzed the behavior of Supreme Court decisions in tax disputes and indications of tax avoidance by taxpayers.<sup>1</sup> This research found that taxpayers exploit legal loopholes to delay tax payments during the dispute process, resulting in economic losses for the state.<sup>2</sup> The limitation of this previous study is that it did not evaluate the effectiveness of the tax dispute resolution mechanism as a whole or discuss the economic costs of the process. A study by GNV Consulting (2024) explained the burden of proof in Indonesian tax disputes, especially in the self-assessment system.<sup>3</sup> Although its main finding showed that the initial burden of proof lies with the taxpayer, it can shift to the tax authority if there are indications of an unfounded assessment,<sup>4</sup> however, this prior research did not discuss the economic impact of the burden of proof or how it affects legal certainty in tax dispute resolution. Then, research by Afiyati et al (2022) on the potential of mediation as an alternative for tax dispute resolution in Indonesia found that the mediation mechanism is not yet explicitly regulated in Indonesian law, even though it

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<sup>1</sup> Dwiputri, I. N., & Kusufi, M. S. (2019). The INVESTIGATION OF TAX DISPUTE IN INDONESIA. *Jurnal Aplikasi Akuntansi*, 4(1), 41-58. DOI: 10.29303/jaa.v4i1.66.

<sup>2</sup> *Ibid.*

<sup>3</sup> GNV Consulting. (2024). The Burden of Proof in Indonesia Tax Disputes: An Overview. Available at <https://www.itrworldtax.com/NewsAndAnalysis/The-Burden-of-Proof-in-Indonesia-Tax-Disputes-An-Overview/Index/1714>.

<sup>4</sup> *Ibid.*

could offer a faster and more efficient resolution.<sup>5</sup> However, this previous study still had limitations, namely the lack of a legal framework to support the implementation of mediation in tax disputes and the absence of a cost-benefit analysis of this approach. Furthermore, a study by Hutagalung et al (2025) exploring the opportunities for applying Alternative Dispute Resolution (ADR) in the settlement of tax disputes in Indonesia found that Law No. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution does not cover tax disputes, so special regulations are needed for the implementation of ADR in this context.<sup>6</sup>

Based on a review of previous studies, the novelty of this research lies in its interdisciplinary approach, Regulatory Impact Assessment (RIA), comprehensive evaluation, and policy recommendations. The interdisciplinary approach involves combining doctrinal legal analysis with the economic analysis of law to evaluate the effectiveness and efficiency of tax dispute resolution mechanisms in Indonesia. The RIA is related to conducting a Regulatory Impact Assessment of tax dispute resolution mechanisms, including litigation and alternative dispute resolution, to assess regulatory clarity and its economic impact. Then, its comprehensive evaluation is carried out by thoroughly analyzing the effectiveness, economic costs, and regulatory clarity of existing tax dispute resolution mechanisms, as well as evaluating the potential implementation of ADR in the Indonesian legal context. Furthermore, this legal study is expected to provide evidence-based recommendations for legal and tax policy reform to enhance legal certainty and economic efficiency in tax dispute resolution. Thus, this research is expected to make a significant contribution to the development of a more effective, efficient, and legally certain tax dispute resolution system in Indonesia for all parties involved.

## **B. ANALYSIS AND DISCUSSION**

### **1. The effectiveness of tax dispute resolution mechanisms in indonesia in guaranteeing legal certainty for Taxpayers**

Legal certainty in taxation is a crucial element that influences taxpayers' economic decisions, including investment and compliance with tax obligations. Legal uncertainty can create additional risks and significant economic costs for taxpayers, tax authorities, and the tax court itself. Specifically in Indonesian tax disputes, the mechanism includes administrative channels like objections and appeals, as well as litigation through the Tax Court. However, the effectiveness and efficiency of these mechanisms remain questionable, especially in the context of legal certainty and the economic costs involved. In addition, alternative dispute resolutions such as mediation and arbitration have not been optimally utilized, despite their potential to resolve disputes more quickly and efficiently.

The effectiveness of the tax dispute resolution mechanism is closely related to the system's ability to provide swift, fair, and predictable solutions for taxpayers. Legal

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<sup>5</sup> Afiyati, R., Sudarsono, S., Negara, T. A. S., & Koeswahyono, I. (2022). Tax dispute settlement mediation arrangements in the future tax court. *International Journal of Research in Business and Social Science* (2147-4478), 11(5), 503-511. DOI: 10.20525/ijrbs.v11i5.1867.

<sup>6</sup> Hutagalung, E., Mutaqqin, Z., & Amirulloh, M. (2025). Opportunities for Implementing Alternative Dispute Resolution (ADR) in Settlement of Tax Disputes in Indonesia. *Journal of Law Politic and Humanities*, 5(3), 2196-2204. DOI: 10.38035/jlph.v5i3.1572

certainty is a primary indicator for assessing this effectiveness, as taxpayers require assurance that their rights and obligations are recognized and protected by law.

The tax dispute resolution mechanism in Indonesia includes administrative processes (objections), judicial processes (appeals and lawsuits), and extraordinary legal remedies (judicial review).<sup>7</sup> However, several challenges hinder the effectiveness of this system. First is length of resolution time. The tax dispute resolution process often takes a long time, sometimes years, which can disrupt legal certainty for taxpayers. A study by DDTC Consulting (2023) found that the tax dispute resolution process can take 4–5 years, with a high caseload in the Tax Court and the Supreme Court.<sup>8</sup> Second one is quality of decisions. A lack of consistency in tax court decisions can create legal uncertainty and reduce taxpayer trust in the judicial system.<sup>9</sup> The third is accessibility. The Tax Court being located only in Jakarta makes it difficult for taxpayers in other regions to access judicial services, which impacts the effectiveness of dispute resolution.<sup>10</sup>

It is necessary to consider a shift in focus to the formal tax dispute resolution mechanisms regulated in Law No. 14 of 2002 concerning the Tax Court and related regulations. Informal or non-judicial aspects, such as mediation or arbitration outside the official judicial system, are not the main focus of this discussion.

## **2. The economic costs of tax dispute resolution mechanisms and their impact on the efficiency of the Indonesian taxation system**

Economic costs in tax dispute resolution include direct costs (such as legal and administrative fees) and indirect costs (such as wasted time and resources). The efficiency of the taxation system can be compromised if these costs are too high, thereby hindering compliance and increasing the burden on taxpayers and tax authorities.

Several factors contribute to the high economic costs of tax dispute resolution in Indonesia. First are long and complex processes. Complicated and time-consuming dispute resolution procedures increase costs for all parties involved. Secondly, it is lack of digitalization. Limitations in the use of information technology hinder the efficiency of the dispute resolution process, although initiatives like the e-Tax Court are being introduced.<sup>11</sup> The third is high compliance costs. Taxpayers face significant compliance costs, including the expense of understanding and meeting complex legal requirements.

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<sup>7</sup> Prabowo, R. S., Mau, H. A., & Sagala, R. V. (2025). KEWENANGAN PENGADILAN PAJAK DALAM MEMUTUS SENGKETA GUGATAN DI BIDANG KEPABEANAN. *Journal of Innovation Research and Knowledge*, 4(10).

<sup>8</sup> DDTC Consulting (2023). A General Introduction to Tax Disputes and Litigation in Indonesia. Available at <https://www.lexology.com/library/detail.aspx?g=e8743c4e-0556-4987-ad7a-5fec24015cc2>.

<sup>9</sup> Aji, W. K., Khosafiah, R. K., Jusikusuma, T. D., & Irawan, F. (2022). PENYELESAIAN SENGKETA PAJAK ATAS GUGATAN DAN SANGGAHAN: SUATUPERSPEKTIF KEADILAN. *Jurnal Pajak Indonesia*, 6(1).

<sup>10</sup> Triadi, I., & Fitriani, E. (2025). Analisis Peran Pengadilan Pajak dalam Optimalisasi Pendapatan Negara. *Amandemen: Jurnal Ilmu pertahanan, Politik dan Hukum Indonesia*, 2(2), 25-41. DOI: <https://doi.org/10.62383/amandemen.v2i2.857>.

<sup>11</sup> Saptati, R. (2024). E-Tax Court Percepat dan Permudah Administrasi Penyelesaian Sengketa Pajak. Published June 19, 2024. Available at <https://mediakeuangan.kemenkeu.go.id/article/show/e-tax-court-percepat-dan-permudah-administrasi-penyelesaian-sengketa-pajak>.

The high economic costs of tax dispute resolution can disrupt the efficiency of the taxation system in the following ways:

- a) Reducing taxpayer compliance  
High costs can make taxpayers reluctant to comply with their tax obligations, especially if they feel the dispute resolution process is inefficient or unfair.<sup>12</sup>
- b) Increasing administrative burdens  
Tax authorities must allocate more resources to handle disputes, which can divert attention from other important tasks, such as tax collection and taxpayer services.
- c) Hindering investment and economic growth  
Uncertainty and high costs in the taxation system can make investors hesitant to invest, which in turn can hamper economic growth.

To reduce economic costs and increase the efficiency of the taxation system, several steps can be taken. First step is increasing digitalization. Expanding the use of information technology in the dispute resolution process, such as through the e-Tax Court, can speed up the process and reduce costs.<sup>13</sup> Procedure Simplification. Simplifying dispute resolution procedures to reduce the complexity and duration of the process. The second one is education and socialization. Improving taxpayers' understanding of their rights and obligations as well as the dispute resolution process can help reduce unnecessary errors and disputes. The third step is strengthening digital infrastructure. Ensuring that digital infrastructure is available and accessible to all parties involved in the dispute resolution process.<sup>14</sup> By implementing these steps, it is hoped that the economic costs of tax dispute resolution can be reduced, thereby increasing efficiency and fairness in the Indonesian taxation system.

### **3. How regulations on tax dispute resolution mechanisms affect implementation and Taxpayer trust in the taxation system**

The clarity and consistency of tax regulations are crucial for ensuring that taxpayers understand their rights and obligations. Ambiguity or inconsistency in regulations can create legal uncertainty, which in turn reduces taxpayer trust in the taxation system. Legal certainty regarding tax dispute resolution mechanisms in Indonesia covers several stages under Law No. 14 of 2002 concerning the Tax Court and Law No. 6 of 1983 concerning General Tax Provisions and Procedures, as amended by Law No. 7 of 2021 concerning the Harmonization of Tax Regulations. First is an objection. Taxpayers can file an objection to a Tax Assessment Letter (SKP) with the Director General of Taxes. Second is the appeal. If the objection is rejected or the taxpayer rejects part or all of the decision, the taxpayer can file an appeal with the Tax Court. The third is lawsuit. Taxpayers can also file a lawsuit against the implementation of tax collection or other decisions deemed detrimental. The last one is judicial review (PK). As a final legal remedy, taxpayers can file for a judicial review with the Supreme Court against a Tax Court decision

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<sup>12</sup> Wulandari, D. S. (2021). Digitalisasi Sistem Administrasi Perpajakan dan Biaya Kepatuhan Pajak terhadap Kepatuhan Wajib Pajak Orang Pribadi. *Journal of Accounting Science*, 5(1).

<sup>13</sup> Reni Saptati, *Ibid*.

<sup>14</sup> Desyanthi, N. P. R. (2023). e-Tax Court: Inovasi Digital dalam Penyelesaian Sengketa Pajak. Available at <https://artikel.pajakku.com/e-tax-court-inovasi-digital-dalam-penyelesaian-sengketa-pajak/>.

There are several issues related to the clarity and consistency of regulations in tax dispute resolution in Indonesia. First, rapid regulatory changes. Frequent changes in tax regulations without adequate socialization cause confusion among taxpayers.<sup>15</sup> Second, lack of regulatory harmonization. Discrepancies between central and regional regulations or between various tax regulations can lead to differing interpretations.<sup>16</sup>

This discussion is limited to regulations that directly govern tax dispute resolution mechanisms, including laws, government regulations, and ministerial regulations. Other aspects of tax regulation not directly related to dispute resolution are not discussed in depth.

The government has taken steps to increase taxpayer trust in the taxation system. First, socialization of tax regulations. Through socialization activities, such as those conducted by the Tax Service Office (KPP) in communicating the HPP Law, the government strives to improve taxpayer understanding of tax regulations.<sup>17</sup> Second, procedure simplification. With the HPP Law, the government seeks to simplify tax and dispute resolution procedures to enhance efficiency and legal certainty. The third, strengthening dispute resolution institutions. The Tax Court, as a special judicial body, is expected to provide fair and professional decisions in resolving tax disputes.<sup>18</sup>

Clear and consistent regulations for tax dispute resolution are essential in building taxpayer trust in the taxation system. By understanding their rights and obligations and having access to fair and efficient dispute resolution procedures, taxpayers will be more motivated to voluntarily fulfill their tax obligations. Government efforts to improve regulations and increase socialization must be continued to create a transparent and trustworthy taxation system.

## C. Conclusion

This study concludes that the current tax dispute resolution mechanisms in Indonesia are not yet fully effective in guaranteeing legal certainty for taxpayers. The lengthy dispute process, high-cost burdens, and regulatory uncertainty worsen trust and tax compliance. Alternative mechanisms like mediation and arbitration offer potential efficiency but are not yet supported by an adequate legal framework. From an economic cost perspective, the high cost of dispute resolution negatively impacts the efficiency of the taxation system by reducing compliance rates, increasing administrative burdens, and hindering investment and economic growth. Measures such as system digitalization, procedure simplification, and taxpayer education should be prioritized to reduce these costs. In terms of regulation, the ambiguity and inconsistency of rules exacerbate legal uncertainty. Government efforts through socialization and regulatory harmonization, including strengthening the role of the Tax Court, are positive steps that must be continuously reinforced. By adopting an interdisciplinary approach and a Regulatory

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<sup>15</sup> Hariani, A. (2023). Tren Efektivitas Penyelesaian Sengketa Pajak. Available at <https://www.pajak.com/pajak/tren-efektivitas-penyelesaian-sengketa-pajak/>.

<sup>16</sup> BPHN. Lembaga Penyelesaian Sengketa Perpajakan. Available at [https://bphn.go.id/data/documents/lembaga\\_penyelesaian\\_sengketa\\_perpajakan\\_2.pdf](https://bphn.go.id/data/documents/lembaga_penyelesaian_sengketa_perpajakan_2.pdf).

<sup>17</sup> DJP. Ubah Pola Pikir Wajib Pajak, KPP Sosialisasikan UU HPP. Available at <https://pajak.go.id/id/berita/ubah-pola-pikir-wajib-pajak-kpp-sosialisasikan-uu-hpp>.

<sup>18</sup> Mekari. (2024). 4 Prosedur Penyelesaian Sengketa Pajak yang Dimiliki oleh Wajib Pajak. Published 11 Dec 2018, Updated 06 November 2024. Available at <https://klikpajak.id/blog/4-prosedur-penyelesaian-sengketa-pajak/>.

Impact Assessment, this study offers a significant contribution to formulating recommendations for legal and tax policy reform in Indonesia. These reforms are expected to build a more effective, efficient, and legally certain tax dispute resolution system, thereby increasing taxpayer trust and supporting national economic development

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