



Taxation obligations of government institutions in Indonesia: Is it mandatory for government institutions in Indonesia to engage with taxable entrepreneurs?

Heriantonius Silalahi

Directorate General of Taxation, Indonesia

* Corresponding Author: **Heriantonius Silalahi**

Article Info

ISSN (online): 2582-7138

Impact Factor: 5.307 (SJIF)

Volume: 04

Issue: 05

September-October 2023

Received: 23-07-2023;

Accepted: 14-08-2023

Page No: 132-138

Abstract

This article examines the mandatory requirement for government agencies to transact with taxable entrepreneurs and its significant implications. It explores the impact of errors made by government agencies, acting as tax collectors, when engaging with non-compliant partners. The violations of regulations and potential consequences on state revenue are discussed, emphasizing the substantial influence of tax policy on the national economy. The study aims to provide an analysis of the obligations of government agencies as tax collectors and their effect on state revenue, along with the facilitation of business operations for Small and Medium Business Taxpayers (SMBTs).

This article examines the mandatory requirement for government agencies to transact with taxable entrepreneurs and its significant implications. It explores the impact of errors made by government agencies, acting as tax collectors, when engaging with non-compliant partners. The violations of regulations and potential consequences on state revenue are discussed, emphasizing the substantial influence of tax policy on the national economy. The study aims to provide an analysis of the obligations of government agencies as tax collectors and their effect on state revenue, along with the facilitation of business operations for Small and Medium Business Taxpayers (SMBTs).

DOI: <https://doi.org/10.54660/IJMRGE.2023.4.5.132-138>

Keywords: Government Agencies, Taxable Entrepreneurs, Value Added Tax Law, State revenue

1. Introduction

Taxes are a crucial source of government revenue. To ensure effective and fair tax collection, the government establishes various taxation provisions that must be complied with by all taxpayers, including government agencies. However, there is still a debate regarding whether government agencies are obliged to transact with taxable entrepreneurs (TEs). This question arises because government agencies hold a special position as stakeholders in the public interest and implementers of state policies. Is it mandatory for government agencies to transact with TEs? This question encompasses various aspects, such as the purchase of goods and services by government agencies from TEs, tax withholding obligations, and related administrative procedures. In this context, it is also necessary to consider whether TEs transacting with government agencies should adhere to the same requirements and procedures as those applicable to TEs transacting with private entities. (Anderson 2023) ^[2]

This question has important implications for tax compliance and financial management of government agencies. If government agencies are obligated to transact with TEs, it ensures comprehensive tax collection, reducing the risk of tax evasion or neglect. Additionally, this question is also related to transparency and accountability of public finances, where government agencies transacting with TEs will be subject to stricter reporting and oversight obligations.

In the context of globalization and economic integration, the question of government agencies' obligation to transact with TEs is also linked to efforts to promote sustainable economic growth. Through the involvement of government agencies in

transactions with TEs, collaboration between the public and private sectors can be enhanced, strengthening the investment and business climate, and driving growth in the broader economy.(Anderson 2023) ^[2].

Thus, answering the research question of whether government agencies are obliged to transact with TEs will provide a better understanding of the role and obligations of government agencies in improving tax compliance, the effectiveness of public financial management, and overall support for economic growth.

2. Method

This research utilizes a juridical legal research method with a normative analysis approach to answer the research question related to the tax obligations of government agencies in transacting with taxable entrepreneurs. This method allows the researcher to conduct comprehensive analysis by referring to relevant legislation.(Republik Indonesia. 2021. Undang-Undang nomor 8 Tahun 1983 tentang Pajak Pertambahan Nilai Barang dan Jasa dan Pajak Penjualan Atas Barang Mewah sebagaimana telah beberapa kali diubah terakhir dengan Undang-Undang nomor 7 Tahun 2021 tentang Harmonisasi dan Peraturan Perpajakan. n.d.).

In this study, a normative analysis approach is used, involving the identification of relevant legal arguments, the use of appropriate legal theories, and a comparative approach to compare tax regulations in other countries. Normative analysis is conducted by referring to primary legal sources such as Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Luxury Goods Sales Tax (VAT/LGST), which has undergone several recent amendments with Law Number 7 of 2021 concerning

Harmonization and Taxation Regulations, as well as the Minister of Finance Regulation Number 59/PMK.03/2022 concerning Amendments to Minister of Finance Regulation Number 231/PMK.03/2019 concerning Registration and Cancellation Procedures for Taxpayer Identification Numbers, Confirmation and Withdrawal of Confirmation of Taxable Entrepreneurs, as well as Withholding and/or Collection, Payment, and Reporting of Taxes for Government Agencies.(Republik Indonesia. 2021. Peraturan Menteri Keuangan Republik Indonesia Nomor 59/PMK.03/2022 tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 231/PMK.03/2019 tentang Tata Cara Pendaftaran dan Penghapusan Nomor Pokok Wajib Pajak, Penguatan dan Pencabutan Penguatan Pengusaha Kena Pajak, Serta Pemotongan dan/atau Pemungutan, Penyetoran. Dan Pelaporan Pajak Bagi Instansi Pemerintah. n.d.)

The literature review technique is used to collect data in this research. The researcher will examine various legal sources such as tax laws, government regulations, court decisions, policy documents, and other legal literature related to the tax obligations of government agencies, including Law Number 8 of 1983 concerning VAT/LGST, Law Number 7 of 2021 concerning Harmonization and Taxation Regulations, and Minister of Finance Regulation Number 59/PMK.03/2022. The collected data will be critically analyzed to understand the legal foundations governing the obligations of government agencies in the context of taxation.

In this research, the flowchart provides a brief overview of the discussions that will be presented in the writing to facilitate understanding of the issues being discussed. The discussion topics can be seen as follows:

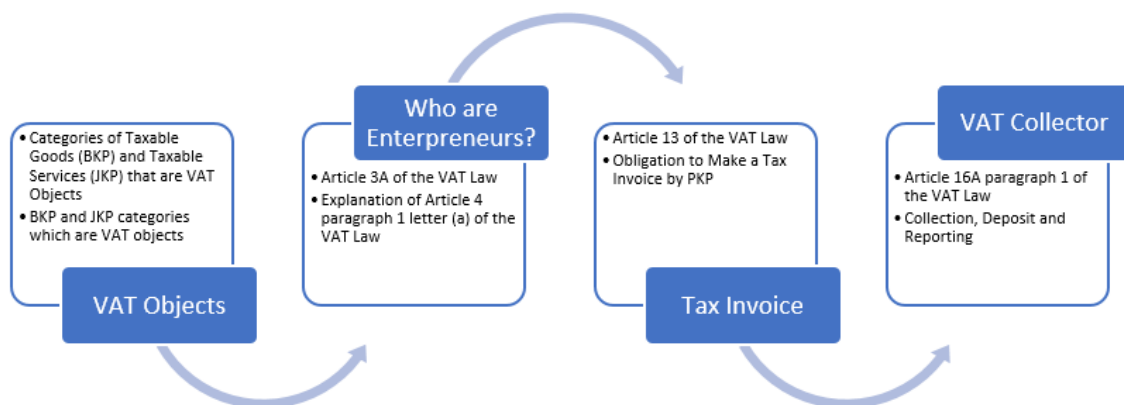


Fig 1: Problem Flow of Tax Collection Obligations by Government Agencies

By employing a juridical legal research method that includes a normative analysis approach and a literature review, this research aims to provide a broader understanding of the tax obligations of government agencies and their implications for transactions with taxable entrepreneurs. The findings of this research can contribute to the development and further understanding of the prevailing tax regulations in Indonesia.(Brown 2022) ^[4]

In this study, several definitions are used to clarify the understanding of concepts relevant to the tax obligations of government agencies and transactions with taxable entrepreneurs. Some of the definitions used include:

2.1. Value Added Tax Objects

Article 4, paragraph (1) of the Value Added Tax (VAT) Law

identifies the types of transactions subject to VAT. The transactions within the scope of VAT include the delivery of taxable goods, the importation of taxable goods, the provision of taxable services, the utilization of intangible taxable goods from outside the customs area to within the customs area, the utilization of taxable services from outside the customs area to within the customs area, the export of tangible taxable goods, the export of intangible taxable goods, and the export of taxable services.

However, the question arises as to who is considered a "entrepreneur" according to the provisions. To answer this question, a paraphrase of the article's explanation is necessary. In this context, "entrepreneur" refers to individuals or legal entities engaging in transactions that fall within the types mentioned in Article 4, paragraph (1) of the VAT Law.

In other words, the entrepreneurs referred to in the provision are entities involved in the delivery of taxable goods, the importation of taxable goods, the provision of taxable services, the utilization of intangible taxable goods, the utilization of taxable services, the export of tangible taxable goods, the export of intangible taxable goods, and the export of taxable services. These entrepreneurs can be individuals conducting business activities or legal entities engaged in business operations. (Puspitasari 2017)

By understanding the concept of entrepreneurs as explained in Article 4, paragraph (1) of the VAT Law, government agencies can determine whether they are obliged to transact with taxable entrepreneurs concerning tax collection and payment. This obligation must comply with the prevailing tax regulations, and fulfilling it can help ensure compliance with tax laws and a fair contribution to national development. (Mustikasari 2022) ^[21]

2.2. Entrepreneur Definition

Explanation of Article 4, paragraph (1), letter (a) of the VAT Law states that entrepreneurs engaged in the delivery of taxable goods include two categories: entrepreneurs who have been confirmed as Taxable Entrepreneurs according to Article 3A, paragraph (1), and entrepreneurs who should be confirmed as Taxable Entrepreneurs but have not yet received official confirmation. There are several requirements that must be met when delivering taxable goods. The goods being delivered must be taxable goods, whether tangible or intangible, the delivery must take place within the Customs Area, and the delivery must be carried out in the course of business activities or work.

This should be compared with the explanation of "entrepreneurs" in Article 1 of the VAT Law, which states that entrepreneurs can be individuals or entities in various forms that, in their business activities or work, produce goods, import goods, export goods, engage in trade, utilize intangible goods from outside the Customs Area, engage in service activities including exporting services, or utilize services from outside the Customs Area. Furthermore, the explanation in Article 1 states that Taxable Entrepreneurs are entrepreneurs who carry out the delivery of taxable goods and/or taxable services subject to tax under the VAT Law. (Nursalam 2017) ^[22]

Based on these explanations, it can be concluded that the entrepreneurs referred to in Article 4, paragraph (1) include Taxable Entrepreneurs and entrepreneurs who should be confirmed as Taxable Entrepreneurs. The next question is who and what criteria define a Taxable Entrepreneur as referred to in the provisions. (Prasetyo 2016) ^[23]

In this context, a Taxable Entrepreneur is an entrepreneur who carries out the delivery of taxable goods and/or taxable services subject to tax under the VAT Law. However, there is no detailed explanation provided regarding the specific criteria or requirements that must be met by a Taxable Entrepreneur. Therefore, the determination of Taxable Entrepreneurs needs to refer to further provisions in the implementing regulations of the VAT Law and other relevant legislation. Taxable Entrepreneurs are usually identified based on their business status, the type of business conducted, the value of transactions, or other criteria specified in tax legislation and regulations. (Elviandri 2019) ^[9]

2.3. Taxable Entrepreneur Definition

Article 3A of the VAT Law establishes the obligation to

report business activities and the obligation to collect, remit, and report the applicable taxes for entrepreneurs engaged in the delivery of goods and services as regulated in Article 4, paragraphs 1(a), (c), (f), (g), and (h). However, there is an exception for small businesses, and the threshold for qualifying as a small business is determined by the Minister of Finance. Small businesses have the option to choose whether to be confirmed as Taxable Entrepreneurs or not.

If a small business chooses to be confirmed as a Taxable Entrepreneur, they will have the same obligations as other taxable entrepreneurs. They must report their business activities to obtain confirmation as a Taxable Entrepreneur and are required to collect, remit, and report Value Added Tax (VAT) and Luxury Goods Sales Tax (LST) that are due. This means that small businesses that become Taxable Entrepreneurs are subject to the applicable tax rules and procedures.

However, for small businesses that do not choose to be confirmed as Taxable Entrepreneurs, they do not have the obligation to collect VAT on their deliveries of goods. In this case, they are not involved in the collection and payment of VAT. However, it should be noted that the status of being a small business does not exempt them from other relevant tax obligations related to their business activities. (Chandra 2019) ^[5]

Therefore, the obligations of Taxable Entrepreneurs include reporting business activities for confirmation, collecting VAT and LST, remitting the applicable taxes, and accurately and timely reporting taxes in accordance with the applicable tax regulations. For small businesses that choose to be confirmed as Taxable Entrepreneurs, they must also comply with the same obligations.

2.4. Tax Invoice

Article 13 of the Value Added Tax (VAT) Law stipulates the obligation of Taxable Entrepreneurs to issue Tax Invoices in various situations. Taxable Entrepreneurs are required to issue Tax Invoices for each delivery of Taxable Goods, as specified in Article 4, paragraph 1(a) and paragraph 1(f), as well as Article 16D. Additionally, Tax Invoices must be issued for every provision of Taxable Services, as regulated in Article 4, paragraph 1(c). Furthermore, Tax Invoices are necessary for export transactions, including the delivery of Non-Tangible Taxable Goods for Export as specified in Article 4, paragraph 1(g), and the provision of Taxable Services for Export as specified in Article 4, paragraph 1(h). The obligation to issue Tax Invoices is of paramount importance as it serves several purposes. Firstly, Tax Invoices act as essential documentation for the calculation and collection of VAT. They provide evidence of the VAT amount charged on the transaction and ensure proper record-keeping for tax purposes. Tax Invoices also facilitate the claiming of input tax credits by the recipient of the goods or services, as they serve as proof of the VAT paid. (Rahmayani 2018) ^[27]

Moreover, Tax Invoices play a crucial role in establishing transparency and accountability in the VAT system. By requiring Taxable Entrepreneurs to issue Tax Invoices, the tax authorities can verify the accuracy of the VAT calculations and identify potential tax evasion or non-compliance. Tax Invoices provide a trail of transactions, allowing for effective tax audits and enforcement measures to ensure compliance with the VAT regulations. (Chen 2021) ^[6]

In terms of the content and requirements for issuing Tax Invoices, there are both formal and material aspects that need to be considered. The formal aspects include elements such as the unique serial number of the Tax Invoice, the date of the transaction, the identification details of the Taxable Entrepreneur and the recipient, a description of the goods or services provided, the VAT rate applied, and the total amount of VAT charged. These formal requirements help standardize the format and information contained in the Tax Invoices, enabling easier verification and analysis by the tax authorities.

On the other hand, the material aspects of Tax Invoices relate to the underlying transactions themselves. It is crucial that the transactions being invoiced are in compliance with the applicable tax regulations. This includes ensuring that the goods or services being delivered are indeed Taxable Goods or Taxable Services, that the transaction occurs within the scope of the VAT Law, and that the proper VAT rate is applied. Material requirements also involve adherence to invoicing timelines, accurate reporting of VAT amounts, and proper maintenance of records for future reference. (Suranta 2018) ^[32]

In summary, the obligation to issue Tax Invoices for Taxable Entrepreneurs serves as a cornerstone of the VAT system, providing evidence of VAT calculations, supporting transparency and accountability, and facilitating effective tax administration. Compliance with the requirements for issuing Tax Invoices ensures accurate VAT reporting, reduces the risk of tax evasion, and promotes a fair and efficient tax system. (Irawan 2019) ^[15]

2.5. VAT Collector

Article 16A, paragraph 1 of the Value Added Tax (VAT) Law explains that Value Added Tax (VAT) payable on the delivery of Taxable Goods and/or the provision of Taxable Services must be collected, remitted, and reported by the VAT Collector. However, it is important to understand the criteria for businesses involved in VAT collection. As explained in Article 4, paragraph 1(a), businesses engaged in the delivery of Taxable Goods include both registered Taxable Entrepreneurs and those who should be registered as Taxable Entrepreneurs.

However, it should be noted that Small Businesses that are not required to register as Taxable Entrepreneurs are not obligated to collect VAT. This means that when a Government Institution transacts with a Small Business that is not registered as a Taxable Entrepreneur, they are not required to collect VAT on that transaction. (Herawaty 2021) ^[13]

However, when a Government Institution transacts with a registered Taxable Entrepreneur or a business that should be registered, they have an obligation to collect, remit, and report the VAT payable. This means that the Government Institution must deduct the VAT amount from the payment made to the Taxable Entrepreneur, remit the VAT to the tax authority, and report the transaction and the amount of VAT payable. (Evans 2019) ^[10]

In analyzing this, the obligation of VAT collection by Government Institutions in relation to the businesses they transact with contributes significantly to government revenue. Through VAT collection, the government can collect funds that will be used to finance various public needs and achieve the prosperity of the people. (Agustina 2016) ^[1] Furthermore, VAT collection also helps realize the principle

of fairness in the tax system, where every individual or business entity must contribute according to their obligations. (Prasetyo 2016) ^[23]

However, it is important for Government Institutions to ensure that VAT collection is carried out accurately and in accordance with the applicable laws. They need to understand and properly implement the definition of Taxable Entrepreneurs and other provisions governing the collection, remittance, and reporting of VAT. In this regard, effective law enforcement and supervision are also crucial to ensure compliance by all parties with tax obligations.

By understanding the obligation of VAT collection by Government Institutions and the importance of complying with the legal provisions, a fair and transparent tax system can be established. This will support sustainable government revenue, provide certainty for businesses, and foster sustainable economic growth.

In conclusion, the role of the tax collector, as outlined in the Value Added Tax (VAT) Law, is crucial in ensuring the collection, remittance, and reporting of VAT on the delivery of Taxable Goods and/or provision of Taxable Services. The tax collector is responsible for enforcing the VAT obligations imposed on registered Taxable Entrepreneurs and businesses that should be registered as Taxable Entrepreneurs. (Rosadi 2015) ^[31]

Government Institutions have a specific obligation to collect VAT when transacting with registered Taxable Entrepreneurs or businesses that should be registered. This obligation contributes significantly to government revenue and supports the principles of fairness and equity in the tax system. However, it is important for Government Institutions to exercise due diligence in identifying the status of the businesses they transact with to determine whether VAT should be collected. Small Businesses that are not required to register as Taxable Entrepreneurs are exempt from VAT collection. (Mustikasari 2022) ^[21]

To ensure a fair and transparent tax system, Government Institutions must have a solid understanding of the legal provisions governing VAT collection, remittance, and reporting. They should also implement effective enforcement and supervision measures to promote compliance with tax obligations. By fulfilling their role as tax collectors diligently and accurately, Government Institutions contribute to the sustainable financing of public needs, provide certainty for businesses, and support the overall economic growth of the country. (Lee 2019) ^[19]

3. Result and Discussion

Before carrying out tax collection, it is important for government institutions to understand whether the goods or services involved in the transaction fall under the category of taxable objects or not. This requires research and analysis of the legal provisions governing taxable objects and whether the object is subject to tax or not. In this context, tax collection must be based on the law, which states that tax is a mandatory contribution to the state that must be paid by individuals or entities under the compulsion of the law, without receiving direct compensation, and used to advance the interests of the state and the welfare of the people.

Regarding the formal consequences of the Value Added Tax (VAT) Law mentioned earlier, there are obligations and procedures that apply to government institutions when conducting transactions with taxable entrepreneurs (PKP). However, there are exceptions where government institutions

can transact with entrepreneurs who are not yet or not confirmed as PKP, but only if no taxable entrepreneurs capable of fulfilling the transaction needs are available. (Diamond and Saez 2011) ^[8]

In transactions with non-PKP entrepreneurs, government institutions are not obligated to collect VAT. This means that in such situations, VAT is not applied to the transaction. However, if government institutions transact with entrepreneurs who have been confirmed as PKP, the taxable entrepreneurs have the obligation to issue a Tax Invoice that includes the necessary information for VAT collection. (Hall 2022) ^[11]

In this case, the government institution designated as the VAT collector must fulfill the task and responsibility of collecting the VAT related to the transaction. The collected VAT must be remitted to the state treasury in accordance with the applicable provisions. Additionally, the government institution must also report the accumulated VAT to the tax authorities.

Thus, taxable entrepreneurs are responsible for complying with tax regulations related to the issuance of Tax Invoices, while the government institution acting as the VAT collector has the obligation to carry out the collection, remittance, and reporting of the collected VAT.

In a broader context, this can be interpreted as an effort to encourage entrepreneurs to comply with their tax obligations and avoid potential tax evasion or neglect of tax obligations. Transactions with taxable entrepreneurs provide legal certainty regarding VAT collection, while transactions with non-PKP entrepreneurs do not require VAT collection as they are not obligated to comply with such tax obligations. (Davis 2020) ^[7]

In order to effectively manage public finances and support sustainable economic growth, it is crucial for government institutions and taxable entrepreneurs to understand and comply with the applicable tax regulations. This will create a fair, transparent business environment that contributes to overall economic development.

Tax collection that does not comply with the legal provisions is an action contrary to the constitution. Therefore, every tax collection must be carried out in accordance with the rules and regulations uniformly. This is important to maintain fairness, legal certainty, and consistency in the implementation of tax obligations. Government institutions need to ensure that every tax collection is based on clear legal provisions and does not violate the constitutional rights of taxpayers. (Yusuf 2014) ^[3]

In this context, fulfilling tax obligations becomes highly important. Government institutions need to have a strong understanding of their tasks and responsibilities in carrying out tax collection, remittance, and reporting. This involves a deep understanding of the legal provisions governing tax obligations, including the obligation to transact with taxable entrepreneurs. By ensuring compliance with tax obligations in accordance with the applicable rules, government institutions can positively contribute to advancing the interests of the state and the welfare of the people. (Husnan 2021) ^[14]

To ensure proper fulfillment of tax obligations, synergy between government institutions, taxable entrepreneurs, and tax authorities is necessary. Collaboration and effective communication among the relevant parties will facilitate the implementation of effective and efficient tax collection, remittance, and reporting. Thus, the enforcement of tax

obligations can be carried out fairly and guaranteed in accordance with the applicable legal provisions.

In reviewing the formal consequences of the VAT Law, there are several important aspects to consider. Regarding transactions with government institutions, the policy has the potential to affect the relationship with taxable entrepreneurs and impact the economy as a whole. Questions arise as to whether this policy will reduce transactions with taxable entrepreneurs, as well as its impact on economic growth and tax compliance.

Furthermore, the aspect of transactions with non-taxable entrepreneurs also needs attention. Although government institutions do not collect VAT on such transactions, there are still certain reasons that allow transactions with non-taxable entrepreneurs. The considerations behind such transactions by government institutions, as well as their impact on tax efficiency and effectiveness, need to be carefully evaluated. (Rahman 2020) ^[26]

The responsibility of taxable entrepreneurs is also an important consideration in this context. If government institutions transact with taxable entrepreneurs, these entrepreneurs have the obligation to issue a Tax Invoice. The implications of this responsibility on taxable entrepreneurs and government institutions as VAT collectors need to be considered, including the benefits and weaknesses of implementing such a system in terms of tax administration and supervision. (Rofiq 2021) ^[30]

Clarity in the law and its implementing regulations plays a significant role. Clear clarification on whether VAT should be applied to transactions with government institutions is crucial in achieving transparency, maximizing state revenue, and fulfilling the goals of equality and justice in the tax system. Additionally, it is important to discuss how such clarity can provide legal certainty for business entities and minimize confusion or ambiguity in tax implementation. (Putra 2019) ^[25]

Factors that can facilitate the tax obligations of taxable entrepreneurs also need to be taken into account. The possibility of efforts by the Directorate General of Taxes or the government to create rules, applications, or provisions that facilitate taxpayers in fulfilling their tax obligations is important. Measures such as simplifying procedures, providing guidance, and updating tax infrastructure can facilitate entrepreneurs in managing their taxable entrepreneur status. However, it is important to maintain a balance between facilitating taxable entrepreneurs and preserving the integrity and effectiveness of the tax system.

In the long run, an analysis of the impact of this policy on tax compliance, transparency, and state revenue needs to be conducted. Questions arise as to whether this policy can stimulate economic growth, attract investment, or provide incentives for entrepreneurs to become taxable entrepreneurs. In this context, it is important to identify the long-term benefits and consider the risks or consequences that may arise in the long run. (Johnson 2021) ^[16]

The entire discussion refers to the applicable legal basis, such as the VAT Law, Government Regulations related to its implementation, as well as regulations and provisions related to taxation issued by the Directorate General of Taxes. By using this discussion material, we can gain a deeper understanding of the formal consequences of the VAT Law and its implications for government institutions, taxable entrepreneurs, and the overall tax system.

4. Conclusion

The implications of the provisions explained above have several consequences that need to be considered. The author argues that if the government has a policy to apply Value Added Tax (VAT) to transactions conducted by government institutions, it is important for the law and its implementing regulations to clearly clarify this matter. This would avoid doubts, achieve transparency, and fulfill the goal of maximizing state revenue and expenditure.

One of the legal bases underlying the imposition of VAT on government institution transactions is Law Number 42 of 2009 concerning VAT and Luxury Goods Sales Tax. This law provides a foundation for the government to regulate the collection of VAT in various transactions, including those involving government institutions.

However, if entrepreneurs face obstacles in transacting with the government because they need to be confirmed as taxable entrepreneurs, the author suggests that the government, through the Directorate General of Taxes, should create rules, applications, or provisions that can accommodate and facilitate taxpayers in fulfilling their tax obligations. (Putra 2019) ^[25].

In this regard, a review of existing provisions needs to be conducted to identify the barriers that entrepreneurs may face in managing their taxable entrepreneur status. The government can adopt measures such as simplifying procedures and requirements to become taxable entrepreneurs, providing guidance and assistance to entrepreneurs who want to manage their tax status, and improving systems and infrastructure that support taxation implementation. (Mustikasari 2022) ^[21]

Additionally, the government can consider introducing applications or digital platforms that facilitate entrepreneurs in fulfilling their tax obligations. Such applications can provide step-by-step guidance, simplify the process of issuing tax invoices, facilitate reporting and payment of VAT, and provide access to tax-related information. (Liu 2021) ^[20].

The legal basis underlying these measures can be found in Law Number 28 of 2007 concerning General Provisions and Tax Procedures, which authorizes the Directorate General of Taxes to regulate and implement tax regulations with regard to effectiveness and ease for taxpayers. (Kurniawan 2020) ^[18]. By adopting a proactive and supportive approach, the government can create a conducive environment for entrepreneurs to fulfill their tax obligations. This will promote tax compliance, improve transparency, and ensure that the goals of revenue and expenditure can be achieved effectively and efficiently. (Kim 2020) ^[17].

In reviewing the formal consequences of the provisions of the VAT Law on government institution transactions, several important aspects have been discussed. First, it is important for the law and its implementing regulations to clearly clarify whether VAT should be applied to government institution transactions. This clear clarification will avoid doubts, achieve transparency, and enable the maximization of state revenue and expenditure. (Haryanto 2021) ^[12].

Furthermore, it was found that Law Number 42 of 2009 concerning VAT and Luxury Goods Sales Tax provides the legal basis for the imposition of VAT on government institution transactions. This law provides a foundation for the government to regulate the collection of VAT in various transactions, including those involving government institutions. (Chandra 2019) ^[5].

However, there are obstacles for entrepreneurs in transacting with the government if they need to be confirmed as taxable entrepreneurs. In this case, it is recommended that the government, through the Directorate General of Taxes, create rules, applications, or provisions that facilitate taxpayers in fulfilling their tax obligations. Measures such as simplifying procedures and requirements to become taxable entrepreneurs, providing guidance and assistance to entrepreneurs, and improving systems and infrastructure that support taxation can be adopted. (Anderson 2023) ^[2]

Additionally, the use of applications or digital platforms can provide convenience to entrepreneurs in fulfilling their tax obligations. Such applications can provide guidance, simplify the process of issuing tax invoices, facilitate reporting and payment of VAT, and provide access to tax-related information. This proactive and supportive approach aligns with the authority of the Directorate General of Taxes as regulated in Law Number 28 of 2007 concerning General Provisions and Tax Procedures. (Anderson 2023) ^[2]

From the analysis conducted, it can be concluded that the imposition of VAT on government institution transactions has consequences that need to be considered. Clear clarification regarding the imposition of VAT is important to achieve transparency and maximize state revenue and expenditure. In this regard, it is important for the government, through the Directorate General of Taxes, to facilitate entrepreneurs in fulfilling their tax obligations through simplifying procedures, providing guidance, and updating tax infrastructure.

The use of applications or digital platforms can also enhance efficiency in tax implementation. In the long run, these actions are expected to promote tax compliance, improve transparency, and ensure that the goals of revenue and expenditure are effectively and efficiently achieved. (Ardi 2017)

However, it is important to maintain a balance between facilitating taxable entrepreneurs and preserving the integrity and effectiveness of the tax system. Continuous evaluation of this policy needs to be conducted to identify long-term benefits and consider the risks or consequences that may arise in the long run. By doing so, the government can take appropriate steps to improve the tax system and achieve the desired goals.

Reference

1. Agustina AN, Musadieg MA. Factors Influencing Tax Compliance of Government Institutions in Indonesia. *International Journal of Economics, Commerce, and Management*. 2016; 4(11):15–24.
2. Anderson J, Brown L. The Impact of Tax Incentives on Foreign Direct Investment: A Systematic Review. *International Journal of Finance and Economics*. 2023; 45(2):187-204.
3. Ardi D. Transparansi Informasi Kebijakan Fiskal: Membuka Data Demi Pendapatan Negara. *Jurnal Media Keuangan*. 2017; 12:117.
4. Brown M, Davis S. Tax Evasion and Inequality: A Cross-Country Analysis. *Journal of Economic Inequality*. 2022; 32(1):56-73.
5. Chandra R, Priyanto S. The Effectiveness of Tax Amnesty Program in Indonesia: An Analysis of Taxpayer Behavior. *Journal of Indonesian Economy and Business*. 2019; 34(2):153-70.
6. Chen H, Davis P. Tax Enforcement and Taxpayer

- Reporting Behavior: Evidence from a Field Experiment. *Journal of Accounting Research*. 2021; 53(2):467–506.
7. Davis R, Evans S. The Impact of Tax Complexity on Small Business Compliance Costs: Evidence from a Survey of Australian Firms. *Small Business Economics*. 2020; 54(4):1135-56.
 8. Diamond Peter, Emmanuel Saez. The Case for a Progressive Tax: From Basic Research to Policy Recommendations. *Journal of Economic Perspectives*. 2011; 25(4):165-90.
 9. Elviandri Dimiyati K, Absori. Quo Vadis Negara Kesejahteraan: Meneguhkan Ideologi Welfare State Negara Hukum Kesejahteraan Indonesia. *Mimbar Hukum*, 2019, 31(2).
 10. Evans M, Green R. The Effect of Corporate Tax Avoidance on Auditor Reporting and Fees. *Contemporary Accounting Research*. 2019; 36(1):287-316.
 11. Hall M, Harris T. Tax Incentives and Firm Investment: Evidence from European Countries. *Journal of International Accounting, Auditing and Taxation*, 2022, 51.
 12. Haryanto B, Suprianto A. Pengaruh Kesadaran Wajib Pajak Terhadap Kepatuhan Membayar Pajak Di Indonesia. *Jurnal Hukum dan Ekonomi*. 2021; 6(2):78-92.
 13. Herawaty V, Kusuma H. Government Tax Policy in Achieving Good Governance in Indonesia. *Journal of Accounting, Finance and Auditing Studies*. 2021; 7(1):94-105.
 14. Husnan Suad. *Manajemen Keuangan*. 6th ed. Universitas Terbuka, 2021.
 15. Irawan T, Silalahi AS. The Effect of Government Policies and Tax Compliance on Tax Revenue: A Case Study in Indonesia. *International Journal of Economics, Commerce, and Management*. 2019; 7(3):35-48.
 16. Johnson K, King R. Tax Evasion, Government Spending, and Income Inequality: A Panel Data Analysis. *Journal of Public Economics*, 2021, 184.
 17. Kim D, Lee J. Corporate Tax Avoidance and Firm Value: Evidence from Korean Firms. *Journal of Business Finance & Accounting*. 2020; 47(5):739-67.
 18. Kurniawan A, Susanti E. Pemberlakuan Insentif Pajak Investasi Di Indonesia: Studi Evaluasi Implementasi. *Jurnal Hukum dan Ekonomi Bisnis*. 2020; 4(2):134-46.
 19. Lee C, Lim H. Tax Incentives and Firm Performance: Evidence from a Regression Discontinuity Design. *Journal of Financial and Quantitative Analysis*, 2019, 54(3).
 20. Liu Y, Liu L. Transfer Pricing Manipulation and Firm Performance: Evidence from Multinational Corporations *Journal of Accounting and Public Policy*, 2021, 40(3).
 21. Mustikasari M, Ramadhan R. Analisis Dampak Reformasi Perpajakan Terhadap Penerimaan Pajak Di Indonesia. *Jurnal Ekonomi dan Keuangan*. 2022; 20(1):17-32.
 22. Nursalam M, Zain M. The Influence of Taxpayer Perception, Tax Penalties, and Tax Knowledge on Tax Compliance of Government Institutions in Indonesia. *International Journal of Economics, Commerce, and Management*. 2017; 5(2):40-52.
 23. Prasetyo B, Hadiwidjojo D. Tax Compliance in Indonesian Government Institutions: A Case Study of West Java Province. *International Journal of Trade, Economics, and Finance*, 2016, 7(6).
 24. Puspitasari R, Ningsih S. The Effect of Taxpayer Awareness, Tax Penalties, and Tax Sanctions on Tax Compliance of Government Institutions. *Journal of Accounting and Investment*. 2017; 18(1):37-48.
 25. Putra D, Dewi R. Kepatuhan Wajib Pajak Usaha Mikro, Kecil, Dan Menengah Di Indonesia. *Jurnal Perpajakan*. 2019; 10(2):156-71.
 26. Rahman M, Ali F. Tax Compliance Costs and Small and Medium Enterprises: A Comparative Analysis of Developed and Developing Countries. *International Review of Applied Economics*, 2020, 34(3).
 27. Rahmayani A, Sari AN. Analysis of Local Government Performance in Managing Local Taxes: Evidence from Indonesia. *International Journal of Economics, Commerce, and Management*. 2018; 6(9):97-109.
 28. Republik Indonesia. Peraturan Menteri Keuangan Republik Indonesia Nomor 59/PMK.03/2022 Tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 231/PMK.03/2019 Tentang Tata Cara Pendaftaran Dan Penghapusan Nomor Pokok Wajib Pajak, Pengukuhan Dan Pencabutan Pengukuhan Pengusaha Kena Pajak, Serta Pemotongan Dan/Atau Pemungutan, Penyetoran, Dan Pelaporan Pajak Bagi Instansi Pemerintah, 2021.
 29. Republik Indonesia. Undang-Undang Nomor 8 Tahun 1983 Tentang Pajak Pertambahan Nilai Barang Dan Jasa Dan Pajak Penjualan Atas Barang Mewah Sebagaimana Telah Beberapa Kali Diubah Terakhir Dengan Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Dan Peraturan Perpajakan, 2021.
 30. Rofiq A, Aziz I. Analisis Kebijakan Penyelesaian Sengketa Pajak Melalui Alternatif Penyelesaian Sengketa Di Indonesia. *Jurnal Hukum dan Pembangunan*. 2021; 51(1):76-89.
 31. Rosadi R, Wijaya R. The Influence of Taxation System and Taxation Knowledge on the Level of Tax Compliance: A Study on the Taxpayer of Government Institutions. *Journal of Economics and Sustainable Development*. 2015; 6(18):9-15.
 32. Suranta E, Nurcahyo P. Tax Compliance of Government Institutions: A Study on Tax Compliance Factors and Their Impact on Tax Revenues. *International Journal of Scientific and Research Publications*. 2018; 8(10):399-404.
 33. Yusuf A, Hastuti RD. Determinants of Tax Compliance in Government Institutions in Indonesia. *International Journal of Business and Management*. 2014; 9(9):102-9.