



ULTIMATE JOURNAL OF LEGAL STUDIES (ULJLS)

Journal homepage: <https://talenta.usu.ac.id/uljls>



Legal Problems Regarding the Increase in Value Added Tax from the Perspective of Utilitarianism Theory

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ARTICLE INFO

Article history:

Received: Apr 11, 2025

Revised: Apr 26, 2025

Accepted: May 29, 2025

Available online May 31, 2025.

E-ISSN: 3026-0477

P-ISSN:

How to cite:

Sintara, Dani. (2025). Legal Problems Regarding the Increase in Value Added Tax from the Perspective of Utilitarianism Theory. *Ultimate Journal of Legal Studies*, 3(1), 158-166.

ABSTRACT

Value added tax is one type of tax that is a source of income for the Indonesian state. Citing data from the Directorate General of Taxes, it can be seen that state revenue from value added tax and luxury goods sales tax (PPN & PPnBM) reached IDR 764.3 trillion or 104.7 percent of the target, growing 11.2 percent. However, from this achievement, the government continues to want to maximize tax revenue from value added tax. This can be seen from the provisions of Article 7 paragraph 1 of Chapter IV of Law No. 7 of 2021 concerning Harmonization of Tax Regulations which intends to increase the tax rate from 11% to 12% which will be enforced starting January 1, 2025. This policy has caused turmoil of rejection among the public. So the government needs to review this policy. This study uses normative legal research with a statute approach. In this study, it can be seen that the levy of this value added tax has existed since 1983 with the presence of Law No. 8 of 1983 and its amendments. This means that this tax levy is normatively justified and legitimate as a form of state revenue. When viewed from the perspective of utilitarianism theory, the policy to increase VAT by 12% is certainly not in line with what is aspired to by this theory. This theory requires happiness or benefits for the wider community. With the turmoil that has arisen, it indicates that the wider community does not want an increase in VAT. However, if the 12% tax rate increase is only imposed on PPnBM tax and seeing that there is no rejection among the community, it means that the government has presented a policy that is desired by the people.

Keyword: Problems, Value Added Tax, Utilitarianism

ABSTRAK

Pajak pertambahan nilai termasuk salah satu jenis pajak yang menjadi sumber pendapatan bagi negara Indonesia. Mengutip data dari Direktorat Jenderal Pajak, terlihat bahwa penerimaan negara dari Pajak pertambahan nilai dan pajak penjualan barang mewah (PPN & PPnBM) mencapai Rp764,3 triliun atau 104,7 persen dari target, tumbuh 11,2 persen. Namun dari pencapaian ini, pemerintah terus ingin memaksimalkan penerimaan pajak dari pajak pertambahan nilai. Hal ini terlihat dari ketentuan Pasal 7 ayat 1 Bab IV Undang-Undang No. 7 Tahun 2021 tentang Harmonisasi Peraturan Perpajakan yang hendak menaikkan tarif pajak dari 11 % menjadi 12 % yang akan diberlakukan mulai pada tanggal 1 Januari 2025. Kebijakan ini menimbulkan gejolak penolakan kalangan masyarakat. Sehingga pemerintah perlu mengkaji ulang terkait kebijakan ini. penelitian ini menggunakan penelitian hukum normatif dengan pendekatan perundang-undangan (statute approach). Pada penelitian ini terlihat bahwa pungutan pajak pertambahan nilai ini telah ada sejak tahun 1983 dengan hadirnya UU No 8 Tahun 1983 beserta undang-undang perubahannya. Artinya pungutan pajak ini secara normative dibenarkan dan sah sebagai bentuk penerimaan negara. Jika dilihat dari perspektif teori utilitarianisme, kebijakan untuk menaikkan pajak PPN 12% tentunya tidak sejalan dengan apa yang dicita-citakan dari teori ini. teori ini menghendaki adanya kebahagiaan atau kemanfaatan bagi masyarakat banyak. Dengan adanya gejolak yang timbul, mengisyaratkan masyarakat banyak tidak menghendaki adanya kenaikan pajak PPN. Namun jika kenaikan tariff pajak 12% tersebut hanya



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[10.32734/uljls.v3i1.19927](https://doi.org/10.32734/uljls.v3i1.19927)

dikenakan pada pajak PPnBM dan melihat tidak adanya penolakan dikalangan masyarakat, artinya pemerintah telah menghadirkan kebijakan yang dikehendaki oleh rakyat.

Keyword: Problematika, Pajak Pertambahan Nilai, Utilitarianisme

1. Introduction

Governance in a country requires funding to achieve a state goal. So the country needs financial income/receipts to support the running of a country's government. In the context of the Indonesian state, there are various sources of state income/revenue that are regulated by laws and regulations. Sources of state income generally consist of: ¹(i) tax revenue, (ii) non-tax revenue (PNBP), and (iii) grants from within the country and abroad. Thus, tax revenue (central/regional government) and regional levies are one of the important sources of central/regional government income to finance the implementation of central/regional government.

Tax as one of the state revenues is one of the most important things in national development efforts and is a large strategic financial resource for a country, so that it can support efforts to encourage economic growth and create welfare for the community. ²Furthermore, tax is one of the sources of state revenue that has high potential. In addition to being able to turn the wheels of the country's economy through capital participation in development and state-owned companies, tax in a country can provide an increase in spending for the benefit of capital goods spending and routine spending that impacts government partners, namely the private sector. In this case, tax as the main instrument in supporting the country's APBN must play a multidimensional role.³

In relation to taxes, then constitutionally Article 23 A of the 1945 Constitution, the fourth amendment, is the legal basis for tax collection in Indonesia. It is stated more firmly that "*taxes and other compulsory levies for state purposes are regulated by law*". The implication is that regulations on taxation were born in order to carry out the constitutional mandate. Referring to the provisions of Article 1 paragraph 1 of Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures (UU KUP), it defines that tax is a mandatory contribution to the state owed by individuals or bodies that is compulsory based on the Law, without receiving direct compensation and is used for state purposes for the greatest prosperity of the people.

In addition to the definition above, according to PJA Andriani, a definition related to tax is as follows: ⁴"Tax is a contribution to the state (which can be enforced) owed by those who are required to pay it according to regulations without receiving any repayment, which can be directly appointed, and the purpose of which is to finance general expenses related to the state's task of organizing government."

The definition above has the same core or purpose. So, there is a similarity that in essence tax is a contribution from the people to the State Treasury (transfer of wealth from the private sector to the government sector) based on the law (can be enforced) without receiving reciprocal services (*tegen prestatie*) that can be directly designated and which are used to finance general expenses (*publiecke uitgaven*).⁵

In general, state revenues from taxes consist of several types of tax sources such as Value Added Tax (PPN), Income Tax (PPh), Land and Building Tax (PBB), Luxury Goods Sales Tax (PPnBM), also from Stamp Duty, Excise, Import Duty, and Export Duty. To finance expenditures, income tax has made the largest contribution

¹ M. Farouq.S, *Tax Law in Indonesia: An Introduction to Applied Legal Science in the Field of Taxation* (Jakarta: Prenadamedia Group, 2018). p 123.

² Michael Candra Gunawan. Galang Nusantara Achmad. Maya Rafika, "DGT Communication Strategy in Response to the Increase in VAT Rates to Achieve Optimization of Tax Revenue in 2022," *Journal of National Tax Symposium* 1, no. 1 (2022).

³ Asyifa Tiara Ardin et al., "Review of State Administrative Law on Taxpayer Compliance in Voluntary Disclosure Programs," *Journal of Law, Administration, and Social Science* 2, no. 1 (2022): 33–44.

⁴ R. Santoso Brotodiharjo, *Introduction to Tax Law* (Bandung: Rafika Aditama, 2003). p 2.

⁵ Dwi Sulastyawati, "Tax Law and Its Implementation for the Welfare of the People," *Salam: Journal of Philosophy and Legal Culture* 1, no. 1 (2014): 122.

to helping the state in financing expenditures, although income tax is only imposed on certain taxpayers, namely someone who already has income and whose income is above non-taxable income that can be made a taxpayer for income tax. Unlike value added tax, this tax is delegated or imposed on other people (*tax amnesty*).⁶

In line with the above, it can be seen that throughout 2023, tax revenues, especially those from non-oil and gas income tax (PPh), namely IDR 993.0 trillion or 101.5 percent of the target, grew by 7.9 percent. Next, tax revenues from value added tax and luxury goods sales tax (PPN & PPnBM) reached IDR 764.3 trillion or 104.7 percent of the target, growing by 11.2 percent. Then land and building tax (PBB) and other taxes contributed IDR 43.1 trillion or 114.4 percent of the target, growing by 39.2 percent. However, it is different for tax revenues from oil and gas PPh which decreased by posting IDR 68.8 trillion with a realization of 96% of the target due to the decline in oil and gas commodity prices.⁷

Cumulatively, based on statistical data from the Ministry of Finance as of December 31, 2023, Indonesia's tax revenue in 2023 reached IDR 1,869.23 trillion, a significant growth of 8.9 percent compared to the realization in 2022 of IDR 1,716.77 trillion. This figure interprets that tax revenue is equivalent to 108.8 percent of the 2023 State Budget (APBN) target or 102.8 percent of the target of Presidential Regulation Number 75 of 2023 concerning Amendments to Presidential Regulation Number 130 of 2022 concerning Details of the State Budget for Fiscal Year 2023 (Perpres 75/2023).⁸

From the data above, it can be seen that taxes contribute significantly to state revenues. However, regarding value added tax, the government feels the need to make a breakthrough to maximize state revenues while still paying attention to the balance of purchasing power in society. Regarding the amount of the tariff, for example, the value added tax rate has been directly regulated in the Law. It can be seen that Article 7 paragraph 1 of Chapter IV of Law No. 7 of 2021 concerning Harmonization of Tax Regulations states that the Value Added Tax Rate is:

- a. As much as 11% (eleven percent) which will come into effect on April 1, 2022;
- b. Amounting to 12% (twelve percent) which will come into effect no later than January 1, 2025.

This means that there is an effort made by the government to make an increase related to the value added tax rate. This increase is carried out gradually to maintain stability in the community. However, it turns out that there is a lot of rejection related to the increase in the value added tax rate among the community. Demonstrations carried out by the community in the regions show that the community rejects the rules related to the increase in the 12% VAT tax rate which will take effect from January 1, 2025. However, recently, seeing the many rejections in the community against the policy to increase VAT to 12 %, the President of the Republic of Indonesia Prabowo Subianto has announced that the increase in Value Added Tax VAT from 11% to 12%, which will take effect on January 1, 2025 will only be applied to luxury products or goods and services, basic necessities and services used by the general public will not be affected by this increase. In principle, this VAT increase will only be imposed on luxury goods and services, namely luxury goods, which are consumed by the wealthy, the wealthy community.⁹

So from the events that occurred above, it is very interesting how the theory of utilitarianism views this. The theory of utilitarianism is one of the developing legal schools that is included in one of the significant ethical theories. This theory was developed by Jeremy Bentham in the 18th century. Utilitarianism is an ethical approach that emphasizes the principle of maximizing happiness and reducing suffering. This theory emphasizes that moral actions can be assessed based on the consequences they produce, especially in terms of the level of happiness obtained by as many individuals as possible. In the context of law, the application of

⁶ Satriawaty Migang and Wani Wahyuni, "The Influence of Self Assessment System Growth, Tax Audit and Collection on Value Added Tax (VAT) Revenue at Balikpapan Pratama Tax Office," *Journal of Economics and Business*, Vol. 23, No. 1 (2020): 1.

⁷ Aptri Oktaviyoni, "2023 Tax Revenue Statistics in Figures," *Directorate General of Taxes* (Jakarta, 2024).

⁸ Ibid

⁹ Haryo Limanseto, "President Prabowo Subianto Affirms That the Implementation of 12% VAT Will Only Be Imposed on Luxury Goods and Services," *COORDINATING MINISTRY FOR ECONOMIC AFFAIRS OF THE REPUBLIC OF INDONESIA* (Jakarta, 2025), <https://www.ekon.go.id/publikasi/detail/6122/presiden-prabowo-subianto-tegaskan-pemberlakuan-ppn-12-hanya-dikenakan-terhadap-barang-dan-jasa-mewah>.

utilitarianism requires legal decision-making that is oriented towards the overall social interest.¹⁰ So on this basis, it will be further studied how the increase in VAT is viewed from the perspective of utilitarianism theory.

2. Method

The research that will be used is normative legal research. This means the activity of identifying legal problems, analyzing legal problems, conducting legal reasoning, analyzing the problems faced and then providing solutions to the problems, where the problems studied in this normative legal research are caused by problematic norms or rules, either because of conflicts in the norms, the ambiguity of meaning in the norms, the contradictions in the norms or the legal vacuum.¹¹ The approach method used in this study is the statute approach. This statute approach is an approach carried out by examining all laws and regulations related to the legal issue being handled.¹²

3. Result and Discussion.

A. Value Added Tax in Legislation in Indonesia

Irianto (2014) as quoted by M Farouq stated that history has recorded that tax collection to increase government revenue has been going on since ancient times. During the reign of the Pharaohs in Egypt, a tax (read: tribute) was imposed on the sale of fixed goods which was collected as compensation for the facilities provided by the ruler to his people who carried out trading activities. In Roman times, under the rule of Emperor Augustine, who initially collected taxes on sales in markets and at auctions which were later expanded to sales taxes on all goods including agricultural, agricultural and livestock products. Likewise, taxes were levied in Ancient Greece which levied taxes on the transfer of land, the sale of merchandise in the market and taxes on the sale of slaves. The imposition of this tax had socio-political and cultural reasons in accordance with the development of ancient Greek society (Athens) which at that time recognized the obligations of citizens to the state and conversely the state's obligation to protect all its citizens. The existence of the state as a political association can be maintained by the state's right to collect taxes from citizens by considering socio-humanity.¹³

In the context of the State of Indonesia, before becoming an independent and sovereign country, Indonesia still consisted of various kingdoms spread across the archipelago. At that time, Indonesia experienced various phases of colonialism, by several countries that had existed and ruled before. Several forms of tax collection that were prominent during the colonial period, include: during the British colonial period (1811-1816, when Raffles controlled the islands of Java, Palembang and Makassar when the Dutch Governor General; Deandels, was called to Europe) there was *landrent*, namely land rent imposed by the British government on land in its colonial territory. Then after England handed Indonesia back to the Dutch Colonial, the term *landrent* was translated by the Dutch East Indies rulers as *landrete*, namely a tax on land rent used for the interests of the colonizers and not at all for the benefit of the community. In addition, the Dutch colonizers in this case the VOC through the Regent levied other levies on the people in the form of rice, coconut oil, and teak wood to be traded in Europe. In its development, the Dutch government implemented a financial management system in the colony. In 1878, the Dutch colonial government issued an income and profit tax policy called *patenterecht* for the indigenous population (bumiputra). Then in 1903, the Dutch government formally enacted *decentralization law 1903* which gave authority to *the Raad* to collect taxes to obtain its own financial resources, (managed by the tax office in *the department van financien*) under the control of the Governor General.¹⁴ Likewise during the Japanese Colonial era, the people's tax burden was further increased in order to cover the costs of war and finance its government in Indonesia.¹⁵ This means that in the context of tax history in Indonesia, the implementation of taxes has started since the colonial era and until now, updates have been made regarding the implementation of Indonesian state taxes.

¹⁰ Yandi Ugang, "Utilitarianism Analysis in the Assessment of Justice and Legal Effectiveness," *Journal of Legal Transparency* 5, no. 2 (2022): 119–124.

¹¹ Peter Mahmud Marzuki, *Legal Research* (East Jakarta: Prenadamedia Group, 2019).

¹² Ibid.

¹³ Farouq.S, *Tax Law in Indonesia: An Introduction to Applied Legal Science in the Field of Taxation* . p. 7.

¹⁴ Soetandyo Wignjosebroto, *Decentralization in the Governance of the Dutch East Indies Colonial System* (Malang: Banyumedia, 2005). pp. 14-18.

¹⁵ Tjip Ismail, *Regional Tax Regulation in Indonesia* (Jakarta: Yellow Printing, 2005). p 14-16

Specifically, the rules related to Value Added Tax have existed since 1983 with the issuance of legal regulations, namely Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods. Furthermore, this law has undergone changes as regulated in Law No. 11 of 1994 concerning amendments to Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods. From 1994 to 2000, the government felt the need to make changes to this law. So that in 2000 there was a change to this law to become Law No. 18 of 2000 which was the second amendment to the law on Value Added Tax on Goods ¹⁶and Services and Sales Tax on Luxury Goods. Not only that, the government continues to strive to maximize the role of VAT as a supporter of government funding. So the government needs to make changes to the law to become Law No. 42 of 2009, which is the third amendment regarding Value Added Tax on Goods and Services and Sales Tax on Luxury Goods.

Looking at the history of this value added tax, it has a very long dynamic. Even before the rules related to this value added tax emerged, there were rules in 1951 related to the taxation system. However, because the previous taxation system was no longer adequate to accommodate community activities and had not achieved the target of development needs, including increasing state revenues, encouraging exports, and equalizing tax burdens, the PPn Law No. 8 of 1983 was enacted. Based on careful consideration of the people's capabilities, sense of justice and development needs and to encourage and increase the competitiveness of non-oil export commodities in foreign markets, with the support of conditions and capabilities of tax officials that continue to develop. This PPn Law regulates two types of taxes, namely value added tax (PPn) on goods and services and sales tax on luxury goods (PPnBM) as a single unit as a tax on domestic consumption.

PPnBM is levied once at the source, namely at the factory level, or at the time of import. Meanwhile, PPn can be levied several times at various links in the company chain. Although levied several times, because the imposition is only on the added value that arises at each delivery of goods or services at the next company line, the burden of this tax is ultimately not heavier. The added value itself arises because of the use of production factors in each company line in preparing, producing, distributing, and trading goods or providing services to consumers. All costs to obtain and maintain profits including capital interest, land rent, wages, and business profits are elements of added value that are the basis for imposing PPn.

Furthermore, it can be seen that in the first amendment to the VAT Law, with the enactment of Law No. 11 of 1994, the provisions regarding taxes on domestic consumption were re-regulated, with the following main points:¹⁷

1. In accordance with its system, the Law on Value Added Tax and Luxury Goods Sales Tax constitutes a single entity as a tax on consumption within the customs area, both consumption of goods and consumption of services;
2. Taking into account economic, social and cultural conditions, not all types of goods and services are subject to value added tax;
3. Value added tax is imposed only on the added value and is levied several times at various links in the company's supply chain;
4. Added value is created due to the use of production factors in every company line in producing, distributing and trading goods or in providing services;
5. All costs related to producing, distributing and trading goods or providing services are elements of added value which form the basis for imposing value added tax;
6. In an effort to achieve a balance in taxation between low-income and high-income communities and in an effort to control unproductive consumption patterns in society, the delivery and/or import of tangible goods classified as luxury goods, in addition to being subject to value added tax, is also subject to luxury goods sales tax which is only collected at the source, namely at the manufacturer or at the time the goods are imported;
7. Sales tax on luxury goods cannot be imposed separately without value added tax and is imposed only once;

¹⁶ Farouq.S, *Loc Cit.*

¹⁷Ibid

8. The applicable value added tax rate for the delivery of taxable goods or the delivery of taxable services is a single rate, making it easy to implement and does not require a list of classifications of goods or classifications of services with different rates;
9. The sales tax rate on luxury goods does not adopt a single rate system and is applied according to the group of goods subject to luxury goods sales tax;
10. In order to encourage exports, especially non-oil and gas exports, exports of taxable goods are subject to tax at a rate of 0% (zero percent). Therefore, value added tax paid due to the acquisition of taxable goods and/or acquisition of taxable services contained in the exported taxable goods can be compensated or requested back;
11. Individuals or bodies that produce goods, import goods, trade goods and/or provide services carried out within the company or work environment are entrepreneurs. Entrepreneurs who make deliveries of goods and/or deliveries of services that are subject to tax are taxable entrepreneurs;
12. Taxable entrepreneurs are required to report their business and have a taxable entrepreneur confirmation number, except for small entrepreneurs whose limits are determined by the Minister of Finance. However, in order not to hinder their business activities, small entrepreneurs are also given the freedom to choose to be confirmed as taxable entrepreneurs and have a taxable entrepreneur confirmation number;
13. Taxation is carried out based on the invoice system, so that for the delivery of goods and/or delivery of services, a tax invoice must be made as proof of the transaction of the delivery of goods and/or delivery of services that are subject to tax. A tax invoice is proof of tax collection which for entrepreneurs who are taxed can be calculated with the amount of tax owed;
14. In an effort to improve compliance of taxable entrepreneurs and in order to secure state revenues, certain individuals or certain bodies or certain government agencies are appointed to collect, deposit and report taxes owed on receipt of taxable goods or receipt of taxable services from taxable entrepreneurs, although in essence the obligation to collect, deposit and report taxes lies with the taxable entrepreneurs who make the delivery of taxable goods or taxable services;
15. Taxable entrepreneurs are only required to pay the state the difference between the value added tax collected from buyers of taxable goods and/or recipients of taxable services and the value added tax paid to sellers of taxable goods and/or providers of taxable services;
16. Input tax paid on the acquisition of capital goods can be credited as the acquisition of taxable goods and/or taxable services used for business activities the delivery of which is subject to tax, and for taxable entrepreneurs who, based on the provisions of the Second Amendment to the Income Tax Law of 1984, are subject to income tax using calculation norms, special provisions apply to crediting input tax;
17. In the case where the value added tax paid by the taxable entrepreneur turns out to be greater than the value added tax collected, then the excess value added tax is compensated and only the excess value added tax for the tax period at the end of the fiscal year of the relevant taxable entrepreneur is returned. If the excess tax is due to exports or because it is collected by the value added tax collector, then the excess tax can be reclaimed in each tax period;
18. In order to further improve the realization of fairness in taxation, support increased investment, encourage increased exports, create more new jobs, support environmental conservation, and other policies, special treatment needs to be given. However, in providing such treatment, one of the principles in the tax law must be upheld, namely the implementation and application of equal treatment to all Taxpayers or to cases in the field of taxation which are essentially the same by adhering to the provisions of applicable laws and regulations. Therefore, any provision of tax facilities if really needed must still refer to the rules above and must be maintained so that in its application it does not deviate from the intent and purpose of providing such facilities. The purpose and intent of providing facilities are mainly for the success of high priority economic sectors on a national scale.

The second change, carried out in 2000 through Law no. 18 of 2000. In this law there are several additions, including:¹⁸

1. In order to provide more legal certainty regarding goods that are not subject to tax, the amendment to the Law on Value Added Tax and Sales Tax on Luxury Goods in 2000 only applies to goods that are basic necessities, goods that have been subject to tax. areas, mining or drilling products taken directly from the source, goods that are a means of exchange, and other goods that based on economic, social and cultural considerations are not subject to value added tax and luxury goods sales tax;
2. In order to provide greater justice and in an effort to control unproductive consumption patterns in society, the sales tax rate on luxury goods has been increased;
3. If in a tax period, a taxable entrepreneur has not produced or has not delivered taxable goods and/or taxable services and/or exported taxable goods, then the creditable input tax paid at the time of acquisition of taxable goods, receipt of taxable services, utilization of intangible taxable goods from outside the customs area and taxable services from outside the customs area, and/or import of taxable goods can still be credited;
4. Simplification of tax administration including the restitution process and the application of sales invoices as tax invoices;
5. Input tax that has not been credited in the same tax period as the output tax can still be credited in a different tax period no later than three months after the end of the relevant tax period;
6. Tax facilities for merger transactions or changes in business form or transfer of all company assets are no longer provided;
7. Tax facilities are provided only for high priority sectors of economic activity, encouraging business development and increasing competitiveness, supporting national defense and security, and facilitating national development.

Meanwhile, the third amendment, through Law No. 49 of 2009 (fifth stage of reform), was revised again to the imposition of VAT on goods and services in stages in each production and distribution channel, especially for new transaction patterns in the service sector which are derivatives and modifications of previous transaction patterns but have not been explicitly regulated for the imposition of VAT. The regulation of the imposition of VAT is greatly influenced by the development of business transactions and consumption patterns of the community which are objects of VAT. Along with the rapid economic development at the national, regional and international levels, it has implications for the emergence of new transaction variations whose taxation must be immediately regulated for the sake of legal certainty and increasing the country's tax revenue (tax ratio).¹⁹

From the history of the PPn and PPnBM arrangements, it can be seen that the tax collection is a legitimate levy and is justified based on laws and regulations. By continuing to prioritize a sense of justice in society, the government must be able to maximize the role of taxes and maintain stability in the community. Maintaining people's purchasing power and maintaining economic stability for the country of Indonesia.

B. Legal Problems Regarding the Increase in Value Added Tax from the Perspective of Utilitarianism Theory

The theory of utilitarianism, which is a development of one of the legal schools initiated by Jeremy Bentham, is a reaction to the concept of natural law in the eighteenth and nineteenth centuries. Bentham criticized the concept of natural law because he considered that natural law is not vague and not fixed. Bentham put forward a periodic movement from abstract, idealistic, and a priori to concrete, materialistic, and fundamental. One of the purposes of law is to provide benefits to achieve happiness.²⁰

Utilitarianism is one of the schools of philosophy that makes an important contribution in the application of punishment for humans. Utilitarianism has a basic philosophical principle or a very strong stance that every fair punishment for lawbreakers must take into account the subsequent consequences. This theory is actually

¹⁸Ibid

¹⁹Ibid

²⁰ Lilik Rasyidi, *Philosophy of Law* (Sinar Grafika, 2010).

a limited applied form of the basic principle of utilitarian ethics which states that an action can be morally justified only to the extent that its consequences are good for as many people as possible.²¹

According to Bentham, basically every human being is under 2 conditions, namely: pain *and* pleasure. By nature, humans avoid pain and seek pleasure. Happiness is achieved if he has pleasure and is free from hardship. Because happiness is the main goal of humans in life, an act can be considered good or bad, as far as it can increase or decrease the happiness of as many people as possible. The morality of an act must be determined by considering its usefulness to achieve the happiness of humanity, not the happiness of selfish individuals. Bentham then had the principle *of the greatest happiness* of the greatest number and finally became the jargon of utilitarianism. This principle becomes the norm for personal actions and government policies for the people.²²

Bentham's theory is based on the principle *of utility*. In his phenomenal book (published in 1960) *entitled Introduction to the Principles of Morals and Legislation*, Bentham outlined the direction and vision of law from a deep psychological perspective on the principle of *utilitarianism*. Bentham wrote: "*Nature has placed man under the rule of two masters, namely displeasure and pleasure. What we should do and what we will do, are all aimed at and determined in the framework of both. The standards of good and bad, and the chain of cause and effect, are also closely related to both of them. Both guide us in everything we do, in everything we say and think. Any effort that can be made to reject our submission to these two powers will only prove and confirm that truth.*"²³

Basically, the concept of happiness determined by the majority is the most recent breakthrough when Jeremy Bentham explained it in his time. ²⁴Bentham defines utility *as* something that is owned that can provide benefits, advantages, pleasure, and happiness, as well as something that can prevent damage, displeasure, crime or happiness. The value of utility is at the individual level (*happiness of individual*) and society (*happiness of community*). For Bentham, the morality of actions is determined by considering their usefulness in order to achieve the happiness of all humans, not the happiness of selfish individuals adopted by classical hedonism.²⁵

From the theory developed by Bentham, it can be seen that happiness is the initial capital that really needs to be considered in national life. This means that if it is associated with the policy of increasing the VAT tax rate from 11% to 12% which as a result of this policy brings unrest in society, then this policy can be considered as a policy that is not liked or desired by the people. However, in the end the government has taken a policy that the 12% tariff increase will only apply to PPnBM. Since the government announced this, it has been seen that there has been no unrest in society. This means that the public feels that there is no problem if the increase in the tax rate is only imposed on PPnBM. So if from the perspective of this Utilitarianism theory, it can be seen that the current government policy will only increase the 12% tariff on PPnBM, of course, a policy that can be accepted by the public or the majority vote.

4. Conclusion

The regulations related to the taxation system in Indonesia are very complex. There are many types of taxes known in Indonesia. In principle, every tax that will be imposed in Indonesia is regulated by law. In terms of Value Added Tax, the regulations related to the provisions of value added tax have existed since 1983 through Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods. The provisions of this regulation have undergone several changes, in 1994 through the regulation of Law No. 11 of 1994 and changed to Law No. 18 of 2000 and finally in 2009 with the presence of Law No. 49 of 2009. In addition to these regulations, with the many tax provisions in Indonesia, the government has taken steps to harmonize tax regulations with the presence of Law No. 7 of 2021. So from the dynamics that occur, the collection of PPn and PPnBM tax contributions is constitutionally a legitimate contribution and is justified by

²¹ Frederikus Fios, "Jeremy Bentham's Legal Justice and Its Relevance for Contemporary Legal Practice," *Humanities* 3, no. 1 (2012): 299.

²² Rahmatullah, "Philosophy of Historical Law: Concept and Actualization in Indonesian Law."

²³ Fios, "Jeremy Bentham's Legal Justice and Its Relevance to Contemporary Legal Practice."

²⁴ Inggal Ayu Noorsanti, "The Benefits of Jeremy Bentham's Law and Its Relevance to Government Policy Through Direct Cash Assistance from Village Funds" 3, no. 2 (2023): 183–193.

²⁵ Ibid.

law and statutory regulations.

Reflecting on the concept of Utilitarianism theory which focuses more on the benefits and happiness of the people, the policy to increase the VAT rate by 12% is a policy that is not desired by the people at large. This means that this policy does not bring happiness to the people at large. This is proven by the many rejections that have occurred among the people. However, since the government officially announced that only PPnBM will be subject to a 12% tariff increase, the people are no longer agitated and tend to accept the policy. So seeing the policy taken by the government at this time which only imposes a 12% tax rate increase only for PPnBM has certainly brought happiness to the people at large as evidenced by the absence of any more commotion or unrest in the community regarding this problem.

5. Acknowledgements

The author would like to thank the Publisher, namely ULJLS University of North Sumatra for being willing to publish this manuscript. The author also expressed his gratitude to the University of Muslim Nusantara Al Washliyah Medan for supporting the author to continue to work in the field of law, especially constitutional law.

6. Conflict of Interest

There is no conflict of interest in this study.

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