

Tax Law as an Instrument of Economic Equality and Public Welfare

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ABSTRACT

Tax law has a strategic role as an instrument to create economic equity and improve people's welfare. This research aims to analyze the role of tax law in redistributing wealth, promoting social justice, and supporting sustainable development. Using a normative juridical approach and policy analysis, this research examines how tax regulations are designed and implemented to achieve the goal of economic equity. The results show that a fair and progressive tax system can be an effective tool to reduce economic inequality through income redistribution and resource allocation for social welfare programs. However, challenges such as low levels of tax compliance, weaknesses in law enforcement, as well as a lack of transparency in the management of tax proceeds often become obstacles in achieving these goals. This study recommends tax policy reform that focuses on improving distributive justice, strengthening law enforcement, and increasing public participation in the tax system. With this approach, tax law can be optimized as an instrument that not only increases state revenue but also contributes significantly to the overall welfare of society.

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1. INTRODUCTION

The Republic of Indonesia is a State of Law based on Pancasila and the 1945 Constitution, in its development has resulted in rapid development in national life which needs to be continued with the support of the Government and all the potential of society. In administering the government, the state has an obligation to safeguard the interests of its people, both in the fields of welfare, security, defence, and intelligence of life. This is in accordance with the objectives of the state as stated in the Preamble of the 1945 Constitution which reads 'to protect the entire Indonesian nation and the entire Indonesian blood sphere and to advance the general welfare, educate the nation's life and participate in implementing world order based on social justice'.

Tax is one of the important instruments in managing a country's economy (Citra et al., 2023). As the main source of state revenue, taxes have a strategic role in supporting national development, reducing economic inequality, and improving public welfare. Through tax policy, the government can allocate resources efficiently, distribute income fairly, and create sustainable economic stability (Patricia et al., 2024).

Tax is one of the sources of state revenue which is very important for the administration of government and the implementation of national development (Rahma & Nurbaiti, 2021). So that the Government places tax obligations as one of the manifestations of state obligations which is a means of financing the State in National Development in order to achieve state goals. The importance and strategic role of the taxation sector in government administration can be seen in the State Budget (APBN) and the Draft APBN every year submitted by the government, namely the increase in the percentage of tax contributions from year to year (Djaafara & Safitri, 2023).

Regarding the term tax, several figures put forward a definition of tax, including the definition of (Najicha, 2022) which is a translation of his book entitled *De Over Heidsmiddelen Van Indonesia*, tax is the result of imposing one party owed to employers according to predetermined rules, with no direct contraprestasi that can be shown for individuals, intended for financing state spending. Other opinions such as (Putri & Taun, 2023) also provide a definition of tax, namely tax is the obligation to return part of the proceeds of wealth to the state as a result of certain conditions, events, but not a sanction, according to regulations set by the government and apply and are coercive, but there is no contraprestation for welfare services.

Sources of State Revenue based on the APBN Law consist of Tax Revenue, Non-Tax State Revenue (PNBP), and Grants. Government policy in the field of state revenue and grants is directed to support sustainable fiscal policy through efforts to optimise state revenue and grants, especially domestic revenue. (Minarni, 2020). This is in accordance with the role of revenue and grants as a source of funding for development programmes. In the Law governing taxation, namely Law No. 28 of 2007 concerning General Provisions and Procedures for Taxation, defines tax as a mandatory contribution to the state owed by individuals or entities that have a compelling nature based on law, by not getting a direct reward and being used for state purposes for the greatest prosperity of the people. Tax itself is closely related to the rules that govern it, namely Tax Law (Najicha, 2022). Tax law, also known as fiscal law, is a comprehensive regulation, including the government's authority to return a person's wealth to society through the state treasury. The purpose of tax law itself is to examine the conditions in society related to tax collection, examine them in legal regulations and translate them into tax law rules. What is interesting about tax law is that its regulations often change because they adjust to changes in the economic life of the community where these changes require changes in tax regulations as well (Felicia & Rasji, 2023).

Tax has great potential as an instrument of economic equalisation and improvement of people's welfare. However, to achieve these goals, improvements are needed in the aspects of policy, administration, and law enforcement. The government must ensure that the tax system implemented is not only effective in increasing state revenue, but also fair, transparent, and inclusive. In addition, community involvement in the tax policy formulation process can increase legitimacy and taxpayer compliance (Nurwayullah & Huda, 2022).

Taxes are used for state financial resources that are vital for the running of the country. Therefore, the state makes tax collection a public obligation. In addition, it is also a form of state financing means in realizing the implementation of national development. In the State Budget or (APBN) we can see the strategic and important role of taxes in the administration of government and the Draft APBN from year to year there is an increase in the percentage of tax contributions. Economic inequality is still one of the main challenges in many countries, including Indonesia (Sukarma et al., 2023). Data shows that the income disparity between the rich and poor is still significant. In this context, tax law plays an important role as a wealth redistribution tool. By regulating progressive rates, tax incentives, and other fiscal policies, the government can ensure that the tax burden is borne proportionally according to the economic capabilities of taxpayers (Saputro & Meivira, 2020).

Based on the description above, it appears that tax is one of the sources of state revenue that is very important for the administration of government and the implementation of national development. The importance and strategic role of the taxation sector in the administration of the government can be seen in the State Budget (APBN) and the Draft APBN every year submitted by

the government, namely the increase in the percentage of tax revenue contribution to the APBN from year to year.

2. METHOD

The research uses normative legal research method as its descriptive research method (Tan, 2021). The analysis is focused from a normative theoretical legal point of view, meaning that the research is only based on theoretical aspects by analyzing various aspects related to the subject matter. This writing uses document study techniques and study analysis used for legal material search techniques. The data analysis technique uses a qualitative descriptive analysis method, which allows researchers to provide an in-depth understanding of the relationship between tax law, economic equity, and community welfare (Saputra & Halkis, 2021). The data obtained is systematically analyzed to find patterns, relationships, and relevant policy recommendations. With this method, the research is expected to provide a solid scientific foundation for tax law reform that is more equitable and supports efforts to reduce economic inequality and improve the welfare of society at large.

3. RESULTS AND DISCUSSION

Tax law has a very important role in regulating and directing a country's fiscal policy to achieve the goals of economic equality and public welfare. As a legal instrument, tax is not only a source of state revenue, but also a tool for wealth redistribution, social inequality reduction, and inclusive development.

3.1. Public Welfare in Indonesia

National development is a series of continuous development that covers the entire life of the community, nation and state. To carry out the task of realizing the objectives set out in the preamble of the 1945 Constitution, namely protecting the entire nation and all Indonesian blood spills, advancing general welfare, educating the nation's life, and participating in implementing world order based on independence, lasting peace and social justice. The implementation of government tasks that are undergoing development towards the welfare of the people by improving and maintaining the stability of the economy, security and political situation, as well as the development of natural and human resources (Agustian, 2021). The Indonesian state as a developing country requires the contribution of the Indonesian people in moving the wheels of government in order to achieve good work productivity.

National development requires large funds and a solid plan, without being supported by large funds, both funds sourced from domestic revenue and funds sourced from foreign revenue, it is impossible to realize the ideals of our nation through this development will be achieved (Harahap, 2020). We all know that the source of funds obtained to finance development for our country is mostly from the tax sector. For this reason, it is necessary to increase professionalism in processing funds in the field of taxation. Obligations as state obligations essentially place taxpayers prioritizing their obligations rather than demanding their rights, even if it is related to the practice of Pancasila, then a citizen (taxpayer) must place the interests of the state and nation above personal or group interests and be willing to sacrifice for the benefit of the nation. The interests of the nation and state here are closely related to the purpose and function of the obligation to pay taxes in order to support state revenues to finance development. In other words, the willingness to sacrifice for the nation's interests is reflected in the willingness to release a sum of money to fulfill tax obligations for the sake of continuity.

Law No. 11/2009, which regulates community welfare, defines community welfare as a condition of fulfilling the material, spiritual and social needs of citizens in order to live properly and be able to develop themselves, so that they can carry out their social functions. The prosperity and welfare of the community certainly cannot be separated by the role of the community or population itself, because of course the community is the main point in community welfare. In an effort to realize national development, it is not only intended as an activity that focuses on the facilities aspect. However, national development in a country must also prioritize in terms of its benefits for the people in it, and national development can realize community welfare (Putri & Taun, 2023).

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itself, because of course the community is the main point in community welfare. In an effort to realize national development, it is not only intended as an activity that focuses on the facilities aspect. However, national development in a country must also prioritize in terms of its benefits for the people in it, and national development can realize community welfare (Putri & Taun, 2023).

To determine the success of realizing community welfare and development in a country, an indicator has been launched by UNDP, namely the Human Development Index (HDI) which can be used as a measuring tool for the level of success of state development and the welfare of a country's people. The purpose of the Human Development Index (HDI) is intended as a measure of success in efforts to build community welfare that can provide information explaining how people can access the results of development to receive income, education, and health.⁹ UNDP published the concept of the Human Development Index for the first time in 1996 by the Human Development Report, then each year it is sustainable.

Welfare is intended as the ability of a family to fulfill its needs so that it can improve its livelihood, health, and productivity (Saifudin, 2019). The existence of the co-19 pandemic also affects the level of welfare of the Indonesian people. As we know, the last two years in Indonesia and even around the world are experiencing the Covid-19 pandemic. Apart from having an impact on the national economy, this virus also affects the welfare level of the people in Indonesia. This pandemic has made the poverty rate rise. As we know that poverty is one of the indicators that make the level of community welfare decrease.

3.2. Taxes as an Instrument for Economizing Indonesia

Tax as an economic instrument is the main source of income for a country. It is an obligation of every citizen regulated in the 1945 Constitution. But in fact the government often experiences shortages or deficits, so to cover these shortages the government goes into debt either domestically or abroad. For example, by issuing securities to meet short-term financing needs.

According to (Sinaga, 2018) Taxes are dues to the state (can be imposed) owed by those who are obliged to pay according to regulations with no achievements that can be directly shown and whose use is to finance expenses. Taxes are dues to the state (enforceable) owed by those who are obliged to pay according to regulations with no direct re-achievement that can be shown and whose use is to finance expenses, (Suleman, 2019). According to (Khairunnisa et al., 2023), taxes are contributions from the people to the state treasury (transfer of wealth from the private sector to the government sector) based on laws that can be directly designated and used to finance public expenditures, and which are used as a deterrent or encouragement to achieve goals that are outside the financial sector.

As we know that tax is a state economic instrument which is the main source of a country's income. Taxes are the main contribution to government financial receipts and can be used as a source of state spending (Suryadi & Subardjo, 2019). Taxes have functions including; First, the Budget Function or commonly referred to as budgetair, the public sector is the existence of this function, namely the tax money is collected as much as possible, in accordance with the applicable rules as the cost of state spending in carrying out the daily duties of the state, such as state spending, employee spending, maintenance, and others. In addition, it is also a budget for carrying out national development. Second, the Regulating Function or commonly referred to as regularend, is the function of taxes as a government tool to regulate society in realizing certain goals. The regularend function is intended to encourage and control community activities to run according to plans set by the government, although often the acceptance of the budget function is not profitable. Third, the Stability Function, with tax revenue, the government has the necessary budget to implement strategies or programs related to price stability in order to control the inflation rate. This can be done by regulating the flow of money circulating in society, by collecting taxes, by using taxes efficiently and effectively. Fourth, the Income Redistribution Function is the use of taxes that have been collected by the state to function as a financing budget for the public interest, in which it can also be used to finance development so that it can open up jobs aimed at increasing people's income. Fifth, the Democratic Function, namely tax collection is intended as an effort to realize the mutual cooperation attitude of the Indonesian people. The level of government services can be associated with this function.

The role of taxes has not answered or met the needs of the people, for example road infrastructure, there are many damaged and unrepaired roads, bridge facilities that are still lacking, as a result the distribution of goods is hampered and causes a high cost economy (Djaafara & Safitri, 2023). In terms of education, the education fund has been allocated 20% of the state budget, and

there is an increase every year. However, the impact has not yet been felt, because the school operational assistance (BOS) provides a very small amount to the poor, as well as the allowances given to auxiliary teachers or non-permanent teachers, which are minimal. Operational assistance funds are more aimed at rehabilitating physical facilities, but it must be recognized that the teacher professional allowance is enough to increase the level of welfare of teachers. Large taxes will certainly increase the quality of education in Indonesia.

In terms of health services, the community health insurance program (jamkesmas), with a total funding of 7.3 trillion, is indeed very helpful for the poor, who have felt uncertain about seeking treatment at the hospital. However, these services are still lacking, as private health institutions can usually provide good services. This means that more funds are still needed to provide health comfort for the community in order to improve public health. From these conditions and situations, tax instruments can be prioritized for the state budget, so that the problem of the state budget deficit can be overcome, state spending can be increased, national development, as well as strategies and efforts for public welfare, so that the benefits of tax revenue can be felt by the community for infrastructure development, public service facilities, affordable health facilities, educational affordability, security and defense optimization, fast fuel aid distribution, and smoothness and order for food and energy. Another thing, taxes also act as a levy for people who are capable of earning or rich people, so that people with low or poor economies will be assisted from the tax revenue funds, thereby reducing economic inequality in society (Najicha, 2022). If awareness of paying taxes is synergized it can be done in order to improve the welfare of society.

4. CONCLUSION

Taxes are an instrument of the Indonesian economy and the main contribution of government revenue used for national development and state spending. Tax revenue in a pandemic situation has a role to play in economic recovery. From these conditions and situations, tax instruments can be prioritized for the state budget, so that the problem of the state budget deficit can be overcome, state spending can be increased, national development, as well as strategies and efforts for the welfare of the community, so that the benefits of tax revenue can be felt by the community for infrastructure development, public service facilities, affordable health facilities, education affordability, security and defense optimization, fast fuel aid distribution, and smoothness and order for food and energy. Another thing, tax also acts as a levy for people who are capable of earning or rich people, so that people who are low-income or poor will be assisted from the tax revenue funds, thereby reducing economic inequality in society. If the awareness of paying taxes is synergized it can be done in order to improve the welfare of the community. Tax law serves as a vital instrument in promoting economic equality and advancing public welfare. By redistributing wealth through progressive taxation and ensuring equitable resource allocation, tax policies can reduce income disparities and foster social cohesion. Furthermore, well-structured tax systems provide governments with the necessary revenue to invest in public services, such as education, healthcare, and infrastructure, thereby enhancing overall societal well-being. However, the efficacy of tax law in achieving these objectives depends on its design, implementation, and enforcement, which must account for economic realities, fairness, and transparency. As such, tax law plays a pivotal role in shaping a more inclusive and sustainable economic landscape.

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