

Improving Efficiency in Indonesia's Tax Objection Process: Reducing Bureaucracy and Enhancing Access to the Tax Court

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Abstract. *This paper discusses the inefficiencies in Indonesia's tax objection process, specifically regarding the Objection Letter (Surat Ketetapan Pajak) issued by the Directorate General of Taxes. Taxpayers can file objections if they disagree with the tax determination, as guaranteed by Indonesian tax laws, particularly Law No. 6 of 1983, amended by Law No. 6 of 2023. The process is classified as "quasi-judicial" because the entity adjudicating the objections is part of the same institution involved in the dispute. This often places taxpayers at a disadvantage, with the outcome typically unsatisfactory for them. The law allows the Directorate General of Taxes up to 12 months to issue an objection decision, leading to a total of 21 months from the start of the tax audit to the final decision. Taxpayers can appeal the decision to the Tax Court. The paper concludes that the tax objection process is inefficient in terms of time, effort, and cost. It recommends simplifying the procedure by allowing direct filing of objections after the tax audit, followed by the issuance of the tax determination. This would enable taxpayers to appeal directly to the Tax Court, reducing bureaucratic delays and achieving greater efficiency in terms of time and resources.*

Keywords: *Quasi-Judicial; Tax Objection; Bureaucracy Reduction; Tax Court Appeal.*

1. Introduction

Tax disputes are an inevitable aspect of any taxation system, wherein the state exercises its authority to impose taxes on its citizens to fund governmental activities (Ardin, 2023). In Indonesia, these disputes frequently arise between taxpayers and the tax authority, the Directorate General of Taxes (DJP), particularly after a *Surat Ketetapan Pajak* (Tax Assessment Notice, or SKP) is issued. Despite the system's provision for resolving these disputes through an administrative process known as "*Keberatan*" (Objection), concerns about the efficiency and fairness of the process have become increasingly evident. This paper seeks to address the issues within Indonesia's tax dispute resolution framework and propose solutions to streamline and enhance the system's fairness (Dewi, 2010).

Indonesia's tax system, established under Law No. 6 of 1983 on General Provisions and Tax Procedures (as amended), permits taxpayers who disagree with tax assessments to file an objection (Gillis, 1989; Sutedi, 2022). This objection is managed internally by the DJP, creating a "quasi-judicial" procedure where the same body that issues the assessment also handles the dispute. This creates an inherent conflict of interest, and the extended timelines for dispute resolution often result in dissatisfaction among taxpayers. Although the law provides for an appeal to the Tax Court if the objection is unsuccessful, the entire process can be time-consuming and inefficient, involving delays of up to 21 months from the initiation of tax inspection to the final ruling (Mahfud, 2015).

Moreover, according to Law No. 6 of 1983 on General Provisions and Tax Procedures (as amended by Law No. 6 of 2023), tax disputes in Indonesia are initially resolved through "administrative justice" at the Objection stage, known as *Keberatan Pajak*. If taxpayers are dissatisfied with the Objection decision, they can appeal to the Tax Court, whose decisions are final and binding, although a further review may be requested by the Supreme Court. Tax disputes arise from tax audits, where taxpayers disagree with the tax assessments (SKP or STP) issued by the Directorate General of Taxes (DJP) (Jawahir et al., 2021). The audit process allows tax officers six months to review records, and taxpayers have three months to file an objection (Cords, 2012). The objection must be decided by DJP within twelve months, but if the deadline passes, the objection is considered approved. Both the examination and objection processes are handled by DJP officials, leading to a conflict of interest, as the same institution that issues the tax assessment also adjudicates the dispute, often leaving taxpayers dissatisfied. The final recourse for taxpayers is the Tax Court, but the process is lengthy, with delays in both the examination and ruling stages (Sa'adah & Wibawa, 2023; Anggraeni, 2023).

The Indonesian tax law stipulates that taxpayers can submit an objection within three months of receiving the tax assessment (Djafar, 2024). Subsequently, the

DJP has up to twelve months to decide on the objection. If the matter remains unresolved, taxpayers have the right to appeal to the Tax Court. However, the lengthy and bureaucratic procedures, with delays in both the examination and decision-making stages, create a burden on taxpayers, who are often at a disadvantage due to the DJP's continued role as the decision-maker. This highlights the need for reforms in the tax dispute resolution process to reduce delays, improve procedural fairness, and ensure a more equitable system (Purba & Simatupang, 2023).

Taxpayers are at a disadvantage in the tax dispute process as they are required to present evidence at each stage: the examination, objection, and appeal (Aji et al., 2022). They argue that the burden of proof should lie with the Directorate General of Taxes (DJP), as they are the ones issuing the tax assessments, not the taxpayers who must repeatedly provide evidence. The long duration of tax dispute resolution is another issue, causing taxpayers significant time, energy, and financial strain (Ispriyarso, 2018). The process can take up to 21 months from the start of the tax audit until the objection decision is issued, with an additional 15 months for the appeal process at the Tax Court. In total, resolving a tax dispute can take up to 36 months, or even longer if the Tax Court ruling exceeds the set time limits.

This research aims to examine the existing issues within Indonesia's tax dispute resolution process, focusing on the internal objection system and the procedural delays. It will explore how the current system disadvantages taxpayers and propose reforms to expedite the process and improve its fairness. The central research question is: Is it necessary to implement bureaucratic reforms at the Tax Objection level to ensure that the "administrative justice" process under Indonesian tax law effectively upholds fairness for taxpayers, while also improving efficiency in terms of both time and cost?

2. Research Methods

This study employs both empirical and normative juridical approaches to analyze the tax objection process and its regulations. The normative juridical approach focuses on examining statutory regulations and legal principles related to tax objections, drawing from laws and regulations such as Law Number 6 of 1983 concerning General Provisions and Tax Procedures (as amended by Law Number 16 of 2009), Law Number 28 of 2007 on General Provisions and Tax Procedures, and other relevant laws and regulations pertaining to tax disputes and procedures. These regulations serve as the legal framework for the study, providing the basis for analyzing the procedural aspects of tax objections and appeals.

The empirical approach involves gathering data from observations and practices in the field, particularly from the Tax Court and related tax authorities. By observing real-world cases and processes, the study seeks to identify discrepancies

between the theoretical framework established by regulations and the practical application of tax objection processes in practice. The data is gathered from interviews, case studies, and direct observations of tax dispute resolutions.

Data analysis is conducted using a descriptive approach, where the collected data is systematically categorized and analyzed to provide an overview of the current tax objection system. This analysis allows for a comprehensive understanding of the strengths and weaknesses of the existing system, as well as identifying areas for improvement. The descriptive analysis further highlights potential inefficiencies in the system and proposes recommendations for streamlining the tax dispute resolution process.

3. Results and Discussion

3.1 Tax Dispute Resolution in Indonesia: Challenges and the Role of the Tax Court

According to general understanding, a tax is a mandatory levy imposed by the state by force, based on law, on the people without any direct compensation provided by the state. Funds collected from taxes are used by the government to finance state expenditures as stipulated in the State Budget. Government expenditures include spending for the interests and welfare of the people (Sugiono & Supriyadi, 2021).

Broadly speaking, taxes consist of two types: direct taxes and indirect taxes. First, direct taxes are taxes collected directly by the state from taxpayers, such as Income Tax. This type of tax in Indonesia is collected in proportion to the amount of income of each taxpayer. Second, indirect taxes are taxes collected by the state through producers and/or sellers, which are added to the price of goods or services, with the intention of being passed on to the buyers of those goods or services. An example is Value Added Tax (VAT), which is added to the selling price of goods or services. Indirect taxes do not take into account the income level of each taxpayer (Fadhli, 2025).

In addition to direct and indirect taxes, there are also non-tax state levies, such as charges based on compensation or facilities provided by the state to taxpayers. An example is a parking levy, where taxpayers pay compensation to the state for using state-owned land or roads to park their vehicles. Non-tax state levies, such as charges, generally do not lead to disputes between taxpayers and the state, as taxpayers have the freedom to choose whether or not to purchase goods or use services. The levies are attached to the price of goods or services. State levies in the form of charges are attached to the "object," with the tax subject being the user who must pay the levy (Fitrah et al., 2021).

Tax disputes over indirect taxes, such as VAT, generally occur between producers or sellers (acting as tax collectors) and the state. Often, producers or sellers who are appointed as VAT collectors to be deposited into the state treasury make mistakes and/or exhibit negligence in collecting taxes, which leads to disputes with the state. Unlike indirect taxes and levies, the direct tax known as Income Tax often causes disputes between taxpayers and the state as the tax collector. Income Tax is levied based on the ability or amount of income of each taxpayer as the tax subject, and it is not easy to calculate the exact amount of income for each taxpayer. Taxpayers may have different perceptions regarding their ability to pay Income Tax (Richards, 2017). Common income tax disputes involve determining the amount of income, the objects of income, and the tax calculations.

According to Indonesian tax legislation, the term "taxpayer" is used for individuals or entities, including taxpayers, tax withholders, and tax collectors, who meet the requirements as tax subjects and have tax rights and obligations in accordance with the provisions of tax laws and regulations (Law Number 6 of 1983). According to Law Number 6 of 1983 concerning General Provisions and Tax Procedures (UU KUP), as amended several times, most recently by Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation, tax disputes are resolved through "administrative courts" at the first level, known as Tax Objections (Law Number 6 of 1983). Furthermore, taxpayers who are not satisfied with the objection decision can file a legal action at the "second level court," known as the Tax Court (Law Number 6 of 1983). The Tax Court's decision is final and has permanent legal force. However, against the Tax Court decision, the disputing parties can file a judicial review with the Supreme Court (Law Number 14 of 2002).

Tax disputes that occur in "administrative courts," from the objection level to the Tax Court level, generally arise from the results of examinations by tax officers that are not approved or are rejected by the taxpayer. The disputed document is a Tax Assessment Letter (SKP) or Tax Bill (STP) issued by the Directorate General of Taxes (DJP) through the local Tax Service Office (KPP).

At the audit level, tax officers have six months to examine records, bookkeeping, supporting evidence, and other data, with the final product being the issuance of a Tax Assessment Letter (SKP) (Regulation of the Minister of Finance of the Republic of Indonesia Number 184/PMK.03/2015). Taxpayers can file an objection within three months from the date of receipt of the SKP. Objections are submitted to the Directorate General of Taxes (DGT) through the local KPP, and the DGT has twelve months to issue an Objection Decision. If the twelve-month period is exceeded and the DGT has not issued an Objection Decision, the objection application is considered approved (Law Number 6 of 1983). During this twelve-month period, the DGT conducts an examination and re-examination of the taxpayer's disputed documents before issuing an Objection Decision (Hidayah,

2018).

Both at the audit level and at the objection level, all actions are performed by tax officers within the DGT environment. At the objection level, which should serve as a "court" to "judge" the results of tax audits with taxpayer objections, the taxpayer is essentially in a weak position. Consequently, the Objection Decision is generally not favorable to the taxpayer because the party "judging" is part of the disputing party. The existence of a conflict of interest in the Objection Reviewer cannot be avoided, as the Objection Reviewer is also an employee within the DGT environment.

The last hope for taxpayers to obtain justice in their tax disputes is at the Tax Court level. Currently, the Tax Court's organizational, administrative, and financial development is managed by the Ministry of Finance, while the Supreme Court handles the court's technical development (Law Number 14 of 2002). Despite this, the Tax Court continues to enjoy the trust of taxpayers in resolving tax disputes. Taxpayers have a three-month grace period from the receipt of the Objection Decision to file an appeal to the Tax Court. The panel of judges is given a maximum period of twelve months from the date of receipt of the appeal letter to resolve the tax dispute hearing, and this period can be extended by a maximum of three months (Law Number 14 of 2002). However, the reading of the decision by the panel of judges is not regulated by law, so the reading of the Tax Court Decision often exceeds the fifteen-month period from the receipt of the appeal letter from the taxpayer (Kovacevic, 2024).

In practice, during trials at the Tax Court level, the panel of judges often asks the parties to conduct an evidence test on a day outside the trial session, witnessed by the clerk. At this point, the taxpayer must reprove the data, present documents, and tax calculations to the representative of the Directorate General of Taxes who is assigned to carry out the evidence test. The results of the evidence test are stated in the evidence test minutes, which are signed jointly by the representative of the Directorate General of Taxes and the taxpayer. At this stage, it is the third time that the taxpayer is required to prove the disputed evidence, after the first proof at the examination level and the second proof at the objection level.

This showed that tax disputes in Indonesia arise primarily from disagreements between taxpayers and the state regarding tax assessments, with direct and indirect taxes often being the main sources of contention. The dispute resolution process begins with an audit by tax officers, followed by an objection procedure within the Directorate General of Taxes (DGT), and can ultimately reach the Tax Court for final adjudication. However, the process is complicated by potential conflicts of interest within the DGT, especially during the objection stage, where the tax authorities also act as the adjudicator. While the Tax Court offers taxpayers a final chance for resolution, delays and procedural challenges, such as evidence

retesting, can prolong the process and create additional burdens for taxpayers.

3.2 The Challenges of Objections and Disputes in Indonesia's Tax System

The concept of justice is inherently relative, shaped by contextual factors such as time, location, and underlying ideologies. What is perceived as just in a particular period may not necessarily align with the standards of justice in the past or future. When formulating laws and regulations that impose obligations on the public, it is essential to ensure that the provisions within these legal instruments are unambiguous, definitive, and free from potential ambiguities or misinterpretations (Soemitro & Sugiharti, 2010). Public policy arises from dynamic interactions among policy-making actors, driven by phenomena requiring resolution. Often, public policy incorporates elements of public participation to achieve optimal decision-making outcomes. However, the policymaking process can also be characterized by its insular nature, wherein decisions are frequently made in a non-democratic political environment, leading to a top-down approach (Agustino, 2016).

Public policy regarding the implementation of tax laws and regulations in Indonesia is top-down in the form of the Regulation of the Minister of Finance. The Taxation Law in Indonesia contains many articles that provide opportunities for the Minister of Finance to further regulate tax regulations. From the government's perspective, these articles provide the government with the freedom to regulate and use its authority in planning state revenue targets, but from the taxpayer's perspective, they are often detrimental because they disrupt economic activities that require legal certainty.

Current Indonesian tax regulations emphasize collecting as much tax money as possible. If the official explanation states that tax regulations are simple and easy to understand, it is viewed from the perspective of supervision and the assignment of tax officials but not from the perspective of taxpayers who must get used to new definitions as interpreted and explained by tax officials (Sastrohadikoesoemo, 2004). In general, taxpayers do not want tax disputes, always considering the advantages and disadvantages of disputing their tax problems through legal remedies for objections. Compared to the government, the position of taxpayers is weak. First, disputes do not delay tax payments. Second, objection reviewers tend to accept the statements of auditors as colleagues, which are more acceptable than statements from lay taxpayers (Sastrohadikoesoemo, 2004).

In the objection process as a first-level "administrative justice," taxpayers have been overshadowed by the threat of a 30% fine if their tax objection is rejected (Law Number 6 of 1983). For example, if the Underpayment Tax Assessment Letter (SKPKB) is IDR 100 million, the Objection Decision will impose an additional 30% sanction, making the amount of the Objection Decision IDR 130 million if the

taxpayer's objection is rejected in its entirety.

The tax dispute submitted at the objection level is a Tax Assessment Letter, which is a legal product of the results of a tax audit. During the tax audit process, taxpayers have an obligation to show and submit all records, data, and bookkeeping, both in the form of paper copies (hardcopy) and software data (softcopy) for evidence testing. At the audit level, there is often a "distortion" or difference in perception regarding the interpretation of tax regulations and different tax calculations between taxpayers and tax audit officers (Sa'adah, 2019).

The results of the tax calculation carried out by the tax audit officer are stated in the Tax Audit Result Notification Letter (SPHP) to request a response or objection from the taxpayer within seven days from the date of receipt of the SPHP (Regulation of the Minister of Finance of the Republic of Indonesia Number 184/PMK.03/2015). The taxpayer's response to the SPHP is stated in the Discussion Minutes, which contain the taxpayer's response or tax calculation according to the taxpayer and the tax calculation according to the auditor. The Discussion Minutes are signed jointly by the Tax Audit Team and the taxpayer. During the discussion process and before being stated in the Discussion Minutes, the taxpayer is given the opportunity to request a "mediator" called the Quality Assurance (QA) Team. However, the opportunity to submit a request for discussion with the QA Team is only given three days (Regulation of the Minister of Finance of the Republic of Indonesia Number 184/PMK.03/2015). The QA team that was formed came from the ranks of tax officers within the DGT, and its independence was widely doubted by taxpayers, so not many taxpayers requested discussions with the QA Team.

The Tax Audit Officer's calculation in the Discussion Minutes serves as the basis for issuing a Tax Assessment Letter (SKP). If the tax calculation by the tax officer in the Discussion Minutes differs from the taxpayer's calculation, the SKP will still be issued according to the Tax Audit Officer's calculation stated in the Discussion Minutes. It is the basic right of every person to file an objection or claim against a party that acts and harms them (Sastrohadikoesoemo, 2004). Filing an objection to the tax set by the tax office because it is considered too high is guaranteed by tax law (Law Number 6 of 1983). The SKP, which is a legal product in tax legislation, can be objected to by taxpayers, and it is hoped that a review can be conducted or "fairness" can be requested from the Objection Reviewer.

The independence and freedom from conflicts of interest expected by taxpayers in the tax objection process are hindered by tax legislation that requires taxpayers to file objections only to the tax authority that issued the SKP. Law Number 6 of 1983 concerning General Provisions and Tax Procedures (UU KUP), as amended several times and last amended by Law Number 6 of 2023 concerning the Stipulation of the Job Creation Law into Law, in Article 25 Paragraph (1) concerning

taxpayer objections, reads as follows: Taxpayers may submit objections only to the Director General of Taxes for a: a. Underpayment Tax Assessment Letter; b. Additional Underpayment Tax Assessment Letter; c. Tax Assessment Letter; d. Overpayment Tax Assessment Letter; or e. Withholding or collection of tax by a third party based on the provisions of tax laws and regulations.

3.3 Reforming Indonesia's Tax Objection Process

In practice, the handling of tax objection processes by the Directorate General of Taxes is authorized by the local Regional Office of the Directorate General of Taxes, which oversees the Tax Service Office that issues the SKP. The Objection Review Team at the Regional Office of the Directorate General of Taxes is not the Tax Audit Team that conducts tax audits on taxpayers. However, the conflict of interest and lack of independence of the Objection Reviewer are significant and can be felt by almost all taxpayers who submit their tax objection applications.

Every dispute, including tax disputes, involves at least two parties. A tax dispute is a conflict between the taxpayer and the Directorate General of Taxes, which represents the state as the tax collector. Disputes should be resolved through deliberation and consensus, in line with the philosophy of the Indonesian nation and state, particularly the fourth principle of Pancasila, which reads, "democracy led by the wisdom of deliberation/representation."

In tax disputes that reach a deadlock and cannot be negotiated between the taxpayer and the Directorate General of Taxes, a third party should be appointed as a "judge" to decide the case. According to Soemitro (1976), the elements necessary for a trial to be considered legitimate include: a) the existence of an abstract legal rule that is generally binding and can be applied to the problem, b) the existence of a concrete legal dispute, c) the presence of at least two parties, and d) the existence of a judicial apparatus with the authority to decide the dispute.

In the tax objection process in Indonesia, it is considered a "pseudo-trial" or "quasi-trial." According to Soemitro (1976), in a quasi-trial, in addition to the elements of administrative justice, the following elements are present: a) there is a dispute (*geschil*) between the taxpayer and the administration, submitted by the interested party, b) the body or official authorized to decide the dispute is part of or included in the administration, c) there is an obligation to make a decision, and d) the decision is influenced by the view (*inzicht*) of the administration, but does not depend on "*freies ermessen*."

The requirement to file a tax objection is that the amount of underpaid tax agreed upon in the Payment Minute must be paid in advance by the taxpayer, and the objection must be filed within three (3) months from the date the Tax Assessment

Letter is sent, unless the taxpayer can demonstrate that the period could not be met due to circumstances beyond their control. The Directorate General of Taxes must make a decision on the objection submitted within a maximum period of twelve (12) months from the date the objection letter is received. If the time period is exceeded and the DGT does not issue a decision, the objection is deemed to have been granted (Law Number 6 of 1983).

During the twelve (12) months before the Objection Decision is received by the taxpayer, a re-examination and evidence testing process takes place for the taxpayer's data, documents, and bookkeeping. Thus, when considering the tax audit period (maximum of six months), the grace period for filing objections (maximum of three months), and the objection process period (maximum of twelve months), a total of twenty-one (21) months is required for the tax dispute to unfold from the start of the tax audit to the issuance of the Objection Decision. This results in inefficiency for both parties in terms of manpower, costs, and time. Tax objections "tried" by the Objection Section at the Regional Office of the Directorate General of Taxes are not true trials but pseudo-trials, as the institution handling the trial is part of one of the disputing parties. Consequently, the twelve-month period allocated by law to resolve tax objections is often considered a waste of time, and the results of the Objection Decision are frequently unsatisfactory for taxpayers. This is because the Objection Review Team, acting as the judge, is part of the disputing party, being composed of tax employees (Sutrisno, 2016).

Tax objections from taxpayers should be submitted after the Discussion Minutes have been signed and before the Tax Assessment Letter is issued. After the Discussion Minutes, taxpayers can be granted a grace period of one (1) month to file objections. The objection process would then be handled by the Objection Reviewer, whose members are not part of the Tax Audit Team. The Objection Reviewer is given a maximum of two (2) months to decide whether to accept the entire objection, reject the entire objection, reject part of it, or increase the tax payable. Therefore, there is no need to issue an Objection Decision; instead, a Tax Assessment Letter can be issued directly.

In essence, the Objection Section of the Directorate General of Taxes (DGT) is currently unable to function as an impartial "judge" in adjudicating disputes between taxpayers and tax auditors, as Objection Reviewers are part of the DGT hierarchy. Before the issuance of the Tax Assessment Letter, a process should be in place to resolve disputes between the tax calculations made by the tax auditor and the objections raised by the taxpayer. The process for resolving tax calculation disputes during the Discussion Minutes phase can be handled by the Objection Section. Following this, a Tax Assessment Letter would be issued, making the Objection Section a part of the tax audit process up until the Tax Assessment Letter is finalized.

Therefore, an Objection Decision is unnecessary. Instead, the issuance of a Tax Assessment Letter, which is a legally binding product, should occur, allowing the Taxpayer to appeal to the Tax Court if they disagree with the Tax Assessment Letter, and if it is either not approved or rejected by the Taxpayer.

Under the proposed new scheme, the period from the start of the tax audit to the issuance of the Tax Assessment Letter would be reduced to nine (9) months, after which the Tax Assessment Letter could be appealed directly to the Tax Court. Current regulations stipulate that the duration from the commencement of a tax audit to the issuance of a Tax Assessment Letter is six (6) months, the deadline for submitting an objection is three (3) months, and the Objection Decision process takes twelve (12) months. As a result, the total time from the start of a tax audit to the issuance of an Objection Decision is twenty-one (21) months. According to the existing regulatory framework, the maximum time duration from the initiation of a tax audit to the issuance of an Objection Decision is twenty-one (21) months, after which an appeal can be filed. However, under the proposed revised scheme, the maximum time duration for issuing the Tax Assessment Letter would be reduced to nine (9) months, allowing for direct appeal. This change would save twelve (12) months in the overall process.

4. Conclusion

Based on the analysis, it can be concluded that under the current system, the time duration from the commencement of the Tax Audit to the issuance of the Objection Decision is 21 months. It is recommended that the duration from the start of the Tax Audit to the issuance of the Objection Decision be reduced to 9 months, resulting in a time-saving of 12 months. This acceleration can be achieved by implementing reforms after the Tax Audit Notification Letter (SPHP) is submitted to the Taxpayer within a 6-month period. Prior to the Discussion Minutes, the Taxpayer should be given 1 month to submit an Objection if a dispute arises. The Objection Reviewer should be allocated 2 months to make a decision, after which the Tax Assessment Letter (SKP) will be immediately issued. The SKP can then be directly submitted to the Tax Court for an appeal.

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