

**ANALYSIS OF THE POTENTIAL FOR DOUBLE TAXATION ON HOUSEHOLD  
ELECTRICITY CONSUMPTION WITH POWER ABOVE 6,600  
VOLT-AMPERE REVIEWED FROM COMPLIANCE COSTS**

**Dwi Septya Pratiwi <sup>1</sup>, Prianto Budi Saptono <sup>2</sup>**

Faculty of Administration Science, Universitas Indonesia, Depok, Indonesia <sup>1,2</sup>

Email: [dwi.septya@ui.ac.id](mailto:dwi.septya@ui.ac.id)

**Abstract :** The change in nomenclature from Street Lighting Tax (PPJ) to Certain Goods and Services Tax on Electricity (PBJT-TL) is a form of reclassification and follow-up to the Decision of the Constitutional Court of the Republic of Indonesia Number 80/PUU-XV/2017. This change in terminology confirms that the PBJT-TL is a tax imposed on electricity consumption by end users. Household electricity consumption with power above 6,600 volt-ampere (VA) is subject to both the PBJT-TL (local tax) and Value-Added Tax (central tax). The purpose of this study is to analyze the potential for double taxation on the policy of imposing Value-Added Tax (VAT) and PBJT-TL. In addition, this study also aims to analyze the compliance costs of imposing VAT on electricity and PBJT-TL. This study uses qualitative methods with data collection techniques through literature review. This study uses the theory of national double taxation and cost of compliance. The results of the analysis show that there is double taxation on electricity consumption. This contradicts the general explanation in the HKPD Law, which is to harmonize the tax objects between central and local taxes so as to avoid duplication of tax collection. The phenomenon of double taxation on electricity consumption is examined from the perspective of compliance costs, namely fiscal costs, time costs, and psychological costs. Based on previous studies, VAT and PBJT-TL will increase the cost of electricity usage, and double taxation will also cause unfairness for taxpayers. This will result in tax compliance costs.

**Keywords :** *Street Lighting Tax, Certain Goods and Services Tax on Electricity, National Double Taxation, Cost of Compliance.*

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## **1. Introduction**

Electricity plays an important role in human life today. Based on the graph 1 below, electricity demand in the household sector is quite high and stable from 2022 to the 2025 projection. The residential and commercial sectors account for a significant portion of energy consumption compared to total energy consumption in all sectors (Dewan Energi Nasional, 2023).

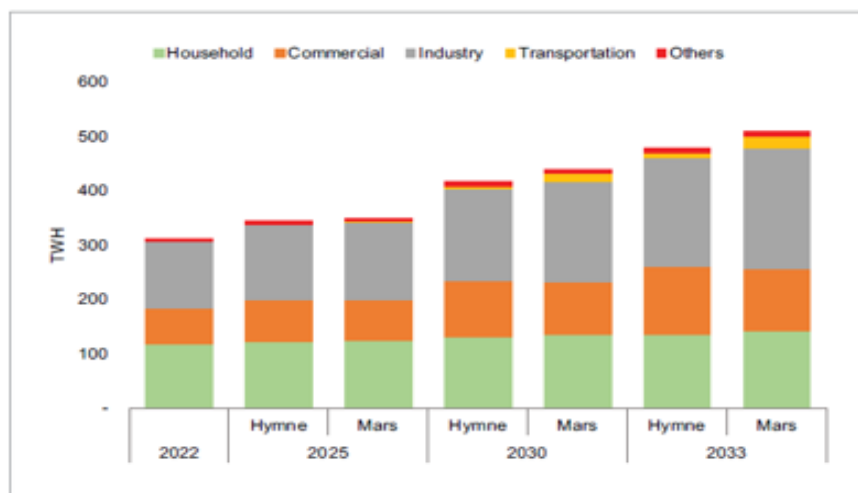


Figure 1. National Electricity Demand by Sector  
Source : (Dewan Energi Nasional, 2023)

Energy consumption behavior can be stimulated by providing tax incentives. One of tax incentive for household electricity consumption is a property tax in the form of a deduction from the Land and Building Tax- Rural and Urban (PBB-P2), which has been implemented in several cities in Indonesia (Safitra, 2022). In addition, tax incentives are also provided as a means of transitioning from fuel oil to electricity, such as tax incentives for electric transportation (Wibowo & Rasji, 2023).

Electricity supply is essentially a type of public good that should be provided by the government and is different from other private consumption goods (Tambunan & Rosdiana, 2020). Electricity can also be classified as a private good provided through the government. This is as stated by Hyman (2010), private goods that are consumed individually are sometimes supplied through the market by the government, such as certain transportation services, electricity, and other public utility services. On the other hand, many non-rival goods that have the characteristics of public goods are produced by the private sector and supplied through the market. This applies to certain recreational services sold through private clubs, television and other communication services, and private police protection. In many cases, goods and services are supplied both through the market via private production and by the government through political institutions. For example, there are private and public schools. Recreational services and facilities, such as parks, tennis courts, and golf courses, are supplied by the government and the private sector (Hyman, 2010).

Electricity has the characteristics of a private good because it is rivalrous and excludable. Although it does not have the characteristics of a public good in economic terms, the provision of electricity plays a role in public services that requires the government to be responsible for its provision. The provision of electricity is monopolistic, the cost of providing infrastructure is high, it is needed by the community as consumers, and it plays a role in supporting other activities (known as externalities). Therefore, the provision of electricity is considered a form of public service (Scott & Seth, 2013).

Based on its characteristics, electricity is a strategic commodity that is needed by the community and plays an important role in community activities. Electricity is classified as a strategic commodity that is exempt from VAT based on Article 16 B of the Value Added Tax Law (VAT Law) and Government Regulation No. 49 of 2022 (PP No. 49/2022). However, there is an exception for household electricity consumption with power above 6,600 VA, which is subject to VAT. Based on Article 6 paragraph (2) letter 1 of PP No. 49/2022, certain strategic Taxable Goods (BKP) whose supply is exempt from VAT include electricity, including electricity connection fees and electricity charges, except for households with power

above 6,600 VA. Based on Article 3 letter b of the Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia No. 7 of 2014, electricity for household use with power 6,600 VA or more is included in the R-3 (Large Household) category, which consists of Low Voltage (R-3/TR) and Medium Voltage (R-3/TM). Tax on electricity consumption is not only a central tax but also a local tax.

The regulations governing the imposition of local taxes on electricity consumption have undergone several changes, namely Law No. 18 of 1997, Law No. 34 of 2000, and Law No. 28 of 2009 concerning Local Taxes and Retributions (PDRD Law). These were then amended by Law No. 1 of 2022 concerning the Law on Central and Regional Financial Relations (HKPD Law). Based on the PDRD Law, the tax on electricity usage is called the Street Lighting Tax (PPJ). Law No. 18 of 1997 and Law No. 34 of 2000 limit the definition of PPJ to be a tax on electricity usage, with the provision that street lighting is available in the region, the bills for which are paid by the Regional Government. This definition was later expanded by Law No. 28 of 2009, which states that PPJ is a tax on the use of electricity, whether generated independently or obtained from other sources. In Law No. 1 of 2022, PPJ was changed to Certain Goods and Services Tax on Electricity (PBJT-TL). The change in terminology from PPJ to PBJT on Electricity was based on the Decision of the Constitutional Court of the Republic of Indonesia (MK RI) Number 80/PUU-XV/2017.

The term PPJ causes confusion because it uses inappropriate nomenclature or terminology. Based on the nomenclature or terminology of the PPJ, the use of electricity that is subject to PPJ is used for street lighting. However, the term PPJ differs from the definition of PPJ in Article 1 point 28 of the PDRD Law, whereby PPJ is a tax on the use of electricity, whether generated independently or obtained from other sources. The Indonesian Constitutional Court Decision Number 80/PUU-XV/2017 is one of the bases for changing PPJ to PBJT-TL. This change in nomenclature occurred in conjunction with the amendment of the PDRD Law to HKPD Law. The collection of PBJT-TL is regulated in Government Regulation No. 4 of 2023 concerning PBJT-TL (PP No. 4/2023).

After the enactment of the HKPD Law, PBJT-TL is not only the use of electricity with the provision that street lighting is available in the area, the bill for which is paid by the Local Government. The object of PBJT on Electricity covers a wider range, namely the consumption of electricity by end users. The mechanism for calculating PBJT-TL and PPJ remains the same, namely the sale value of electricity multiplied by the tariff.

Electricity bills for the R-3 category with power above 6,600 VA will be subject to VAT and PPJ, the rates of which are regulated in PDRD Law, namely a maximum rate of 10% (Hikmiyah, Nabila, & Fatimah, 2023). For the calculation of electricity bills for the R-3 category, PLN will calculate the kWh electricity usage and the tariff per kWh, collect VAT and PPJ, and if the total payment exceeds IDR 5,000,000, stamp duty will be imposed (Setyansah & Salsabilla, 2024).

In the Director General of Taxes Letter No. S-1444/PJ.53/2001 concerning Double Taxation on VAT and PPJ, taxpayers requested that the supply of electricity for residential use with power above 6,600 VA be exempted from VAT, as is the case with other electricity supplies. This is based on the results of a study by PT. Perusahaan Listrik Negara (PLN), which states that there is double taxation between VAT and PPJ. Double taxation occurs on the supply of electricity for residential use above 6,600 VA. However, the Director General of Taxes (DJP) rejected the request because there is a difference in the objects of PPJ and VAT. Based on the DJP's response, the object of PPJ is the use of electricity, with the provision that street lighting is available in the area, the bills for which are paid by the local government. This is based on the Explanation of Article 2 paragraph (2) letter e of Law Number 18 of 1997 concerning Regional Taxes and Levies (PDRD), as amended by Law Number 34 of 2000. Meanwhile, the object of VAT is electricity consumed directly by electricity customers.

Based on previous research and regulations governing PBJT-TL and VAT on electricity, there is potential for duplicate taxation, namely central and local taxes. This study, using a literature review method, will 1) analyze regulations on PBJT-TL and VAT on electricity; 2) analyze whether there is double taxation

on the policy of imposing PBJT-TL and VAT on electricity; 3) analyze the cost of compliance on the imposition of PBJT-TL and VAT on electricity. Based on these objectives, this study is expected can be used as a consideration when designing tax policies and also provide input in determining future policies. This study is also limited to the supply of electricity from PLN to household consumers with power above 6,600 VA.

## 2. Literature Review

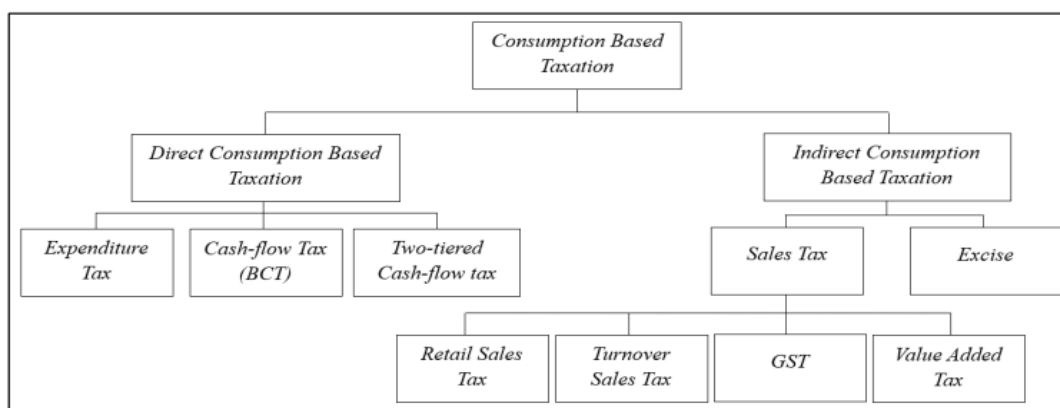


Figure 2. Taxonomy Consumption Based Taxation

Source : (Rosdiana, Irianto, & Putranti., 2011)

VAT and PBJT-TL are forms of consumption tax. Consumption tax is divided into direct taxes and indirect taxes. Direct taxes are imposed on the income of individuals, companies, and workers. Direct taxes such as individual income tax can be levied based on consumption by eliminating capital returns (interest, dividends, and capital gains). Several forms of indirect taxes are levied based on consumption, including excise taxes on certain goods (selective excise taxes), a turnover tax, sales tax (single stage sales tax: manufacture tax and retail tax), or value added tax (multistage sales tax). VAT is a consumption tax and, based on the classification in Figure 1, VAT is part of sales tax (Rosdiana, Irianto, & Putranti., 2011).

Based on the laws and regulations governing VAT and PBJT-TL, there is the potential for double taxation. The concept of double taxation can be interpreted broadly or narrowly. Double taxation in a broad sense is when a taxable subject or object is taxed more than once. In this context, double taxation can occur due to a combination of taxation with other public levies (such as customs duties, licensing fees, etc.), a combination of different taxes, and double taxation imposed by different or the same fiscal jurisdictions. Thus, double taxation in a broad sense is a general term that covers all forms of double taxation and fiscal levies in relation to the same fiscal facts, such as the same tax subject and/or tax object (Knechtel, 1979).

The term “double taxation” in the narrow sense was introduced by Lotz and developed by Spitaler, covering all cases of double taxation in any form against the same taxpayer and/or tax object within the scope of the original (non-derivative) tax authority. Therefore, the characteristic feature of this type of double taxation is that it always occurs within the same original tax jurisdiction. In this context, it is irrelevant if, in addition to the holder of the initial tax jurisdiction, several political subdivisions, whose taxing powers derive from the former, namely the derivative tax authority, are also involved. (Knechtel, 1979).

Spitaler divides the term double taxation in the narrow sense into (a) double imposition by a single authority with original tax jurisdiction, and (b) double imposition by multiple authorities. The latter is

caused by subordinate local authorities (e.g., municipalities) exercising their derivative taxing powers within the same original tax jurisdiction. (Knechtle, 1979).

The concept of double taxation is divided into two meanings, namely double taxation in legal terms and double taxation in economic terms. Legal double taxation refers to a situation where a taxpayer is taxed by more than one country on the same income in the same period. Meanwhile, economic double taxation refers to a situation where the same income is taxed more than once by two or more different taxpayers. (Darussalam & Septriadi, 2017).

Double taxation can be divided into domestic double taxation and international double taxation. Domestic double taxation is taxation imposed more than once on the same taxable object by a country. Meanwhile, international double taxation is a key issue in international tax law. (Suandi, 2008). National double taxation occurs because of a lack of thoroughness on the part of lawmakers when discussing draft legislation in the field of taxation, resulting in laws that are binding on both taxpayers and tax officials. National double taxation is a tax imposed by the state on the same taxable object with the same taxpayer. (Saidi, 2007).

This study also examines the implications of potential double taxation in terms of tax compliance costs. There are five components of taxation costs, namely administrative costs, compliance costs, the regular deadweight loss, the excess burden of tax evasion, and avoidance costs. Compliance costs are costs imposed on taxpayers (Slemrod & Yitzhaki, 1996). Sandford also mentions three types of taxation costs, namely sacrifice of income, distortion cost, and running cost. Cedric Sandford argued that compliance costs are not always tangible costs that can be measured in monetary terms, but can also be intangible costs that cannot be measured in monetary terms. Sandford also divided the cost of compliance into three elements, namely fiscal costs/direct money costs/monetary costs, time costs, and psychological costs. (Rosdiana & Irianto, 2014). Indicators of direct money cost are allocation of funds to fulfill tax obligations, administrative costs related to fulfilling tax obligations, and fees for tax consultants. Indicators of time cost are time allocated to fulfill tax obligations, time spent on tax document administration, understanding tax regulations, payments, and reporting, and time spent consulting with tax consultants. Indicators of psychological costs are anxiety about fulfilling tax obligations according to applicable regulations, and anxiety about errors in fulfilling tax obligations (Sandford, Godwin, & Hardwick, 1989).

Financial costs include payments to tax consultants or tax professionals. Financial costs also include other general expenses such as telephone, books, equipment, computers, and software. Time costs for individual taxpayers are the time required to fill out tax returns, report them, and prepare the necessary tax data. The time spent will also increase when tax assistance in the form of tax law interpretation comes from parties who are not professionals in the field. Psychological costs are costs such as anxiety, stress, and emotional pain experienced by taxpayers or consultants when dealing with tax matters (Lopes & Martins, 2013).

The cost of tax compliance refers to the costs incurred by taxpayers in order to fulfill their tax obligations. In other words, these costs refer to the costs incurred by taxpayers in order to meet tax requirements. Specifically, tax compliance costs, as evidenced by the relevant literature review below, include costs related to the preparation, compilation, and submission of tax returns, as well as monitoring of relevant tax laws and regulations. (Lazos, Pazarskis, Karagiorgos, & Koutoupis, 2022 ).

### **3. Research Method**

This study uses a qualitative approach. Qualitative research is research aimed at understanding the meaning given by individuals or groups to a human social problem (Creswell, 2014).. Based on its objectives, this study is a descriptive qualitative study that aims to provide a specific description of the tax policy on electricity consumption. In this study, the data collection technique used is a qualitative data collection technique through a literature review. Literature study, namely a review of data from various



reference books and previous research results that are relevant to the research to obtain a theoretical basis for the problem being researched (Sarwono, 2006). The literature study was conducted by searching for secondary data obtained from various sources, including books, articles, and electronic publications. Literature review is a research method that aims to collect and summarize previous research and analyze several expert reviews written in text (Snyder, 2019).

### **3. Result and Discussion**

#### **3.1. Mechanism of VAT Collection on Electricity**

VAT has characteristics that differ from other sales taxes. One characteristic of VAT, aside from being an indirect tax on consumption, is that it is a multi-stage levy, uses the indirect subtraction method, and is non-cumulative (Sukardji, 2015). VAT on electricity is a tax on electricity consumption and is indirect in nature because the tax burden is shifted to the end consumer (forward shifting). VAT has multi-stage characteristics, so it is imposed on the entire production and distribution chain. VAT on electricity supply is also imposed at multiple stages. The source of electricity comes from power plants, both those owned by PT. Perusahaan Listrik Negara (PLN) and private parties. Electricity is not always generated by PLN but can also be generated by electricity providers. Electricity providers that do not yet have a government-issued electricity supply business license must sell or deliver electricity to PLN. PLN is a state-owned enterprise (BUMN) that has an electricity supply business license based on Law No. 30 of 2009 concerning Electricity. If owned by private parties, the electricity will be transferred to PLN for distribution to end consumers. End consumers can be industries or households.

Based on Figure 3, the transfer of electricity from power plant owners to PLN is exempt from VAT. Subsequently, the transfer of electricity from PLN to consumers (other than household consumers with power more than 6,600 VA) is also exempt from VAT. The transfer of electricity is exempt from VAT on strategic goods based on PP No. 49/2022. However, when electricity is transferred to household consumers with a capacity of more than 6,600 VA, VAT will be imposed and they will not receive VAT exemption facilities.

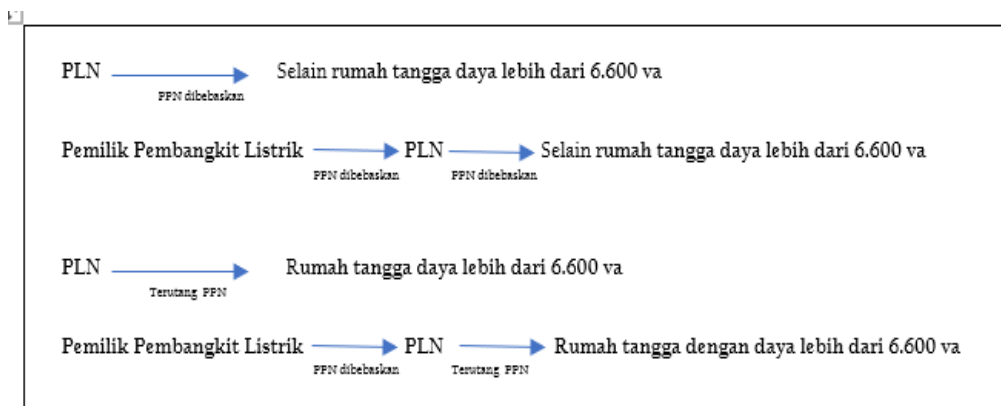


Figure 3. Imposition of VAT on Electricity  
Source : PP No. 49/2022 (Processed by Author)

The VAT exemption policy has consequences, namely that input tax cannot be credited by parties issuing tax invoices that receive VAT exemption facilities. Based on this, there will be a cascading effect at the production level because input tax cannot be credited. The input tax can be expensed by the producer or included as a component of the selling price at the producer level. Distributors, in this case PLN, will

receive a selling price that includes VAT. The selling price from the producer also becomes the basis for PLN's sales to end consumers who are subject to VAT. VAT exemption at the production and distribution levels also contradicts the non-cumulative nature of VAT. When VAT exemption is granted on electricity supply at the production and distribution levels, the potential for a cascading effect will be even greater.

### 3.2 Mechanism for Collecting PBJT on Electricity (PBJT-TL)

Unlike VAT, which is a central tax, PBJT-TL is a local tax. PBJT-TL is a form of consumption tax and is imposed on consumption by the end user. Therefore, the burden of both central and local taxes falls on the end consumer.

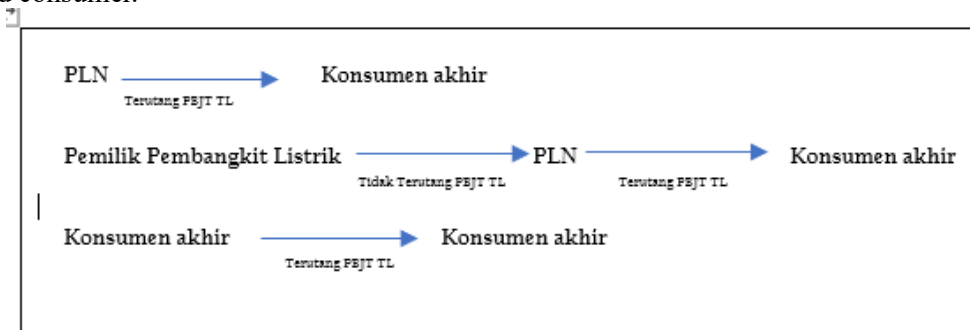


Figure 4. Imposition of PBJT-TL

Source : PP No. 4/2023 (Processed by Author)

Based on Figure 4, electricity can be generated by PLN, other parties that own power plants, and consumers who produce their own electricity. The transfer of electricity by power plant owners to PLN is not subject to PBJT-TL. However, PBJT-TL is imposed on the use of electricity by end consumers. Therefore, when PLN transfers electricity to end consumers, PBJT-TL is payable. This also applies when consumers use electricity they generate themselves, but with power limits set by the local government. All end consumers who use electricity are subject to PBJT-TL. There is no difference between consumers who are liable for PBJT-TL.

PBJT-TL is a form of consumption tax, which is a sales tax. The sales tax mechanism is imposed at one level of supply. PBJT-TL is imposed only at the level of end-user consumption. If the electricity consumption comes from another party's supply, then the party collecting the PBJT-TL, such as PLN. Based on this, the imposition of VAT and PBJT-TL consumption with a power more than 6,600 VA is a tax on the same object. This results in duplicate tax collection.

### 3.3 Differences in Treatment Between PBJT-TL and Other PBJT

Based on the HKPD Law, there is a reclassification of Restaurant Tax, Hotel Tax, Parking Tax, Entertainment Tax, and Street Lighting Tax into PBJT. PBJT objects are collected by the regency/city government. The objects of PBJT as stated in Article 50 of the HKPD Law are the sale, delivery, and/or consumption of certain goods and services, including food and/or beverages, electricity, hotel services, parking services, and arts and entertainment services. PBJT objects other than electricity are included in the group of goods and services that are not subject to VAT based on Article 4A paragraph (2) letter c and (3) letters h, l, n, and q of the VAT Law.

The following are objects of regional taxes and regional retributions that are not subject to VAT based on Article 4A paragraph (2) letter c and (3) letters h, l, n, and q of the VAT Law, namely:

- Food and beverages served in hotels, restaurants, eateries, food stalls, and the like, whether consumed on-site or not.

- Arts and entertainment services. These services include all types of services performed by arts and entertainment workers.
- Hotel services. These services include room rentals and/or space rental services in hotels.
- Parking space provision services. These services include the provision or management of parking spaces by parking space owners or parking space managers to parking space users.
- Catering services. These services include all food and beverage service activities.

Unlike other PBJT objects, electricity is also subject to central tax, even though it is already subject to local tax. VAT is negative list in nature and electricity is not included in goods and services that are exempt from VAT in Article 4A paragraphs (2) and (3) of the VAT Law. Therefore, the supply of electricity is subject to VAT.

Electricity is also subject to local taxes, namely the Tax on Certain Goods and Services. Based on Article 50 of the HKPD Law, the objects of PBJT are the sale, supply, and/or consumption of certain goods and services, including electricity. Article 52 paragraph (1) of the HKPD Law explains that the consumption of electricity as referred to in Article 50 letter b of the HKPD Law is the use of electricity by end users. Article 52 paragraph (2) of the HKPD Law also explains that the following are exempt from the consumption of electricity as referred to in paragraph (1), including:

- Electricity consumption by government agencies, local governments, and other state institutions;
- Electricity consumption at locations used by embassies, consulates, and foreign representatives based on the principle of reciprocity;
- Electricity consumption at places of worship, nursing homes, orphanages, and other similar social institutions;
- Electricity consumption generated independently with a certain capacity that does not require a permit from the relevant technical agency; and
- Other electricity consumption regulated by local regulations.

There is a difference in treatment between PBJT-TL and other PBJTs. PBJT-TL is subject to both central and local taxes. Meanwhile, PBJTs other than electricity are only subject to local taxes. All PBJT objects are goods and services consumed by the community. Based on its characteristics, electricity is a private good that is classified as a public service because it is essential for all public activities. Other PBJT objects are only for consumption and do not affect public activities in general. Based on the type of end consumer, other PBJT objects are also mostly enjoyed by the middle class.

The imposition of central and local taxes on the same taxable objects also applies to golf. Golf is subject to VAT and Entertainment Tax under the PDRD Law. In response to this, the Indonesian Golf Course Owners Association and eight golf entrepreneurs filed a judicial review of Article 42 paragraph (2) letter g of the PDRD Law, which stipulates that golf is subject to local tax. The Indonesian Constitutional Court Decision No. 52/PUU-IX/2011 granted the judicial review and canceled golf as an object of entertainment tax. Several things that were considered by the Constitutional Court were:

- The basis for imposing taxes, including local taxes, cannot be solely based on the need for development for the public good, thereby seeking out individuals or service providers who have the ability to pay. The imposition of taxes must consider all aspects, including the types of businesses or activities that can be taxed and the aspect of fairness for taxpayers.
- The court ruled that double taxation is the imposition of tax on the same taxable object to one taxpayer, carried out by the tax collector (fiscus).
- The Court agrees with expert witness T.B. Eddy Mangkuprawira, who explained that the overlapping imposition of taxes by two different laws on a single taxable object has the potential to lead to abuse of authority in the collection of taxes, or abuse of power, which gives rise to the stigma that the power to tax is the power to destroy.



The cancellation of golf as an entertainment tax and only becoming subject to VAT was confirmed with the issuance of the HKPD Law. In the HKPD Law, golf is not included in the PBJT on arts and entertainment services. The decision of the Constitutional Court of the Republic of Indonesia No. 52/PUU-IX/2011 also confirms that the imposition of taxes on the same object constitutes double taxation.

### **3.4 Double Taxation of VAT on Electricity and PBJT-TL**

The imposition of VAT and PBJT on the supply of electricity to household with power above 6,600 VA is contrary to the purpose of reclassification. Based on the general explanation of the HKPD Law, in order to allocate national resources more efficiently, the government grants authority to the regions. This authority is to collect taxes and levies with reinforcement through tax restructuring. Local governments are also provided with new local tax sources, simplification of retribution types, and harmonization with Law Number 11 of 2020 concerning Job Creation. Tax restructuring is carried out through the reclassification of 5 (five) types of consumption-based taxes into one type of tax, namely PBJT. This has the following objectives:

- harmonizing Tax Objects between central and local taxes to avoid duplication of tax collection;
- simplifying tax administration so that the benefits obtained are higher than the costs of collection;
- facilitate integrated tax collection monitoring by local governments; and
- make it easier for the public to fulfill their tax obligations, while supporting ease of doing business through the simplification of tax administration.

The purpose of reclassification is to harmonize central and local taxes so that there is no duplication of tax collection. One manifestation of tax object harmonization between central and local taxes is when no tax is imposed on the same tax subject and tax object. The change from PPJ to PBJT-TL reinforces the existence of double taxation on the supply of electricity to households with power above 6,600 VA. This contradicts the objective of local tax reclassification.

Based on the concept of national double taxation according to Saidi (2007), the supply of electricity to household with power above 6,600 VA is subject to national double taxation because it is imposed on the same object and on the same subject, namely the end consumer of electricity consumption. There is no definitive regulation on whether PBJT-TL is a surcharge or an additional tax on electricity consumption other than VAT. The imposition of VAT on electricity supply and PBJT- does not yet meet the principle of taxation, namely the principle of certainty, because there is still a discrepancy between laws and regulations. According Rosdiana&Irianto (2014), the principle of certainty is the principle of certainty in taxation that must provide clarity for both tax officials and all taxpayers and the public.

Local taxes and VAT have similar characteristics because they are taxes on consumption. This has the potential to result in double taxation, whereby the object is subject to both local and central taxes at the same time (Ardiansyah, 2017). The VAT Law stipulates that certain local taxes are not subject to VAT. However, this does not apply to electricity consumption, which is not included in the VAT negative list. Electricity consumption is still subject to VAT and PBJT-TL (Electricity Tax). Electricity supplied to non-household consumers with power more than 6,600 VA is exempt from VAT. The granting of this facility does not mean that the object is not subject to VAT. The granting of VAT exemption does not release the obligation to issue a tax invoice with tax invoice code 08. In addition, there is a possibility that the power limit subject to VAT may be lowered, such as to more than 3,500 VA. This depends on the prevailing social, economic, and political conditions.

### **3.5 Analysis of Compliance Costs for the Imposition of VAT on Electricity and PBJT-TL**

The implementation of taxes requires a number of costs, such as efficiency costs, administrative costs, and compliance costs (Lopes & Martins, 2013). Administrative costs are costs incurred by tax authorities in operating the taxation system (Sandford, The Administrative and Compliance Costs of

Taxation: Lessons form, 1985). From the fiscal perspective, the collection of VAT and PBJT on electricity distributed by PLN is easier because the tax is collected directly by PLN along with the electricity bill. The ease of implementing tax obligations is an indicator of efficiency costs and administrative costs.

Compliance costs are costs incurred by taxpayers or business entities to fulfill their tax obligations (Sandford, The Administrative and Compliance Costs of Taxation: Lessons form, 1985). Tax compliance costs are viewed from the perspective of consumers as the bearers of the tax burden. Based on Sanford's classification, tax compliance costs are divided into three categories, namely fiscal costs/direct money costs, time costs, and psychological costs (Rosdiana & Irianto, 2014).

- **Fiscal costs/Direct money cost**

Fiscal costs/Direct monetary costs occur when taxpayers must incur measurable monetary expenses related to fulfilling their tax obligations. When multiple taxes are imposed on electricity consumption, electricity consumers must incur higher costs, namely VAT and PBJT on electricity. These costs cannot be credited because they are imposed on end consumers. Based on research by Hikmiyah, Nabila, & Fatimah (2023) and Setyansah & Salsabilla (2024), household consumers with an electricity power more than 6,600 VA will pay for electricity usage plus VAT and PPJ (which has changed to PBJT on Electricity).

- **Time Cost**

Time costs are related to the time spent on calculating, paying, and reporting taxes. The calculation, payment, and reporting of VAT and PBJT on electricity are carried out simultaneously with the payment of electricity bills. PLN employees will process the amount of the taxpayer's electricity bill and the total amount of tax owed (Aritonang, 2022). PLN will calculate the electricity usage in kWh and the tariff per kWh, collect VAT and PPJ, and if the total payment exceeds IDR 5,000,000, stamp duty will be imposed (Setyansah & Salsabilla, 2024). From a time cost perspective, the imposition of VAT on electricity and PBJT-TL is insignificant because the tax is collected simultaneously with the electricity bill and is an official assessment.

- **Psychological Costs**

Psychological costs occur when taxpayers feel burdened by unfair treatment because they are treated differently from other taxpayers who consume electricity. According to Devos, there are several factors that influence tax compliance behavior, namely tax morality, tax fairness, and to a lesser extent, tax law enforcement, tax sanctions, and tax awareness, which influence compliance behavior (Khozen & Setyowati, 2023). According to Onu in Khozen & Setyowati (2023), tax avoidance is usually associated with an unfair tax system and loopholes that can be exploited.

There is little doubt that there will always be psychological impacts resulting from the implementation of a taxation system. This is because psychological costs are intangible and not financial costs. In addition, there is no generally accepted definition or common method for evaluating them. Psychological costs differ from one taxpayer to another and are difficult to measure. Therefore, psychological costs are not subject to evaluation in many studies. However, psychological costs should not be ignored (Lopes & Martins, 2013).

One way to overcome psychological costs is to seek certainty by submitting a request letter for electricity consumption to be exempted from VAT because it is already subject to PBJT on electricity. However, this request was rejected with the issuance of Director General of Taxation Letter No. S-1444/PJ.53/2001. Psychological costs can encourage taxpaying consumers to engage in tax avoidance. Illegal actions and deliberate attempts by taxpayers to reduce their legitimate tax obligations constitute tax avoidance (Lazos, Pazarskis, Karagiorgos, & Koutoupis, 2022 ).

#### **4. Conclusion**

There is taxation on the same object, namely the supply of electricity intended for end users. This object is subject to VAT and local tax, namely PBJT-TL. The change in nomenclature from PPJ to PBJT on Electricity further emphasizes the imposition of tax on the same taxable object and on the same subject. The supply of electricity to homes with power above 6,600 (six thousand six hundred) VA is subject to VAT and PBJT-TL. Therefore, the supply of electricity to homes with power above 6,600 (six thousand six hundred) VA is subject to double taxation because there is no regulation confirming whether PBJT-TL is a surcharge or an additional tax on electricity consumption other than VAT.

The imposition of multiple taxes can have implications reviewed from compliance costs. The electricity costs borne by end consumers will be even higher because they are subject to PBJT-TL and also VAT. These tax compliance costs can be measured in monetary terms or otherwise. This study uses a qualitative method based on a literature review and therefore cannot provide a measurable calculation of compliance costs.

The imposition of double taxes can have an impact on taxpayers in terms of compliance costs. Therefore, it is necessary to review the potential for taxation on the same taxable object that occurs due to inconsistencies between laws and regulations. The government needs to review laws and regulations so that tax collection complies with the principle of legal certainty. If such inconsistencies persist, the public can take proactive steps by requesting an advance ruling from the Directorate General of Taxes to avoid penalties for incorrect tax application in the future. In addition, the public can request a constitutional review from the Constitutional Court. Legal action is necessary to create legal certainty in tax collection and minimize the compliance costs borne by taxpayers.

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