

**Tax Law Reform and Fiscal Justice in Indonesia: A Legal Approach
Toward the Sustainable Development Goals**

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Abstract

This study examines the extent to which Indonesia's tax law reform aligns with the principles of fiscal justice and contributes to the realization of the Sustainable Development Goals (SDGs). In response to growing inequality and institutional challenges, the government enacted Law No. 7 of 2021 on the Harmonization of Tax Regulations as a strategic step toward fiscal modernization and equity. The research adopts a normative juridical method using a statute and conceptual approach, supported by secondary legal data from statutory sources, academic literature, and government policy documents. The analysis reveals that although the restructured tax brackets, carbon tax introduction, and digitalization initiatives reflect normative intentions to promote justice, significant structural and doctrinal constraints persist. These include legal uncertainty, unequal access to tax incentives, administrative weaknesses, and the lack of binding mechanisms linking tax policy to SDG implementation. The findings highlight a partial normative alignment between Indonesia's tax reform and fiscal justice principles. Strengthening legal coherence, institutional capacity, and policy integration is essential for transforming tax law into an effective instrument for equitable and sustainable development.

Keywords: fiscal justice, legal approach, SDGs, tax law reform

Abstrak

Penelitian ini mengkaji sejauh mana reformasi hukum perpajakan di Indonesia selaras dengan prinsip-prinsip keadilan fiskal dan berkontribusi terhadap pencapaian Tujuan Pembangunan Berkelanjutan (SDGs). Dalam merespons meningkatnya ketimpangan dan tantangan kelembagaan, pemerintah menetapkan Undang-Undang No. 7 Tahun 2021 tentang Harmonisasi Peraturan Perpajakan sebagai langkah strategis menuju modernisasi dan keadilan fiskal. Penelitian ini menggunakan metode yuridis normatif dengan pendekatan perundang-undangan dan pendekatan konseptual, serta didukung oleh data hukum sekunder berupa peraturan perundang-undangan, literatur akademik, dan dokumen kebijakan pemerintah. Hasil analisis menunjukkan bahwa meskipun reformulasi tarif pajak penghasilan, pengenalan pajak karbon, dan digitalisasi administrasi mencerminkan intensi normatif untuk mewujudkan keadilan, masih terdapat kendala struktural dan doktrinal yang signifikan. Kendala tersebut mencakup

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ketidakpastian hukum, ketimpangan akses terhadap insentif pajak, kelemahan administratif, serta belum adanya mekanisme hukum yang mengikat untuk mengintegrasikan kebijakan pajak dengan pelaksanaan SDGs. Temuan ini menunjukkan bahwa reformasi perpajakan Indonesia baru menunjukkan keselarasan normatif parsial terhadap prinsip keadilan fiskal. Penguatan koherensi hukum, kapasitas kelembagaan, dan integrasi kebijakan diperlukan agar hukum pajak dapat berfungsi secara efektif sebagai instrumen pembangunan yang adil dan berkelanjutan.

Kata kunci: keadilan fiskal, pendekatan yuridis, reformasi hukum pajak, SDGs

1. INTRODUCTION

Taxation serves as a fundamental pillar of sustainable economic development. Beyond its function as a source of state revenue, it plays a strategic role in wealth redistribution and the realization of social justice. Within the framework of the Sustainable Development Goals (SDGs), taxation is regarded as an essential instrument for achieving objectives such as poverty reduction, inclusive economic participation, and the mitigation of social inequality. A fair and inclusive tax system fosters citizen engagement in development processes and strengthens the legitimacy of public institutions. The ability of a nation to advance sustainable development largely depends on the structure, equity, and effectiveness of its fiscal system. Tax revenue also facilitates the provision of essential public services, addresses negative externalities, and supports environmental sustainability efforts.¹ Consequently, the establishment of a just and inclusive tax regime is crucial to achieving long-term developmental goals. In the context of globalization and digital transformation, the urgency of comprehensive tax reform becomes increasingly apparent.

Indonesia continues to grapple with persistent socio-economic inequality, which presents a major obstacle to inclusive national development. Disparities in income distribution across regions and demographic groups have proven to be deeply embedded in the country's economic and political structures. Indonesia's Gini coefficient remains relatively high, reflecting a significant gap between the wealthy and the poor. These disparities extend beyond economics, influencing social cohesion, public trust, and

¹ Amelia Cahyadini et al., "Adopting Pillar One: An Ideal Model for the Transformation of Indonesia's Tax Law to Realize SDGs Goal XVII and It's Challenges," *Cogent Social Sciences* 11, no. 1 (December 31, 2025), <https://doi.org/10.1080/23311886.2025.2459321>.

political stability. Inequality in access to basic services, education, and economic opportunities has the potential to entrench poverty and exacerbate marginalization. Ideally, the tax system should function as a corrective mechanism that redistributes resources to foster equality and inclusion.² However, Indonesia's current taxation framework has not fully realized its redistributive potential. This situation underscores the critical need for tax reform that not only increases state revenue but also promotes social justice and equitable development outcomes.

The Indonesian government has taken steps to incorporate the SDGs into its national development strategy, particularly through their integration into the National Medium-Term Development Plan (RPJMN). Since 2016, national development programs have been aligned with the 17 global goals adopted by the United Nations. Among these, SDG 10, which targets the reduction of inequality, and SDG 16, which emphasizes justice and strong institutions, are particularly relevant to the realm of tax law and policy. The RPJMN explicitly promotes progressive and inclusive fiscal strategies as foundational to achieving equitable development.³ While the inclusion of SDG principles in national planning represents meaningful progress, gaps persist in implementation and evaluation. Accordingly, it is vital to assess the extent to which Indonesia's tax law reforms contribute to these global objectives. A critical understanding of this relationship can help inform the development of more coherent and effective tax policies that align with both national priorities and international commitments.

Tax reform efforts cannot be meaningfully discussed without a thorough consideration of the legal structures that support them. Tax law provides not only the procedural framework for tax collection and enforcement but also the normative foundation for fairness, equality, and justice. Legal reforms in the taxation sector are often employed as instruments to modernize fiscal systems and enhance their effectiveness.

² Fitri Wahyuni, "Fiscal Tax Law Perspective in Realizing Justice and Efficiency: Critical Analysis of Applicable Tax Regulations," *International Journal of Science and Society* 6, no. 1 (February 6, 2024): 770–81, <https://doi.org/10.54783/ijssoc.v6i1.1063>.

³ Muhamad Rizal Yuniar and Amrie Firmansyah, "The Transparency Level of Local Governments in Indonesia: Does the Level of Financial Health Matter?," *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, June 28, 2023, 123–50, <https://doi.org/10.28986/jtaken.v9i1.1195>.

However, in the Indonesian context, these reforms have often been technocratic in nature, lacking a clear emphasis on justice and equity. An effective tax law should reflect both vertical and horizontal equity: it must account for differences in economic capacity and ensure equal treatment for taxpayers in comparable situations. The legal system plays a pivotal role in translating fiscal ideals into practical regulations that uphold fairness. Accordingly, legal scholarship is indispensable in evaluating whether existing and proposed regulations align with broader social and developmental objectives.⁴ This study adopts such a legal lens to critically examine Indonesia's current tax reform agenda.

Indonesia's tax system continues to face several systemic challenges that compromise its fairness and efficiency. Low levels of voluntary taxpayer compliance persist, largely due to weak enforcement mechanisms and limited institutional capacity. Practices such as tax avoidance and aggressive tax planning are prevalent, particularly among large corporations with sophisticated financial structures. In addition, the allocation of fiscal incentives often disproportionately benefits large enterprises, while small and medium-sized businesses receive relatively little support. These imbalances contribute to structural inequality and undermine the credibility of tax policy. Despite periodic reform initiatives, many fail to address the root causes of fiscal injustice. Oversight mechanisms remain fragmented and under-resourced, weakening the implementation of existing regulations.⁵ Considering these issues, legal reform must be approached not only from a technical standpoint but also from a justice-oriented perspective that ensures equitable outcomes.

Academic research on tax reform in Indonesia has traditionally focused on administrative efficiency and macroeconomic outcomes, with limited attention to legal and normative dimensions. Yet, legal analysis is essential for evaluating the legitimacy, coherence, and fairness of tax regulations. A literature-based review allows for a comprehensive mapping of scholarly debates and policy trajectories. In recent years,

⁴ Cahyadini et al., "Adopting Pillar One: An Ideal Model for the Transformation of Indonesia's Tax Law to Realize SDGs Goal XVII and Its Challenges."

⁵ Heriantonius Silalahi and Budi Kurnia, "Analysis of VAT Rate Increase: Social Justice and Strengthening Sustainable Economic Growth," *Journal Economic Business Innovation* 1, no. 4 (October 1, 2025): 228–41, <https://doi.org/10.69725/jebi.v1i4.157>.

regulatory developments such as the enactment of the Harmonized Tax Law (UU HPP) have significantly reshaped the fiscal landscape. Despite the scope of these changes, there remains a lack of studies that critically link tax law reform to the realization of the SDGs, particularly in terms of promoting equity and institutional accountability. This study aims to address that gap by synthesizing recent academic literature related to fiscal justice and sustainable development. The findings are expected to provide deeper insights into the effectiveness of Indonesia's legal approach to taxation. Moreover, this method facilitates the development of policy recommendations grounded in empirical and normative evidence.

Fiscal justice is a multifaceted concept that encompasses both how taxes are collected and how revenues are allocated. The government bears a constitutional and moral obligation to ensure that the tax burden is distributed equitably and that all citizens benefit proportionately from public spending. In legal terms, fiscal justice is rooted in the principle of equal protection under the law. A sound tax system must consider the differing capacities of taxpayers and aim to balance fiscal responsibility with social protection. Achieving fiscal justice not only improves the efficiency of resource allocation but also enhances public confidence in the legal and political system. Tax compliance, after all, is closely tied to perceptions of fairness, transparency, and the legitimacy of state institutions.⁶ Thus, legal instruments that promote equity and accountability must form the basis of any meaningful tax reform. Evaluating these instruments is essential for building a tax regime that supports inclusive and sustainable national development.

Despite multiple reform initiatives, significant discrepancies remain between the ideals expressed in tax law and the realities of fiscal governance. In many cases, fiscal policies and incentives have favored economic elites with the resources to navigate complex regulatory environments. Conversely, marginalized populations often face barriers in accessing the benefits of tax-funded public services. These inconsistencies

⁶ Edy Sukarno, "Tax Reform in Indonesia: The Transformation from Directorate General of Taxes to The State Revenue Agency," *International Journal of Professional Business Review* 9, no. 10 (October 9, 2024): e04906, <https://doi.org/10.26668/businessreview/2024.v9i10.4906>.

raise critical questions about whether the current legal framework genuinely supports distributive justice. In tax dispute resolution, for instance, the process often lacks the transparency and procedural fairness required to uphold public trust. Weak legal enforcement and asymmetries in regulatory access further exacerbate inequality. Within the broader context of sustainable development, such discrepancies may hinder the realization of inclusive growth.⁷ Accordingly, a thorough evaluation of existing tax policies and legal instruments is essential. This study undertakes that task through a structured review of scholarly literature that addresses both normative frameworks and policy outcomes.

Several scholarly studies have contributed to understanding Indonesia's tax law reform and its implications for fiscal justice. Fitri Wahyuni⁸ emphasized the importance of transparency and accountability as prerequisites for a just tax system. Djoko Santosa and Rusdianto Sesung⁹ demonstrated that simplifying tax procedures through legal reform can increase taxpayer compliance and optimize state revenue. Huddin and Fikri¹⁰ in 2024 examined the redistributive role of taxation in supporting social programs aligned with the SDGs, such as public healthcare and education subsidies. Collectively, these studies affirm the critical role of law in shaping equitable and effective fiscal policy. However, much of the existing literature remains fragmented and lacks a holistic view that connects legal reform with broader developmental outcomes. This study seeks to bridge that gap by offering a synthesis of current academic findings with a specific focus on equity and sustainability. The objective is not only to contribute to academic discourse but also to inform policy interventions that strengthen Indonesia's tax governance. This

⁷ Endang Mahpudin, "Digital Tax Reform in Indonesia: Perspective on Tax Policy Development," *Journal of Infrastructure, Policy and Development* 8, no. 8 (August 28, 2024): 7032, <https://doi.org/10.24294/jipd.v8i8.7032>.

⁸ Wahyuni, "Fiscal Tax Law Perspective in Realizing Justice and Efficiency: Critical Analysis of Applicable Tax Regulations."

⁹ Djoko Santosa and Rusdianto Sesung, "Reformasi Hukum Perpajakan Dalam Upaya Meningkatkan Penerimaan Dan Kepatuhan Wajib Pajak," *Perspektif* 26, no. 2 (May 31, 2021): 110–19, <https://doi.org/10.30742/perspektif.v26i2.787>.

¹⁰ A. A. Huddin, F., & fathoni, "Optimalisasi Pajak Dalam Mendukung Pencapaian Sustainable Development Goals (SDGs) Di Indonesia," *Neraca: Jurnal Ekonomi, Manajemen Dan Akuntansi*, 3, no. 3 (2024): 224–232, <http://jurnal.kolibi.org/index.php/neraca/article/view/4326>.

integrated perspective is essential to addressing the multidimensional nature of fiscal reform.

Based on the preceding discussion, this study identifies two central research problems that warrant comprehensive legal and policy-oriented analysis. First, the direction of Indonesia's tax law reform remains unclear with regard to its coherence with the principles of fiscal justice and its capacity to ensure an equitable distribution of tax burdens and public benefits. Second, the implementation of tax regulations that promote fairness continues to be constrained by a range of structural and normative challenges, including low taxpayer compliance, insufficient legal enforcement, and unequal access to fiscal incentives. These limitations undermine the broader function of taxation as an instrument for achieving inclusive and sustainable development. To address these issues, the study adopts a systematic literature review approach, focusing on peer-reviewed academic sources and policy-relevant analyses. The objective is to critically assess Indonesia's current tax policy framework and its alignment with normative ideals of justice and equity. Furthermore, the study seeks to formulate evidence-based recommendations that can reinforce the legal foundations of the national tax system and enhance its contribution to long-term development goals. By integrating legal, fiscal, and developmental perspectives, this research aspires to fill existing gaps in the literature and provide insights for more just and effective tax reform in Indonesia.

2. RESEARCH METHODS

This study applies a normative juridical method (doctrinal legal research), which focuses on examining legal norms, statutory regulations, and legal doctrines governing tax law reform in Indonesia. The normative approach emphasizes the analysis of legal materials as written (*ius constitutum*), particularly in relation to the principles of fiscal justice and the constitutional mandate for equitable development.¹¹ As Peter Mahmud Marzuki¹² states, normative legal research aims to identify the *lex lata* (the law as it is) through interpretation, systematization, and logical legal argumentation. This method

¹¹ Irwansyah, *Penelitian Hukum, Pilihan Metode & Praktik Penulisan Artikel, Edisi Revisi* (Yogyakarta: Mirra Buana Media, 2022).

¹² Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Prenada Media Group, 2007).

suits issues that reside within the domain of written law, including the formulation and implementation of tax policies, legal consistency, and their alignment with the Sustainable Development Goals (SDGs). The research integrates two legal approaches: the statutory approach, which involves the analysis of legal instruments such as Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP), and the conceptual approach, which examines legal principles, theories, and scholarly views on taxation, justice, and redistributive legal frameworks.

Legal analysis in this study relies on secondary data collected through documentary research involving both primary and secondary legal sources. Primary sources include legislation, government regulations, and official policy documents, particularly those related to tax administration and national development planning. Secondary sources encompass academic journal articles, books, legal commentaries, policy reports, and previous research discussing taxation, legal reform, and fiscal equity.¹³ The materials were selected using purposive sampling based on relevance, credibility, and contribution to the research focus. Analysis is conducted using qualitative-descriptive techniques, applying methods of legal interpretation such as systematic, grammatical, and teleological interpretation.¹⁴ Legal reasoning is employed to evaluate whether the existing tax law framework sufficiently upholds the ideals of fairness, legal certainty, and inclusivity. The research concludes with normative recommendations aimed at strengthening the role of tax law in advancing equitable and sustainable national development.

3. RESULTS AND DISCUSSION

3.1. Evaluating the Normative Alignment of Indonesia's Tax Law Reform with the Principles of Fiscal Justice

Indonesia's recent tax law reform, marked by the enactment of Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP), represents a substantial shift in fiscal policy. The reform was introduced to modernize the tax system, improve efficiency, and increase state revenue. A core element of the reform involves restructuring income

¹³ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, Dan RD* (Bandung: Penerbit Alfabeta, 2013).

¹⁴ Ahmad Mustamil Khoiron Adhi Kusumastuti, *Metode Penelitian Kualitatif* (Semarang: LPSP, 2019).

tax brackets to enhance vertical equity. Progressive taxation, where individuals with higher incomes bear a greater tax burden, is central to fiscal justice.¹⁵ The inclusion of additional income brackets under the new law indicates an attempt to reflect this principle. A close examination of the statutory language reveals a policy intention to promote redistribution and fairness. Translating this intention into practical outcomes requires consistency across implementing regulations and administrative practices.

The principle of fiscal justice is not solely concerned with tax collection but also with the distribution of tax burdens and benefits. Income tax changes introduced in the UU HPP aim to increase fairness by reducing the proportional burden on lower-income groups. The exemption threshold has been raised, potentially benefiting individuals in the lowest income tier. Meanwhile, those with higher earnings are subject to new, higher marginal tax rates. This structure aligns with the legal theory of distributive justice, which seeks proportionality based on economic capacity.¹⁶ However, aligning statutory provisions with real economic impact demands empirical evaluation. Without effective enforcement, such normative alignment may remain aspirational.

Fiscal justice also requires consideration of horizontal equity, where taxpayers in similar circumstances are treated equally under the law. The reform attempts to address this by simplifying certain deductions and broadening the tax base. These changes aim to reduce preferential treatment and close loopholes exploited by high-income earners. Legal clarity and the removal of ambiguous provisions contribute to a more equitable system. Evaluating horizontal equity involves analyzing whether these provisions apply uniformly across different taxpayer categories. Unequal application, often arising from discretionary enforcement, undermines the reform's justice-oriented goals. Consistent legal interpretation and oversight mechanisms are necessary to maintain uniformity in tax application.

¹⁵ Loso Judijanto and Muhamad Ammar Muhtadi, "The Effect of Law Number 7 of 2021 on Harmonization of Tax Regulations on Fiscal Justice in Indonesia," *West Science Law and Human Rights* 2, no. 04 (October 31, 2024): 397–403, <https://doi.org/10.58812/wslhr.v2i04.1364>.

¹⁶ Syahrituah Siregar, "Estimation of the Effect of Carbon Tax Implementation on Household Income Distribution in Indonesia: Quantitative Analysis with Miyazawa Input- Output Approach," January 14, 2025, <https://doi.org/https://doi.org/10.48550/arXiv.2501.08177>.

Value-added tax (VAT) adjustments under the reform also merit scrutiny from a justice perspective. Expanding the VAT base to include more goods and services can increase revenue but may disproportionately affect low-income households. Since VAT is a consumption tax, its burden tends to fall more heavily on those who spend a greater share of their income on essentials. The legislation includes exemptions and lower rates for necessities to mitigate this effect. Determining whether these measures adequately protect vulnerable populations requires careful policy analysis. Fiscal justice demands that tax instruments avoid regressive outcomes. Provisions intended to shield lower-income consumers must be enforced transparently and consistently.

The reform further introduces a carbon tax, representing an innovative step toward environmentally conscious fiscal policy. By taxing carbon emissions, the law reflects the growing integration of environmental and social objectives within the tax system. From a justice standpoint, the carbon tax's impact should be assessed in terms of both environmental benefits and socio-economic burdens. Industries with higher emissions may pass costs to consumers, creating indirect burdens on the general population. Equitable implementation requires balancing environmental goals with fairness in economic impact.¹⁷ Legal provisions should include redistributive mechanisms such as subsidies or compensation. The design and application of the carbon tax must reflect fiscal justice values.

Legal interpretation plays a crucial role in ensuring the normative alignment of tax reforms with justice principles. Courts and administrative bodies must interpret tax provisions consistently with constitutional mandates for equity and non-discrimination. The use of purposive interpretation helps ensure that legal provisions serve their intended redistributive goals. Inconsistent or overly literal interpretation may undermine the reform's progressive character. The judiciary must act as a guardian of fiscal justice by upholding rights to equal treatment under tax law. Legal training and capacity-building

¹⁷ Suparna Wijaya et al., "Beyond Emissions: A Comprehensive Analysis of Carbon Tax as a Catalyst for Environmental and Economic Transformation in Indonesia," *Educoretax* 5, no. 4 (April 2, 2025): 441–61, <https://doi.org/10.54957/educoretax.v5i4.1440>.

for judges and tax officers are essential. A coherent interpretive framework strengthens the legal system's ability to realize fiscal equity.

The administrative aspect of tax implementation is closely tied to the law's normative goals. Legal reforms cannot fulfill their redistributive function without competent and impartial enforcement. The Directorate General of Taxes plays a central role in interpreting and applying the revised tax provisions. Capacity limitations, bureaucratic inertia, or corruption may hinder the realization of the reform's objectives. Ensuring institutional integrity requires legal safeguards, transparency, and oversight. Legal accountability mechanisms such as appeals processes and public reporting enhance trust. Institutional reform is thus a legal prerequisite for achieving fiscal justice.

Consistency with international legal principles and comparative practice also reflects normative alignment. Progressive tax reform is a global standard endorsed by organizations such as the IMF, OECD, and UNDP. Indonesia's alignment with these standards reinforces the legitimacy of its reform agenda. Legal harmonization must consider the country's unique socio-economic context. Blind adoption of global models without adaptation may undermine domestic equity. A context-sensitive legal framework ensures reforms address national priorities. Legal scholarship and policy dialogue should guide this localization process.

The integration of the Sustainable Development Goals (SDGs) into national tax law demonstrates a normative shift toward inclusive governance. SDG-related objectives, particularly reducing inequality and building strong institutions, provide a legal foundation for evaluating tax reforms. Embedding these objectives in the legal framework elevates them from policy aspirations to binding obligations. Legislative references to national development goals signal intent but require operationalization through enforceable legal provisions. Monitoring and evaluation mechanisms must track progress toward these goals. Legal instruments should include indicators aligned with SDG targets. Fiscal justice serves as both a means and a metric for sustainable development.

Scholarly engagement plays an important role in sustaining normative alignment. Legal academia provides critical analysis that can inform the development and refinement of tax policy. Research findings highlight gaps between legal text and implementation,

guiding future reform. Academic discourse promotes legal innovation rooted in principles of equity and justice. Collaboration between scholars, policymakers, and legal practitioners strengthens the tax system's normative foundation. Legal research should continue to assess the reform's effectiveness in advancing fiscal justice. A dynamic feedback loop between law and scholarship ensures ongoing alignment with constitutional and developmental values.

3.2. Analyzing Structural and Doctrinal Constraints in the Implementation of Equitable Taxation Policy within the Framework of the Sustainable Development Goals

Indonesia's efforts to implement equitable taxation policies face persistent structural limitations that hinder effective realization of fiscal justice. Institutional weaknesses remain evident within the Directorate General of Taxes, particularly in enforcement and compliance monitoring. Administrative procedures are often fragmented, leading to inconsistencies in policy execution across regions and tax categories. Resource limitations, both in human capital and digital infrastructure, impede the modernization of tax administration. Equitable policy cannot function optimally without an institutional framework capable of delivering consistent and fair outcomes. Fragmentation within fiscal governance reduces accountability and weakens public trust in the system. Strengthening institutional capacity is essential for sustainable and inclusive tax implementation.¹⁸

Legal uncertainty further contributes to implementation challenges in equitable taxation. Frequent regulatory changes create ambiguity among taxpayers and enforcement agencies. Overlapping legal provisions between central and regional regulations cause confusion and unequal application of tax laws. Taxpayers often encounter inconsistent interpretations of legal norms, especially in areas such as tax incentives and exemptions. In a system that seeks to promote fairness, legal predictability is fundamental. A coherent and harmonized legal framework allows taxpayers to

¹⁸ Andi Derma Purba, "Measuring The Urgency of Tax Administration Reform in Indonesia," SSRN Electronic Journal, 2024, <https://doi.org/10.2139/ssrn.4703173>.

understand their rights and obligations clearly. Clear legal drafting and structured judicial interpretation must underpin reform to avoid discretionary and unequal enforcement.

The persistence of tax evasion and aggressive tax avoidance strategies presents another structural barrier to fairness. Legal loopholes continue to be exploited by corporate actors with access to sophisticated tax planning resources. These practices undermine the progressivity of the system and shift the tax burden toward less privileged groups. Enforcement efforts have yet to fully close the gap between legal obligations and actual tax contributions. Broader use of general anti-avoidance rules (GAAR) and better coordination with financial institutions are needed. Tax transparency frameworks must be enforced not only in law but also in administrative routines. Unequal enforcement contributes to perceptions of impunity and injustice within the tax system.¹⁹

Access to tax incentives is also unequally distributed across different economic sectors and social groups. Large corporations and politically connected entities often benefit from fiscal incentives that are unavailable to micro, small, and medium enterprises (MSMEs). The legal framework governing incentives lacks strong eligibility criteria and transparency requirements. Equitable taxation requires that incentives be granted based on measurable developmental contributions. Incentive regimes should be integrated with SDG targets, particularly those related to reducing inequality and fostering economic inclusion.²⁰ Legal reforms must address this imbalance to ensure that state support is distributed fairly. Inclusive fiscal policy cannot rely on discretion and favoritism.

Inequality in legal access and taxpayer services reflects deeper doctrinal challenges in tax implementation. Vulnerable populations often lack information, legal assistance, and institutional support to fulfill their tax obligations. The legal design assumes a uniform level of capacity and awareness across the taxpayer population. Achieving substantive equality requires affirmative legal mechanisms such as simplified tax procedures, legal aid, and inclusive education programs. The state must actively lower

¹⁹ Cahyadini et al., “Adopting Pillar One: An Ideal Model for the Transformation of Indonesia’s Tax Law to Realize SDGs Goal XVII and It’s Challenges.”

²⁰ Prianto Budi Saptono et al., “Flourishing MSMEs: The Role of Innovation, Creative Compliance, and Tax Incentives,” *Journal of Risk and Financial Management* 17, no. 12 (November 22, 2024): 532, <https://doi.org/10.3390/jrfm17120532>.

legal barriers to ensure that rights and duties are accessible to all. Legal empowerment of marginalized taxpayers aligns with both constitutional values and SDG commitments. Equitable tax administration must integrate principles of accessibility and non-discrimination.

Weaknesses in dispute resolution mechanisms further constrain the realization of equitable taxation. Many tax disputes are resolved through administrative procedures that lack independence or procedural transparency. Taxpayers with fewer resources often face challenges navigating complex legal processes, resulting in unequal access to justice. Strengthening tax courts and ensuring procedural fairness are necessary to uphold the rule of law in tax matters. Dispute resolution systems must embody principles of impartiality and legal certainty. The absence of clear, accessible, and affordable remedies erodes taxpayer confidence. Legal reform in this area must include institutional redesign and capacity-building for adjudicators.

Doctrinal inconsistencies within the tax law itself pose a challenge to equity in application. The legal concept of “ability to pay” is often referenced but inconsistently applied in both personal and corporate taxation. Some legal definitions remain vague, allowing for discretion and unequal application across similar cases. Tax justice cannot be achieved when core principles lack consistent doctrinal grounding. Legal harmonization should clarify foundational concepts and embed them firmly within all areas of tax law.²¹ The integration of doctrinal clarity enhances the coherence and legitimacy of fiscal policy. Systematic doctrinal reform complements structural improvements and reinforces legal consistency.²²

The integration of Sustainable Development Goals (SDGs) into Indonesia’s tax policy remains mostly rhetorical without adequate legal and institutional mechanisms. SDG-aligned taxation should incorporate redistributive aims, environmental responsibility, and inclusive governance into the tax system’s structure. Legal instruments

²¹ Wahyuni, “Fiscal Tax Law Perspective in Realizing Justice and Efficiency: Critical Analysis of Applicable Tax Regulations.”

²² Amelia Cahyadini, Josep Irvan Gilang Hutagalung, and Zainal Muttaqin, “The Urgency of Reforming Indonesia’s Tax Law in the Face of Economic Digitalization,” *Cogent Social Sciences* 9, no. 2 (December 15, 2023), <https://doi.org/10.1080/23311886.2023.2285242>.

often refer to development goals but lack measurable targets and accountability systems. Monitoring frameworks and impact assessments should be embedded within tax legislation to align actions with SDG outcomes. Without legal codification, alignment with SDGs risks remaining symbolic. Embedding SDG language into regulatory structures creates enforceable commitments. A tax system grounded in sustainable development requires not only vision but binding legal mechanisms.

Transparency and public participation are essential to the legitimacy of equitable taxation but are often underdeveloped in legal and institutional design. Legal processes surrounding tax policymaking typically exclude meaningful citizen input. Civil society engagement remains limited due to legal and procedural barriers. Mechanisms for participatory budgeting and public consultation should be expanded and legally protected. Open access to tax data and budget allocations would enhance accountability and trust.²³ Equitable taxation is not only a matter of technical design but also of democratic governance. Legal frameworks must enable public oversight and empower citizens as fiscal stakeholders.

Realizing equitable taxation within the SDG framework requires a coordinated response that addresses both legal doctrines and institutional realities. Reforms must balance immediate administrative improvements with deeper legal transformations rooted in justice. Multi-level coordination among ministries, tax authorities, and judicial bodies enhances policy coherence. Legal education and professional training should emphasize the normative goals of equity and sustainability. Aligning implementation mechanisms with fiscal justice principles ensures more effective and durable outcomes. Equitable taxation must be treated as a legal right, not merely a policy goal. Embedding this perspective into reform strategies reinforces the integrity and inclusiveness of Indonesia's fiscal system.

²³ Amelia Cahyadini et al., "Digital Tax Regulation in Facing Society 5.0 Era to Realize Indonesian Tax Sovereignty," *PADJADJARAN Jurnal Ilmu Hukum (Journal of Law)* 11, no. 1 (2024): 145–63, <https://doi.org/10.22304/pjih.v11n1.a7>.

CONCLUSION AND SUGGESTION

Indonesia's tax law reform, particularly through the enactment of Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP), reflects a normative intention to align the tax system with the principles of fiscal justice by promoting progressivity, equity, and environmental responsibility. However, the practical realization of these goals remains constrained by several structural and doctrinal challenges, including administrative limitations, legal uncertainty, uneven access to tax incentives, and the lack of integrated mechanisms to operationalize the Sustainable Development Goals (SDGs). While legal provisions demonstrate partial coherence with redistributive and inclusive taxation ideals, their effectiveness depends on institutional enforcement, doctrinal clarity, and consistent interpretation. The study concludes that although Indonesia's tax reforms contain elements that support fiscal justice, their normative alignment remains incomplete due to fragmented legal frameworks and implementation gaps. Strengthening this alignment requires a unified legal interpretation, transparent incentive structures, and accessible dispute resolution systems. Ensuring the equitable application of tax law is not merely a technical issue but a constitutional imperative linked to Indonesia's broader development agenda. Addressing these interrelated legal and institutional barriers is essential for building a tax system that delivers both justice and sustainability.

Legal reforms should prioritize the consolidation of regulatory frameworks to enhance clarity and coherence across tax instruments, while institutional strengthening must accompany legal change to ensure equitable enforcement. Fiscal policy must be explicitly linked to SDG indicators through binding legal instruments that translate policy commitments into measurable outcomes. Legal access for marginalized taxpayers must be expanded through simplified procedures, education, and support services. Transparent criteria for tax incentives and the codification of anti-avoidance rules are necessary to ensure fair treatment among all taxpayer groups. A holistic approach involving lawmakers, tax authorities, the judiciary, and civil society is essential to ensure that tax reform embodies the principles of justice and sustainable development. Embedding fiscal justice as a foundational value in Indonesia's tax law is key to advancing inclusive growth and long-term national resilience.

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