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# EVALUATION OR THE TAX OBJECTION REVIEW PROCESS

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## ABSTRACT

(Maximum 250 words)

An increase in the number of tax disputes in the Tax Court indicates dissatisfaction of taxpayers with the objection process. Therefore, this research aims to evaluate the effectiveness of the tax objection process using a qualitative method, and the findings are presented in descriptive analysis. Data were collected using document reviews, distributing questionnaires to DGT and taxpayers, and interviewing DGT, Tax Consultants, Tax Lecturers, and the Secretariat of the Tax Supervisory Committee (Setkomwasjak). The effectiveness of the tax objection process was measured from taxpayers' and tax authority points of view using the four maxim theory by Adam Smith and the Plan Do Check Act (PDCA) theory. According to taxpayers and tax authorities, the results showed that the objections review in DGT is effective. However, there are Certainty indicators for taxpayers and Act activity for tax authority that need improvement.

**Keywords:** Tax Disputes, Objections, Taxpayers, The Four Maxims Theory, The PDCA Theory

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## 1. INTRODUCTION

The Tax Auditors (FPP) within the Directorate General of Tax (DGT) are responsible for conducting Tax audits in Indonesia to test the compliance of taxpayers with mandatory obligations as well as to release Tax Assessment Letter (SKP) and Tax Collection Letter (STP). Taxpayers can file a legal report in the form of a request to reduce or abolish administrative sanctions, SKP, or STP and to object in the case of any dissatisfaction with the audit result. Moreover, it is also permissible to appeal to the Tax Court or proceed to the highest litigation level, the Judicial Review at the Supreme Court, in case of further displeasure with the decision made.

Supriadi, Setiawan, and Bintang (2018) stated an annual increase in tax dispute settlement in the Tax Court. This is proven by the data on the decisions made on appeals from 2014 to 2018, as shown in Table 1:

**Table 1. Data on Tax Court Decisions on Appeals**

DGT	2014	2015	2016	2017	2018
Win	2.076	2.487	2.669	2.034	1.883
Lost	2.296	2.369	2.970	3.042	2.807
Total	4.372	4.846	5.639	5.076	4.690
% Win	47,48%	51,32%	47,33%	40,07%	40,15%

The data retrieved from the Secretariat of the Tax Court by Hidayah (2018) showed that 49,257 dispute cases were reported between 2012 and 2016, with the obtention of legal certainty observed to last for a relatively 36 months. Moreover, Lubis (2021) stated that, on average, the entire process from the resolution to the final decision made by the Supreme Court averagely requires 53 months.

Several previous research were observed to have been carried out on the effectiveness of the objection process. For example, Ferina et al. (2015) evaluated the entire procedure at the Tax Service Office (KPP) in Pratama Palembang Ilir Barat from 2012 to 2014. It discovered that the effectiveness is based on issuing a Decision Letter (SK) not later than the 12 months required to resolve the issue. Putra and Mispianiti (2021) also examined the implementation of the Standard Operating Procedure (SOP) for Complaint Resolution at the DGT Regional Office in Yogyakarta and reported that the process was in line with SE-122/PJ/2010 and

PMK-9/PMK.03/2013. It is evident that these research only evaluated its effectiveness in the operational unit of the DGT by comparing the actual situation with certain projections without considering whether the users, namely taxpayers and objection reviewers, are satisfied. Therefore, this research evaluates the effectiveness of reviewing tax objections from taxpayers' satisfaction perspective using the principle of tax collections by Adam Smith (Four Maxims Theory) and the PDCA approach, respectively. The authorities claimed that the satisfaction of taxpayers confirms its efficiency.

## **2. LITERATURE REVIEW**

### **2.1. ADAM SMITH'S MAXIMS THEORY**

Smith (2011) proposed the principles of tax collection known as Adam Smith's four maxims theory in a book entitled *Wealth of Nations*, a rewrite of the 1776 edition. In addition, these are stated as follows:

1. The principle of justice and equality is focused on tax collection based on taxpayers' ability and in proportion to the benefits received from the state.
2. The principle of certainty focuses on providing the specific time, method, and amount to be paid by taxpayers.
3. The principle of convenience (convenience of payment) requires that the taxes be collected at a time considered not to be difficult for taxpayers.
4. The principle of efficiency (economics of collection) emphasizes that the cost of collecting tax and fulfilling certain obligations needs to be minimal and ensure that taxpayers are not prohibited from carrying out their economic activities.

### **2.2. PDCA THEORY**

W. Edwards Deming proposed the PDCA theory in 1950. Its main aim is to ensure customer satisfaction through the processes and activities of the management, as explained by Putra and Mispiananti (2021). Four variables were measured in this theory, namely Plan, Do, Check, and Act, which is defined as follows:

1. The plan involves understanding set goals, business processes, and how to solve problems.
2. Do focuses on trainings and activities to be performed.
3. Check indicates actions towards monitoring the continuing activities in relation to the plans to recommend adequate changes to improve the entire process.

4. Act emphasizes on the follow-up actions implemented as a response to the findings from the Check to ensure future effectiveness and efficiency.

### **3. RESEARCH METHODS**

Text This is a qualitative research descriptively analyzed using DGT. The data used are as follows:

1. Primary data in the form of perceptions is obtained through interviews and surveys.
2. Secondary data which include the DGT Performance Report (LAKIN) from 2016 to 2020 consists of the number and nominal of filing objections, the time required to resolve them, and the number of appeals obtained from the Directorate of Taxation Data and Information (DIP) and the Directorate of Objections and Appeals (DKB) DGT through [eriset@pajak.go.id](mailto:eriset@pajak.go.id). The data sources were triangulated to ensure validity and reliability using the information obtained from three other avenues, namely taxpayers, DGT employees, and external parties such as practitioners, academics, and the Tax Supervisory Committee.

Data were collected through three methods, including document review, surveys, and interviews.

#### Document Review

The documentation was based on data retrieved from the DGT Performance Report (LAKIN) published on their website and from the DIP Directorate, which presents information on the number and nominal of filed objections, the outcome, and appeals filed from 2016 to 2020.

#### Survey

The survey was carried out to determine taxpayers' perception of the objection process based on the Four Maxims Theory proposed by Smith (1776), which involves equality, certainty, convenience, and economics of collection. Another was also carried out to discern the Objection Reviewers' viewpoint of the Performance Theory using the PDCA approach, which was divided into 4 stages by Deming (1950), including Plan, Do, Check and Act. It is important to note that the Likert scale of 1 to 6, which includes strongly disagree, disagree, slightly disagree, slightly agree, agree, and strongly agree, was used to measure respondents' responses and each variable such that an approval greater than 50% indicates satisfaction. Due to the COVID-19 pandemic and restrictions on public activities by the government, most tax services adopted the work from home policy rather than the usual face-to-face and the survey was conducted using Google Forms from October 1 to 17, 2021. The questionnaires were sent to the Objection Reviewers and taxpayers spread across Special Jakarta, Central Jakarta DJP, West Sumatra and Jambi, Central Java, Bali, and East Kalimantan Regional Tax Offices.

**Table 2. Respondent Data**

No.	Respondent	Target	Number of Answers	Number of Answers processed	Response Rate
1.	Taxpayer	102	32	31	31,3%
2.	Objective Reviewer	102	36	36	35,3%

### Interview

Moleong (2011) defined interviews as a technique to acquire information through conversations to achieve certain goals. Fortunately, an in-depth interview with semi-structured questions focused on the human resources from the DGT, tax consultants, and academics in the field of taxation was adopted in this research. The interviewee from the DGT is the Section Head of the DKB DGT, who also confirmed the validity of the data from the LAKIN DGT and DIP document as well as the outcome of the Objection Reviewers survey. The tax consultants were interviewed to confirm taxpayers' survey results, while the academics and the Tax Supervisory Committee provided information on current issues related to the effectiveness of tax objection review and also confirmed the data obtained from these respondents as well as the DGT. The list of the interviewees is shown in Table 2.

The informants were selected using the purposive sampling technique. This is in line with Moleong's (2011) findings, stating that sampling is important in qualitative research to obtain as much information as possible from different sources and detailed analyses of existing specificities to avoid generalizing experiences in quantitative research. However, sampling is ineffective when similar information is repeatedly obtained from different sources.

**Table 3. List of Interviewees**

No.	Interviewee Code	Position	Duration
1.	Mr. A	Chief Section in DKB	29 minutes
2.	Mr. B1	Senior Partner in Tax Consultant Office	1 hour 6 minutes
3.	Mr. B2	Technical Advisor in Tax Consultant Office	1 hour 18 minutes
4.	Mr. C	Lecturer in Taxation	30 minutes
5.	Mr. D1	<i>Setkomwasjak</i>	1 hour 50 minutes
6.	Mr. D2	<i>Setkomwasjak</i>	1 hour 50 minutes

The information obtained was analyzed based on the technique used by Miles and Huberman (1992), and these include data simplification, presentation, and conclusion. These were processed using Microsoft Excel, and the results were presented in an analytical descriptive manner.

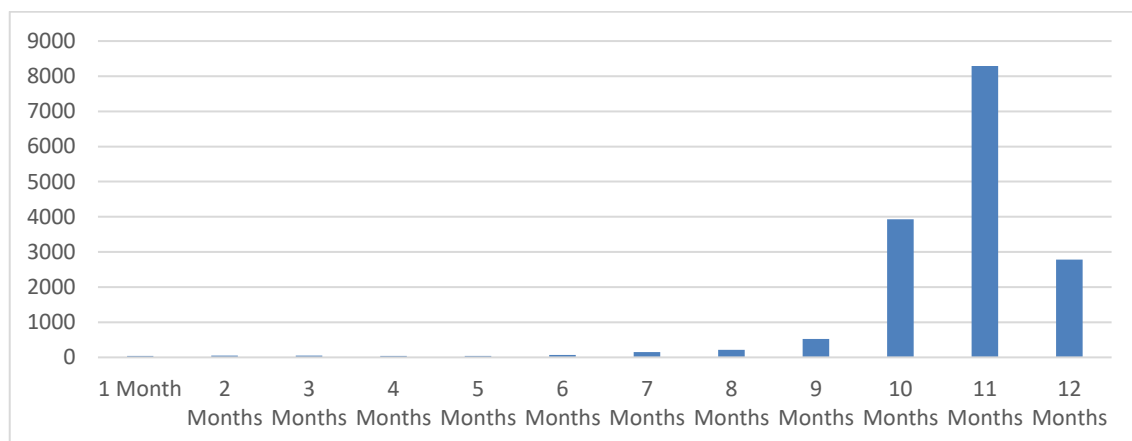
#### 4. ORGANIZATION PROFILE

In this study, the object of research is the Directorate of General of Taxes (DGT), especially units related to dispute resolution tax. DGT is a government agency at the level of Echelon I below The Ministry of Finance that has an important role in state revenues.

#### 5. RESULT AND DISCUSSION

##### DGT Internal Data

The DIP and LAKIN DGT data on objections acquired from 2016 to 2020 were reprocessed and confirmed using the survey results to determine taxpayers' and reviewers' perceptions, as shown in Table 4.



**Figure 1: Tax Objection Settlement Period 2020**

Figure 1 shows that the average completion time for objection review is 11 months, as indicated by its 51.26% reading on the bar graph. This means that it does not exceed the 12 months limit mandated by the law.

**Table 4: Data on Objection Submission from 2016 to 2020**

Year	Number of Objection Submission	Nominal of Objection Submission (Rupiah)
2016	8.485	19.683.546.654.798
2017	11.303	20.854.565.273.752
2018	22.258	44.329.414.012.077
2019	23.463	40.136.905.936.777
2020	20.955	21.796.730.109.468

Source: Reprocessed DIP (2021)

The trend in the number of objections submitted increased annually as shown in Table 4, except in 2020 which was lesser than 2019 due to the Covid-19 pandemic.

**Table 5: Types of Objection Decisions from 2016 to 2020**

Year	Received		Receive Partially		Rejected		Additional		Total Decree
	Total	%	Total	%	Total	%	Total	%	Jumlah
2016	716	7,86%	1.321	14,51%	7.065	77,59%	3	0,03%	9.105
2017	684	9,59%	1.327	18,61%	5.118	71,79%	-	-	7.129
2018	1.446	13,71%	2.219	21,03%	6.885	65,26%	-	-	10.550
2019	2.512	12,78%	3.865	19,67%	13.276	67,55%	-	-	19.653
2020	3.014	15,76%	3.351	17,52%	12.759	66,72%	-	-	19.124
Average		11,94%		18,27%		69,78%		0,01%	

Source: Reprocessed DIP (2021)

Table 5 shows that majority of the decrees issued by the DGT in the past 5 years were centered on rejecting taxpayers' objections as proven by an average of 69.78%. However, there was a decree in the number of rejections over the period analyzed.

Table 6 shows a significant decline in the number of appeals submitted from 2016 to 2020, as indicated by the fact that taxpayers appealed almost all objection decrees issued by the DGT in 2016 in Tax Court. This was followed by



approximately 80% in 2017 and 2018 and a subsequent reduction to 60% in 2019 and 2020.

**Table 6: Submission of Appeals from 2016 to 2020**

<b>Year</b>	<b>Number of Objection Decrees Issued</b>	<b>Number of Appeal Submissions</b>	<b>Percentage</b>
2016	9.105	10.874	119,43%
2017	7.129	5.982	83,91%
2018	10.550	8.846	83,85%
2019	19.653	11.028	56,11%
2020	19.124	12.216	63,88%

Source: Reprocessed DIP (2021)

### **Effectiveness Based on Taxpayers' Perception**

Taxpayers are mandated to fulfill certain formal and material conditions stipulated in the Minister of Finance Regulation Number 9/PMK.03/2013 dated January 2, 2013, concerning Procedures for Submission and Settlement of Objections. Besides, they, as stakeholders of the DGT, are expected to experience the results directly. It is important to measure the effectiveness of the reviewed objections at the DGT from taxpayers' perception.

The procedure to resolve these disputes is expected to be in line with the tax collection principles proposed by experts in taxation and generally accepted by the community. As previously stated, taxpayers' perception was determined based on Adam Smith's four maxims theory. In addition, questionnaires were used as the research instrument. Each variable in theory, including equality, certainty, convenience, and economics of collection, is described in a statement relevant to its definition. Respondents are expected to express their opinions by selecting 1 of the 6 options in the questionnaire, which include "Strongly Disagree", "Disagree", "Slightly Disagree", "Slightly Agree", "Agree", and "Strongly Agree".

It was discovered that only 1 out of 32 taxpayers who participated in the survey has certainly not filed an objection process, and the individual was excluded

from the analysis. Therefore, the demographic profile of the remaining respondents is shown in Tables 7, 8, and 9.

**Table 7: Profile of Gender, Age, and Last Education of Respondents**

Gender	Ages	Educational Background			
		High School	Diploma	Bachelor	Master and Doctoral
<b>Female (34,4%)</b>	20 s.d 30 years		2	1	1
	31 s.d 40 years			5	1
	41 s.d 50 years		1		
<b>Male (56,6%)</b>	< 20 years	1			
	> 50 years			1	1
	20 s.d 30 years		1	6	
	31 s.d 40 years	1		3	2
	41 s.d 50 years			2	3
<b>Grand Total</b>		2	4	18	8
<b>Percentage</b>		6,2%	12,5%	56,3%	25%

**Table 8: Profile of Business Type and Business Turnover of Respondents**

Business Type	Average business turnover per year					Percentage
	< Rp 4,8 billion	Rp 4,8 billion - 50 billion	Rp 50 billion - 100 billion	Rp 100 billion - 200 billion	> Rp 200 billion	
Industry	1		3		4	
Service	1	2	4		2	25%
Construction					1	28,1%
Government agencies					1	3,1%
Education	1					3,1%
Trading	2	2	2	1	5	3,1%
<b>Grand Total</b>	5	4	9	1	13	37,5%
<b>Percentage</b>	15,6%	12,5%	28,1%	3,1%	40,6%	

**Table 9: Profile of Role and Working Period of Respondents**

Role	Working Period				Percentage
	< 1 years	1 s.d 3 years	3 s.d 6 years	> 6 years	
Consultant	1	2	1	0	
Employee	1	3	9	11	12,5%
Owner	2			2	75%
Grand Total	4	5	10	13	12,5%
Percentage	12,5%	15,6%	31,3%	40,6%	

The results on each variable based on the Four Maxims Theory were later presented in a tabular form consisting of the Number, Question Code, F/U (favorable or unfavorable), Total Score, Maximum Score, and Level of Approval. This survey uses a Likert scale of 1 to 6, thereby eliminating any middle or neutral answer to the survey questions. Favorable (F) type of question means that it supports the variable being investigated. On the contrary, it is unfavorable (U) assuming the posed question is contrary to the variable being analyzed.

**Table 10: Score Conversion**

FAVORABLE	
Answer	Score Conversion
Strongly Disagree	1
Disagree	2
Slightly Disagree	3
Slightly Agree	4
Agree	5
Strongly Agree	6
UNFAVORABLE	
Answer	Score Conversion
Strongly Disagree	6
Disagree	5
Slightly Disagree	4
Slightly Agree	3
Agree	2
Strongly Agree	1

The total score is obtained by multiplying respondents' answer by the score conversion. The maximum score is the highest value multiplied by the number of respondents. The approval level is measured by comparing the total and maximum scores. Therefore, assuming the total respondents' approval level is greater than 50%, it is assumed that the majority are satisfied with the measured variables or vice versa.

### **Equality Variable**

The equality or justice variable was used to determine fairness in relation to taxpayers' submission of objections to the DGT. It was used to evaluate their understanding of the procedure as well as the belief that the objection review team is usually neutral while handling such cases. The decision made is fair, without discrimination during the process. Taxpayers have the right to a tax refund when the objection is granted, and the obligations are satisfied as required when rejected. The results obtained from the survey are shown in Table 11.

The approval level of the first statement, focused on their understanding of the objection submission procedure, was 80.11%, which means that approximately 80% of taxpayers understand the procedure. The second statement concerning the neutrality of the objection review team was also recorded to have an approval level of 72.04%. This indicates that more than 70% believe that the team is neutral in performing its duties. Moreover, the third statement on the fair objection decision had 61.83 % approval, while 38.17% doubted its fairness. The results showed that 72.58% felt there was no form of discrimination in the submission process, and 62.37% agreed to have collected restitution when the objection was granted, while 65.05% showed the desire to pay the principal fees and sanctions in circumstances where it was rejected. The overall approval level of taxpayers concerning the perception of equality was recorded to be 69.00%, and it simply means that majority believe in the objection process carried out by the DGT. This was observed to be in line with Mr. B2 that the DGT is good in terms of the objection procedure.

However, it has some shortcomings relating to the decisions made, as indicated by the high number of taxpayers filing an appeal against its decrees. Unfortunately, it was further confirmed that the statement had the lowest approval score of 61.83% from respondents.

**Table 11: Results for the Equality Variable**

No.	Question Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	A1	F	I know the procedure to submit an objection at DGT	149	186	80,11%
2	A2	F	I believe that the objection review team was neutral when drafting the Objection Decree	134	186	72,04%
3	A3	F	I feel the objection process resulted in a fair decision	115	186	61,83%
4	A4	F	I feel undifferentiated in raising objections	135	186	72,58%
5	A5	F	When my objection is granted, I get a refund for the tax that I have paid plus interest or compensation (on the SKPLB / Overpaid Tax Assessment Letter)	116	186	62,37%
6	A6	F	When my objection is rejected, I have to pay the principal plus the penalty	121	186	65,05%
TOTAL				770	1116	69,00%

\* F=favorable; U=unfavorable

### **Certainty Variable**

The certainty variable focused more on the legal certainty in the objection process at the DGT, which is presented in the five statements summarized in Table 12.

**Table 12: Results for the Certainty Variable**

No.	Question Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	B1	F	I feel that the objection process results in a definite decision	105	186	56,45%
2	B2	F	I know that my objection will be granted	90	186	48,39%
3	B3	F	I am satisfied with the decree because it is in line with my expectations	113	186	60,75%
4	B4	F	I did not proceed to appeal the objection decree in the Tax Court	106	186	56,99%
5	B5	F	I know that my objection will be issued in less than 12 months	146	186	78,49%
TOTAL				560	930	60,22%

\* F=favorable; U=unfavorable

The first statement showed that more than half of taxpayers believed the objection process would lead to a decision, as indicated by an approval level of 56.45%. This means respondents' agreement aligns with Sugiyono (2010). Respondents did not approve the second statement concerning the certainty that their objection is bound to be granted, as indicated by the 48.39% recorded. This is also in line with the statistical data obtained from the DGT that an average of 69.78% of objections submitted were granted in the last 5 years. Moreover, 60.75% agreed that this decree was in line with their expectations as specified in the third statement, and 56.99% did not proceed with an appeal after the decision was made as implied in the fourth one. This is slightly different from the statistical data obtained from the DGT because the number of taxpayers that filed an appeal in the past 5 years is approximately half of the decisions made annually. Furthermore, an approval level of 78.49% was recorded in the fifth statement, which focuses on issuing an objection decree in less than 12 months. This also agrees with the

statistical data that the majority were issued in the 11th month after submission, in 2020. The overall approval level for the certainty variable was found to be 60.22%.

### Convenience Variable

The convenience variable was based on the ease associated with processing objections at DGT, and this was centered on 4 questions related to the rendered and consultancy services, decree, and ease of flow. The approval level for this variable is shown in Table 13.

**Table 13: Results for the Convenience Variable**

No.	Question Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	C1	F	I get good treatment and service when claiming my rights through the filing of a tax objection	147	186	79,03%
2	C2	F	I received the objection decree less than 12 months from the date of filing at the Tax Office	142	186	76,34%
3	C3	U	I find it difficult to follow the flow of the objection process	131	186	70,43%
4	C4	U	So far, I have used the services of a consultant in submitting my objection	112	186	60,22%
TOTAL				532	744	71,51%

\* F=favorable; U=unfavorable

The first statement has a 79.03% approval level, which means taxpayers received good treatment and services from the DGT while submitting their objections. The second was 76.34%, meaning the majority stated that the decree was passed in less than 12 months. Moreover, the third statement had 70.43%, which indicates taxpayers did not find the objection process difficult. The fourth was recorded to have a 60.22% approval level, and this means they did not seek the

services of a consultant during the process of filing the objection. The overall approval level of the convenience variable was 71.51% which shows that taxpayers found the objection process at the DGT to be relatively easy. This is in line with Mr. B1 and Mr. B2's statements that filing an objection is currently easy and is performed electronically. Mr. B1 also noted that the current DGT service is much better than the previous one, and this was further reiterated by Mr. B2:

*"The present officers are friendly, and the people are no longer afraid to visit the tax office."*

### **Economics of Collection Variable**

The economics of the collection variable focuses on determining taxpayers' perception of the resources expended in filing the objection process compared to the results obtained. This involved the use of 5 statements which are related to funds spent, state wastage, the efficiency of the Appeal process, period, and results obtained, as shown in Table 14.

The first statement showed that 63.44% agreed that they did not spend much on filing and processing the objection at the DGT while the second one implied 59.14% disagreed that the procedure was a waste of state resources. Moreover, the third statement focused on the efficiency of the tax court in resolving related disputes, which was agreed to by only 49.46%. This is in line with the statement of informant 1 that the objection process at the DGT was considered a pass because most of the decisions were rejected, and in the end, the Tax Court was concerned as being more efficient. Mr. B2's statement on this issue is a confirmation of the statistical data that 69.78% of the objection decrees issued in the past 5 years were rejected.

The fourth statement showed that 77.96% of respondents disagreed that 12 months is too long to complete the entire process, and this means it is acceptable. The last one had an approval level of 55.91%, which implies taxpayers agreed that the decisions made were in accordance with the expended resources, while half of



them believed otherwise. Meanwhile, the overall approval level for the economics of collection variable was recorded to be 61.18% which means taxpayers believed the resources spent in the objection process were proportional to the results obtained. This is in accordance with the statement of Mr. B1 that the resources utilized at this stage are not as heavy as those used during and after the appeal process. Therefore, taxpayers normally prefer that the dispute be resolved at the objection stage to avoid incurring additional costs.

**Table 14: Results for the Economics of Collection Variable**

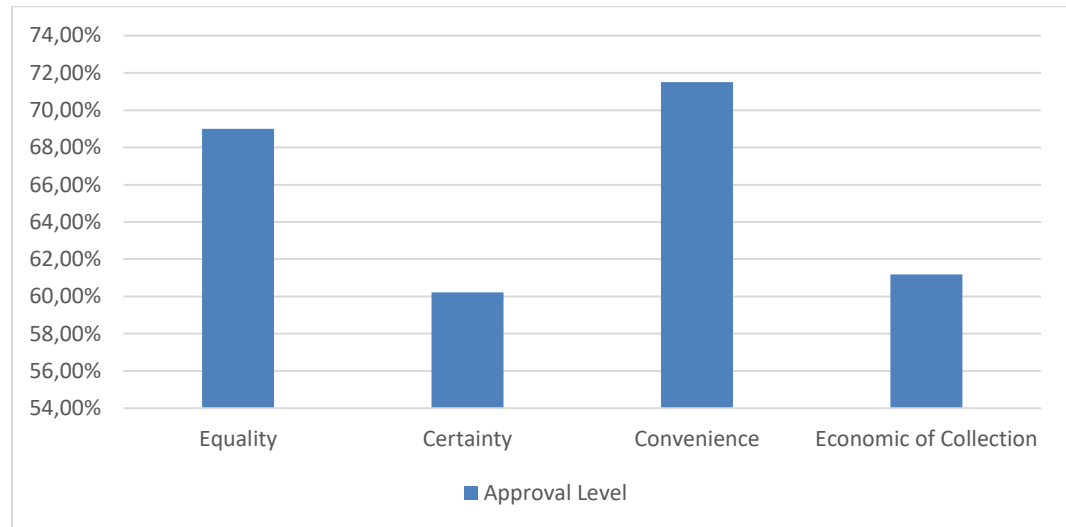
No.	Question Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	D1	U	I spent quite a lot of money to take care of the objection	118	186	63,44%
2	D2	U	I feel that the objection process is a waste of state resources	110	186	59,14%
3	D3	U	I feel tax dispute resolution in the Tax Court is efficient	92	186	49,46%
4	D4	F	I feel that the objection process period of 12 months is too long	145	186	77,96%
5	D5	F	I feel that the results I obtained in the objection process are worth the resources I expend	104	186	55,91%
TOTAL				569	930	61,18%

\* F=favorable; U=unfavorable

These four variables are arranged in the order of their approval starting from the highest to the lowest as follows:

- Convenience with 71.51%.
- Equality with 69.00%.

- Economic of collection (efficiency) with 61.18%.
- Certainty with 60.22%.



**Figure 2: Comparison of Approval Level Respondent**

This generally means taxpayers who had previously filed objections at the DGT agreed that the process was effective and efficient based on convenience (easiness), equality (fairness), the economics of collection (efficiency), and certainty, despite having the lowest percentage. This is in line with the statements made by Mr. B1 and Mr. B2 that the legal certainty of the objection decree is low, thereby causing their taxpayers to appeal to tax courts irrespective of the efficiency and easiness associated with the process carried out at the DGT. It also simply means there is a need for a more efficient audit process to ensure better and quicker certainty for taxpayers.

### **Effectiveness Based on the Perspective of the Objection Reviewers**

The objection reviewer is an individual in charge of resolving tax disputes at the DGT Regional Office level in collaboration with the research team consisting of the Head of Objections, Appeals, and Deductions as well as Reductions sections. The conduct of daily tasks is usually guided by the Objection Standard Operational

Procedure (SOP), described in the previous chapter. Therefore, the effectiveness and efficiency of this process were also measured based on the perceptions of 36 objection reviewers using the PDCA Theory proposed by W. Edwards Deming in 1950, as initially reported. The demographic profile of these respondents is shown in Tables 15 and 16.

**Table 15: Profile of Gender, Position Level, and Working Experience of Reviewer Respondents**

Gender	Position Level	Working Experience				
		< 1 year	> 9 years	1- 3 years	3 - 6 years	6 - 9 years
Male (55,4%)	Reviewer Level I		5	3		1
	Reviewer Level II		3	3	1	
	Reviewer Level III	1	1	1		
	Reviewer Level IV	1				
Female (44,4%)	Reviewer Level I		5	3	1	1
	Reviewer Level II	1	5			
Grand Total		3	19	10	2	2
Percentage		8,3%	52,8%	27,8%	5,6%	5,6%

**Table 16: Profile of Age and Educational Background of Reviewer Respondents**

Age	Educational Background			Percentage
	Diploma	Bachelor	Master	
<50 years		1		
30 - 40 years		23	3	2,8%
41 - 50 years	1	2	6	72,2%
Grand Total	1	26	9	25%
Percentage	2,8%	72,2%	25%	

The results obtained from measuring each variable are indicated as follows:

### Plan Activity

The planned activity was used to determine the perception of the Objection Reviewer concerning the objectives, implemented rules, and the problems associated with the entire process. This variable was described using the 5 statements shown in the following table:

**Table 17: Results of the Plan Activity**

No.	Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	P1	F	The objection resolution SOP is very clear to me	183	216	84,72%
2	P2	F	I feel competent in making definite decisions for taxpayers	171	216	79,17%
3	P3	U	I feel that the organization does not provide directions that facilitate my work	164	216	75,93%
4	P4	U	I am afraid that the research report that I made is not of high quality	116	216	53,70%
5	P5	U	I feel an inner conflict between securing state revenues or upholding justice for taxpayers	149	216	68,98%
TOTAL				783	1080	72,50%

\* F=favorable; U=unfavorable

The first statement was observed to have an 84.72% approval level, which means all respondents understand the SOPs required to carry out the objection process. The second one had 79.17% indicating the participants believed they are competent in making definite objection decisions for taxpayers. Moreover, the third statement proved that they agreed that DGT leadership provides the relevant direction needed, as indicated by the 75.93% approval level. It was also discovered that over half of respondents were not afraid to produce a low-quality report, as indicated by 53.70% approval, while the remaining showed some level of fear. This

is in line with the opinion of Mr. B2 that one of the reasons for the continued efforts at the appeal level is because taxpayers feel the quality of the objection decision is poor. A similar trend was also reported in the previous research by Supriadi, Setiawan, and Bintang (2018) and Siahaan (2012). Furthermore, the last statement focused on the inner conflict in securing state revenues or enforcing justice for taxpayers, and 68.98% agreed they did not experience such encounters. The overall approval level for this variable was 72.50%, meaning that the objection reviewer believed they performed their duties in line with the applicable SOP.

### Do Activity

The Do Activity or implementation was used to determine the perception of the objection reviewer concerning the training and activities involved using the 5 statements shown in the following table:

**Table 18: Results for Do Activity**

No.	Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	Q1	F	I always complete objection files on time (less than 12 months)	193	216	89,35%
2	Q2	U	I feel safer refusing a taxpayer's objection than granting it	137	216	63,43%
3	Q3	U	I find it difficult to divide the time in completing the objection file	148	216	68,52%
4	Q4	U	I usually copy the Examination Result Report (LHP) when writing the Objection Research Report	183	216	84,72%
6	Q5	U	I normally copy the Objection Research Report when writing the Letter of Appeal	126	216	58,33%
TOTAL				787	1080	72,87%

\* F=favorable; U=unfavorable

The first statement was discovered to have an 89.35% approval level, which means all respondents completed the objection file before 12 months. This is in line with the 2020 statistical data from the DGT, which showed that approximately 90% of the objections were completed on time, in accordance with the average completion time recorded of 11 months. Meanwhile, 63.43% disagreed with the second statement that respondents feel safer rejecting taxpayers' objection than its granting. It was discovered that 68.53% disagreed with the third one that respondents find it difficult to divide their time to complete an objection file and 84.72% also disagreed with the fourth statement that they usually copy the Examination Result Report (LHP) to prepare the Objection Research Report. A similar trend was observed in the last one that respondents usually copy the Objection Research Report during the process of writing the Appeal Letter and was disagreed by 58.33%.

### **Check Activity**

The check or evaluation variable was applied to determine the objection reviewer's perception and assessment of the activities related to the process in comparison with the previous plan. The 5 statements used for this variable and their approval levels are shown in the following table:

**Table 19: Results for the Check Activity**

No.	Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	R1	F	My supervisor always reviews my Research Reports	196	216	90,74%
2	R2	U	I find my workload as an Object Reviewer very heavy	117	216	54,17%
3	R3	U	I feel that I don't have enough time to complete the objection file	134	216	62,04%
4	R4	U	I feel the objection process is a waste of state resources when the results are unable to change the SKP issued by the FPP	165	216	76,39%
5	R5	F	I feel that the sacrifice I made in resolving the objection is proportional to the quality of the objection decision	174	216	80,56%
TOTAL				786	1080	72,78%

\* F=favorable; U=unfavorable

### Act Activity

The act or follow-up variable was employed to determine the objection reviewers' perception of the actions usually taken as a response to the findings from the objection process. The 5 statements used for this variable and their respective approval levels are shown in the Table 10.

The first statement was found to have a 90.74% approval level, meaning virtually all respondents agreed that superior officers continuously review the LHP issuance, while 54.17% did not agree that the workload associated with the objection process was too heavy, as indicated by the second one. Moreover, the third statement focused on the lack of adequate time to complete the objection file, although 62.04% of respondents believed they usually had enough time. This was further supported by the information retrieved from informant three, a staff of the

DGT, that the average time for an objection reviewer to complete one file is 14 hours. It was discovered from the fourth statement that 76.39% disagreed with the assumption that the resolution of tax disputes without any changes in the SKP issued by FPP is a waste of state resources. This is in line with the statement made by Mr. D1 that Indonesia operates a positive law system that considers the need for justice, meaning the objection process needs to be allowed to continue as long as it is legal even though statistics showed the majority are normally rejected. Mr. B2 also stated that taxpayers consider the entire process as a formality because the decision mostly favors the examiners. An approval level of 80.56% was recorded for the last statement indicating that respondents feel the results obtained from the objection process are in accordance with their efforts. The overall approval level for the check activity was recorded to be 72.78% meaning the objection reviewers perceived the assessment to be acceptable.

**Table 10: Results of the Act Activity**

No.	Code	F/ U	Statement	Total Score	Maximal Score	Approval Level
1	S1	F	I am sure the Objection Decree I issued will not be appealed by taxpayers	113	216	52,31%
2	S2	F	I am sure I will not lose the Objection Decree I issued in court	133	216	61,57%
3	S3	F	The objection decree I issued is in accordance with taxpayers' ability to pay	92	216	42,59%
4	S4	U	I am worried the objection decree I issued burdens taxpayers	165	216	76,39%
5	S5	F	With the current condition, I feel I can complete the objection file in just 6 months	90	216	41,67%
TOTAL				593	1080	54,91%

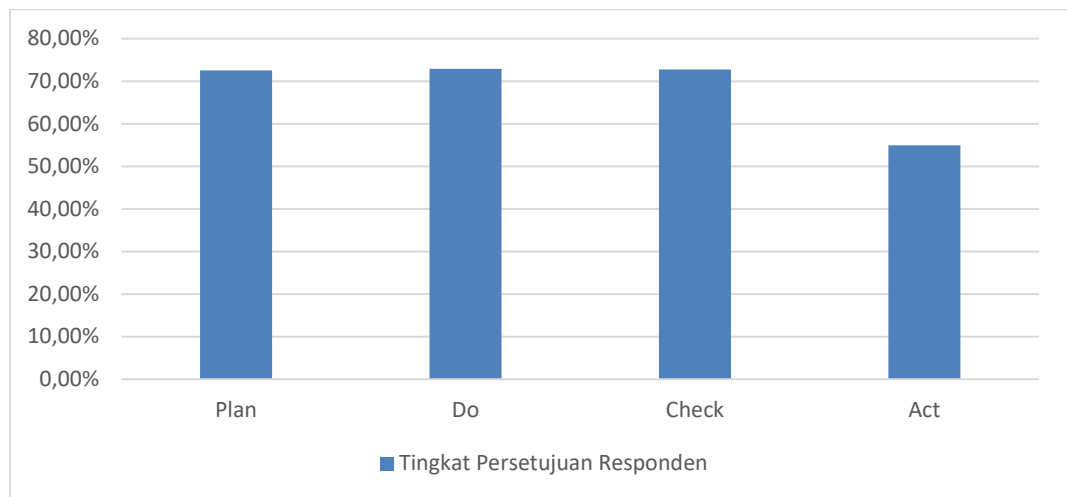
\* F=favorable; U=unfavorable



The first statement was observed to have a 52.31% approval level and this means more than half of respondents believe that the issued objection decree is expected not to be appealed. 61.57% believed they are bound not lose in the Tax Court in case an appeal is filed by a taxpayer against their decision as indicated in the second one. Meanwhile, only 42.59% agreed with the third statement that their decisions are usually in line with taxpayers' abilities, which is considered disapproval because it is less than 50%. The fourth one also proved that 76.39% disagreed that their decrees are usually burdensome to taxpayers, and only approximately 41.67% agreed they are able to finish the objection process within 6 months under the same current condition, meaning all respondents did not approve the statement because the value is lesser than 50%. It is important to note that the overall approval level for the Act activity was recorded to be 54.91%, and this means the objection reviewers perceived their actions towards the process to be appropriate.

These 4 variables are arranged in the order of their approval level starting from the highest to the lowest:

- Do (implementation) with 72.87%.
- Check (evaluation) with 72.78%.
- Plan (planning) with 72.50%.
- Act (follow-up) with 54.91%.



**Figure 3: Comparison of Approval Level Objective Reviewer Respondent**

This means the objection reviewers at the DGT Regional Office generally agreed that the process was effective and efficient based on the Do (implementation), Check (evaluation), Plan, and Act (follow-up) variables. It was discovered that the Act (follow-up) attribute has the lowest percentage and this is supported by the statement made by Mr. D2 that reviewers have been more careful in making decisions since the Gayus case in 2008 and 2009 due to the fear that these are usually re-examined by the Inspectorate General (Intjen) of the Ministry of Finance and the Supreme Audit Agency (BPK). Moreover, concerning the 12 months, Mr. B1 and Mr. B2 believe the process has to be completed in 6 months because taxpayers usually need immediate certainty, although this is against the responses of the objection reviewers that 6 months is too small to carry out the process. The statistical data from the DGT also proved that the average completion time for the objection process is 11 months. However, an informant from the DGT coded as Mr. A stated that the processes can be completed in 3 months assuming they are conducted simultaneously based on the fact that the file ratio to the Objection Reviewer is reduced by 2x without treating any application in respect to Article 36 of the Law on General Provisions and Tax Procedures.

## 6. CONCLUSION AND DISCUSSION

The findings based on taxpayers' and objection reviewers' perceptions showed that the objection review at the DGT is effective. This was proven by taxpayers' satisfaction level reported to be greater than 50% using the Four Maxims Theory, indicating the need to maintain equality, convenience, and economical collection, while the Certainty factor, which has the lowest percentage, needs to be increased. Moreover, objection reviewers were also discovered to be satisfied with their activities as measured by the PDCA Theory. The Plan-Do-Check stages were observed to be functioning effectively, although the Act Activity needs to be improved considering the fact that most of the objections submitted were discovered to be rejected, leading to the need for taxpayers and the DGT to appeal to the court which is costly for both parties.

Therefore, some of the practical recommendations for the DGT to ensure a more effective tax objection review include:

1. To improve certainty:
  - Improving the quality of audit results usually used as input in the objection process requires determining the effectiveness of reliable auditing KPIs, making appropriate audit plans, resolving evidentiary disputes to ensure only juridical ones are treated during the procedure, engaging in positive negotiations with taxpayers to create mutual trust, and maximizing the Quality Assurance stage by seeking for the opinion of a more neutral party in resolving tax disputes.
  - Organizing awareness, In-House Training, Case Surgery, and Transfer of Knowledge for entry-level objection reviewers to boost their competence and self-motivation in resolving tax disputes.
2. To improve Act Activity:
  - Related to the independency of Objection Reviewers, the DGT needs to separate the objection unit from its Regional Office to avoid conflicts of

interest, because this parastatal is burdened with revenue targets and authorized to regulate the audit strategies of its Tax Service Offices.

- Optimizing the role and function of *the Komwasjak*/Tax Supervisory Committee in mediating tax disputes between DGT and taxpayers.

The limitation of this research is that respondents were not selected from all the regional offices in DGT. It is suggested that further research needs to be carried out with an increased number of respondents or specialized case research in a particular regional office.

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