



THE ROLE OF THIRD PARTIES IN THE REPAYMENT OF TAX DEBTS: AN ALTERNATIVE SOLUTION FOR STRUGGLING TAXPAYERS

Dedi Marsudi Lawe¹, Dedy Ardian Prasetyo², Supaphorn Akkapin³

Postgraduate Program - Jayabaya University^{1,2}, Rajamangala University of Technology
Krungthep-Thailand³

E-mail: dedimlawe@gmail.com, deape.prasetyo@gmail.com,
supaphorn.a@mail.rmutk.ac.th

Abstract

This research discusses the alternative of tax debt repayment by third parties as a solution for taxpayers in Indonesia who experience economic limitations in fulfilling their tax obligations. Amidst the low tax to Gross Domestic Product (GDP) ratio and tax compliance challenges in Indonesia, third-party involvement emerges as an innovative option that can help improve tax compliance and state revenue stability. This research uses normative legal methods with statutory, conceptual, and case approaches, and is analyzed through the lens of welfare state theory, utilitarianism theory, and development law theory. The results show that the involvement of third parties in tax repayment, if based on a valid civil law relationship, can be accommodated in the Indonesian tax system to reduce the burden on taxpayers who are financially incapable. Policy recommendations include the establishment of clear regulations, a strict monitoring system, as well as an updated tax information system to support third-party involvement. The contribution of this research is to provide a legal basis and policy recommendations to create a tax system that is more inclusive, adaptive, and supports the welfare of the wider community.

Keywords: Tax Debt, Taxpayers, Third Parties, Tax Compliance, State Welfare

I. Introduction

Tax is one of the main sources of state revenue that serves to finance national development and improve people's welfare.(Ajeigbe et al., 2023) In Indonesia, the role of taxes is very strategic as it sustains a large portion of the state budget, making it an important instrument in maintaining economic stability (Nugraha & Daron, 2022; Syahyu, 2023). However, tax collection in Indonesia still faces significant challenges (Resmi et al., 2021; Tambunan & Rosdiana, 2020). Based on data from the Ministry of Finance, Indonesia's tax-to-Gross Domestic Product (GDP) ratio is in the range of 9-10%, lower than the average tax ratio of other ASEAN countries which reaches 14-16%(www.en.antaraneews.com, 2024). This data shows that the level of tax compliance and the effectiveness of tax collection in Indonesia still need to be improved, especially considering that there are still many taxpayers who are reluctant or unable to fulfil their obligations due to economic limitations, lack of tax awareness, and the existence of legal loopholes that allow tax evasion.

This phenomenon can be seen from the cases experienced by a number of large companies, such as PT Perusahaan Gas Negara (PGN), which faced obstacles in paying off its tax debts due to differences in the application of tax rules. This case serves as an example that highlights a broader issue where many taxpayers are experiencing financial difficulties but remain burdened with significant tax liabilities. This situation suggests a mismatch between tax regulations and the economic conditions of some taxpayers, prompting the need for alternative mechanisms in the repayment of tax debts to support sustainable tax revenue.

This research aims to create solutions that are more responsive to the economic conditions of taxpayers, especially by considering more flexible ways of collecting taxes, including involving third parties who have legal relationships with taxpayers. In many countries, the involvement of third parties in tax settlements has been implemented as an alternative to facilitate taxpayers who are unable to fulfil their obligations. However, Indonesia

THE ROLE OF THIRD PARTIES IN THE REPAYMENT OF TAX DEBTS: AN ALTERNATIVE SOLUTION FOR STRUGGLING TAXPAYERS

Lawe et al.,

does not yet have a legal arrangement that allows third parties to legally settle tax debts on behalf of taxpayers.

As a follow-up, this research also seeks to address the lack of comprehensive arrangements in Indonesian legislation regarding the involvement of third parties as tax insurers. Indonesia's current tax system relies on the principle of self-assessment, which authorizes taxpayers to calculate and report their own obligations. However, many taxpayers are financially unable to repay their debts and require the assistance of third parties. In the absence of adequate legal recognition, third parties cannot be recognized as tax insurers, leading to difficulties in achieving a fairer and more efficient settlement.

Based on the phenomena and gaps identified, the purpose of this study is to analyze the concept of alternative tax debt settlement by third parties and provide relevant policy recommendations for regulators. By utilizing this concept, it is expected that the state can create a tax debt settlement mechanism that is more responsive and adaptive to the conditions of taxpayers who have economic limitations. The contribution of this research is to offer solutions that have the potential to increase tax compliance, strengthen tax revenue, and support more effective and equitable tax law enforcement.

II. Research Objectives

The purpose of this research is to analyze the alternative concept of tax debt repayment by third parties as a solution for taxpayers who experience economic limitations in fulfilling their tax obligations. This research also aims to identify weaknesses in Indonesia's tax regulations related to the role of third parties in tax debt repayment and offer policy recommendations that support the implementation of this mechanism. Through this approach, it is hoped that the country can create a tax collection system that is more responsive and adaptive to the needs of taxpayers and strengthen the effectiveness of tax revenue and overall tax compliance.

III. Methods

This research uses a normative legal method to analyze alternatives to repayment of tax debts by third parties (Tan & Sudirman, 2020). The approaches used include the Statute Approach, Conceptual Approach, and Case Approach. Through this approach, the research will examine tax regulations, legal concepts of engagement, and related case studies to understand the possibility of involving third parties in tax repayment. The data used is secondary data, consisting of primary legal materials (tax laws and Civil Code), secondary legal materials (legal literature, journals, and related articles), and tertiary legal materials (legal dictionaries). Data were collected through a thorough literature study. Data analysis techniques were carried out qualitatively, by comparing existing legal provisions with the actual needs of taxpayers. This analysis aims to produce policy recommendations that support tax repayment mechanisms by third parties to be more adaptive and effective.

IV. Discussion

This research aims to examine the concept of alternative tax debt repayment by third parties, which is expected to be an innovative solution for taxpayers who experience economic constraints in fulfilling their tax obligations. Based on the phenomenon found, where the low tax ratio in Indonesia shows a big challenge in optimizing tax revenue, the third-party involvement approach emerges as an option that can provide benefits for taxpayers, the government, and society at large. Through an analytical tool involving Welfare State Theory, Utilitarianism Theory, and Development Law Theory, this research attempts to provide a strong foundation for more adaptive tax policy recommendations.



Through the Welfare State Theory, this research asserts that the government has an obligation to maximize the welfare of society through policies that support social justice. In the context of taxation, the state acts as a protector and service provider for the people, including by providing a way for those who are not economically capable to fulfill their tax obligations (Devereux et al., 2021). By allowing third parties to help pay off taxpayers' tax debts, the state demonstrates an adaptive attitude that is in line with the spirit of a welfare state. This reinforces that the state can facilitate tax repayment in a more inclusive and flexible manner, without sacrificing the tax revenue needed to finance various development programs.

The theory of Utilitarianism, which emphasizes that the law should bring the greatest benefit to the greatest number of people, reinforces the urgency of this research (van Brederode, 2022). By involving a third party in the repayment of tax debts, the government not only helps taxpayers experiencing economic hardship, but also contributes to an overall increase in tax compliance. The benefits to society at large are seen in the form of more stable tax revenues and a mechanism that provides practical solutions for those in distress. The involvement of a third party in tax repayment can also prevent greater losses for taxpayers who, without this assistance, might have faced heavier penalties. As such, it fulfills the utilitarian principle by creating value for all parties involved: the government, the taxpayer and the third party (Lindsey & Butt, 2019).

As part of the Law and Development Theory, the involvement of third parties in tax repayment is a step to support social and economic development in Indonesia (Sinaga et al., 2023). Mochtar Kusumaatmadja emphasized that the law should be a development tool that guides the policy direction towards progress (Purnawan, 2020). In the context of this research, an arrangement that allows the repayment of tax debts by third parties will be a means to strengthen national development. This is because a flexible mechanism will allow the government to maintain the stability of state revenue while still considering the real conditions of society. Laws that are responsive to the economic dynamics of the people can create a sense of justice and increase public trust in the tax system.

In Indonesia, the tax system based on the principle of self-assessment does not allow for tax repayment by third parties, creating a significant research gap regarding the role of third parties in the settlement of tax debts. In this context, this study recommends that the government consider reforming regulations that recognize third parties as legitimate entities to assist taxpayers in settling their liabilities. With a strong legal basis, this mechanism could improve tax compliance and provide greater flexibility for economically constrained taxpayers, thereby supporting the achievement of the welfare state, utilitarian benefits, and legal development goals.

Alternative Tax Repayment in International Practice

In various other countries, several alternative models of tax debt repayment have been implemented to provide flexibility to taxpayers experiencing economic difficulties. In countries with developed tax systems, these mechanisms often involve third parties, either in the form of financial institutions that provide special loans for tax repayment or in the form of direct engagement relationships between third parties and taxpayers. This model allows the state to maintain tax revenue stability while providing convenience to taxpayers. The implementation of a similar system in Indonesia will not only adapt tax regulations to the dynamics of the local economy but also increase the competitiveness of Indonesia's tax system in the international arena, especially in the ASEAN region.

Legal Implication of Engagement in Repayment of Tax Debt

THE ROLE OF THIRD PARTIES IN THE REPAYMENT OF TAX DEBTS: AN ALTERNATIVE SOLUTION FOR STRUGGLING TAXPAYERS

Lawe et al.,

In the Indonesian legal framework, the involvement of third parties in the repayment of tax debts can be based on the concept of engagement in the Civil Code, especially those related to debt-debt relationships (Budiharseno & Tiranda, 2020). Based on the principles of engagement, third parties who have obligations or debt relationships with taxpayers can be considered legitimate to make tax payments on behalf of taxpayers. This approach is not only based on the principle of fairness but also on the principle of benefit, where the third party can contribute to the smooth running of the taxpayer's tax obligations. In this context, expanding the definition of tax insurer under the tax law would be an important step, making third parties a legitimate entity to fulfill tax obligations through legally recognized agreements.

Potential Economic Impact of Third-Party Repayment Mechanism

Third-party repayment of tax debts also has a significant potential economic impact (Baker et al., 2023). With this option, companies or individuals with liquidity constraints can still fulfill their tax obligations, which in turn supports the government's cash flow. In addition, this mechanism can reduce the amount of unpaid tax receivables, thereby improving the country's fiscal stability. This positive impact will be felt not only by the government but also by taxpayers and third parties who contribute. This concept reflects the principle of utilitarianism where tax policies designed to maximize benefits for the wider community will have a positive impact on the country's economic stability.

Urgency of Supporting Legal Framework

In order for the implementation of alternative tax repayment by third parties to be effective, a supporting and clear legal framework is needed. The government needs to consider more detailed regulations regarding the criteria for third parties that can settle tax debts, the mechanism for recognizing such obligations, and the administrative processes that must be fulfilled. With comprehensive regulations in place, the government will not only ensure the legality of third-party involvement, but also create a climate conducive to higher tax compliance. The legal framework should also be able to address potential abuse of power by third parties, so that the mechanism can be truly beneficial in accordance with the objectives of the welfare state.

By considering the analysis from the perspectives of Welfare State Theory, Utilitarianism Theory, and Development Law Theory, third-party tax repayment appears to be a suitable alternative to be implemented in Indonesia (Hidayah et al., 2018). The Welfare State Theory supports that the state has an obligation to protect and facilitate the welfare of the people, which in the context of taxation means providing solutions for those who have difficulty paying taxes. Meanwhile, Utilitarianism Theory suggests that taxation policy should bring benefits to the wider community. Lastly, Development Law Theory emphasizes that the law should be flexible and able to adjust to the needs of economic development. Using these three analytical knives, the policy recommendation to regulate the involvement of third parties is a step that can create a more adaptive, fair, and development-supportive taxation system in Indonesia.

V. Conclusion

Based on the analysis of alternatives to the repayment of tax debts by third parties, this study concludes that the tax repayment mechanism through third parties can be an effective solution to help taxpayers who experience economic constraints. The answer to the first problem formulation shows that, in conditions where taxpayers are unable to pay off their tax debts, the involvement of third parties who have a legal relationship with taxpayers can



provide practical solutions. Meanwhile, the second problem formulation regarding the regulation of the concept of alternative tax debt repayment by third parties reveals the need for a clear regulatory framework so that third parties can legally help pay off taxpayers' taxes without violating regulations. By integrating the principles of the welfare state, utilitarianism, and development law, this research recommends tax policy reforms that allow the legal involvement of third parties in tax repayment, thereby creating a tax system that is more inclusive, responsive, and supports the welfare of the wider community.

VI. Suggestion And Recommendation

The government is advised to establish clear regulations that accommodate the involvement of third parties in the repayment of tax debts for taxpayers experiencing economic difficulties. This regulation needs to include detailed provisions on the terms and procedures that must be met by third parties, as well as the form of legal relationship between third parties and taxpayers. To prevent misuse, the Directorate General of Taxes can establish a strict supervision mechanism so that every repayment transaction by third parties runs in accordance with the provisions and minimizes the risk of manipulation. In addition, the Directorate General of Taxes is advised to develop technical guidelines and conduct education and socialization for taxpayers and third parties on this tax repayment procedure. This will help taxpayers understand the options available and encourage better compliance.

The government is also advised to strengthen tax information systems that enable real-time monitoring of transactions involving third parties, to improve accountability and transparency in tax payments. This system will also support more efficient verification and tracking of transactions. In addition, the government needs to conduct regular reviews of the implementation of this policy to ensure its effectiveness. Regular evaluation and review will allow the government to make improvements where necessary to keep this mechanism relevant and in line with economic and social needs. By implementing these suggestions, third-party involvement in tax repayment is expected to be a fair, effective solution, and support the development of a more adaptive tax system in Indonesia.

VII. Reference

- Ajeigbe, K. B., Ganda, F., & Enowkenwa, R. O. (2023). Impact of sustainable tax revenue and expenditure on the achievement of sustainable development goals in some selected African countries. *Environment, Development and Sustainability*. <https://doi.org/10.1007/s10668-023-03730-y>
- Baker, P., Pistone, P., & Perrou, K. (2023). Third-Party Liability for the Payment of Taxes and Their Fundamental Rights. *World Tax Journal*, 15(2). <https://doi.org/10.59403/1h2sm78>
- Budiharseno, R. S., & Tiranda, Y. M. (2020). Economic and Legal Implications of Tax Debt Preference on Tax Obligations in Indonesia. *Lex Publica*, 7(2). <https://doi.org/10.58829/lp.7.2.2020.69-86>
- Devereux, M. P., Auerbach, A. J., Keen, M., Oosterhuis, P., Schön, W., & Vella, J. (2021). Taxing Profit in a Global Economy. In *Taxing Profit in a Global Economy*. <https://doi.org/10.1093/oso/9780198808060.001.0001>
- Hidayah, K., Suhariningsih, S., & Istislam, I. (2018). Mediation For Indonesian Tax Disputes: Is It Potential Alternative Strategy For Resolving Indonesian Tax Disputes? *Indonesia Law Review*, 8(2). <https://doi.org/10.15742/ilrev.v8n2.486>
- Lindsey, T., & Butt, S. (2019). Indonesian financial laws: Banking, insolvency and taxation. In *States, International Organizations and Strategic Partnerships*. <https://doi.org/10.4337/9781788972208.00028>

THE ROLE OF THIRD PARTIES IN THE REPAYMENT OF TAX DEBTS: AN ALTERNATIVE SOLUTION FOR STRUGGLING TAXPAYERS

Lawe et al.,

- Nugraha, N. A., & Daron, A. (2022). Discourses And Institutions In Tax Policy And Fiscal Sustainability: Evidence From Indonesia. *Jurnal Pajak Dan Keuangan Negara (PKN)*, 4(1). <https://doi.org/10.31092/jpkn.v4i1.1722>
- Purnawan, A. (2020). Tax Policy And Economic Prosperity. In *Selected Legal Issues In Indonesia*
- Resmi, S., Pahlevi, R. W., & Sayekti, F. (2021). Implementation of financial report and taxation training: performance of MSMEs in Special Regions Yogyakarta. *Jurnal Siasat Bisnis*, 25(1). <https://doi.org/10.20885/jsb.vol25.iss1.art5>
- Sinaga, H. D. P., Pramana, Y., & Hermawan, A. W. (2023). Income Tax Reconstruction on Construction Services to Support Development in Indonesia. *World Journal of Entrepreneurship, Management and Sustainable Development*, 19(1–2). <https://doi.org/10.47556/J.WJEMSD.19.1-2.2023.10>
- Syahyu, Y. (2023). Legal Aspect Of Taxation: Prioritizing the Regularend Function of the Budgeter for National Economic Resilience. *Jurnal Dinamika Hukum*, 23(2). <https://doi.org/10.20884/1.jdh.2023.23.2.3474>
- Tambunan, M. R. U. D., & Rosdiana, H. (2020). Indonesia Tax Authority Measure on Facing the Challenge in Taxing Digital Economy. *The International Technology Management Review*, 9(1). <https://doi.org/10.2991/itmr.k.200203.001>
- Tan, D., & Sudirman, L. (2020). Final Income Tax: A Classic Contemporary Concept To Increase Voluntary Tax Compliance Among Legal Professions In Indonesia. *Journal of Indonesian Legal Studies*, 5(1). <https://doi.org/10.15294/jils.v5i1.37308>
- van Brederode, R. F. (2022). Introduction: The Value of a Political Theory for the Proper Application of Taxation. In *Political Philosophy and Taxation: A History from the Enlightenment to the Present*. https://doi.org/10.1007/978-981-19-1092-0_1
- www.en.antaranews.com. (2024). *Indonesia's tax-to-GDP ratio could rise with CTAS: Finance Minister*. Www.En.AntaraneWs.Com.