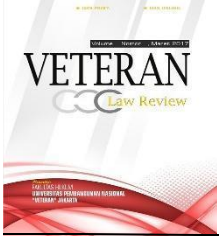

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The Simplification of Tax Regulations as a Strategic Approach to Mitigating Taxpayer Resistance

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ABSTRACT

This study examines the increasing complexity of Indonesian tax regulations as a contributing factor to taxpayer resistance and analyzes regulatory simplification as a strategic legal solution. Tax resistance, manifested in both passive and active forms, arises from ambiguous norms, frequent legislative amendments, intricate administrative procedures, and inconsistent interpretation by tax authorities. Such complexity not only undermines legal certainty and fairness but also creates opportunities for tax avoidance and tax evasion, including practices such as transfer pricing, thin capitalization, treaty shopping, and other aggressive tax planning strategies. This research employs normative legal methodology using statutory and conceptual approaches, relying on legislative analysis and relevant doctrinal literature. The findings indicate that excessive regulatory fragmentation and procedural burdens weaken voluntary compliance and erode public trust. Simplification – through clearer codification, harmonization of tax laws, transparent procedures, and strengthened legal certainty – can enhance horizontal and vertical equity, improve accessibility of tax norms, and reduce incentives for resistance. Therefore, regulatory simplification constitutes a structural reform strategy to reinforce taxpayer compliance and ensure sustainable state revenue.

1. Introduction

Taxation supports the operation of the state and constitutes the primary source of revenue for infrastructure development, public service provision, and the promotion of social welfare. The Indonesian tax system continues to evolve in order to enhance state revenue while upholding principles of fairness and equity for all taxpayers. In carrying out its mandate, the tax authority frequently encounters challenges in enforcing tax obligations in a fair and effective manner. Tax resistance, as an obstacle to revenue collection, constitutes one of the primary challenges within the taxation system. Tax resistance reflects taxpayers' dissatisfaction or disagreement with decisions rendered by the tax authority. Such resistance may arise from various factors, including inconsistent legal interpretation, disputes over the assessed tax amount, alleged administrative irregularities, or perceived injustice in the tax assessment process.

Global organizations acting as policy advisors and standard-setting bodies significantly influence tax regulatory reforms in many countries. Among the most influential actors are the Organization for Economic Co-operation and Development (OECD) and its Base Erosion and Profit Shifting (BEPS) initiative (Thomas, Schanz, Sturm, & Sureth-Sloane, 2018). As a consequence of these reforms and international standard alignments, tax regulations have become increasingly complex. Continuous modifications within domestic tax systems further contribute to the expansion of regulatory complexity. Tax regulations are frequently amended to adapt to contemporary industrial developments and evolving economic conditions (Kristanto & Noren, 2021). Excessive complexity may impede economic development by generating regulatory uncertainty within the tax framework (Collier, Kari, Ropponen, Simmler, & Todtenhaupt, 2018). Tax complexity is not solely derived from the substance of statutory provisions but is also shaped by the discretionary authority exercised by tax administrators (Thomas, Schanz, Sturm, & Sureth-Sloane, 2018).

Tax revenue constitutes the principal source of state financing and is administered within the framework of the State Budget (APBN) and Regional Budgets (APBD). Given its fundamental role in generating public revenue, taxation is governed by a comprehensive legal framework established through statutory law. In practice, however, tax administration and collection continue to encounter significant challenges. These challenges are attributable to regulatory deficiencies, limited public awareness and economic literacy, inaccurate and incomplete taxpayer databases, inconsistent law enforcement, and weak sanctioning mechanisms (Sinaga, Pemungutan Pajak dan Permasalahannya Di Indonesia, 2016). The proliferation of complex tax regulations may encourage taxpayers to engage in avoidance behavior. Such behavior is commonly conceptualized as tax resistance within the broader discourse of tax compliance.

Law serves various purposes, one of which is the realization of justice. In the context of taxation, principles such as equality, equity (billijkheid), the ability-to-pay principle, and non-discrimination function as normative guidelines in the imposition and collection of taxes. The principle of justice in taxation is closely related to the broader objective of achieving social justice for all citizens, which may be reflected in several aspects: (a) tax regulations and their implementation must embody fairness; (b) the tax burden must be proportionate to the taxpayer's economic capacity; (c) no tax should be imposed on low-income individuals whose earnings merely suffice to meet basic needs; and (d) taxation must prevent unjust differential treatment (Suhardi, 2016). In contrast, injustice in taxation may erode taxpayers' trust in the fiscal authority and generate resistance to tax compliance. Such circumstances are particularly likely to arise when tax regulations potentially create, or explicitly reflect, inequitable treatment in the process of tax collection within society.

The increasing complexity of taxation raises concerns that may jeopardize state tax revenues. A complicated tax system may create confusion among individuals and potentially lead to resistance to tax payment through various forms of tax opposition (Budak & James, 2018). Taxation inherently possesses a coercive character; however, such coerciveness may generate reluctance among taxpayers to comply, particularly when it is not accompanied by perceived fairness and legitimacy (Maulana, 2020). Erly Suandy argues that tax resistance constitutes a significant obstacle in the process of tax collection (Suandy, 2017). According to Santoso, a weakened sense of civic consciousness and national solidarity, including a diminished perception of individual obligation toward the state, may serve as a fundamental cause of tax refusal. Brotodiharjo observes that a considerable portion of society may refrain from fulfilling their tax obligations, often expressing their dissatisfaction indirectly rather than through overt opposition (Brotodiharjo, 2010). Tax resistance can be classified into two main categories: active resistance and passive resistance. Passive resistance is closely associated with the structure of the economy, particularly conditions that complicate effective tax collection. In contrast, active resistance encompasses deliberate actions directed either at the government or at tax authorities with the intention of avoiding tax payment (B.M. & Wijaya, 2017).

The legal issue addressed in this article concerns the necessity of simplifying tax regulations as a strategy to minimize tax resistance among taxpayers. Based on the author's review of the literature, prior research has examined tax simplification, including the study entitled *"Reformasi Hukum Perpajakan dalam Upaya Meningkatkan Penerimaan dan Kepatuhan Wajib Pajak"* by Djoko Santosa and Rusdianto Sesung. In that study, tax simplification was implemented through the improvement of regulatory frameworks, procedural mechanisms, administrative systems, and communication between taxpayers and tax authorities. Such measures were found to enhance taxpayer compliance, ensure continuity of state revenue, facilitate taxpayer participation, strengthen competitiveness, improve taxpayer data aggregation, and streamline the implementation of tax regulations (Santosa & Sesung, 2021). Another relevant study is the article by Niru Anita Sinaga entitled *"Reformasi Pajak dalam Rangka Meningkatkan Pendapatan Negara."* This article primarily focuses on tax reform in relation to the function of taxation as a source of state revenue, emphasizing that public revenue can be increased through comprehensive tax reform measures (Sinaga, Reformasi Pajak dalam Rangka Meningkatkan Pendapatan Negara, 2017). Similarly, Firman Freaddy Busroh, Fatria Khairo, and Putri Difa Zhafirah discuss the topic *"Harmonisasi Regulasi di Indonesia: Simplifikasi dan Sinkronisasi untuk Peningkatan Efektivitas Hukum."* Their study concentrates on regulatory simplification and synchronization in a general legal context, particularly with respect to regional regulations, rather than specifically addressing taxation (Busroh et al., 2023) (Firman Freaddy, Fatria , & Putri Difa, 2023). A significant distinction exists between the legal issue examined in this article and those addressed in the aforementioned studies. While previous works primarily associate tax simplification with increasing state revenue and enhancing taxpayer compliance, this article emphasizes the simplification of tax regulations as a preventive strategy aimed specifically at reducing or minimizing tax resistance.

Based on the foregoing background, the tax system continues to evolve dynamically in response to economic demands, governmental interests, and global developments. At the same time, increasing tax complexity has contributed to non-compliance and even tax resistance among taxpayers. Accordingly, this study raises the following correlated research issues: (a) what forms of tax resistance arise as a consequence of the complexity of the tax system? (b) can the simplification of tax regulations serve as an effective solution to reduce or prevent tax resistance?

2. Method

This study employs a normative legal research method, which is aimed at examining and analyzing legal norms in order to address specific legal issues (Marzuki, 2021). The research applies both a conceptual approach and a statutory approach. The conceptual approach is utilized to analyze relevant legal doctrines and principles, while the statutory approach is employed to examine tax regulations and related legislative instruments. The legal materials used in this study consist of primary and secondary legal sources. Primary legal materials include statutory regulations governing taxation, whereas secondary legal materials comprise books, scholarly articles, and other academic sources relevant to the subject matter.

3. Results & Analysis

3.1. Forms of Tax Resistance Arising from the Complexity of the Tax System

Several factors influence taxpayer compliance, including limited understanding of tax regulations, inadequate tax administrative services, low awareness of tax payment procedures, and ineffective enforcement of tax sanctions. These factors are often closely associated with the increasing complexity of the tax system, which raises compliance costs and creates structural barriers to understanding and fulfilling tax obligations.

Excessive complexity may lead not only to unintentional non-compliance resulting from confusion or lack of knowledge, but also to deliberate forms of tax avoidance or even tax evasion that contravene tax regulations (As'ari, 2018). In this context, tax resistance may manifest in both passive and active forms. Passive resistance arises when taxpayers, due to limited comprehension of intricate tax rules and procedures, fail to comply with their obligations. This form of resistance is frequently linked to structural and administrative complexity within the tax system. In contrast, active resistance involves intentional actions aimed at reducing or circumventing tax liabilities, often through strategic exploitation of regulatory loopholes or deliberate non-reporting.

The intricacy of tax regulations affects multiple structural dimensions of the tax system, particularly in shaping taxpayers' capacity to understand and comply with their obligations. The complexity of tax legislation may hinder individuals from identifying and accessing relevant tax information, thereby creating informational asymmetries between taxpayers and tax authorities (Kristanto & Noreen, 2021). According to Warskett et al., as cited by Kelly Edmiston et al., the complexity of a tax system is commonly associated with the multiplicity of tax rates, diverse tax bases, and numerous specific provisions embedded within the regulatory framework (Edmiston, Mudd, & Valev, 2003). In addition, several factors contribute to tax complexity, including frequent amendments to tax legislation, the necessity of intricate calculations to fulfill tax obligations, the proliferation of exceptions and interrelated regulatory provisions, extensive documentation and reporting requirements, lengthy and complicated tax forms, ambiguous or unclear legal norms, and the inability of governmental institutions to implement tax regulations effectively (Kristanto & Noren, 2021). Collectively, these structural characteristics illustrate how regulatory complexity operates not merely as a technical attribute of the tax system, but as a systemic condition that may indirectly shape patterns of taxpayer response.

Profound regulatory complexity raises legitimate concerns regarding taxpayers' capacity to effectively fulfill their obligations and achieve full compliance with the law (Collier, Kari, Ropponen, Simmler, & Todtenhaupt, 2018). Furthermore, the complexity and uncertainty inherent in taxation may impede economic activity to a greater extent than the potential benefits derived from reducing tax avoidance (Edmiston, Mudd, & Valev, 2003). Tax complexity reflects the degree to which tax laws are difficult to read, interpret, and comply with, thereby increasing cognitive and administrative burdens on taxpayers. Frequent amendments and regulatory instability further intensify these difficulties, elevating the risk of non-compliance and creating conditions that may ultimately foster various forms of tax resistance.

Beyond issues of interpretation and understanding of tax regulations, taxpayer dissatisfaction with the amount of tax imposed by the government may also contribute to tax resistance. Discrepancies between taxpayers' subjective expectations and the legally assessed tax liability may generate perceptions of unfairness. Such perceptions can evolve into reluctance to fulfill tax obligations, thereby constituting a latent form of resistance. In practice, Indonesia applies three principal tax assessment systems, each of which presents distinct implications for taxpayer behavior, namely: the self-assessment system, the official-assessment system, and the withholding system. The self-assessment system authorizes taxpayers to calculate, pay, and report their own tax liabilities (Agustina, 2021). Central taxes such as income tax (PPh) and value-added tax (PPN) commonly adopt this mechanism. While this system promotes flexibility and administrative efficiency, it also creates opportunities for active resistance, particularly in the form of intentional underreporting or misstatement of taxable income. The official assessment system, by contrast, grants tax authorities the power to determine the amount of tax payable. This system is applied to certain regional taxes, including land and building tax (PBB). Although it reduces the computational burden on taxpayers, dissatisfaction with government-determined assessments may still provoke objections or non-compliance. Meanwhile, the withholding system delegates the authority to calculate and collect taxes to third parties. In Indonesia, this mechanism is widely used for income tax and value-added tax collection. Although it enhances administrative control, it may also create complexities in verification and coordination, potentially affecting taxpayers' perceptions of transparency and fairness.

Public perceptions of governmental performance in tax administration significantly influence compliance behavior. Although taxation constitutes a primary source of state revenue, reports of corruption within tax authorities or bureaucratic institutions may erode public trust and reinforce reluctance to comply. Tax resistance may be understood as obstacles arising during the process of tax collection that ultimately reduce state revenue (Wardani & Susilowati, 2020). In the context of tax system complexity, such resistance frequently exploits regulatory ambiguities or "grey areas," reflecting strategic responses to intricate and sometimes inconsistent legal provisions (Wardani & Susilowati, 2020). Conceptually, tax resistance can be classified into passive and active forms. Passive resistance emerges not from deliberate attempts to undermine state revenue, but from socio-cultural constraints, administrative confusion, and limited taxpayer capacity to navigate

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complex regulations. This tax resistance is aligned with unintentional non-compliance due to knowledge gaps and procedural burdens. By contrast, active resistance involves deliberate and systematic actions aimed at minimizing or avoiding tax liability, often directed explicitly at tax authorities (Brotodiharjo, 2010) (Suandy, 2017).

Several factors associated with tax collection may contribute to passive tax resistance, particularly when interacting with a complex tax system. These include the intellectual and moral capacity of taxpayers, the socio-economic structure of society, and the design of the tax assessment system itself. In societies where taxpayers possess increasing levels of tax awareness due to education and outreach, resistance does not necessarily diminish. Instead, heightened awareness may expose perceived inequities, administrative burdens, or inconsistencies within complex regulations, thereby fostering reluctance to comply. This dynamic reflects the interaction between tax literacy and perceived will affect compliance. Moreover, the socio-economic structure of society influences the capacity of taxpayers to meet compliance obligations. Finally, an inadequately designed tax collection system may intensify these challenges. For example, while the self-assessment system is intended to promote efficiency and taxpayer autonomy, its implementation within a highly complex regulatory environment may shift interpretative and administrative burdens onto taxpayers, thereby increasing the risk of errors and passive resistance.

Active tax resistance may be analytically divided into tax avoidance and tax evasion. Tax avoidance refers to efforts to minimize tax liability through legally permissible means, including the utilization of statutory exemptions, deductions, and regulatory incentives, as well as the strategic interpretation of tax provisions (Suandy, 2017). Within a regulatory framework characterized by interpretative flexibility, taxpayers may structure transactions in ways that reduce their tax burden while remaining formally compliant with the law. Tax avoidance operates within the boundaries of legality, although it may challenge the substantive intent of tax regulations. In contrast, tax evasion constitutes an unlawful form of resistance that involves deliberate violations of tax law (Lestari & Kusmuriyanto, 2015). Such conduct may include falsifying financial data, concealing taxable income, or manipulating documentation to reduce reported tax obligations. Unlike tax avoidance, tax evasion exposes taxpayers to administrative and criminal sanctions due to its explicit contravention of statutory provisions (Suandy, 2017). Tax evasion reflects a calculated decision-making process, whereby taxpayers weigh the perceived financial benefits of non-compliance against the probability of detection and the severity of sanctions. In this sense, active resistance—particularly in the form of evasion—represents a conscious and strategic departure from legal compliance rather than a mere consequence of administrative misunderstanding.

As a continuation of active tax resistance, taxpayers may employ various strategies aimed at reducing their tax liabilities, primarily through sophisticated avoidance techniques. The methods adopted often depend on the configuration of the national tax system and the scope of international tax treaty networks. In cross-border contexts, tax liabilities may be minimized through mechanisms such as transfer pricing arrangements, the strategic location of management functions, debt shifting within corporate groups, treaty shopping, risk transfer schemes, avoidance of permanent establishment (PE) status, and the relocation of asset sales to more favorable jurisdictions (Beer, Mooij, & Liu, 2018). These strategies typically involve the reallocation of profits, costs, or risks across jurisdictions in a manner that exploits differences in tax rates or regulatory treatment. While such practices may formally comply with existing legal frameworks, their complexity and reliance on regulatory asymmetries underscore how sophisticated tax planning can function as a structured form of active resistance, particularly in systems where legal and administrative rules create opportunities for strategic interpretation. Some efforts in tax avoidance can be explained below:

a. Transfer Pricing

Transfer pricing represents one of the most prominent techniques employed in active tax resistance strategies, particularly within multinational corporate structures. It refers to the pricing of transactions between entities that maintain a special or related-party relationship, such as a parent company and its subsidiaries. Unlike transactions conducted at arm's length between independent parties, these intra-group arrangements allow affiliated entities to determine prices internally, thereby influencing the allocation of profits across jurisdictions.

From a fiscal perspective, transfer pricing becomes problematic when it is used to shift profits from high-tax jurisdictions to low-tax. Through strategic pricing of goods, services, intangible assets, or intra-group financing, corporations may reallocate taxable income and corporate expenses in ways that reduce overall tax liability. Such practices are frequently associated with complex corporate structures and sophisticated financial arrangements.

This dynamic raises significant concerns for non–tax haven jurisdictions, particularly developing countries that rely heavily on corporate tax revenues to finance public expenditure. When profits are artificially shifted abroad, the domestic tax base may be eroded, leading to diminished revenue capacity. In this context, transfer pricing functions as a mechanism of profit shifting and base erosion, especially where related-party transactions are controlled by a dominant parent entity capable of directing pricing policies within the corporate group (Aditya, 2017).

b. Tax planning

Within the broader framework of active tax resistance strategies, tax planning constitutes a systematic approach adopted by businesses to optimize after-tax profits by lawfully managing their overall tax burden. Corporations therefore demonstrate a sustained interest in developing structured fiscal strategies aimed at enhancing tax efficiency (Kouroub & Oubdi, 2022). Tax planning generally encompasses a range of activities and transactions deliberately designed to reduce tax liabilities within the boundaries of applicable regulations (Hanlon & Heitzman, 2010). It involves a series of managerial decisions—ranging from conservative compliance-oriented measures to more fiscally aggressive strategies—through which firms seek to exercise greater control over their effective tax rates (Chen, Chen, Cheng, & Shevlin, 2007). In practical terms, tax planning is often implemented through coordinated financial and operational arrangements intended to maximize investors' after-tax returns while minimizing the present value of tax payments over time (Hanlon & Heitzman, 2010).

c. Thin Capitalization

Another strategy frequently employed to reduce corporate tax liability is thin capitalization. This practice refers to a financial structure in which a company is funded with a disproportionately high level of debt relative to equity, particularly within multinational corporate groups (OnlinePajak, 2020). By increasing intra-group loans, corporations are able to allocate substantial interest payments to entities operating in higher-tax jurisdictions. In practical terms, a foreign parent company may extend loans to its subsidiary, which then records interest expenses as deductible costs. Because interest payments are generally treated as allowable deductions, the subsidiary's taxable income is reduced, thereby lowering its overall tax obligation. Such arrangements may significantly decrease the domestic tax base, especially where debt levels are structured primarily for fiscal rather than commercial purposes. In extreme cases, an excessive debt-to-equity ratio can erode taxable profits to the point where little or no corporate income tax is payable. Absent such engineered debt structures, the same entity might otherwise report higher taxable profits and correspondingly greater tax contributions.

Thin capitalization is predominantly applied within multinational or corporate group structures characterized by related-party relationships. Multinational enterprises may strategically adjust the financial composition of their operations in order to shift profits from high-tax jurisdictions to lower-tax environments. This objective is typically achieved by capitalizing affiliates in low-tax jurisdictions with equity, which are then positioned to extend loans to related entities operating in higher-tax countries. Through this arrangement, interest payments on intra-group loans are treated as deductible expenses in the higher-tax jurisdiction, thereby reducing taxable income. Consequently, reported profits in the high-tax country may be substantially diminished—or even converted into accounting losses—while corresponding interest income accrues in the lower-tax jurisdiction. Such structuring facilitates profit shifting and contributes to the erosion of the tax base in countries that would otherwise tax the underlying economic activity (Merlo, Riedel, & Wamser, 2020).

d. Disguised dividends

Disguised dividends, also referred to as constructive dividends, constitute hidden distributions of corporate profits to shareholders that are not formally declared as dividends. These arrangements occur when a corporation provides economic benefits to shareholders under alternative classifications, such as excessive rental payments, favorable loans, or personal use of corporate assets (Law, 2024). For example, when a company leases property from a shareholder at a price exceeding fair market value, the excess payment may be recharacterized as a constructive dividend rather than a deductible business expense. In such cases, tax authorities may deny the deduction and treat the transaction as an indirect profit distribution. From a fiscal perspective, disguised dividends function as a mechanism to reduce reported corporate income by reallocating profits to shareholders through deductible or improperly structured payments. As a result, the company's taxable base is artificially diminished, potentially lowering its overall tax liability. Within the broader framework of active tax resistance, this practice reflects a deliberate effort to reclassify profit distributions in order to achieve tax advantages while maintaining a semblance of formal compliance.

e. Treaty shopping

Treaty shopping represents another structured mechanism through which taxpayers seek to obtain preferential tax treatment under double taxation agreements (DTAs). It generally occurs when an entity that is not substantively entitled to treaty benefits interposes an intermediary company in a jurisdiction that maintains a favorable tax treaty with the source country, thereby securing reduced withholding tax rates or other fiscal advantages (Klikpajak, 2018). According to Beer et al. (Beer, Mooij, & Liu, 2018), treaty shopping involves the strategic exploitation of treaty networks to channel income in ways that minimize tax liabilities across jurisdictions. By routing payments such as dividends, interest, or royalties through conduit entities, multinational enterprises may effectively reduce tax burdens in the source state. This practice may lead to significant revenue losses for source countries, particularly those that rely heavily on withholding taxes. From a legal perspective, treaty shopping is widely regarded as a form of treaty abuse because it utilizes specific provisions of tax treaties in a manner inconsistent with their underlying object and purpose. Double taxation agreements are designed to prevent the same income from being taxed twice, not to facilitate artificial arrangements aimed at tax avoidance (Klikpajak, 2018).

Tax evasion constitutes the most explicit and unlawful form of active tax resistance, involving the deliberate use of prohibited or fraudulent methods to reduce or entirely avoid tax obligations. Unlike tax avoidance, which operates within formal legal boundaries, tax evasion entails intentional violations of statutory provisions. In practice, such conduct may include underreporting taxable income, falsifying financial statements, or failing to submit tax returns to the competent authorities. These actions reflect a conscious decision to prioritize immediate financial gain over legal compliance, consistent with deterrence-based models that interpret evasion as a calculated risk-taking behavior. From a regulatory standpoint, tax evasion is subject to administrative and criminal sanctions. Under Articles 38 and 39(1) of Law No. 6 of 1983 as most recently amended by Law No. 7 of 2021, taxpayers engaging in evasion may face fines, confinement, or imprisonment. The imposition of such penalties underscores the state's effort to preserve the integrity of the tax system and deter deliberate non-compliance.

The acts referred to in Article 38 include the failure to submit a tax return, as well as the submission of a tax return containing incorrect or incomplete information, including attachments that materially misstate relevant data. These forms of conduct constitute statutory violations that may give rise to criminal liability when the elements of intent or negligence are fulfilled. Importantly, such provisions are generally distinguished from first-time administrative non-compliance addressed under Article 13A of the Law on General Provisions and Tax Procedures. While initial violations may, under certain circumstances, be resolved through administrative measures, repeated or deliberate misconduct falls within the scope of penal sanctions as stipulated in Article 38.

For the acts regulated under Articles 38 and 39 of the Law on General Provisions and Tax Procedures to qualify as criminal violations, they must result in actual or potential losses to state revenue. In the absence of such fiscal harm, the conduct does not meet the legal threshold for tax evasion as a criminal offense. A common example of tax evasion is the deliberate underreporting of taxable income, such as declaring only a portion of total income in the annual tax return. This practice directly reduces the amount of tax payable and consequently diminishes the revenue that the state is entitled to collect under statutory provisions. Similarly, taxpayers may manipulate financial records by inflating production costs, fabricating expenses, or recording non-existent expenditures in order to artificially reduce taxable profit. Such actions distort the true financial position of the taxpayer, resulting in lower reported earnings and a correspondingly reduced tax liability. In this respect, tax evasion operates through intentional misrepresentation designed to erode the tax base and impair state revenue.

3.2. Regulatory Simplification as a Strategy to Mitigate Tax Resistance

A fundamental principle in tax reform is the principle of equity, which ensures that tax burdens are distributed fairly among taxpayers. Alongside equity, a well-designed tax system is generally grounded in efficiency, simplicity, and legal certainty (Suhardi, 2016). These principles collectively shape the normative framework within which sustainable tax reform should be pursued. Among these elements, simplicity occupies a central role. Richard M. Bird emphasizes that simplicity is a critical determinant of successful tax administration reform, as regulatory provisions must be designed in ways that are administratively enforceable and practically implementable (Bird, 2014). Excessive procedural requirements, overlapping documentation obligations, and complex reporting structures tend to increase compliance costs and foster resistance. Regulatory simplification may therefore involve reducing unnecessary information requirements, streamlining reporting and payment mechanisms, and integrating administrative processes to minimize procedural fragmentation. Once procedures are made more accessible and transparent, tax authorities can more effectively concentrate on their core functions: promoting voluntary compliance, monitoring taxpayer behavior, and addressing violations. In this sense, simplification operates not merely as a technical adjustment, but as a strategic instrument to mitigate tax resistance by lowering structural barriers to compliance.

In tax scholarship, the concept of “equity” encompasses two principal dimensions. *First*, horizontal equity refers to the principle that taxpayers who are in equivalent economic circumstances should bear an equivalent tax burden. Thus, individuals with comparable levels of income should not be subject to differential tax treatment, as such disparity would undermine the legitimacy of the tax system. *Second*, vertical equity concerns the differentiated treatment of taxpayers based on disparities in income, wealth, or consumption. Under this principle, taxpayers with greater economic capacity are expected to contribute a proportionally larger tax burden, a notion commonly operationalized through progressive tax rate structures (Suhardi, 2016). From a regulatory simplification perspective, the clear articulation of horizontal and vertical equity is essential to mitigating tax resistance. When tax rules transparently reflect equal treatment for equals and proportional treatment for unequals, the perception of fairness is strengthened, thereby reinforcing voluntary compliance and reducing resistance rooted in distributive dissatisfaction.

Equity is also embedded in the normative requirements governing tax collection. Mardiasmo, as cited by Sinaga (Sinaga, Pemungutan Pajak dan Permasalahannya Di Indonesia, 2016), emphasizes that tax collection must satisfy specific legal and administrative conditions in order to minimize resistance and ensure legitimacy. *First*, from a juridical perspective, tax collection must fulfill the principle of legality and uphold justice as mandated by statutory law. In the Indonesian constitutional framework, Article 23A of the 1945 Constitution stipulates that taxes and other compulsory levies for state purposes shall be regulated by law. This reflects the classical fiscal doctrine of no taxation without representation, which underscores that the state's taxing power must be grounded in democratic authorization. *Second*, procedural fairness requires that taxpayers' capacity to pay be considered within the legal framework, and that taxpayers be granted the right to file objections and appeals in accordance with prevailing regulations. Such safeguards reinforce the perception that taxation operates within a fair and accountable system. *Third*, the economic requirement mandates that tax collection should not distort or hinder productive economic activities, including production, distribution, and trade. *Fourth*, the financial requirement demands that the administrative costs of tax collection remain proportionate to, and lower than, the revenue generated, thereby preserving fiscal efficiency. *Fifth*, simplicity constitutes a critical requirement of tax collection. An efficient and uncomplicated tax system reduces compliance burdens and administrative complexity, thereby lowering structural barriers that often give rise to tax resistance. Within this framework, regulatory simplification is not merely a technical adjustment but a normative strategy to strengthen fairness, legitimacy, and voluntary compliance.

Frequent amendments to tax regulations—driven by global economic dynamics, domestic industrial conditions, and shifting fiscal priorities—create a continuously evolving legal environment for taxpayers. Such regulatory volatility requires taxpayers to constantly adjust to new compliance obligations, often increasing uncertainty and administrative burden. Tax compliance is significantly influenced by how taxpayers interpret and understand tax legislation. Limited capacity to comprehend complex or frequently changing rules contributes to non-compliance, whether intentional or unintentional. Empirical findings indicate that a clear and adequate understanding of tax policy has a positive and significant effect on taxpayer compliance (Putra, Camilo, & Laksmi, 2023). Within this context, regulatory simplification becomes a strategic response to mitigate tax resistance. By reducing interpretative ambiguity and stabilizing normative expectations, a simplified regulatory framework enhances legal certainty and facilitates voluntary compliance.

In relation to active forms of tax resistance, including tax avoidance and tax evasion, the government has introduced various regulatory measures to curb such practices, although certain areas still require further refinement. Tax avoidance strategies commonly employed by taxpayers include transfer pricing, thin capitalization, and treaty shopping. Article 18(1) of Law No. 36 of 2008 authorizes the Minister of Finance to determine an appropriate debt-to-equity ratio in transactions involving related parties, thereby addressing thin capitalization practices. Furthermore, Minister of Finance Regulation No. 172 of 2023 provides more detailed provisions aimed at countering thin capitalization, transfer pricing, and treaty shopping arrangements. While these regulatory instruments reflect the state's commitment to safeguarding the tax base, the proliferation of anti-avoidance rules may also contribute to increasing legal complexity. In this regard, regulatory simplification must not be understood as deregulation, but rather as the systematic consolidation and clarification of norms to ensure effectiveness without generating excessive compliance burdens. The tax system, however, extends beyond the mere suppression of tax resistance; it constitutes a comprehensive legal and administrative framework governing taxation as a whole. While measures to counter tax avoidance and evasion are essential, structural complexity within tax administration remains a significant challenge, particularly due to the breadth and fragmentation of tax regulations. Law No. 7 of 2021 was enacted with the objective of harmonizing various tax provisions across multiple statutes. Nevertheless, the law does not codify the tax system into a unified and consolidated framework. As a result, tax regulations remain dispersed across numerous legislative instruments, contributing to interpretative difficulties and compliance burdens. For instance, the General Provisions and Tax Procedures Law has undergone seven amendments, the Income Tax Law—initially enacted under Law No. 7 of 1983—has been amended six times, and similar patterns of repeated revisions are evident in the Value Added Tax and Luxury Goods Sales Tax Law. This pattern of incremental amendments, rather than systematic codification, reinforces regulatory fragmentation and complexity. In the context of mitigating tax resistance, regulatory simplification therefore necessitates not only anti-avoidance provisions but also structural consolidation to enhance coherence, accessibility, and legal certainty.

The structural complexity of Indonesia's tax system creates conditions that may inadvertently expand opportunities for tax resistance, whether in the form of avoidance, evasion, or unintentional non-compliance. Consequently, regulatory simplification becomes an imperative policy response. By streamlining and consolidating tax regulations, the state can enhance clarity, reduce interpretative ambiguity, and facilitate taxpayers' understanding of their fiscal obligations. In this sense, simplification operates not merely as an administrative adjustment, but as a strategic instrument to strengthen legal certainty, reinforce perceived fairness, and promote voluntary compliance within the tax system.

4. Conclusion

The findings of this study demonstrate that structural and normative deficiencies within the tax system—particularly legal uncertainty, regulatory fragmentation, and procedural complexity—contribute significantly to tax resistance. Both active resistance, in the form of tax avoidance and tax evasion, and passive non-compliance are influenced by the extent to which the tax framework is perceived as fair, coherent, and accessible. Although the state has introduced various anti-avoidance and enforcement mechanisms, the persistence of frequent amendments and dispersed regulations has reinforced systemic complexity. Such conditions not only create interpretative ambiguity but also weaken legal certainty and public trust. Accordingly, regulatory simplification must be understood as a comprehensive reform strategy rather than a merely technical adjustment. By consolidating tax norms, enhancing clarity, and embedding principles of horizontal and vertical equity within a coherent legal structure, the tax system can reduce opportunities for resistance while strengthening voluntary compliance. In this regard, simplification serves as an instrument to restore legitimacy, improve administrative efficiency, and ensure a more equitable and sustainable fiscal system.

Regulatory simplicity is therefore essential to strengthening tax compliance and fostering public awareness of fiscal obligations. By clarifying rights and duties within a coherent and accessible legal framework, simplification reduces interpretative uncertainty and compliance burdens. In addressing the structural complexity and fragmentation identified in this study, simplification functions as a systemic reform measure capable of enhancing legal certainty, reinforcing perceptions of fairness, and encouraging voluntary compliance. Ultimately, a simplified and consolidated tax framework contributes not only to improved taxpayer behavior but also to the sustainability and effectiveness of state revenue collection.

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