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Reforming Indonesia's Tax Administration: A Constitutional and Institutional Analysis of the Directorate General of Taxes' Transformation into a Semi-Autonomous Tax Revenue Agency

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Abstract: This study examines the organizational model of the Directorate General of Taxes (DGT) following its proposed revitalization into a Tax Revenue Agency within the Indonesian government. Currently, the DGT's institutional design faces significant dependency issues due to its status as an Echelon I unit under the Ministry of Finance. This dependency creates obstacles such as limited authority to independently manage budgets and human resources, bureaucratic red tape, and the potential for political interference in policymaking. Employing a normative legal research method with a statutory approach, this study finds that transforming the institution into a semi-autonomous agency (SARA) model independent and directly accountable to the President could substantially enhance the effectiveness and efficiency of tax administration. This semi-autonomous model is projected to optimize the tax authority's performance in boosting state revenue and narrowing the tax compliance gap. As a recommendation, this complex and high-risk structural transformation requires a robust legal foundation established through new legislation. Furthermore, its success hinges on consistent political commitment from the nation's top leadership, the creation of rigorous accountability mechanisms such as an oversight board and well-prepared transition safeguards to manage every stage of the organizational change.

Keywords: Tax Revenue Agency, Directorate General of Taxes, Tax Revenue Agency Model.

INTRODUCTION

The legal basis for the current DJP organization is under the Ministry of Finance of the Republic of Indonesia (Kemenkeu RI), as stated in Presidential Regulation of the Republic of Indonesia Number 158 of 2024 concerning the Ministry of Finance. Article 7 states that the Ministry's organizational structure consists of: (d) the Directorate General of Taxes. Furthermore, Article 2 (1) states that the Ministry is under and responsible to the President. Article 5 states that the Ministry is tasked with administering government affairs in the field of state finances and state assets to assist the President in governing the country. Based on Article 7, it is known that the DJP is responsible to the Minister of Finance (Presidential Regulation Number 158 of 2024 concerning the Ministry of Finance, 2024).

Although Presidential Regulation No. 158 of 2024 clearly places the Directorate General of Taxes (DGT) as an Echelon I institution under the Ministry of Finance, this organizational arrangement has generated continuing debates regarding institutional effectiveness. As a subordinate unit within the Ministry, the DGT does not possess full authority over strategic budget allocation, organizational restructuring, human resource management, or institutional planning. Consequently, many administrative decisions require approval from several government bodies, creating lengthy bureaucratic procedures that may reduce organizational responsiveness and enforcement capacity. This institutional dependence raises an important constitutional and administrative question regarding whether the current organizational model remains adequate to support Indonesia's increasing fiscal demands and modern tax administration.

Several institutional studies have identified that Indonesia's tax administration continues to experience structural constraints despite successive tax reforms. The AIPEG institutional review, cited by Sugiarto (2017), indicates that the DGT's limited organizational autonomy affects strategic decision-making, organizational flexibility, and human resource development. Furthermore, Indonesia's tax ratio has remained around 10% of GDP, considerably below the World Bank's recommended benchmark of approximately 15%, while the estimated tax gap reaches approximately 6.4% of GDP (Qian & Poniatowski, 2024). These conditions suggest that institutional capacity, rather than merely tax policy, has become one of the major determinants of tax collection performance.

In the relationship between taxes and the state, national development is a continuous and ongoing activity aimed at improving the welfare of the people, both materially and spiritually. To realize this goal, significant attention must be paid to development financing issues (KMS Herman, 2020). Taxes are a crucial element in a country's development, supporting its sustainability. Furthermore, taxes also have benefits for the general public and the state (Al-Amin, 2022). The task of tax administration is carried out by the Directorate General of Taxes (DGT), a government agency currently under the Indonesian Ministry of Finance.

As long as the DGT remains under the Ministry of Finance, it will be insufficient, or perhaps even insignificant, to optimize tax revenue. The most crucial factor lies in the effectiveness and efficiency of tax administration in a country. Tax administration functions to implement and enforce tax laws based on the authority granted by the Tax Law. Various efforts to implement tax administration in a country are generally assigned to a tax authority granted authority through law, which acts as a tax administrator tasked with encouraging compliance and facilitating taxpayers with tax regulations (Andiko et al., 2018).

The success of a tax administration is greatly influenced by the optimal performance of its tax authority, in this case the DGT, the tax authority appointed by the government as the tax administrator in Indonesia. The current state of Indonesian taxation is faced with a situation where the DGT, through its institutional design, has limited authority to promote effective and efficient tax administration. Proposals for changes to the institutional framework for sound tax administration must, at a minimum, possess the following characteristics: first, financial independence; second, the new institution/agency must be granted autonomous administrative authority and be able to formulate its own policies and objectives; and third, the new institution/agency must be responsible for internal human resource management (Andiko et al., 2018).

The Directorate General of Taxes' (DGT) suboptimal performance is influenced by several issues. Based on the DGT institutional review conducted by AIPEG (Australia

Indonesia Partnership for Economic Governance), as included in the DGT Annual Report, the problems experienced by the DGT are not only hampered by the quality of human resources but also by the DGT's institutional structure, which is under the Ministry of Finance. Furthermore, the DGT lacks the authority to design its organizational structure and budget. This means that in carrying out organizational and budgetary governance, the DGT must obtain approval from several agencies, such as the Secretariat General of the Ministry of Finance, the Ministry of Administrative and Bureaucratic Reform, and the Ministry of State Secretariat (Sugiarto, 2017).

Currently, the organizational structure of the tax authority under the Ministry of Finance has been abandoned by many countries around the world. It is time to revitalize the Many countries have reformed their tax administration by adopting semi-autonomous revenue authority models while maintaining different constitutional arrangements. In the United States, tax administration is conducted by the Internal Revenue Service (IRS), an agency operating within the Department of the Treasury with considerable administrative autonomy. Japan administers taxation through the National Tax Agency (NTA), while Australia operates the Australian Taxation Office (ATO). Singapore administers taxes through the Inland Revenue Authority of Singapore (IRAS), and Malaysia through the Inland Revenue Board of Malaysia (LHDN). Although these institutions differ in constitutional design, they share common characteristics, including stronger managerial autonomy, flexible human resource management, and greater operational independence than conventional ministerial departments.

Nevertheless, institutional transplantation cannot simply replicate foreign organizational models because constitutional structures, public administration systems, and fiscal governance differ across jurisdictions. Therefore, the essential issue is not whether Indonesia should merely imitate foreign revenue authorities but rather how an institutional model can be constitutionally designed to provide greater administrative autonomy while maintaining democratic accountability and presidential oversight.

Previous studies have contributed significantly to the discourse on tax administration reform; however, several important limitations remain. First, Andiko et al. (2018) examined the institutional autonomy of the Directorate General of Taxes (DGT) by emphasizing organizational independence as a means to improve administrative efficiency and managerial performance. Nevertheless, their study focuses primarily on institutional autonomy from an administrative perspective and does not analyze whether such institutional transformation is constitutionally compatible with Indonesia's presidential system or how governmental authority should be redistributed among state institutions.

Second, Sugiarto (2017) identified several structural constraints faced by the DGT, including limited authority over budgeting, organizational restructuring, and human resource management. Although the study successfully explains the institutional problems that hinder tax administration, it does not formulate a comprehensive legal design for establishing a new revenue authority nor examine the constitutional implications of transferring tax administration functions outside the Ministry of Finance.

Third, Sulung and Sihombing (2020) argued that institutional reform is necessary to strengthen Indonesia's tax administration by creating a more autonomous revenue authority. However, their analysis is largely confined to organizational effectiveness and administrative modernization, without systematically addressing constitutional legitimacy, accountability mechanisms, executive control, parliamentary oversight, or the institutional relationship between a future Tax Revenue Agency and existing constitutional organs.

The international literature similarly demonstrates several limitations. Studies by Taliercio (2004), Kidd and Crandall (2006), and the OECD (2019; 2023) show that Semi-Autonomous Revenue Authorities (SARAs) can improve tax administration through greater managerial flexibility, enhanced professionalism, and operational autonomy. Nevertheless, these studies are primarily grounded in comparative public administration and governance, rather than constitutional law. Consequently, their institutional models cannot be directly applied to Indonesia without considering the country's constitutional framework, legal hierarchy, presidential system, and fiscal governance arrangements.

Based on this review, three major research gaps remain. First, previous studies have not systematically integrated constitutional law, administrative law, and tax governance in evaluating the institutional transformation of the Directorate General of Taxes. Second, existing research has not developed a comprehensive institutional model that clearly defines the allocation of authority between the proposed Tax Revenue Agency, the Ministry of Finance, the President, Parliament, and other constitutional institutions. Third, limited scholarly attention has been devoted to designing governance mechanisms that simultaneously accommodate managerial autonomy, democratic accountability, supervisory arrangements, and transitional implementation within Indonesia's constitutional system.

Accordingly, this study addresses these gaps by integrating constitutional institution theory, the Semi-Autonomous Revenue Authority (SARA) framework, and Indonesian fiscal governance into a comprehensive institutional analysis. Rather than merely advocating greater organizational independence, this article develops a constitutionally compatible governance model for transforming the Directorate General of Taxes into a Semi-Autonomous Tax Revenue Agency that balances managerial autonomy with democratic accountability, executive responsibility, parliamentary oversight, and sound fiscal governance.

Based on these considerations, this study aims to examine the constitutional urgency of transforming the Directorate General of Taxes into a semi-autonomous Tax Revenue Agency and to formulate an institutional model that strengthens tax administration effectiveness while remaining consistent with Indonesia's constitutional and fiscal governance framework.

METHOD

This study employs normative juridical legal research using a prescriptive legal research design. Unlike purely descriptive legal research, prescriptive legal research not only analyzes existing legal norms but also formulates recommendations regarding the ideal legal and institutional framework for addressing identified legal issues. Accordingly, this study examines the constitutional and institutional implications of transforming Indonesia's Directorate General of Taxes (DGT) into a Semi-Autonomous Revenue Authority (SARA) and develops an institutional model that is consistent with Indonesia's constitutional and fiscal governance system.

To achieve this objective, the research applies four complementary legal approaches. First, a statutory approach is employed to examine the hierarchy and consistency of Indonesian legislation governing taxation and state institutions. The primary legal materials include the 1945 Constitution of the Republic of Indonesia, particularly provisions concerning executive authority, state finance, and public administration; Law Number 17 of 2003 on State Finance; laws governing taxation and tax administration; and Presidential Regulation Number 158 of 2024 concerning the Ministry of Finance, which establishes the current institutional position of the Directorate General of Taxes under the Ministry of Finance. These legal instruments are analyzed to assess whether the existing institutional arrangement adequately supports effective tax administration and whether constitutional space exists for establishing a semi-autonomous revenue authority.

Second, each jurisdiction was systematically compared using uniform analytical indicators consisting of: (1) legal basis of establishment; (2) constitutional status of the revenue authority; (3) scope of managerial autonomy in budgeting, human resource management, and organizational restructuring; (4) accountability mechanisms to the executive and legislature; and (5) institutional relationships with the ministry responsible for fiscal policy. The comparison was conducted through a functional rather than formal approach, emphasizing how institutional arrangements operate in practice instead of merely comparing statutory provisions.

Third, Operationally, the comparative legal reasoning was conducted through four sequential stages. First, the study identified representative jurisdictions that have implemented different institutional models of tax administration, namely the United States (IRS), Australia (ATO), Singapore (IRAS), Malaysia (LHDN), and South Africa (SARS). These jurisdictions were purposively selected because they represent diverse constitutional systems and varying degrees of institutional autonomy while demonstrating relatively successful tax administration performance. the comparative findings were evaluated through constitutional compatibility analysis to determine whether each institutional characteristic could be adapted to Indonesia's constitutional framework. Rather than transplanting foreign institutional models directly, each governance element was assessed against the principles of presidential government, the legality principle, separation of powers, democratic accountability, and the constitutional distribution of executive authority under the 1945 Constitution of the Republic of Indonesia.

Fourth, a policy-oriented approach is employed to formulate recommendations regarding the most appropriate institutional design for Indonesia's tax administration. This approach integrates constitutional principles, comparative institutional experiences, and governance considerations to evaluate alternative organizational arrangements and to develop a model capable of strengthening tax administration effectiveness while maintaining democratic accountability and constitutional legitimacy.

The legal materials used in this research consist of primary, secondary, and tertiary legal materials. Primary legal materials comprise constitutional provisions, statutes, government regulations, presidential regulations, and other legally binding instruments relating to taxation and public administration. Secondary legal materials include books, peer-reviewed journal articles, legal commentaries, government reports, IMF and World Bank publications, and scholarly works discussing constitutional law, institutional reform, public finance, and revenue authority administration. Tertiary legal materials, including legal dictionaries, encyclopedias, and indexing databases, are used to clarify legal terminology and support doctrinal interpretation.

Legal materials are collected through documentary and library research, emphasizing authoritative legal sources and reputable academic publications. Secondary literature is selected based on its scholarly relevance, methodological credibility, and direct contribution to discussions on constitutional law, institutional reform, tax administration, and semi-autonomous revenue authorities.

The collected legal materials are analyzed using qualitative legal analysis through statutory interpretation, systematic interpretation, conceptual interpretation, and comparative legal reasoning. The analysis is conducted descriptively to explain the existing legal framework, analytically to identify constitutional and institutional problems within the current organizational structure of the Directorate General of Taxes, comparatively to evaluate international institutional models, and prescriptively to formulate an ideal constitutional model for transforming the Directorate General of Taxes into a Semi-Autonomous Revenue Authority that enhances administrative effectiveness while preserving accountability within Indonesia's constitutional system.

Finally, the study synthesized the comparative findings with Indonesia's constitutional law, administrative law, and fiscal governance principles to formulate the proposed institutional model of a Semi-Autonomous Tax Revenue Agency. The recommended model therefore represents an adaptive legal construction derived from comparative legal reasoning and constitutional harmonization, rather than a direct adoption of any single foreign institutional model.

RESULTS AND DISCUSSION

The Current Institutional Position of the Directorate General of Taxes under the Ministry of Finance

The current institutional position of Indonesia's Directorate General of Taxes (DGT) is principally governed by Presidential Regulation Number 158 of 2024 concerning the Ministry of Finance. Article 7 of the Regulation establishes the Directorate General of Taxes as one of the Directorate General-level organizations within the Ministry of Finance, while Article 2 stipulates that the Ministry is directly responsible to the President through the Minister of Finance (Presidential Regulation No. 158 of 2024). Consequently, the DGT does not possess an independent constitutional status but functions as an executive administrative unit whose authority is exercised under the supervision and coordination of the Minister of Finance. This institutional arrangement reflects the conventional ministerial model of tax administration, in which the tax authority performs operational tax administration while remaining organizationally integrated within the Ministry of Finance.

From the perspective of constitutional law, the legal status of the Directorate General of Taxes should be understood through the theory of state institutions. Hans Kelsen argued that a state organ is any individual or institution authorized by the legal order to perform functions of creating or applying law (Kelsen, 1945). Accordingly, the legitimacy of every public institution derives from the legal norms that establish its authority rather than from its organizational form. Applying this perspective, the Directorate General of Taxes derives its authority from statutory and regulatory instruments governing taxation and public administration. Therefore, the DGT exercises delegated governmental authority rather than constitutionally independent authority, and its institutional powers remain legally dependent upon the executive framework established by legislation and presidential regulations.

The constitutional position of the DGT may also be examined through Jimly Asshiddiqie's theory of state institutions. According to Asshiddiqie (2006, 2012), Indonesian state institutions are classified according to the legal basis of their establishment. Institutions created directly by the 1945 Constitution possess constitutional authority, whereas institutions established by statutes or executive regulations exercise delegated governmental authority. Since the Directorate General of Taxes is established under a Presidential Regulation, it functions as an executive administrative institution rather than as an independent constitutional organ. Consequently, its organizational structure, institutional authority, and strategic policies remain under the administrative control of the Ministry of Finance. This institutional position distinguishes the DGT from independent state institutions that possess greater managerial autonomy and statutory guarantees of institutional independence (Asshiddiqie, 2012).

Although the Directorate General of Taxes performs strategic functions in tax collection, taxpayer services, audits, investigations, and compliance supervision, its institutional autonomy remains constrained by its organizational position within the Ministry of Finance. Strategic decisions relating to budgeting, organizational restructuring, human resource management, and institutional development continue to require inter-ministerial coordination, reducing organizational flexibility. These institutional limitations constitute the basis for the more detailed discussion presented in the following section regarding authority, budget, human resources, and bureaucratic dependency.

These institutional limitations should not merely be viewed as administrative constraints but also as governance issues affecting the effectiveness of tax administration.

Kidd and Crandall (2006) argue that tax authorities operating as conventional ministerial departments generally experience limited flexibility in managing organizational resources, particularly regarding financial management, human resource policies, and organizational restructuring. Such institutional dependence may reduce the capacity of tax administrations to respond promptly to operational challenges and to implement organizational reforms efficiently. Likewise, the Organisation for Economic Co-operation and Development (OECD, 2019, 2023) emphasizes that modern revenue administrations increasingly require managerial autonomy in strategic planning, digital transformation, performance management, and human capital development while maintaining accountability to democratic institutions and executive government.

Nevertheless, the relatively low institutional autonomy of the Directorate General of Taxes should not automatically be interpreted as the sole cause of Indonesia's tax administration challenges. Tax administration performance is influenced by multiple structural factors, including taxpayer compliance, the size of the informal economy, enforcement capacity, technological readiness, tax incentives, and broader fiscal governance (OECD, 2023; Qian & Poniatowski, 2024). However, institutional design remains an important enabling factor because greater administrative autonomy may strengthen organizational responsiveness, improve decision-making efficiency, accelerate digital transformation, and enhance institutional capacity without necessarily diminishing constitutional accountability (Kidd & Crandall, 2006).

Therefore, the debate concerning the transformation of the Directorate General of Taxes into a Semi-Autonomous Revenue Authority (SARA) should be understood primarily as a constitutional and institutional governance issue rather than merely an administrative restructuring initiative. The central constitutional question is not whether the Directorate General of Taxes should become entirely independent from the executive branch, but whether Indonesia's constitutional framework permits the establishment of a tax authority possessing broader managerial autonomy while remaining accountable to the President, Parliament, the Supreme Audit Board (BPK), and the public. Consequently, the current institutional position of the Directorate General of Taxes under Presidential Regulation Number 158 of 2024 provides the constitutional foundation for assessing the legal feasibility and institutional necessity of establishing a semi-autonomous Tax Revenue Agency within Indonesia's constitutional system.

Institutional Problems: Authority, Budget, Human Resources, and Bureaucratic Dependency

The institutional position of the Directorate General of Taxes (DGT) within the Ministry of Finance has significant implications for the effectiveness of Indonesia's tax administration. Although the DGT performs the core functions of tax collection, taxpayer services, tax audits, compliance supervision, and law enforcement, its institutional capacity remains constrained by administrative arrangements characteristic of a ministerial bureaucracy. Consequently, many operational challenges faced by the DGT are institutional rather than merely technical, involving limited managerial autonomy, fragmented decision-making, bureaucratic dependency, and restricted organizational flexibility (Andiko et al., 2018).

One of the principal institutional constraints concerns budgetary autonomy. As an organizational unit within the Ministry of Finance, the DGT does not possess independent authority to formulate or execute its operational budget. Budget planning, allocation, and expenditure remain integrated into the Ministry's broader fiscal management system and are subject to national budgetary procedures. While such arrangements are intended to maintain fiscal accountability, they may reduce institutional responsiveness in financing strategic investments, including digital infrastructure, tax administration modernization, advanced audit systems, cybersecurity, and organizational development. According to Kidd and Crandall (2006), revenue authorities operating under conventional ministerial structures often experience delays in resource allocation because financial decisions remain centralized within government budgeting mechanisms. The OECD (2023) similarly emphasizes that modern revenue administrations require greater operational flexibility in budget execution to respond effectively to rapidly changing economic activities and compliance risks.

A second institutional challenge relates to bureaucratic dependency and inter-ministerial approval mechanisms. Strategic organizational decisions within the Directorate General of Taxes including organizational restructuring, establishment of new operational units, information technology procurement, remuneration systems, and institutional development cannot be implemented solely by the DGT. Instead, these initiatives frequently require approval from several government institutions, including the Ministry of Finance, the Ministry of Administrative and Bureaucratic Reform (Kementerian PANRB), the Ministry of State Secretariat, and, for certain fiscal matters, the Ministry of National Development Planning (Bappenas). Such multilayered administrative procedures increase coordination costs and often prolong organizational decision-making processes (Sugiarto, 2017). From an institutional governance perspective, excessive bureaucratic dependency may reduce organizational agility and limit the authority of tax administrators to respond promptly to emerging compliance risks.

Institutional dependence also affects human resource management, which constitutes one of the most important determinants of tax administration performance. Human resource policies within the DGT including recruitment, promotion, remuneration, competency development, organizational restructuring, and workforce planning—remain largely integrated into Indonesia's national civil service system. Consequently, the Directorate General of Taxes possesses limited discretion to recruit specialized professionals in fields such as international taxation, transfer pricing, digital taxation, forensic accounting, data analytics, artificial intelligence, and cyber investigation. OECD (2019, 2023) reports consistently indicate that successful revenue administrations increasingly rely on highly specialized multidisciplinary professionals whose recruitment and compensation systems differ substantially from conventional civil service arrangements. Similarly, Kidd and Crandall (2006) argue that managerial autonomy in human resource management constitutes one of the defining characteristics of effective Semi-Autonomous Revenue Authorities because it enables institutions to attract, retain, and reward highly qualified personnel based on organizational performance rather than general bureaucratic regulations.

Another institutional issue concerns law enforcement capacity. Although the Directorate General of Taxes possesses statutory authority to conduct tax audits, investigations, and administrative enforcement under Indonesia's taxation laws, the effectiveness of these powers depends significantly upon institutional capacity, organizational flexibility, availability of qualified personnel, technological infrastructure, and inter-agency coordination. Weak enforcement capacity should therefore not be understood merely as a consequence of legal limitations but also as an institutional governance issue. According to the World Bank, Indonesia continues to experience a substantial tax gap, estimated at approximately 6.4 percent of GDP, with the compliance gap representing the largest component of unrealized tax revenue (Qian & Poniatowski, 2024). This finding suggests that strengthening enforcement capacity requires institutional reforms capable of improving risk-based compliance management, integrated taxpayer databases, digital audit systems, and organizational responsiveness rather than relying solely on legislative amendments.

Nevertheless, it would be analytically inaccurate to conclude that Indonesia's relatively low tax ratio is caused exclusively by the current institutional structure of the Directorate

General of Taxes. Tax performance is shaped by multiple structural factors, including taxpayer compliance, the size of the informal economy, extensive tax incentives, economic structure, administrative complexity, political economy considerations, and the overall effectiveness of fiscal governance (OECD, 2023; World Bank, 2024). However, institutional design remains an important enabling factor because organizational autonomy influences the authority's ability to allocate resources efficiently, modernize information systems, recruit specialized personnel, strengthen compliance strategies, and improve administrative decision-making. Therefore, institutional reform should be viewed as part of a broader tax administration modernization agenda rather than as an isolated solution to revenue collection challenges.

These institutional problems can be more comprehensively understood through the theory of Semi-Autonomous Revenue Authorities (SARA). According to Kidd and Crandall (2006), the establishment of a SARA does not imply complete institutional independence from government but rather the delegation of greater managerial authority while preserving governmental accountability. Under the SARA model, operational autonomy is granted in areas such as organizational management, budgeting, human resource administration, procurement, and strategic planning, whereas tax policy, tax legislation, and macro-fiscal decision-making remain under the authority of the executive government and the legislature. Taliercio (2004) similarly argues that the principal objective of establishing a semi-autonomous revenue authority is to improve institutional performance through greater managerial flexibility, enhanced professionalism, reduced political interference, and stronger accountability mechanisms.

From this perspective, the institutional challenges experienced by the Directorate General of Taxes demonstrate that the current ministerial model has reached important administrative limitations. Rather than advocating complete organizational separation from government, the findings suggest that Indonesia requires a more balanced institutional arrangement in which the tax administration enjoys sufficient managerial autonomy to perform its operational functions effectively while remaining constitutionally accountable to the President, Parliament, the Supreme Audit Board (BPK), and the public. Consequently, the transformation of the Directorate General of Taxes into a Semi-Autonomous Revenue Authority should be understood as an institutional governance reform intended to strengthen administrative effectiveness without undermining democratic accountability or constitutional control.

Comparative Models of Semi-Autonomous Revenue Authorities

The debate concerning the institutional transformation of Indonesia's Directorate General of Taxes (DGT) should not be viewed in isolation but rather within the broader international development of tax administration reform. During the last three decades, many countries have restructured their tax administrations by establishing Semi-Autonomous Revenue Authorities (SARAs) or equivalent institutional models. Although the constitutional arrangements differ considerably among jurisdictions, these reforms generally pursue similar objectives: improving administrative efficiency, strengthening tax compliance, enhancing institutional professionalism, increasing operational flexibility, and reducing political interference in day-to-day tax administration (Kidd & Crandall, 2006; OECD, 2023).

Rather than advocating institutional transplantation, comparative legal analysis enables the identification of institutional characteristics that may be adapted to Indonesia's constitutional framework. The following comparison summarizes several prominent tax administration models adopted in selected jurisdictions.

Table 1. Comparative Models of Semi-Autonomous Revenue Authorities

Country	Revenue Authority	Legal Status	Human Resource Autonomy	Budgetary Autonomy	Primary Accountability
United States	Internal Revenue Service (IRS)	Bureau within the U.S. Department of the Treasury	Moderate	Moderate–High	Congress and the Department of the Treasury
Australia	Australian Taxation Office (ATO)	Statutory Executive Agency	High	High	Parliament through the Treasurer
Singapore	Inland Revenue Authority of Singapore (IRAS)	Statutory Board	High	High	Minister for Finance
Malaysia	Inland Revenue Board of Malaysia (LHDN)	Statutory Body	High	High	Minister of Finance
South Africa	South African Revenue Service (SARS)	Autonomous Public Entity	High	High	Minister of Finance and Parliament

Source: Kidd and Crandall (2006); OECD (2019, 2023); Taliercio (2004); IMF (2023).

The United States Internal Revenue Service (IRS) represents a model in which the tax administration remains institutionally located within the Department of the Treasury while enjoying substantial operational authority. Although the IRS is not constitutionally independent, it exercises significant discretion in tax administration, audit management, digital modernization, taxpayer services, and enforcement activities under the Internal Revenue Code. Strategic oversight is exercised by the Department of the Treasury and the United States Congress through budget approval, legislative oversight, and public accountability mechanisms. This model demonstrates that managerial autonomy may coexist with executive supervision without requiring complete institutional separation from government (OECD, 2023).

Australia has adopted a more autonomous institutional arrangement through the Australian Taxation Office (ATO). The ATO operates as a statutory executive agency headed by the Commissioner of Taxation, whose authority is established by legislation rather than ordinary executive regulation. The Commissioner possesses broad authority over organizational management, strategic planning, human resource administration, digital transformation, compliance risk management, and operational budgeting. Nevertheless, tax policy remains the responsibility of the Australian Government, thereby maintaining democratic accountability while allowing administrative independence in operational matters (OECD, 2019).

Singapore provides another significant example through the Inland Revenue Authority of Singapore (IRAS), established under the Inland Revenue Authority of Singapore Act as a statutory board. Unlike conventional ministerial departments, IRAS enjoys substantial autonomy in personnel management, financial administration, procurement, information technology development, and organizational restructuring. At the same time, overall tax policy continues to be determined by the Ministry of Finance, ensuring consistency between fiscal policy and tax administration. This institutional arrangement has enabled Singapore to maintain one of the world's most efficient digital tax administrations while preserving strong governmental accountability (OECD, 2023).

Malaysia similarly reformed its tax administration by establishing the Inland Revenue Board of Malaysia (Lembaga Hasil Dalam Negeri Malaysia LHDN) under the Inland

Revenue Board of Malaysia Act 1995. The establishment of LHDN transformed tax administration from a conventional government department into a statutory body possessing greater flexibility in financial management, recruitment, remuneration, and organizational governance. Although the institution reports to the Minister of Finance, operational decisions concerning tax administration are exercised independently from routine ministerial bureaucracy. This institutional reform has significantly strengthened administrative efficiency and taxpayer service delivery while maintaining public accountability through statutory reporting obligations (Taliercio, 2004; OECD, 2019).

South Africa's South African Revenue Service (SARS) also represents one of the most frequently cited examples of a Semi-Autonomous Revenue Authority. SARS was established as an autonomous public entity under the South African Revenue Service Act and is widely recognized for implementing comprehensive institutional reforms, including performance-based human resource management, integrated information systems, risk-based compliance strategies, and organizational modernization. According to Kidd and Crandall (2006), SARS illustrates how greater managerial autonomy can substantially improve tax administration performance while remaining accountable to both the executive and legislative branches.

Despite institutional differences among these countries, comparative analysis reveals several common characteristics. First, operational autonomy is consistently granted in areas such as organizational management, budgeting, procurement, digital transformation, human resource management, and strategic planning. Second, authority over tax policy formulation, including tax rates, tax bases, fiscal incentives, and national taxation policy, remains under the responsibility of governments and legislatures rather than the revenue authority itself. Third, accountability mechanisms remain robust through ministerial oversight, parliamentary review, independent external auditing, annual public reporting, and statutory performance evaluation. Consequently, institutional autonomy is accompanied by stronger not weaker public accountability (OECD, 2023; IMF, 2023).

These comparative experiences provide important lessons for Indonesia. The success of revenue authority reform cannot be attributed solely to organizational independence but rather to the establishment of an institutional governance framework balancing managerial autonomy with constitutional accountability. As emphasized by Taliercio (2004), the objective of establishing a Semi-Autonomous Revenue Authority is not to create an institution beyond governmental control but to improve administrative effectiveness through greater operational flexibility, professional management, transparent governance, and performance-based accountability.

Accordingly, Indonesia does not necessarily need to replicate any particular foreign model. Instead, comparative analysis suggests that institutional reform should focus on granting broader authority over organizational management, human resource administration, budgeting, information systems, procurement, and operational decision-making while maintaining tax policy formulation under the Government and preserving constitutional accountability to the President, Parliament, the Supreme Audit Board (BPK), and the public. Such an institutional arrangement would be more consistent with Indonesia's constitutional structure while incorporating internationally recognized principles of good revenue administration.

Constitutional and Administrative Law Implications of Establishing a Tax Revenue Agency

The proposal to transform Indonesia's Directorate General of Taxes (DGT) into a Semi-Autonomous Tax Revenue Agency (TRA) raises fundamental constitutional and administrative law questions. The primary issue is not whether institutional reform is administratively desirable, but whether such a transformation is constitutionally permissible within Indonesia's legal system. Consequently, the establishment of a Tax Revenue Agency must be assessed against the constitutional principles governing executive authority, public administration, state finance, and accountability under the 1945 Constitution of the Republic of Indonesia.

From a constitutional perspective, the establishment of a Tax Revenue Agency is not inconsistent with the 1945 Constitution. The Constitution does not explicitly prescribe the organizational structure of tax administration, nor does it require that tax administration must permanently remain within the Ministry of Finance. Article 23A of the Constitution merely provides that taxes and other compulsory levies for state purposes shall be regulated by law, while Article 17 authorizes the President to organize ministries according to governmental needs. Accordingly, the Constitution provides sufficient flexibility for the legislature and the executive to reorganize tax administration, provided that such reform remains consistent with constitutional principles of legality, accountability, and democratic governance (Asshiddiqie, 2006; Atmadja, 2015).

Nevertheless, because taxation constitutes one of the core functions of state finance, institutional transformation cannot be implemented solely through executive regulations. Presidential Regulation Number 158 of 2024 merely regulates the organizational structure of the Ministry of Finance and therefore cannot serve as the legal basis for establishing a new autonomous institution outside the ministerial framework. In accordance with the principle of legality (*rechtmatigheid van bestuur*), any transfer of governmental authority affecting institutional competence, organizational status, and public administration must be authorized by legislation enacted by Parliament. Therefore, the establishment of a Tax Revenue Agency requires the enactment of a new Law (Undang-Undang) or substantial amendments to existing legislation governing taxation and state administration (Marwan Mas, 2018; Asshiddiqie, 2012).

In addition to a new institutional law, several sectoral statutes would require harmonization. These include Law Number 17 of 2003 concerning State Finance, Law Number 1 of 2004 concerning the State Treasury, Law Number 39 of 2008 concerning State Ministries, and the principal taxation laws governing tax administration. Such legislative harmonization is necessary to ensure legal certainty regarding institutional authority, budget administration, delegation of executive powers, personnel management, and financial accountability. Without comprehensive legislative reform, institutional transformation may create overlapping authority between the Ministry of Finance and the newly established Tax Revenue Agency, thereby undermining legal certainty and administrative effectiveness.

The constitutional relationship between the proposed Tax Revenue Agency and the President also requires careful institutional design. Under Indonesia's presidential system, executive power is constitutionally vested in the President (Article 4 of the 1945 Constitution). Consequently, although the Tax Revenue Agency may enjoy broad managerial autonomy in operational matters, it should remain institutionally accountable to the President as the holder of executive authority. Such accountability ensures that institutional autonomy does not evolve into constitutional independence. Instead, the Agency would exercise delegated executive authority within the constitutional framework of presidential government, similar to several independent administrative agencies currently operating within Indonesia's constitutional system (Asshiddiqie, 2006).

The institutional relationship with the House of Representatives (DPR) should also be maintained to preserve democratic accountability. Although tax administration should remain insulated from day-to-day political intervention, the Agency's strategic performance, institutional policies, annual work plans, and budget realization should remain subject to parliamentary oversight through hearings, performance evaluations, and approval of budget appropriations. This arrangement reflects the constitutional principle of checks and balances by ensuring that increased managerial autonomy is accompanied by stronger legislative accountability rather than reduced public control (Asshiddiqie, 2012).

Financial accountability likewise requires a clearly defined constitutional mechanism. As an institution responsible for collecting the largest source of state revenue, the Tax Revenue Agency must remain subject to external financial supervision by the Supreme Audit Board (BPK) pursuant to Article 23E of the 1945 Constitution. BPK should continue auditing the Agency's financial statements, internal control systems, operational efficiency, and compliance with public financial management principles. Such an arrangement is essential to ensure that expanded budgetary autonomy does not weaken transparency or public accountability. International experience likewise demonstrates that greater operational autonomy should always be accompanied by stronger external auditing and performance evaluation mechanisms (OECD, 2023; Kidd & Crandall, 2006).

Institutional reform must also redefine the relationship between the Tax Revenue Agency and the Ministry of Finance. Under the proposed institutional model, the Ministry of Finance should retain authority over fiscal policy, macroeconomic management, state budgeting, tax legislation, tax incentives, and international fiscal negotiations. Conversely, the Tax Revenue Agency should assume full responsibility for operational tax administration, including taxpayer registration, tax collection, audits, investigations, compliance risk management, digital taxation systems, taxpayer services, information technology development, human resource management, and organizational administration. Such a division of authority would eliminate institutional overlap while preserving policy coherence within the national fiscal system. This distinction is consistent with the governance model adopted in several OECD member countries, where tax policy and tax administration are institutionally separated but remain functionally integrated (OECD, 2019, 2023).

From the perspective of administrative law, the proposed reform should not be interpreted as creating an institution beyond governmental control. Instead, it represents a redistribution of administrative authority aimed at improving institutional effectiveness while maintaining constitutional responsibility. Taliercio (2004) emphasizes that the defining characteristic of a Semi-Autonomous Revenue Authority is not constitutional independence but managerial autonomy accompanied by rigorous accountability mechanisms. Similarly, Kidd and Crandall (2006) argue that successful revenue authorities combine operational flexibility with clear legal mandates, external oversight, transparent reporting obligations, and measurable institutional performance.

Accordingly, the constitutional implications of establishing a Tax Revenue Agency extend beyond organizational restructuring. They require a comprehensive redesign of institutional authority, legal responsibility, executive accountability, parliamentary oversight, financial supervision, and administrative governance. Therefore, the establishment of a Semi-Autonomous Tax Revenue Agency should be understood as a constitutional governance reform designed to strengthen tax administration while preserving the fundamental principles of the rule of law, separation of powers, democratic accountability, and sound public financial management within Indonesia's presidential constitutional system.

Proposed Institutional Model: Authority, Governance, Oversight, and Transitional Design

Based on the constitutional analysis, comparative institutional experience, and the principles of Semi-Autonomous Revenue Authority (SARA), this study proposes the establishment of an Indonesian Tax Revenue Agency (TRA) as a semi-autonomous executive agency responsible for operational tax administration. The proposed institutional model is not intended to create an independent constitutional body outside the executive branch. Rather, it seeks to strengthen tax administration by granting broader managerial autonomy while maintaining constitutional accountability to the President, Parliament, and public oversight institutions. Such a governance model is consistent with international best practices adopted in Australia, Singapore, Malaysia, and South Africa, where operational autonomy is combined with democratic accountability (Kidd & Crandall, 2006; OECD, 2023; Taliercio, 2004).

The proposed Tax Revenue Agency should be granted exclusive operational authority over tax administration. These functions include taxpayer registration, tax collection, taxpayer services, tax audits, tax investigations, tax intelligence, compliance risk management, dispute administration, digital taxation, information technology management, organizational restructuring, procurement, budgeting, and human resource management. Granting authority over these operational functions would enable the Agency to respond more rapidly to changes in the economic environment, improve administrative efficiency, and accelerate institutional modernization. OECD (2023) emphasizes that successful revenue administrations increasingly depend upon organizational flexibility, integrated digital systems, specialized human resources, and performance-based management rather than conventional ministerial procedures.

Operational autonomy should also encompass human resource management, allowing the Agency to recruit, promote, remunerate, and evaluate personnel based on institutional needs and professional competence rather than solely on the general civil service system. The rapid development of digital taxation, transfer pricing, international taxation, artificial intelligence, forensic accounting, and data analytics requires highly specialized expertise that conventional bureaucratic recruitment mechanisms often fail to accommodate. Kidd and Crandall (2006) identify managerial autonomy in human resource administration as one of the defining characteristics of effective Semi-Autonomous Revenue Authorities because it enables tax administrations to attract and retain highly qualified professionals while promoting organizational performance and integrity.

Similarly, the proposed Agency should possess greater budgetary autonomy. Although its annual budget would remain subject to parliamentary approval through the State Budget (APBN), the Agency should be authorized to determine operational expenditure priorities, allocate financial resources according to strategic objectives, procure technological infrastructure, implement organizational innovation, and finance institutional modernization programs without excessive administrative procedures. Such budgetary flexibility would strengthen institutional responsiveness while remaining fully accountable under Indonesia's public financial management system and external audit mechanisms (OECD, 2019).

Notwithstanding these expanded operational responsibilities, several strategic governmental functions should remain under the authority of the Government, particularly the Ministry of Finance and the national legislature. These include tax policy formulation, determination of tax rates, tax incentives, fiscal policy, preparation of taxation legislation, international tax treaty negotiations, macro-fiscal planning, and national budget policy. The separation between tax policy and tax administration reflects internationally recognized principles of public governance whereby governments retain democratic authority over fiscal policy, while revenue authorities concentrate on implementing tax legislation efficiently and professionally (OECD, 2023). Consequently, the proposed institutional reform strengthens administrative effectiveness without transferring constitutional fiscal authority away from elected government institutions.

The governance structure of the proposed Tax Revenue Agency should also incorporate a Supervisory Board to ensure accountability, transparency, and institutional integrity. Rather than functioning as an operational management body, the Supervisory Board would perform strategic oversight over organizational performance, financial accountability, ethical compliance, and institutional governance. The Board should consist of representatives of the

Ministry of Finance, independent taxation experts, public finance specialists, legal scholars, and professionals with extensive experience in public administration. Members should be appointed by the President through a transparent merit-based selection process with parliamentary confirmation to strengthen democratic legitimacy while minimizing political intervention (Taliercio, 2004).

The Supervisory Board should possess clearly defined statutory functions, including approving long-term strategic plans, monitoring organizational performance indicators, supervising financial governance, evaluating institutional integrity, reviewing annual performance reports, overseeing internal audit systems, and ensuring compliance with national taxation laws. However, the Board should not interfere with operational tax administration, individual tax cases, or enforcement decisions. This separation between governance and operations is essential to preserve institutional professionalism and prevent political influence over tax administration (OECD, 2023).

Accountability mechanisms constitute another essential component of the proposed institutional model. Operational accountability should remain vested in the President as the holder of executive power under Article 4 of the 1945 Constitution. Financial accountability should continue to be exercised by the Supreme Audit Board (BPK) pursuant to Article 23E of the Constitution through regular financial and performance audits. Democratic accountability should be maintained through periodic reporting to the House of Representatives (DPR), including annual performance reports, budget realization reports, and parliamentary hearings. Public accountability should be strengthened through publication of annual reports, independent performance evaluations, taxpayer satisfaction surveys, and transparent disclosure of institutional achievements. Such multilayered accountability reflects the principle that greater managerial autonomy must always be accompanied by stronger public oversight (Kidd & Crandall, 2006; OECD, 2023).

Institutional transformation should also be implemented through a phased transitional strategy to minimize administrative disruption. The first phase should involve the enactment of a dedicated Tax Revenue Agency Law establishing the Agency's legal status, authority, governance structure, and accountability mechanisms. The second phase should focus on organizational restructuring, including the transfer of functions, assets, personnel, and information systems from the Directorate General of Taxes to the newly established Agency. The third phase should strengthen institutional capacity through human resource development, modernization of digital taxation systems, implementation of integrated compliance management, and performance-based organizational governance. The final phase should involve comprehensive institutional evaluation to assess administrative effectiveness, taxpayer compliance, revenue performance, governance quality, and public accountability before the institutional model is fully consolidated.

Accordingly, the proposed Tax Revenue Agency represents neither complete institutional independence nor merely an administrative reorganization of the existing Directorate General of Taxes. Instead, it constitutes a constitutional governance model that balances operational autonomy with executive responsibility, parliamentary oversight, financial accountability, and public transparency. Such an institutional design is expected to strengthen Indonesia's tax administration while remaining fully consistent with constitutional principles, democratic governance, and international standards of good revenue administration.

Table 2. Comparison of Institutional Functions between the Tax Revenue Agency and the Ministry of Finance

Institutional Function	Tax Revenue Agency (TRA)	Government / Ministry of Finance
Tax collection	✔	

Institutional Function	Tax Revenue Agency (TRA)	Government / Ministry of Finance
Tax audit	✓	
Tax investigation	✓	
Taxpayer services	✓	
Compliance risk management	✓	
Digital taxation system	✓	
Information technology	✓	
Human resource management	✓	
Organizational restructuring	✓	
Operational budgeting	✓	
Tax policy formulation		✓
Tax legislation		✓
Tax rates		✓
Tax incentives		✓
Fiscal policy		✓
International tax agreements		✓
APBN formulation		✓

Over the past few decades, the separation of government institutions in Indonesia has become a significant topic, particularly in the context of the efficiency and effectiveness of state resource management. One important step in changing the administrative structure of the Indonesian government is the revitalization of the Directorate General of Taxes (DGT). This revitalization is not merely an administrative measure, but rather reflects a deep understanding of the importance of more professional, transparent, and accountable tax management. With the establishment of an autonomous Tax Revenue Agency (TAP), no longer under the Ministry of Finance, the current organizational structure of the Ministry of Finance will be transformed. The TAP will be at the same level as a state ministry and other state institutions, under and directly responsible to the President.

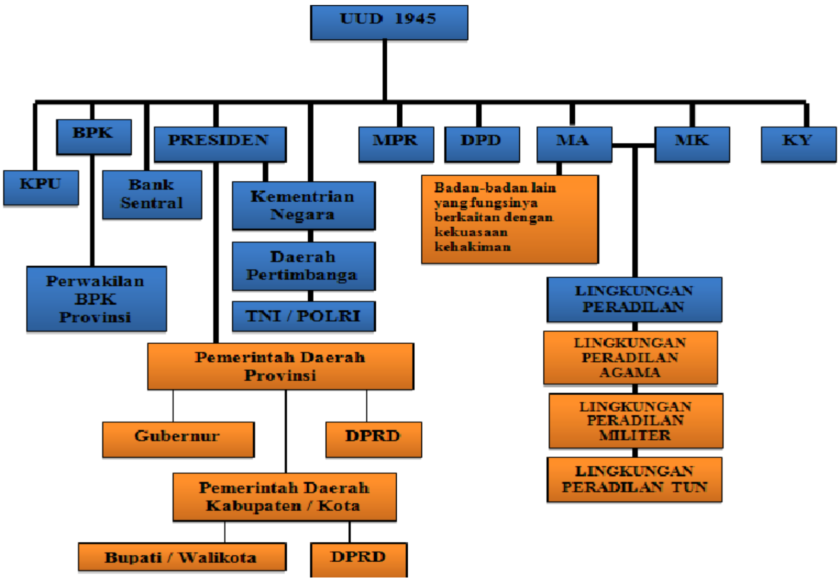

Figure 1. State Structure of the Republic of Indonesia
Source: https://materisekolahsmk.blogspot.com/2015/11/struktur-lembaga-lembaga-dalam-sistem.html, 22 Januari 2026

In the Indonesian state system, state institutions are those established under the 1945 Constitution, laws, or lower-level regulations (Asshiddiqie, 2006). State institutions at the central level can be divided into four institutional levels: those established under the 1945 Constitution (the President, Vice President, People's Consultative Assembly, House of Representatives, Regional Representatives Council, Supreme Audit Agency, Supreme Court, Constitutional Court, and Judicial Commission); those established under the Law (the Attorney General's Office, Bank Indonesia, General Elections Commission, Corruption Eradication Commission, Indonesian Financial Transaction Reports and Analysis Center, Ombudsman, and so on); and those established under Government Regulations or Presidential Regulations; and those established under Ministerial Regulations.

The Indonesian state system, as stipulated in the 1945 Constitution, explicitly adopts the principle of separation of powers, albeit with unique interpretations and implementations. Legal experts in Indonesia agree that the 1945 Constitution of the Republic of Indonesia does not adhere to a rigid separation of powers, but rather a division/distribution of power complemented by a mechanism of checks and balances. The implementation of this principle has undergone a fundamental shift between the periods before and after the amendments to the 1945 Constitution (Enggarani, 2019). The transformation of the Directorate General of Taxes (DGT) into a Tax Revenue Agency is increasingly urgent amidst the ever-changing dynamics of the global economy, technological disruptions transforming business models, and increasingly fierce competition between countries to attract investment. The government must recognize that a responsive, fair, and efficient tax system is key to supporting sustainable economic development (Sulung & Sihombing, 2020). Therefore, tax reform can no longer be viewed as a periodic agenda, but rather as a dynamic process that must continuously adapt to changing economic and social conditions (Rifandanu, 2024). This transformation can be viewed from three main, complementary perspectives: a political-legal perspective that questions the ideal institutional form, a functional perspective that demands modernization for effectiveness, and a state revenue perspective that underscores the magnitude of lost potential.

Supervisory Board: Institutional Governance and Accountability Framework

An essential component of the proposed Tax Revenue Agency (TRA) is the establishment of a Supervisory Board responsible for safeguarding institutional accountability, strategic governance, and organizational integrity. The Supervisory Board is not intended to participate in the day-to-day administration of tax collection or enforcement activities. Instead, its primary role is to provide strategic oversight, evaluate institutional performance, ensure compliance with statutory mandates, and protect the Agency from undue political or bureaucratic intervention. This governance arrangement reflects international best practices in Semi-Autonomous Revenue Authorities (SARAs), where operational autonomy is balanced by robust accountability mechanisms (Kidd & Crandall, 2006; OECD, 2023).

To ensure institutional independence while maintaining constitutional accountability, the Supervisory Board should comprise representatives from both government and independent professional communities. The proposed composition is as follows:

Table 3. Proposed Composition of the Supervisory Board of the Tax Revenue Agency

Position	Status	Primary Role
Minister of Finance	Ex officio	Alignment with national fiscal policy
Minister of Administrative and Bureaucratic Reform	Ex officio	Oversight of public administration and institutional reform
Independent Taxation Expert	Independent	Technical advice on tax administration and

Position	Status	Primary Role
	Member	reform
Constitutional or Administrative Law Scholar	Independent Member	Legal oversight and constitutional compliance
Public Finance Expert	Independent Member	Evaluation of financial governance and institutional performance
Representative of Civil Society/Professional Association	Independent Member	Public accountability and stakeholder representation

Source: Developed by the authors based on OECD (2023), Taliercio (2004), and Kidd and Crandall (2006).

Members of the Supervisory Board should serve a five-year term and may be reappointed for one additional term, subject to satisfactory performance evaluation. To strengthen democratic legitimacy and institutional independence, appointments should be made by the President following an open and merit-based selection process, with confirmation by the House of Representatives (DPR). Such an appointment mechanism would reduce the risk of political patronage while ensuring that board members possess the professional competence and integrity required to oversee one of the country's most strategic public institutions (OECD, 2023).

The Supervisory Board should exercise strategic rather than operational authority. Its principal functions include:

1. approving the Agency's long-term strategic plan and institutional performance indicators;
2. evaluating annual organizational performance and revenue administration outcomes;
3. supervising the implementation of good governance, transparency, and ethical standards;
4. overseeing internal audit and enterprise risk management systems;
5. reviewing annual financial statements and institutional performance reports before submission to the President and Parliament;
6. monitoring compliance with applicable laws and regulations; and
7. recommending institutional improvements to enhance administrative effectiveness.

Importantly, the Supervisory Board must not intervene in operational matters such as taxpayer audits, tax investigations, tax dispute resolution, assessment decisions, or individual enforcement actions. Operational decisions remain the exclusive responsibility of the Commissioner-General of the Tax Revenue Agency and the Agency's executive management. This separation between governance and administration is a defining characteristic of successful Semi-Autonomous Revenue Authorities because it preserves professional independence while preventing political interference in tax administration (Taliercio, 2004; OECD, 2023).

The governance framework should further distinguish the responsibilities of the Supervisory Board from those of other constitutional institutions. The President remains responsible for executive oversight because the Tax Revenue Agency continues to exercise delegated executive authority. The House of Representatives (DPR) performs democratic oversight through annual performance hearings, budget approval, and legislative evaluation. The Supreme Audit Board (BPK) retains its constitutional mandate under Article 23E of the 1945 Constitution to conduct independent external financial and performance audits. Consequently, BPK should remain outside the Supervisory Board to preserve its institutional independence as the State's external auditor. Similarly, the Corruption Eradication Commission (KPK), the Attorney General's Office, and the National Police should cooperate with the Agency in law enforcement through statutory coordination mechanisms rather than permanent board membership.

This governance model establishes a system of checks and balances in which managerial autonomy is accompanied by executive responsibility, legislative oversight, external financial auditing, and public transparency. Accordingly, the proposed Supervisory Board serves not as an additional bureaucratic layer but as an institutional safeguard that strengthens accountability, protects organizational independence, and promotes public confidence in Indonesia's future Tax Revenue Agency.

Accountability Framework of the Proposed Tax Revenue Agency

The establishment of a Semi-Autonomous Tax Revenue Agency (TRA) must be accompanied by a comprehensive accountability framework to ensure that greater managerial autonomy does not diminish constitutional responsibility or democratic oversight. Consistent with the principles of good governance, institutional autonomy should always be balanced by clear accountability mechanisms that define the relationship between the Agency and the executive, legislative, auditing, and public oversight institutions (OECD, 2023; Kidd & Crandall, 2006).

The proposed accountability framework distinguishes five complementary dimensions of accountability.

Table 4. Accountability Framework of the Proposed Tax Revenue Agency

Accountability Dimension	Responsible Institution	Scope of Accountability
Operational Accountability	President of the Republic of Indonesia	Implementation of tax administration, organizational performance, achievement of strategic objectives, and execution of delegated executive authority
Financial Accountability	Supreme Audit Board (BPK)	Audit of financial statements, internal control systems, compliance with public financial management principles, and performance audits pursuant to Article 23E of the 1945 Constitution
Policy Accountability	House of Representatives (DPR)	Parliamentary oversight through budget approval, annual hearings, legislative evaluation, and review of institutional performance
Public Accountability	Citizens and Taxpayers	Publication of annual reports, taxpayer service performance, transparency reports, public consultation, and complaint mechanisms
External Professional Accountability	Independent External Auditors and Peer Review Mechanisms	Periodic institutional evaluation, governance assessment, integrity review, and international benchmarking

Source: Developed by the authors based on OECD (2023), Kidd and Crandall (2006), Taliercio (2004), and the 1945 Constitution.

Operational accountability should remain vested in the President because the proposed Tax Revenue Agency continues to exercise delegated executive authority within Indonesia's presidential system. Accordingly, the President retains constitutional responsibility for ensuring that the Agency performs its statutory mandate efficiently and consistently with national fiscal policy. However, presidential oversight should concentrate on strategic governance and institutional performance rather than operational tax administration, thereby preserving managerial autonomy while maintaining executive responsibility (Asshiddiqie, 2012).

Financial accountability should continue to be exercised by the Supreme Audit Board (BPK) as mandated by Article 23E of the 1945 Constitution. BPK should conduct regular financial audits, performance audits, and evaluations of internal control systems to ensure that public funds are administered efficiently, transparently, and in accordance with statutory requirements. Maintaining BPK as an independent external auditor, rather than incorporating it into the Agency's governance structure, preserves the constitutional principle of independent state financial oversight.

Democratic accountability should be maintained through the House of Representatives (DPR). The Agency should submit annual institutional performance reports, budget realization reports, strategic plans, and key performance indicators to Parliament. Periodic parliamentary hearings would enable legislators to evaluate organizational effectiveness while avoiding direct intervention in operational tax administration. This arrangement reflects the constitutional principle of checks and balances, whereby managerial autonomy is accompanied by strengthened democratic oversight (OECD, 2023).

Public accountability should likewise be strengthened through proactive transparency measures. The Agency should publish annual reports, audited financial statements, taxpayer service performance indicators, compliance statistics, integrity reports, and institutional achievements. Public participation may also be facilitated through taxpayer satisfaction surveys, public consultations, digital complaint systems, and open access to institutional performance information. Such measures enhance institutional legitimacy and promote public trust in tax administration.

Finally, external professional accountability should be implemented through periodic independent evaluations involving external auditors, academic experts, and international peer-review mechanisms such as the OECD Forum on Tax Administration. International benchmarking would enable continuous institutional improvement and ensure that the Agency's governance remains consistent with global standards of revenue administration (OECD, 2023).

Accordingly, the proposed accountability framework establishes a multilayered system in which operational autonomy is complemented by executive responsibility, parliamentary oversight, independent financial auditing, and public transparency. Such an arrangement minimizes political interference while ensuring that the Tax Revenue Agency remains fully accountable within Indonesia's constitutional governance system.

Transitional Design for Institutional Transformation

The transformation of the Directorate General of Taxes into a Semi-Autonomous Tax Revenue Agency should be implemented gradually through a phased institutional transition. International experience demonstrates that successful revenue authority reforms depend not only on legislative changes but also on careful organizational restructuring, human resource integration, digital modernization, and governance consolidation (Taliercio, 2004; Kidd & Crandall, 2006).

Table 5. Proposed Institutional Transformation Roadmap

Phase	Main Activities	Expected Outcome
Phase 1 Legal Reform	Enactment of the Tax Revenue Agency Law; amendment of relevant taxation, state finance, and public administration legislation; formulation of implementing regulations	Establishment of a clear constitutional and statutory basis for the Agency
Phase 2 Institutional Restructuring	Transfer of organizational functions, authority, assets, records, and institutional responsibilities from the Directorate General of Taxes to the Tax Revenue Agency	Establishment of the new organizational structure and governance system
Phase 3 Human Resource Migration	Transfer of civil servants, competency mapping, merit-based recruitment, organizational redesign,	Development of a professional and

Phase	Main Activities	Expected Outcome
	remuneration reform, and capacity building	performance-oriented workforce
Phase 4 Digital and Information System Integration	Integration of taxpayer databases, modernization of digital taxation systems, cybersecurity enhancement, artificial intelligence implementation, and risk-based compliance systems	Creation of an integrated, technology-driven tax administration
Phase 5 Full Institutional Operation and Evaluation	Full operational implementation, periodic institutional evaluation, governance review, performance assessment, and regulatory refinement	Consolidation of a fully operational Semi-Autonomous Tax Revenue Agency

Source: Developed by the authors based on OECD (2023), Taliercio (2004), Kidd and Crandall (2006), and World Bank (2020).

The first phase focuses on legal reform because institutional transformation must be supported by a comprehensive statutory framework. A dedicated Tax Revenue Agency Law should define the Agency's legal status, authority, governance structure, accountability mechanisms, and relationship with other state institutions. Simultaneously, harmonization of taxation legislation, public finance law, and state administrative law is required to prevent overlapping authority and ensure legal certainty.

The second phase emphasizes institutional restructuring by transferring operational functions, organizational assets, and administrative responsibilities from the Directorate General of Taxes to the newly established Agency. This process should be conducted gradually to maintain continuity of tax administration and avoid disruptions to public services.

The third phase addresses human resource transformation through competency-based personnel migration, meritocratic recruitment, leadership development, remuneration reform, and organizational culture change. Investment in human capital is essential because the effectiveness of a Semi-Autonomous Revenue Authority depends largely on the professionalism and integrity of its workforce (OECD, 2023).

The fourth phase prioritizes digital transformation by integrating taxpayer databases, implementing advanced information technology systems, strengthening cybersecurity, and expanding the use of artificial intelligence and data analytics for compliance management. Digital modernization is expected to improve administrative efficiency, reduce compliance costs, and enhance voluntary taxpayer compliance.

The final phase involves full institutional operation accompanied by continuous evaluation. Performance indicators, governance quality, taxpayer satisfaction, compliance outcomes, and revenue performance should be reviewed periodically to ensure that the institutional objectives of efficiency, accountability, and transparency are achieved. Continuous evaluation also enables regulatory refinement and organizational adaptation to emerging fiscal and technological challenges. Overall, this phased transition strategy minimizes institutional disruption while providing a realistic roadmap for transforming Indonesia's Directorate General of Taxes into a constitutionally accountable, professionally managed, and internationally competitive Semi-Autonomous Tax Revenue Agency.

Indonesia's relatively low tax ratio should not be attributed solely to the Directorate General of Taxes' institutional structure. Tax performance is influenced by multiple structural determinants, including taxpayer compliance, the size of the informal economy, extensive tax incentives, limited enforcement capacity, narrow tax bases, and broader political-economic conditions. Nevertheless, institutional design remains an important enabling factor because organizational autonomy directly affects the authority's ability to recruit qualified personnel, manage operational budgets, modernize information systems, conduct effective audits, and implement risk-based compliance strategies (OECD, 2019; Kidd & Crandall, 2006; World Bank, 2024).

CONCLUSION

This study demonstrates that the transformation of Indonesia's Directorate General of Taxes (DGT) into a Semi-Autonomous Tax Revenue Agency (TRA) is constitutionally feasible and institutionally justifiable within Indonesia's presidential system of government. The analysis indicates that the current ministerial model, as regulated under Presidential Regulation Number 158 of 2024, limits the Directorate General of Taxes' managerial flexibility in areas such as organizational restructuring, human resource management, budget execution, digital transformation, and institutional decision-making. Although these institutional constraints are not the sole determinants of Indonesia's relatively low tax performance, they constitute significant governance challenges that affect the effectiveness and responsiveness of tax administration.

From a theoretical perspective, this study contributes to the development of constitutional and administrative law scholarship by integrating constitutional institution theory, Semi-Autonomous Revenue Authority (SARA) theory, and public governance principles into a comprehensive institutional model for tax administration reform. Unlike previous studies that primarily discuss tax administration reform from the perspectives of organizational efficiency or fiscal policy, this article demonstrates that institutional transformation should be assessed through constitutional legality, democratic accountability, and administrative governance. Consequently, the proposed model extends the existing discourse on tax administration reform by positioning institutional autonomy as a mechanism for improving administrative effectiveness while preserving constitutional control and public accountability.

The study further proposes an institutional governance model in which the Tax Revenue Agency is granted broader operational authority over tax administration, including tax collection, taxpayer services, tax audits, investigations, compliance management, digital taxation, human resource administration, budgeting, and organizational management. At the same time, strategic governmental functionssuch as tax policy formulation, tax legislation, fiscal policy, and determination of tax rates should remain under the authority of the Government and the House of Representatives. This functional separation establishes a balanced governance framework in which operational autonomy is accompanied by executive responsibility, parliamentary oversight, independent financial auditing by the Supreme Audit Board (BPK), and transparent public accountability.

Nevertheless, institutional transformation also presents several constitutional and administrative risks that should not be underestimated. The establishment of a Semi-Autonomous Tax Revenue Agency may create challenges including overlapping institutional authority between the Agency and the Ministry of Finance, concentration of administrative power, transitional costs, bureaucratic resistance, institutional fragmentation, and the potential for political capture if governance and oversight mechanisms are inadequately designed. Accordingly, institutional reform should not be understood merely as organizational restructuring but as a comprehensive constitutional governance reform requiring clear statutory authority, effective accountability mechanisms, and carefully planned implementation.

Therefore, this study recommends that any future establishment of a Tax Revenue Agency should be preceded by the enactment of a dedicated Tax Revenue Agency Law that clearly defines its constitutional status, institutional authority, governance structure, accountability framework, and relationship with other state institutions. The reform process should be implemented through a phased transition encompassing legal reform, organizational restructuring, human resource transformation, digital system integration, and periodic institutional evaluation. Such an approach is expected to strengthen Indonesia's tax administration while maintaining constitutional legitimacy, democratic accountability, sound public financial governance, and public trust.

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