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# A Comparative Analysis of Income Tax Complexity Using Tax Complexity Index: Evidence from Indonesia and Singapore

Ita Salsalina Lingga<sup>1\*</sup>, Naiya Ayu Dina<sup>2</sup>

**Affiliation:**

<sup>1</sup> Department of Accounting, Faculty of Economics and Business, Maranatha University, Bandung, Indonesia

**\*Correspondence:**

ita.salsalina@gmail.com

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**Abstract:**

**Research aim :**

This study aims to identify differences in the complexity of Income Tax regulations in Indonesia and Singapore, while also assessing their impacts on the tax revenue.

**Design/Methodology/Approach:** This study uses a comparative approach to analyze the differences in complexity of tax regulations in Indonesia and Singapore using the Tax Complexity Index (TCI).

**Research findings:** The research findings shows that the complexity of Income Tax regulations in Indonesia remains relatively high, especially when compared to Singapore. The five criteria of the Tax Complexity Index (TCI) reveal that Indonesia still faces challenges in the complexity of tax regulations.

**Theoretical contribution/ Originality:** The study contributes theoretically using Economic Deterrence Theory which explains that taxpayer compliance will be determined by how large the cost of tax compliance is. The more complex the tax system or the higher the cost of tax compliance, then the lower the tax compliance. The indicator of tax compliance in this research is the percentage of tax revenue against target.

**Practitioner/Policy implication:** This study provide contribution for government policymakers the need for a reform approach that focuses on simplifying the structure and ensuring clarity of implementation in tax regulations.

**Research limitation/Implication:** The analysis does not include taxpayers perceptions regarding the complexity of Income Tax. Furthermore, the research's tax object is limited to Income Tax, excluding other types of taxes such as VAT or Regional Taxes.

**Keywords:** Tax Complexity, Income Tax Regulation, Tax Compliance, Tax Complexity Index, Comparative Tax System

## Introduction

The increasingly complex tax system and regulations currently raise concerns for many parties (Hoppe et al., 2023; Belahouaoui & Attak, 2024). Tax complexity is considered detrimental because it can cause confusion and uncertainty for taxpayers (Hoppe et al., 2023). Previous studies have shown that high tax complexity can reduce tax compliance (Blesse, 2021; Kristanto & Noreen, 2021; Primasari & Hendrani, 2022; Jehadun et al., 2024; Judijanto, 2024). According to the World Bank, Indonesia's tax non-compliance rate is very high compared to other countries (Siswanto, 2025). One of the main contributing factors is the high complexity of the tax system (Syafuruddin, 2025). Kristiaji (2025) explained in his statement that Indonesia

faces a complex and uncertain tax system. This is due to numerous changes in tax regulations every year, estimated up to 100 new legal products. This causes taxpayers to have difficulty in understanding new regulations, which in turn affects tax compliance. Riski & Harmurti (2025) in their research through a survey of corporate taxpayers concluded that tax complexity is one of the factors that can increase the level the level of compliance in paying taxes which will ultimately increase tax revenue. In other words, efforts are needed to simplify the tax system and regulations to improve compliance.

Before the development of the Tax Complexity Index (TCI) as a measurement indicator, previous tax studies generally used indicator such as “paying taxes” to measure the administrative burden and formal tax compliance. New research focuses on regulatory complexity in measuring tax compliance. The use of the TCI as a measurement indicator is a novelty in this study. Hoppe et al. (2023) developed the Tax Complexity Index (TCI) to measure the level of tax complexity based on two categories: the Tax Code and the Tax Framework. The Tax Code refers to the level of complexity of tax regulations, while the Tax Framework assesses the complexity of the tax system as a whole. The TCI assesses the complexity of tax regulations based on 15 types of regulations through five criteria. These criteria are Ambiguity & Interpretation, Change, Computation, Detail, and Recordkeeping. This study adopts these five criteria to analyze tax complexity in Indonesia and Singapore.

Based on the TCI report from 2016 to 2022, Indonesia consistently ranked among the top ten countries with the most complex tax systems. This is also supported by various tax indices and other research, which indicate that tax regulations in Indonesia are relatively complex (Dahlan, 2023; Koch & Wall, 2019). This high complexity directly impacts suboptimal tax revenue, reflected in Indonesia's low tax ratio compared to other countries in Southeast Asia (Elena, 2024). In contrast, Singapore is known for its simple and efficient tax regulations (Hoppe et al., 2023; Koch & Wall, 2019; Korolev et al., 2024). In the TCI index, Singapore ranked among the ten countries with the simplest tax regulations from 2016 to 2022. The low complexity of Singapore's tax regulations contributes to high levels of compliance and low compliance costs for taxpayers. This distinction suggests that simplified tax regulations can help improve taxpayer compliance.

This study uses a comparative approach to analyze the differences in complexity of tax regulations in Indonesia and Singapore. Singapore was chosen as the comparison country due to its contrasting levels of complexity, despite both countries being located in Southeast Asia. The type of regulation analyzed is Income Tax, which is imposed on Corporate Taxpayers. This type of tax was chosen because it contributes the most to revenue in both countries. This study was conducted to answer the following research questions:

1. How do the levels of complexity of income tax regulations differ in Indonesia and Singapore when analyzed using the Tax Complexity Index criteria by Hoppe et al. (2023)?
2. What is the impact of the level of complexity of income tax regulations on tax revenue in both countries?

The results of this study are expected to serve as a reference for tax policymakers in designing simpler and more easily understood regulations.

## **Literature Review**

Tax complexity refers to the level of difficulty faced by taxpayers in understanding, calculating, and complying with tax regulations in a country (Hoppe et al., 2023; Kristanto & Noreen, 2021). Tax complexity, influenced by numerous factors, requires a comprehensive evaluation of various aspects of taxation (Schipp et al., 2024). This index measures the level of complexity of corporate income tax across countries through a biennial survey.

Indonesia faces tax complexity in various aspects, such as complicated record-keeping, unclear regulations, complex tax calculations, and overly detailed and layered regulations (Koch & Wall, 2019). Dahlan (2023) shows that the quality of Indonesia's tax policies and systems is among the lowest among ASEAN countries. This high level of complexity not only burdens taxpayers but also has the potential to hinder tax revenue (Parwati et al., 2024; Taing & Yongjin, 2021). Therefore, tax reform through regulatory simplification is crucial for tax implementation in Indonesia (Purba & Salomo, 2024).

Income Tax (PPh) is a tax imposed on individuals or entities on income earned in a tax year, both domestically and internationally. In Indonesia, Income Tax is regulated by Law Number 7 of 1983, which has undergone four amendments, most recently Law Number 36 of 2008. Furthermore, Income Tax is also regulated by the latest regulations, the Job Creation Law Number 11 of 2000 and the HPP Law Number 7 of 2021 concerning the Harmonization of Tax Regulations.

Singapore has two types of income tax: Individual Income Tax and Corporate Income Tax. Unlike Indonesia, Singapore does not tax foreign income received by taxpayers. Income taxable is income derived from Singapore or foreign income brought into the country (PWC, 2025). Singapore regulates Income Tax in a single regulatory document, the Income Tax Act. Amendments to the Income Tax Act are explained in the Income Tax (Amendment) Act. Singapore has made numerous amendments to the Income Tax Act, including in 2022, 2023, and 2024.

Economic Deterrence Theory (Allingham & Sandmo, 1972) explains that taxpayers will fulfill their tax obligations or comply with taxes if the cost of violation or tax compliance exceeds the benefits of the violation. The cost of tax compliance is identical to the complexity of the tax system, meaning that a complex tax system indicates high tax compliance costs. In other words, the higher the tax compliance costs, the lower the tax compliance. Low tax compliance can be seen from the level of tax revenue achievement compared to the target.

Conversely, a complex tax system and high tax rates can reduce trust in the government, thereby increasing the likelihood of companies engaging in tax evasion. Therefore, tax complexity is crucial to study because it is closely related to a country's tax compliance and revenue.

## **Research Method**

This study uses a descriptive qualitative approach with data collection techniques in the form of documentation and literature studies. Primary data were obtained through a review of Income

Tax regulations in Indonesia and Singapore accessed from the official websites of the Directorate General of Taxes (DGT) and the Inland Revenue Authority of Singapore (IRAS), as well as other relevant legal documents. Supporting data were obtained from scientific articles, academic books, and institutional reports relevant to the Tax Complexity Index (TCI) concept developed by Thomas Hoppe et al. (2023). Data analysis techniques were carried out through content analysis to identify and categorize regulatory substances based on five complexity criteria (detail, changes, recording, calculation, and ambiguity), which were then compared using comparative analysis to identify differences in the level of Income Tax complexity between Indonesia and Singapore.

**Table 1**  
**Tax Regulation Complexity Criteria**

Criteria Type	Definition
<i>Detail</i>	The level of complexity of regulatory content, assessed by the amount of detail in the regulation, including additional rules, exceptions to the rules, and cross-references to other related provisions.
<i>Change</i>	A situation where a regulation is frequently updated, both in terms of frequency and scope of changes, making it difficult for taxpayers to consistently follow regulatory developments.
<i>Record Keeping</i>	This refers to the need to maintain numerous documents and records as supporting evidence for compliance with regulations and tax reporting.
<i>Computation</i>	Computation indicates the level of complexity in the calculation process. Complex regulations typically require numerous complicated tax calculations.
<i>Ambiguity &amp; Interpretation</i>	Ambiguity & Interpretation refers to regulations written in unclear, imprecise, and/or ambiguous language.

*Source: Hoppe et al. (2023)*

Although this study refers to the five criteria for tax regulatory complexity as outlined by Hoppe et al. (2023), the approach is not limited to the definition of each criterion, but rather to how each country applies these five criteria in tax practice. Thus, the analysis focuses not only on the quantity or frequency, but also on the process and form of implementation.

## Results

Indonesia faces the issue of low tax compliance, as indicated by the compliance rate for annual tax returns (SPT) reporting, which only reached 73.61% of the target for the 2024 tax year (Direktorat Jenderal Pajak, 2024). Meanwhile, according to the IRAS dataset and the FY2023/24 Annual Report, tax compliance in Singapore, through accurate reporting, reached 97.5% for individual taxpayers and 88.9% for corporate taxpayers. This difference reflects the gap in tax compliance levels between the two countries.

To assess the consistency of tax revenue performance, it is necessary to review the percentage of income tax revenue achieved against the target, as shown in table 2.

**Table 2**  
**Table of Percentage of Tax Revenue Against Target**

Year	Singapore	Indonesia
2016	101,30%	81,30%
2017	103,70%	89,70%
2018	102,40%	92,40%
2019	101,60%	84,50%
2020	100,00%	89,30%
2021	104,70%	104,00%
2022	103,90%	115,60%

Source: processed data

Figure 1 shows that Indonesia's Tax Complexity Index (TCI) score is consistently higher than Singapore's, as measured by Thomas Hoppe et al. (2023). This finding is not merely descriptive but also confirms the results of this study's qualitative analysis, which states that the high complexity of Income Tax regulations in Indonesia is caused by the proliferation of derivative regulations, the frequency of policy changes, the complexity of calculations, and the ambiguity of norms. Argumentatively, the higher the level of regulatory complexity, the greater the compliance costs and legal uncertainty borne by taxpayers, which ultimately impacts the effectiveness of compliance and the achievement of tax revenue targets. Thus, the TCI results strengthen the causal relationship between a complex regulatory structure and suboptimal tax performance in Indonesia compared to Singapore



**Figure 1**  
**Tax Complexity Index Graph**

For seven consecutive years, Singapore has recorded a lower tax complexity index than Indonesia. The index ranges from 0 (not complex) to 1 (very complex). Therefore, it can be concluded that Indonesia's tax system still faces a high level of complexity, reflected in its low levels of tax compliance and revenue. Meanwhile, Singapore has a low level of tax complexity, consistently achieving its tax targets each year. Therefore, it is important to identify the factors

contributing to this high level of tax complexity. The following analysis examines five criteria: ambiguity, change, computation, detail, and record-keeping, to see how each aspect contributes to income tax complexity in Singapore and Indonesia.

### ***Details Criteria***

The details criterion assesses the complexity of tax regulations based on the amount of detail in those regulations. The aspects assessed are the number of applicable rules and references to other rules, commonly referred to as derivative rules (Hoppe et al., 2023). The accumulation of rules and their derivative rules (numerous rules) is considered a major source of tax complexity by tax professionals (Borrego et al., 2016). This is because taxpayers and practitioners must simultaneously understand provisions with varying details.

Indonesia is currently experiencing a regulatory overburden, with numerous and bloated regulations. This regulatory overburden not only increases administrative complexity but also reflects weak legal harmonization in the tax sector. The large number of derivative rules can increase the potential for conflict between provisions and hinder effective implementation in the field (Pradana & Alvian, 2021). Unlike Indonesia, Singapore maintains a simple legal structure by limiting the authority to create derivative rules. This helps taxpayers understand the rules without having to interpret too many derivative rules.

Currently, Indonesia has six laws (UU) used as the primary guidelines for income tax. This differs from Singapore, which has only one primary source of law for income tax, the Income Tax Act 1947. Centralized primary regulation facilitates regulatory understanding and reduces the potential for ambiguity due to overlapping regulations.

Indonesian laws contain various types of derivative regulations, such as Government Regulations (PP) and Presidential Regulations (Perpres). Presidential Regulations are relatively rare in the context of income tax, numbering only six. Meanwhile, Government Regulations tend to be more numerous, with approximately 46 regulations still in effect.

The problem of regulatory overcrowding is further exacerbated by the existence of more technical derivative regulations, such as the Minister of Finance Regulation (PMK). According to data from the official website of the DGT, there are currently over 100 types of Minister of Finance Regulations concerning income tax. The large number of Ministerial Regulations is one of the main causes of regulatory overcrowding (Huda, 2021). Apendi (2021) explains that Ministerial Regulations should no longer be recognized as the final implementing regulations at the central level and should be removed from the national legal system. Ministerial Regulations are considered to increase the complexity of legislation because their implementation appears to have equal standing with laws, thus creating confusion in the legal hierarchy.

Furthermore, several provisions in the Ministerial Regulation still need to be further clarified in various types of subsidiary regulations, such as the Regulation of the Investment Coordinating Board and the Regulation of the Director General of Taxes. Moreover, the Regulation of the Director General of Taxes is also further detailed in the Decree of the Director General of Taxes. This indicates that tax regulations, particularly income tax, have evolved not

only vertically but also horizontally, without effective control. On the other hand, Singapore also has subsidiary legislation consisting of Rules, Orders, Notifications, and Regulations. All subsidiary regulations are issued by the Ministry of Finance based on the authority granted in the Income Tax Act.

Unlike Indonesia, Singapore does not have any derivative regulations to explain existing derivative regulations. The Inland Revenue Authority of Singapore (IRAS), as the tax authority, also does not issue specific regulations or decisions, but only provides guidance for taxpayers in fulfilling their tax obligations. This approach has a positive impact on simplifying the tax legal system and can prevent regulatory overcrowding. Furthermore, the authority to create derivative regulations is specifically explained and limited in the Act. For example, in Orders Section 105H:

***“105H. The Minister may make rules***

- a) to prescribe anything which may be prescribed under this Part; and*
- b) for the purposes of carrying out the provisions of this Part.”*

This limitation of authority can be one solution to increasing tax legal certainty. With a more detailed scope, readers of the Act can immediately understand the limitations and scope of the relevant ministries. This not only facilitates interpretation but also limits the executive branch's latitude in creating technical regulations, thereby preventing the creation of derivative regulations that are inconsistent with the main law. Thus, the resulting regulations can be more orderly and consistent.

***Changes Criteria***

Indonesia and Singapore have different approaches to implementing changes to income tax regulations. In Indonesia, regulatory changes can be implemented through the issuance of new laws, which often leads to overlapping regulations in practice. Since the first Income Tax Law was enacted in 1983, there have been six major amendments through new laws, including the Job Creation Law (Omnibus Law) and the Harmonization of Tax Regulations Law (HPP Law). Meanwhile, changes to Income Tax regulations in Singapore are made directly to existing laws. These changes are made based on an Amendment Bill issued by the Singapore Ministry of Finance (MOF). After being passed by parliament, the bill is then amended to become part of the Income Tax (Amendment) Act, which is then integrated into the Income Tax Act 1947. Through this approach, Singapore ensures that all tax provisions are integrated within a single legal framework, facilitating taxpayers' access to information and understanding of regulations.

The Indonesian government is making efforts to simplify tax regulations by integrating various tax regulations into a single legal framework (Zakaria, 2023). This is reflected in the creation of the Job Creation Law and the HPP Law. In its implementation, the Job Creation Law faced legal challenges, as it was deemed inconsistent with the 1945 Constitution by the Constitutional Court (Humas MKRI, 2023; Limanseto, 2023). Nevertheless, this law remained in effect for two years, pending revisions. The government issued Government Regulation in Lieu of Law (Perppu) No. 2 of 2022, which was later ratified as Law No. 6 of 2023, to fill this gap. This event reflects the highly dynamic nature of tax regulatory changes in Indonesia, which are vulnerable to legal uncertainty, primarily due to a suboptimal legislative process.

Furthermore, the changes to tax regulations through the HPP Law aim to create a fairer and more legally certain tax system (Article 1 paragraph (2) of the HPP Law). This means that through this regulation, the government hopes to create a simpler and more effective tax system, thereby reducing loopholes for tax avoidance. One of the fundamental changes in the HPP Law is the revision of regulations regarding in-kind assets. Firmansyah and Wijaya (2022) explain that the changes to regulations regarding in-kind assets in the HPP Law represent a step toward improving the previous regulation, which was deemed unfair. Previously, the treatment of in-kind assets was not clearly and specifically regulated, creating uncertainty for taxpayers.

Through Article 6 paragraph (1a) and Article 4 paragraph (1) of the HPP Law, the government reaffirmed the classification of in-kind assets as taxable assets, unless included in the list of exceptions. Clarity in valuation measurement demonstrates an increase in legal certainty and reflects the government's commitment to developing fairer and more transparent tax regulations. It is hoped that a similar approach can be applied to regulatory changes for other types of taxes. This will ensure an effective tax system and support improved taxpayer compliance across the board.

### ***Recordkeeping Criteria***

Bookkeeping obligations vary across companies in Indonesia, depending on the type and scale of the company. Companies listed on the Indonesia Stock Exchange (IDX) are required to prepare financial reports in accordance with PSAK standards (Medina, 2025). This reporting is referred to as bookkeeping for tax purposes. Individual taxpayers (WP OP) with gross income below IDR 4.8 billion are permitted to record their income in accordance with Minister of Finance Regulation Number 54/PMK.03/2021 concerning Recording Procedures and Certain Criteria, as well as Procedures for Maintaining Bookkeeping for Tax Purposes.

Both bookkeeping and recording must be supported by documents that serve as a basis and must be retained for at least 10 years. Unlike Singapore, Indonesia does not explicitly provide a list of documents that must be retained in its tax regulations. This can lead to errors, especially for MSMEs. Many MSMEs still rely on manual recording and lack a robust bookkeeping system, hampering business performance and the process of fulfilling tax obligations (Andayani et al., 2024).

One of the Indonesian government's steps to address this challenge is implementing digitalization for tax documentation such as e-Invoices, e-Bupots, e-Filing, e-Billing, SSE, and e-SPT. This digitalization has been proven to improve tax compliance by increasing revenue both before and after digitization. However, its implementation still faces challenges because many business actors are unfamiliar with digital technology and perceive this change as increasing the complexity of administrative processes (Ningsih et al., 2023). This reflects the complexity of taxation in Indonesia, which is exacerbated by a weak supporting ecosystem and minimal procedures provided by the tax authorities.

In contrast, Singapore offers a more detailed explanation of recordkeeping. IRAS provides an official checklist outlining the types of documents companies are required to maintain. According to the checklist, documentation obligations in Singapore are differentiated between

companies registered as Goods and Services Tax (GST) collectors and those not. For GST-registered companies, documents in the form of tax invoices, tax records, and general ledgers are the primary requirements. This contrasts with non-GST companies, which only need to retain basic transaction documents such as contracts, invoices, and bank statements. Another facility provided by Singapore is simplified recordkeeping, permitted for companies with annual revenues below SGD 200,000 and meeting other requirements (IRAS, 2024b). Furthermore, the document retention period in Singapore is shorter than in Indonesia, at five years (IRAS, 2025). This shorter retention period reduces the storage burden and reduces the risk of data inconsistencies or loss, particularly due to constantly changing company policies and systems. With a more structured documentation system, Singapore can reduce the administrative burden on taxpayers while reducing overall tax complexity.

### ***Computation Criteria***

Indonesia has a tax calculation system based on the type of tax object, such as Income Tax 21 for individual taxpayers' income, Income Tax 22 for imports and sales of certain goods, Income Tax 23 for services and dividends, and so on. Each type of Income Tax has its own calculation, rates, and reporting requirements, requiring more administrative procedures. Meanwhile, Singapore has a simpler structure that combines various taxable incomes (including taxes on rent, services) and then subtracts facilities (allowable expenses, reliefs, and deductions) and then multiplies the rate.

Indonesia previously had a very complex method for calculating Income Tax 21, requiring special analysis to determine the amount of Income Tax 21 deductions. However, the government simplified the calculation by using the Average Effective Rate (TER) starting in 2024 (Suandipta, 2024). The Average Effective Rate calculation is conducted monthly, and in the final tax period, the calculation will be carried out using the progressive rate stipulated in Law No. 7 of 2021 on Cost of Goods Sold. Although considered to simplify the calculation, the Average Effective Rate also faces challenges because Taxpayers with incomes close to the Non-Taxable Income (WPOP) are potentially overpaid if they receive THR (Holiday Allowance) or bonuses. Furthermore, Taxpayers with high incomes are also potentially underpaid by a significant amount at the end of the tax period (Bangsawan et al., 2024).

The complexity in calculating Income Tax 21, while intended to accommodate diverse taxpayer situations, actually creates complexity for taxpayers. The numerous schemes and rates not only confuse taxpayers, but also complicate oversight and increase compliance costs. The potential for misclassification of income into various types of Income Tax also contributes to the complexity, as it can be detrimental if underpayment occurs and result in penalties in the form of interest or fines in accordance with the Cost of Goods Sold Law.

Unlike Indonesia, Singapore has a simpler individual income tax calculation, as it only classifies taxpayers into two categories: residents and non-residents. The rate for residents is progressive, similar to the progressive rate in Indonesia under Article 17 paragraph (1) of the Income Tax Law. For non-residents, income from services or employment is subject to a flat rate of 15% of gross income or a progressive rate, and the tax rate is chosen based on the higher tax rate. Other income, such as royalties, interest, and non-employee income, is taxed at the withholding tax rate.

Similar to Indonesia, Singapore also offers income reduction facilities in the form of reliefs, rebates, and deductions. However, its system is simpler because there are fewer types of tax calculations based on taxpayer classification and income. All income is combined, minus reliefs and deductions, and then subject to progressive or flat tax rates. A simpler and more uniform calculation system can reduce the risk of confusion by Taxpayers and reporting delays due to complicated calculations.

Indonesia has several types of income tax, such as Income Tax Articles 21, 22, 23, 24, 25, 26, 29, and so on. These types of income tax are used by companies as tax credits for corporate income tax. Singapore, on the other hand, aggregates all income into the chargeable income category, then subtracts allowable deductions and reliefs, and multiplies the corporate tax rate. Singapore's approach to calculating corporate income tax without implementing a system of deductions per type of income reduces calculation complexity and simplifies reporting.

Despite its simple calculation system, Singapore actively investigates abuse of incentives. IRAS has firmly stated that it will take firm action through audits against companies suspected of misusing these facilities. In 2023-2024, IRAS audited nearly 10,000 taxpayers, collecting over \$857 million in taxes and penalties (IRAS, 2024a).

Indonesia, with its tax calculation system that poses a higher risk of error and tax evasion, actually has a low audit coverage ratio of around 1.99% for corporate taxpayers and 0.36% for individual taxpayers. According to the IMF, this low figure is due to poor risk management, a shortage of audit personnel, and low audit productivity and capability (Wildan, 2022). The differences in approaches between Indonesia and Singapore demonstrate that simplicity in tax calculation requires adequate oversight capacity. Singapore has successfully maintained a balance between the two, while Indonesia still faces challenges in simplifying the system while strengthening its oversight. This makes implementing tax obligations in Indonesia more challenging for both authorities and taxpayers.

### ***Ambiguity Criteria***

Hoppe et al. (2023) explain that Indonesian tax authorities consider the regulation regarding Permanent Establishments (PEs) to be complex due to their ambiguity and open to multiple interpretations. PEs are regulated in Article 2 paragraph (5) of the Income Tax Law, Article 26 paragraph (4), as detailed in Minister of Finance Regulation No. 35/2019. Briefly, PEs are defined as business entities owned by Foreign Taxpayers (WPLN) that conduct business activities in Indonesia.

The full definition contained in the law is considered ambiguous because it uses broad phrases such as "...the provision of services in any form by employees or other individuals, provided that they are performed for more than 60 days within a 12-month period." The use of overly general language without detailed explanation can create significant grey areas, increasing legal uncertainty for Foreign Taxpayers.

The Minister of Finance Regulation on PEs actually adds to the complexity because it fails to explain ambiguous language in the law. The Minister of Finance Regulation adds an equally ambiguous explanation. For example, Article 6 stipulates that preparatory or auxiliary

activities are excluded from the definition of a permanent establishment. However, it does not specify which activities fall under the preparatory or auxiliary categories. Furthermore, paragraph (4) of the same article states, "...using assets or resources in significant amounts." This provision is subjective and ambiguous because there is no quantitative parameter defining "significant amounts" in that paragraph.

Although Singapore's tax system is known for its simpler and more efficient structure than many other countries, several provisions, including those relating to permanent establishments (PE), remain ambiguous. In Singapore, the definition of a permanent establishment is stated in Section 2(1) of the Income Tax Act. In that section, a PE is generally defined as "a fixed place where the business is wholly or partly carried on," which includes, among other things, offices, factories, warehouses, mines, and construction project sites.

More detailed provisions regarding PE are contained in the Tax Treaty or Double Taxation Avoidance Agreement (P3B). Article 5 of the Singapore-Indonesia Double Taxation Avoidance Agreement further explains the criteria for classifying an activity as a PE and those exempted from it. The ambiguity faced in these provisions stems from the lack of quantitative standards. For example, the lack of additional explanation for the phrase "wholly or partly carried on" in the definition of PE leaves no definitive measure for when a business activity is considered to be carried on partly in Singapore. Meanwhile, Singapore also faces the same challenge of ambiguity, namely the persistence of overly general wording. For example, in point 2, point 1 of the Singapore-Indonesia Double Taxation Avoidance Agreement, a service company is considered a PE if it provides services through employees or "other persons." The phrase "other persons" can create ambiguity because it does not further clarify who can cause the service activity to be considered a PE.

In addition to PE provisions, another issue facing Indonesia and Singapore is the ambiguity regarding provisions regarding tax penalties. Ambiguity exists in the provisions on tax criminal sanctions, particularly in the phrase "intentionally" as stipulated in Article 39 of the General Provisions and Tax Procedures Law (UU KUP). Furthermore, there are potentially multiple interpretations of phrases such as "Taxpayers may be subject to sanctions..." This phrase is ambiguous because the meaning of the word "may" can be interpreted as optional.

Meanwhile, Singapore also faces a similar challenge in differentiating levels of sanctions based on the taxpayer's intent: negligence and willful evasion (IRAS). Thus, both Indonesia and Singapore continue to face ambiguity as a challenge. To improve legal certainty, more transparent guidelines with objective measurements are needed, such as a detailed definition of taxpayer "intent."

## **Conclusion**

This study shows that the complexity of income tax regulations in Indonesia remains relatively high, especially when compared to Singapore. This high level of complexity then contributes to decreased taxpayer motivation to pay taxes, in line with the suboptimal tax revenue targets in Indonesia compared to Singapore.

The five criteria of the Tax Complexity Index reveal that Indonesia faces challenges in the form of a lack of effectiveness in its regulatory reform system. Furthermore, overlapping and a lack of clear guidance regarding income tax regulations contribute to the high level of complexity of income tax regulations in Indonesia. Indonesia also faces high levels of regulatory ambiguity, with many legal terms having multiple meanings or being overly general. In contrast, Singapore has a more centralized and stable income tax system and regulations. This is evident in the consistent and controlled number of derivative regulations through the provision of direct authority limitations in the Income Tax Act. Singapore also has simple tax calculation and administration, complemented by comprehensive guidance. However, Singapore still faces ambiguity in tax regulations.

Future research should move beyond normative regulatory analysis by incorporating empirical designs to examine how tax complexity influences actual taxpayer behavior. Expanding cross-country samples and employing quantitative testing of the relationship between the Tax Complexity Index (TCI) developed by Thomas Hoppe et al. (2023) and tax performance indicators would further strengthen the generalizability and robustness of findings.

The implications of this study for government policymakers are the need for a reform approach that focuses not only on consolidating regulations but also on simplifying the structure and ensuring clarity of implementation in the field. Reform must also be accompanied by strengthening the DGT and improving the quality of human resources within the DGT. The government must also review the urgency of DGT's legal product development. As the tax authority, the DGT should focus more on creating more concise, easy-to-understand guides with a user-centric approach. A review of outdated derivative regulations is also necessary, and regulations must be reorganized to reduce the risk of overlap.

This study has limitations: the analysis does not include taxpayer perceptions regarding the complexity of income tax. Furthermore, the research's tax object is limited to Income Tax, excluding other types of taxes such as VAT or Regional Taxes.

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