

IMPLEMENTATION OF LEGAL PROVISIONS IN INDONESIA REGARDING TAX IMPOSITION

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Abstract

Tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people. The purpose of this research is to find the implementation of Indonesian legal provisions for franchise businesses in Indonesia and to find out the tax implementation of laws in Indonesia for franchise businesses. Type of research used in this research is normative research using secondary data by conducting document studies in the form of official documents, books, and research results in the form of reports. The approach taken is a statutory approach and a conceptual approach with analyses. From the research results, it is known that the implementation of Indonesian legal provisions for franchise businesses in Indonesia includes the following regulations: contract law, intellectual property rights, taxation, employment, company registration and business permits. The implementation of tax laws in Indonesia for franchise businesses is not running optimally due to obstacles in the form of a lack of government socialization regarding franchise business taxes, a lack of restaurant taxpayers' understanding of franchise tax policies, and a lack of awareness of taxpayers in paying their taxes. There is a willingness to pay where the willingness or desire of taxpayers to pay taxes is low and there is still a lot of taxpayer dishonesty in paying taxes.

1. INTRODUCTION

A franchise is a special right owned by an individual or business entity to a business system with business characteristics in order to market goods and/or services that have been proven successful and can be exploited and/or used by other parties based on a franchise agreement. A franchise is also a working relationship that has an agreement between the franchisor and the franchisee (franchise recipient). Franchisor is an individual or business entity that grants the right to utilize and/or use the franchise it owns to the Franchisee. Meanwhile, a franchisee is an individual or business entity who is given the right by the franchisor to utilize and/or use the franchise owned by the franchisor.¹

A franchise is an agreement, which is subject to the general provisions regarding agreements regulated in the Indonesian Civil Code. To regulate franchises, the Indonesian

¹ Mahendra, "Pajak Sebagai Pilar Negara," *Supplement of Tempo* Edition 25 October–4 November 2012.

Government has issued Government Regulation Number 16 of 1997 on Franchising, which was then updated with Government Regulation Number 42 of 2007 on Franchising and Regulation of the Minister of Trade Number 71 of 2019 on the Implementation of Franchises. Article 4 paragraphs 1 and 2 of Government Regulation Number 42 of 2007 stipulates that franchising is carried out based on a written agreement between the franchisor and the franchisee, provided that the franchise agreement is made in or translated into Indonesian language and Indonesian law applies to it.

Franchise business is closely related to the world of taxation, namely Law Number 28 of 2007 on the Third Amendment to Law Number 6 of 1983 on General Provisions and Tax Procedures. Taxes are people's contributions to the state treasury based on law (which can be enforced) without receiving reciprocal services (counter performance) which can be directly demonstrated and which are used to pay for public expenses.² The tax function is divided into two, namely the Budgetair function and the Regularend function.³ Based on the description above, in this research, the author will try to discuss the state's interest in imposing taxes on franchise businesses in Indonesia. which is stated in the title "Implementation of Legal Provisions in Indonesia Regarding the Tax Imposition in Indonesia." Based on the background above, the problem in this writing is how is the implementation of Indonesian legal provisions for franchise businesses in Indonesia and how is the implementation of tax law in Indonesia for franchise businesses.

2. METHOD

The type of research used in this research is normative research supported by interviews. This type of normative legal research is the process of searching for legal rules, legal principles and legal doctrine to answer the legal questions faced.⁴ This research uses secondary data. Soerjono Soekanto stated that secondary data is data which includes, among other things, official documents, books, even research results in the form of reports.⁵ Secondary data is basic data obtained by carefully tracing legal materials, including primary legal materials, secondary legal materials and tertiary legal materials. Secondary data collection techniques are carried out by conducting searches to look for legal materials that are relevant to the issue at hand.⁶ Secondary data for this research is data obtained by conducting a literature review such as scientific books, research results and so on.⁷

In relation to normative research, using a Statute Approach.⁸ The approach is taken by reviewing all laws and regulations that relate to the legal issues that occur.⁹ Apart from the statutory approach, this research also uses a conceptual approach. The Conceptual Approach is an approach that understands the doctrines that develop in legal science. If an author only understands the statutory regulations, he will not find the meaning of the

² Mardiasmo, *Perpajakan* (Yogyakarta: Rajawali Pers, 2018), 3.

³ Rahmat Hidayat Lubis, *Pajak Penghasilan* (Yogyakarta: Rajawali Pers, 2018), 12.

⁴ Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana Perdana Media Group, 2007), 35.

⁵ *Ibid.*, 12.

⁶ Andi Prastowo, *Metode Penelitian Kualitatif dalam Perspektif Rancangan Penelitian* (Yogyakarta: Gadjah Mada University Press, 2014), 237.

⁷ Marzuki, *Metodologi Riset* (Yogyakarta: PT Hanindita Offset, 2005), 56.

⁸ Johny Ibrahim, *Teori & Metodologi Penelitian Hukum Normatif* (Surabaya: Bayumedia Publishing, 2006), 302.

⁹ Peter Mahmud Marzuki, *Op. Cit.*, 96.

statutory regulations.¹⁰ Therefore, this writing also uses a conceptual approach to understand the meaning of legislation relating to the legal issues at hand.

This research is analytical in nature because the results of this research are presented in the form of a descriptive analytical report. Descriptive means that this research obtains a comprehensive and systematic picture of legal principles, legal rules, doctrine and statutory regulations. This is analytical because the results of this research will be analyzed on various legal aspects to answer research problems. The analysis of legal materials is carried out using quantitative analysis, namely by interpreting the symptoms that occur. Analysis of legal materials is carried out by collecting all the necessary legal materials, which are not in the form of numbers, and then connecting them to the problem being studied.

3. RESULTS AND DISCUSSION

3.1 Implementation of Legal Provisions Regarding Tax Imposition in Indonesia

Implementation is an activity or action from a plan that is made in detail to achieve a goal. Implementation begins when all planning is considered perfect. Implementation according to Jones' theory that: "Those activities are directed toward putting a program into effect" (The process of realizing a program to show results). So implementation is an action taken after a policy has been established. Implementation is a way for a policy to achieve its goals.¹¹

Implementation is not just an activity, but also a planned activity that is carried out seriously based on seriously planned references. Therefore, implementation does not stand alone but is influenced by the next object, namely the implementation of a program. Meanwhile, according to Guntur Setiawan, "Implementation is an expansion of activities that mutually adjust the process of interaction between goals and actions to achieve them and requires a network of implementers, an effective bureaucracy."¹² Therefore, implementation does not stand alone but is still influenced by the next object, namely the curriculum program in a school or institution. In this case, implementation is related to legal provisions regarding the imposition of taxes in Indonesia.

In general, it can be said that taxes are levies from society to the state (government) based on law which can be enforced and are payable by those who are obliged to pay them without receiving direct performance (contraperformance/remuneration) and the results are used to finance state expenditure in organizing governance and development.¹³ Taxes are one of the main sources of state revenue for development. If many taxpayers do not carry out their obligations to pay taxes, it will be difficult to fulfill state activities. Tax money paid by taxpayers will be used by the government to pay state debts along with interest on these debts and make people's lives prosperous. The government has made various efforts to increase tax revenues, however, it is not easy to impose taxes on the public because if taxes are too high, people will be reluctant to pay taxes, and if taxes are too low then the wheels of development will not run as they should because the funds obtained by the government are insufficient. Therefore, tax collection must meet several requirements such as:

¹⁰ *Ibid.*, 177.

¹¹ Mulyadi, *Implementasi Kebijakan* (Jakarta: Balai Pustaka, 2015), 45.

¹² Guntur Setiawan, *Implementasi dalam Birokrasi Pembangunan* (Jakarta: Balai Pustaka, 2004), 39.

¹³ Marihot P. Siahaan, *Utang Pajak, Pemenuhan Kewajiban dan Penagihan Pajak Dengan Surat Paksa* (Jakarta: PT RajaGrafindo Persada, 2004), 5.

1. Tax collection must be fair, namely fair in the laws/regulations regarding taxes, and fair in the implementation of these laws/regulations.
2. Tax arrangements must be based on law. In Article 23 of the 1945 Constitution, it is stated that taxes and levies which are for state needs are regulated by law, several things need to be taken into account in drafting the law on taxes, namely: Tax collection carried out by the state based on this law must be guaranteed smoothly. Legal guarantees for taxpayers not to be treated in a general way. Legal guarantee that confidentiality will be maintained for taxpayers
3. Tax collection does not disrupt the economy. Tax collection should not be detrimental to the interests of the community and hinder the progress of the community's business as taxpayers.
4. Tax collection must be efficient. The costs incurred by the state in collecting taxes should not be greater than the tax revenue itself.
5. The tax collection system must be simple. A simple collection system will make it easier for taxpayers to calculate the tax they have to pay.

The existence of binding legal force in the form of law makes taxes have a forced nature, which means that if a taxpayer does not fulfill their tax payment obligations, they can be subject to sanctions in accordance with the law. In imposing taxes on taxpayers, tax collecting institutions must pay attention to various factors related to the source of income or benefits (tax object) and the recipient of the income or benefit (tax subject) which is hereinafter known as the principle of tax imposition.

Taxes are collected by State (both central and regional governments), based on the strength of the law and its implementing regulations. The administration of government in general is a manifestation of the counterachievement of the State. In the tax collection process, the tax law has been formed by the State to collect taxes from its people, so that it can provide justification for all government policies representing the State in the tax collection process. For this reason, tax laws established by the State must pay attention to juridical and social aspects, in order to realize the tax function. The philosophical values that underlie the procedures for collecting taxes by the State from the people are important for knowing the legitimacy of tax collection activities.

According to Mansury, Indonesian Revenue stated that in the taxation system there are three main elements, namely: Tax Policy, Tax Laws, Tax Administration.¹⁴ These elements are interrelated with each other and the process occurs in accordance with the sequence as government policy. So as a government policy, the taxation system is something chosen by the government which is clearly stipulated in statutory regulations, including, among other things: who will be made the subject of the tax, what are the objects of the tax, how much is the rate, and what is the procedure?

According to Bambang Sunggono, policy implementation has several inhibiting factors, namely:¹⁵

1. Contents of the policy. First, policy implementation fails because the content of the policy is still vague, meaning that the objectives are not detailed enough, the means and implementation are priorities, or the policy programs are too general or do not exist at all. Second, due to the lack of internal or external provisions regarding the policies to be implemented. Third, the policies that will be implemented may also

¹⁴ Mansury, *Kebijakan Fiskal* (Jakarta: Yayasan Pengembangan dan Penyebaran Pengetahuan Perpajakan, 1999).

¹⁵ Bambang Sunggono, *Hukum dan Kebijaksanaan Publik* (Jakarta: Sinar Grafika, 1994).

show very significant deficiencies. Fourth, another cause of failure to implement a public policy can occur due to deficiencies regarding supporting resources, for example regarding time, costs/funds and human energy.

2. Information. Implementation of public policy assumes that the role holders directly involved have the information that is necessary or very relevant to be able to play their roles well. This information does not exist, for example due to communication problems.
3. Support. The implementation of a public policy will be very difficult if the implementation does not provide sufficient support for the implementation of the policy.
4. Potential Sharing. The reasons related to the failure to implement a public policy are also determined by the aspect of sharing potential between the actors involved in the implementation. In this case it relates to the differentiation of tasks and authority of the implementing organization.

According to James Anderson, as quoted by Bambang Sunggono, the factors that cause community members to not comply with and implement a public policy are:¹⁶

1. There is a concept of selective non-compliance with the law, where there are several laws and regulations or public policies that are less binding on individuals;
2. Because community members are in a group or association where they have ideas or thoughts that are contrary to legal regulations and the wishes of the government;
3. There is a desire to seek quick profits among members of society which tends people to act fraudulently or in ways that violate the law;
4. There is legal uncertainty or unclear policy "measures" that may conflict with each other, which can be a source of people's non-compliance with laws or public policies;
5. If a policy is sharply opposed (contradicts) with the value system held by society at large or by groups particular in society.

A public policy will be effective if it is implemented and has positive benefits for members of society. In other words, human actions or actions as members of society must be in accordance with what the government or state wants. So if their behavior or actions are not in accordance with the wishes of the government or state, then a public policy will not be effective.

Many people are still reluctant to pay taxes, resulting in tax avoidance behavior. Tax avoidance is tax planning, where this planning aims to reduce taxes legally. According to Harry Graham, tax avoidance is an effort carried out in a way that does not violate the provisions of tax laws and regulations. Tax avoidance is divided into 3 parts, namely:¹⁷

1. Restraint. Taxpayers do not do anything that can be taxed. For example, don't smoke to avoid tobacco duties, don't use branded goods from abroad to avoid taxes on imported goods.
2. Move Location. Moving business locations from locations that have high tax rates to locations that have low tax rates. Moving business locations, the need for transportation, accommodation, human resources, natural resources, and other

¹⁶ *Ibid.*, 153.

¹⁷ Harry Graham Balter, *Tax Fraud and Evasion: A Guide to Civil and Criminal Principles and Practice Under Federal Law* (Ronald Press Company, 1963).

facilities that support their business. This is adjusted by the profits they get and the tax relief they get.

3. Juridical Tax Avoidance. Carrying out actions in such a way as to avoid taxes, such as taking advantage of a void or lack of clarity in the law.

People are reluctant (passive) to pay taxes, due to, among other things:

1. Intellectual and moral development of society. The public is intelligent in assessing the performance of state apparatus in terms of taxation, taxation is indeed the backbone of state revenue, but if you listen to news of tax corruption committed by some tax officials or bureaucratic officials, it makes people reluctant to pay taxes.
2. Taxation system. A tax system that is (perhaps) difficult to understand. Every citizen is obliged to pay taxes, but most people do not understand the mechanism for calculating taxes, and this is a factor in people's reluctance to pay taxes.
3. The control system cannot be carried out and implemented properly. Sometimes office holders corrupt land and building taxes, for example, this is due to a lack of control systems for the distribution, reporting and use of taxes, so that people are reluctant and hesitant to pay taxes, this is proven by data which shows that only 14.7% of potential individual taxpayers tax collected, and from corporate taxpayers is only 10.4%.

People who do not pay taxes will receive sanctions. Tax sanctions are divided into two, namely criminal tax sanctions and administrative tax sanctions. Tax sanctions are a guarantee that the provisions of tax legislation (tax norms) will be complied with, obeyed and complied with. In other words, tax sanctions are a deterrent tool so that taxpayers do not violate tax norms.¹⁸ Besides that, there are actions that are directly directed at the tax authorities with the aim of avoiding taxes. The forms include: 1) Tax avoidance, efforts to lighten the tax burden by not violating the law; and 2) Tax evasion, an attempt to reduce taxes by violating the law (evading taxes).

One step that can be taken to increase tax revenues is to implement a tax amnesty or tax forgiveness.¹⁹ This step is very effective in capturing new taxes, because many business entities who are afraid of paying taxes have to pay taxes from the previous year. So that a tax amnesty is implemented which requires public awareness and trustworthy law enforcers for the prosperity of the people in the future.

3.2 Analysis of the Implementation of Legal Provisions for Franchise Businesses in Indonesia

Based on data from the Ministry of Religion for 2021, there is a fairly large increase in the number of franchise businesses in Indonesia. There are 124 foreign franchises and 105 domestic franchises that have developed throughout 2021.²⁰ Franchise businesses in Indonesia grew 5% with a turnover reaching IDR 31.1 trillion in 2021. In 2022 there will be 138 franchise providers in the country. National franchise business growth as of the end of July 2023, there are 135 domestic franchisers and 135 franchisees from abroad.²¹ Seeing the potential of this business provides tax income for the country.

¹⁸ Mardiasmo, *Op. Cit.*, 5.

¹⁹ Mahendra, *Loc. Cit.*, 15.

²⁰ Teguh Aaron Muir (Franchisee in West Jakarta), interview by author, December 1, 2023.

²¹ Septo Soepriyanto (Director of Bina Usaha Perdagangan Kementerian Perdagangan), interview by author, November 28, 2023.

Implementation of Legal Provisions for Franchise Businesses in Indonesia, relating to regulations including: 1) Relating to Contract Law. In law, agreements must fulfill the requirements determined by the applicable regulations found in the Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata or KUHPerdata). In order for the agreement made by the parties to be valid, the conditions specified in Article 1320 of the Indonesian Civil Code must be fulfilled; 2) Relating to Intellectual Property Rights. Intellectual Property Rights, also called immaterial property rights, are property rights that are created based on or arise from a person's work, creation, thinking power or intelligence, in other words, property rights that arise or are born from a person's intellect.²²

Apart from regarding Intellectual Property Rights, in franchise agreements there are still other provisions/regulations relating to the franchise, as mentioned below.

1. Relating to employment law. Labor law essentially has a role in guaranteeing the socio-economic position of the workforce and the direction that must be taken in regulating the socio-economic relations of the workforce. Apart from that, labor law has the function of protecting the fundamental rights of workers and entrepreneurs as well as setting minimum standards, regulating the balance between rights and obligations and creating work peace and business tranquility. Labor law applies to franchise agreements, if the relationship between the franchise holder and workers in the franchise business is an employee relationship.
2. Relating to Tax regulations. Within the framework of a franchise business, there are outstanding transactions, namely: Delivery of services from the franchise owner to the user in the form of rights to use the brand (trademark) for use by the franchise user; Delivery of taxable goods (*Barang Kena Pajak/BKP*) by franchise users and/or domestic franchise owners to other parties. This is determined in the 2000 Value-added Tax Law (*Pajak pertambahan nilai/PPN*); and apart from that, franchise users who earn income are also subject to Income Tax (*Pajak Penghasilan/PPH*).
3. Relating to mandatory company registration. Company register is a list of official records held in accordance with or based on the provisions of this Law and/or its implementing regulations, and contains matters that must be registered by every company and ratified by an authorized official from the company registration office. In the provisions of the Law, it is determined that the purpose of the Company Registration is to guarantee business certainty. Every company must be registered in the Company Register, with the exception of State Companies in the form of government companies (*Perusahaan jawatan/Perjan*) and Small Individual Companies which are run by individual entrepreneurs or employ only members of their own immediate family and do not require a business license and are not a legal entity or an association. A company that must be registered in the Company Register is every company domiciled to carry out its business in the territory of the Republic of Indonesia, including branch offices, sub-offices, subsidiaries as well as agents and representatives of the company which have the authority to enter into agreements, some of which are in the form of legal entities, including cooperatives, associations, individuals and other companies.

Based on the provisions above, a franchise business is included, even though it may be operated by an individual who is not a legal entity. The owner or franchise entrepreneur is obliged to carry out this registration, or may also authorize another person to register. Indonesian legal provisions regarding franchise businesses are made with the aim of

²² Baros Wan Sadjaruddin, *Beberapa Sendi Tentang Hukum Perikatan* (Medan: USU Press Medan, 1985), 50.

protecting franchise businesses, this business model has adequate provisions to support the development of the business world, and also provides protection for the parties to the agreement, to prevent and protect small and medium scale business people from losses. For this reason, efforts need to be made to protect and advance the franchise, especially from the government role, including:²³

- a. Encourage National Companies (State-owned enterprise, Municipally owned corporation, private sector and cooperatives) that meet the franchisability index requirements as local franchisors.
- b. Forming a body that functions as a franchise development center with the task of organizing activities that members must participate in, such as consultation training and counseling if there are problems faced by its members in running their franchise business.
- c. Protect and encourage local businesses that have potential and are export-oriented to introduce their products so that they are known to the world.
- d. The government needs to form a coordinating body to develop national production.

Implementation of Indonesian legal provisions for franchise businesses in Indonesia must pay attention to and understand legal regulations, especially those relating to tax law, in order to make maximum contributions to the development and welfare of the people by: 1) The need for increased socialization carried out by the government, especially the Directorate General of Taxes, either through mass media or direct outreach in the field; 2) The need for increased supervision by the government, especially the Directorate General of Taxes, towards its employees who manage funds from income tax compliance so that there are no more cases of corruption committed by government officials; and 3) Taxpayers themselves should understand the importance of fulfilling their income tax, because the income tax paid by taxpayers will be used as costs for national development carried out by the government, so taxpayers must fulfill their income tax every year.

To avoid the presence of franchise 'brokers' which create inefficiencies, the Minister of Industry and Trade Decree regulates that if a franchisee is given the right to appoint further follow-up franchisees, the main franchisee is obliged to own and carry out his own franchise at least in one place of business. Apart from that, to prevent the franchisee from acting fraudulently by utilizing the know-how obtained from the franchisee, should it be stipulated in the agreement that after the end of the agreement, the franchisee is prohibited from carrying out the same business for a certain period of time? Because, it could be that the IPR is the IPR of the previous franchisor, only the brand is different. This arrangement violates Article 19 of Law Number 5 of 1996 which states that business actors are prohibited from carrying out one or several activities, either alone or together with other business actors, which could result in monopolistic practices or unfair business competition in the form of refusing or preventing certain business actors from carrying out business the same in the relevant market.

Even though franchises based on Article 50 of Law Number 5 of 1999 are exempt, franchise agreements which prohibit franchisees from carrying out the same business within a certain period of time after the end of the agreement tend to lack understanding of Law Number 5 of 1999 and IPR. This is because the exception to Article 50 of Law Number 5 of 1999 only applies as long as the franchise agreement is still in effect after the agreement

²³ Anang Sukandar (Ketua Kehormatan Asosiasi Franchise Indonesia), interview by author, November 30, 2023.

ends. Apart from that, IPR protects its owner from unauthorized use by other parties. It is as if the franchise agreement is only related to brand issues. Even though based on Government Regulation Number 16 of 1997 IPR also includes trade secrets and patents. Indeed, the article states that it is not an agreement, but an activity. However, in fact, the gradation of the agreement, the level is higher (because the two parties agree to do so and bind it) than just a unilateral activity (the opposing party is not bound to comply). Therefore, ex-franchisees can carry out business in the same field after the end of the franchise agreement. In fact, while still being bound by a franchise agreement. Provided that it does not violate the agreed franchise agreement (including facultative provisions) and does not violate IPRs owned by the franchisor or ex-franchisor. If the ex-franchisor feels that the know-how he has given to the ex-franchisor has been misused, then the ex-franchisor sues via Commercial Court for illegal use of patent rights and/or trade secrets by ex-franchisees.

3.3. Analysis of the Implementation of Tax Laws in Indonesia on Franchise Businesses

Like other businesses that have to pay taxes, franchise business owners are also subject to taxes according to the franchise tax regulations that apply in Indonesia. Some tax obligations are Value Added Tax (VAT), Income Tax, royalty income tax and tax from franchise business profits. Tax principles are the basis used by the state to collect taxes from taxpayers, bearing in mind that tax collection in statutory regulations cannot be carried out arbitrarily. The very fast turnover of money in the franchise business shows that its development is becoming more significant over time. Of course, this proves that franchise businesses can indeed generate promising turnover. This means that the state has the potential to gain large revenues by imposing taxes on this franchise business.

According to Rawls, the principle of differentiation in society today or in the future can be implemented through the redistribution of income and wealth through the imposition of taxes on economically strong groups and diverting the results from weak groups.²⁴ This is in accordance with the definition of tax according to Rochmat Soemitro, tax is a transfer of money or assets from the private or individual sector to the community or government sector, without any direct compensation, which is used to finance the general interests of society so that it has a very large impact on the public economy.²⁵ In a democratic country, the people as taxpayers are also direct supervisors of the tax regulations issued by the government. So if there are tax regulations that they feel do not fulfill the people's sense of justice, of course they will not remain silent because this has a direct impact on the lives of individuals in the country. This can be seen from the appeal which was granted by the Tax Court Decision Number PUT.31505/PP/M.IV/19/2011, the judge granted the entire appeal of the Appellant against the Appellate Decision Number: KEP297/WPJ.06/BD.06/2009 dated 15 April 2009 concerning Tax Assessment Letter for Underpayment of Value Added Tax for Goods and Services for the Tax Period January to December 2006 Number: 00024/207/06/072/08 dated 26 March 2008, so that the amount of Value Added Tax for the Tax Period January to December 2006, the VAT that must be paid was IDR 37,591,201.

²⁴ Damanhuri Fattah, "Teori Keadilan Menurut John Rawls," *Journal of TAPIS* 9, no. 2 (July–December 2013): 37, <https://ejournal.radenintan.ac.id/index.php/TAPIS/article/view/1589>.

²⁵ Rochmat Soemitro and Dewi Kania Sugiharti, *Asas dan Dasar Perpajakan 1* (Bandung: PT Refika Aditama, 2010), 2.

4. CONCLUSION

From the discussion in the previous chapters the following conclusions can be drawn implementation of Indonesian legal provisions for franchise businesses in Indonesia includes the following regulations Legal regulations regarding agreements, especially Article 1320 of the Indonesian Civil Code, namely the terms of the agreement. Then Article 1338 of the Indonesian Civil Code stipulates Provisions that can justify franchise agreements, Regulations regarding Intellectual Property Rights, namely patent rights, trademark rights and copyright in accordance with Law Number 28 of 2014 on Copyright, Legal regulations regarding Taxation, namely Value Added Tax (VAT) and Income Tax (PPH), Employment Law Regulations, Legal regulations regarding Company Registration are in accordance with Law Number 3 of 1982, Regulations regarding Trading Business Licenses. The implementation of tax laws in Indonesia for franchise businesses is not running optimally due to the existence of obstacles that influence the implementation of franchise business tax policies which cause of lack of government to do socialization regarding franchise business taxes, lack of understanding of restaurant taxpayers regarding franchise tax policies, lack of taxpayers awareness in paying their taxes. There is a willingness to pay where the taxpayer's willingness or desire to pay taxes is low, and there are still many taxpayers who are dishonest in paying taxes.

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