ENIGMA OF INCREASING VALUE ADDED TAXES IN MIDDLE OF DEVELOPMENT COUNTRIES CONFLICT BASED ON PANCASILA PERSPECTIVE JUSTICE

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Abstract

Through Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law), the Value Added Tax (VAT) has increased which has resulted in polemics in the community. The increase in VAT coincides with the rise of the country after the COVID-19 pandemic and conflicts between developed countries. This is a normative research type using secondary data consisting of primary legal materials in the form of legislation
and secondary legal materials, namely literature. The collection of legal materials is carried out by library research. The data processing technique is carried out by the syllogism method using deductive thinking patterns. The results of the study stated that the increase in VAT through the HPP Law was in accordance with Pancasila Justice. The US-China conflict for Indonesia has significant implications for the Indonesian economy, especially in the export sector and stock investment. The Russian-Ukrainian conflict for Indonesia has implications for trade performance and a severe impact is the increase in global energy prices. This increase put pressure on fiscal conditions. With the increase in VAT, this is a social engineering carried out by the government to change lives for the better. The formulation of Pancasila justice is that the state has a dual role to protect the obligations and rights of its people. Due to limited power, the dual role cannot be carried out by the state so that it requires mutual cooperation with the people so that justice can be achieved. The fact that is not realized through the increase in VAT is that economic democracy: from the people by the people and for the people; then social welfare will be achieved.

**Keywords:** Justice, Pancasila, Tax, VAT

**Citation:**


**INTRODUCTION**

Tax collection is carried out by the state to the public with the main objective of generating revenue for the government to manage the economy. The income generated is used to provide incentives for certain activities, correct market failures, redistribute income and help reduce inequality. It serves as the main source of income for most countries. In 2018, tax collection as a percentage of the world's Gross Domestic Product (GDP) reached 14.9%. The tax-to-GDP ratios of developed countries such as the UK, France, Denmark, New Zealand and South...
Korea in 2018 were 33.5%, 46.1%, 44.9%, 32.7%, and 28, respectively 4%. The average tax-to-GDP ratio for OECD countries in 2018 was 34.2% (OECD Revenue Statistics, 2019). On the other hand, taxes on the GDP of developing countries, such as Nigeria, Ghana and South Africa, in 2018 were 5.7%, 14.1% and 28.4%, respectively. The average tax-to-GDP ratio for Africa in 2018 was 17.2%. These statistics show the importance of the tax system as the main source of income for every government, both developed and developing countries (Eze and Owota 2021).

In Indonesia, tax performance is still not said to be maximal. This is reflected in the still low tax ratio and the ongoing tax gap in Indonesia. Government policy with the implementation of a self-assessment system, with the aim that taxpayers can participate in tax payments as a whole in accordance with the tax regulations themselves, so that with the authority given to them they are able to understand and implement tax regulations. However, this system still has not played a role in increasing tax revenue, because the number of taxpayers and the increase in tax revenue is still low public awareness to pay taxes and the lack of public knowledge about the benefits of taxation for the community and the state (Ma’ruf and Supatminingsih 2020).

Background

Indonesia’s taxation is not yet maximized, the government through Law Number 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP), in CHAPTER IV of the HPP Law on VAT in Article 7 paragraph (1) changes the amount of VAT rates. The norms in the HPP Law state that the Value Added Tax Rate is: a) at 11% (eleven percent) which will come into effect on April 1, 2022; b) of 12% (twelve percent) which comes into force no later than January 1, 2025.

The amendment changes the provisions of Article 7 paragraph (1) of Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods stating "The Rate of Value Added Tax is 10% (ten percent)". This means, with the HPP Law, the amount of fees paid for VAT will be 11% (eleven percent) which will be implemented on April 1, 2022 where before the HPP Law was ratified the VAT amount was 10% (ten percent) and an increase in expenses of 12% (two percent) by 2025.

This article will provide material limits on tax increases set by the
government in the midst of various conflicts that occur in developed countries today. The discussion will be limited to the background of the conflicting country and its consequences on Indonesia and the theory of Pancasila justice to analyze whether the policies carried out by the government have been in increasing tax rates in accordance with the justice expected by Pancasila.

LITERATURE REVIEW

Background Theory

The impact of conflicts that have occurred in developed countries and the momentum of countries that are struggling for economic recovery after the COVID-19 pandemic has made the government take action so that Indonesia remains a country that can guarantee the life, security and peace of its people. In the policy sector, the government makes a determination on the increase in VAT through the HPP Law. Politically, the HPP Law is an effort to increase and restore national economic growth by establishing a comprehensive taxation regulation.

The right moment is held in the process of forming the HPP Law to be enforced at this time so that the effects of the COVID-19 pandemic, especially on aspects of the national economy, are handled immediately. This policy has a direction to be directed, namely so that economic growth can increase in a sustainable manner and accelerate economic recovery can be supported by optimizing tax sector revenues to the state, besides that it is also an effort to realize a tax system that is certain and just legal. the norms that encourage the expansion of the tax base and taxpayer compliance are a reflection of the direction of reach of the HPP Law (Rongiyati 2021).

Economic growth and sustainable development are important issues for social welfare. Sustainable development strives for moderate and responsible use in economic activities of the limited resources that each country has provided, whereas economic growth does not limit the exploitation of resources and energy, which is mainly focused on increasing productivity (Brad et al. 2016). The importance of social welfare has been thought about by the founders of the nation and is clearly stated in Pancasila and the 1945 Constitution.

The importance of welfare in a country has even been made into a concept called the welfare state. This concept is an ideal form in a state development that has a focus on improving welfare through giving trust
in the form of a more important role to the state carried out by the state apparatus in providing comprehensive, targeted and fair social services to its citizens so that the state guarantees the lives of its citizens from all suffering with the concept of the welfare state (Rizki 2017).

Pancasila mandates that the state must protect the rights and obligations of its people. In terms of protecting the rights of its people, the state needs support, either in the form of economic or thought support. If you look at the current conditions, where the economy that was once destroyed by COVID-19 and is now starting to rise slowly, perhaps this time it is the state’s goodwill to ensure the lives of its people. However, as a society we need to know that all power has its limits. Including the state in developing this economy also has its limits. This limit is a finance that has previously been widely used to protect the community from COVID-19 in the form of providing vaccines, assistance and compensation to victims. This requires a lot of costs which causes a very large APBN deficit (Kemenkeu 2020).

The second precept, which reads: just and civilized humanity, is the value of Pancasila which contains the meaning to humanize humans fairly and civilly, but the proportion of fairness for each human being is different and adjusted to the ability of each individual because justice cannot be generalized. The second precept covers the protection of the rights and obligations of citizens and that protection must be provided by the state, so that the state has an important part in terms of protecting the human rights of its citizens and protecting the obligations of its citizens (Febriansyah 2016). That is, in this case the state has a double obligation at once. On the one hand the state must protect the rights of its citizens and on the other hand the state must also protect the obligations of its citizens. If this dual role is not realized by the community, it will certainly cause difficulties for the state to make it happen. People who do not know the dual role of the state will assume that their entire life has been guaranteed by the state. According to the author, such thinking is a mistake.

There must be reciprocity and mutual support between the state and its citizens, so that the burden of the state if it has to focus on one power to protect the rights and obligations of its citizens will be difficult. The third precept has a deeper meaning. Human dignity as living beings must be upheld by the state which is implemented through all the laws and regulations that are made. Just and civilized humanity is a value for-
a moral attitude and all human behavior based on mind and conscience in relation to culture and all norms in general, both towards oneself, to the community environment to the environment (Finni 2020). The implementation of the second precept through laws and regulations is not easy. The government needs to know for whom the regulation is made and what is the background of the people who will implement the regulation. If the government does not carry out the study, it is feared that the values contained in the second precept will actually be injured.

Justice in Pancasila is also contained in the fifth precept which reads: social justice for all Indonesian people. The meaning of this precept, according to Mohammad Hatta, is that social justice is a useful step to determine and implement a just and prosperous Indonesia. Fair is also interpreted if everyone in the community must feel justice by being treated by the state in a similar way, free from acts of injustice in all matters. Fair is also related to people's sovereignty by giving high power to the people, but also a great responsibility is placed on the people (Fuady 2019). Indirectly, this precept also demands reciprocity from the people to participate so that justice can be achieved. It is realized that if only one party seeks justice to meet the needs of justice in a country that has a diverse society, it will certainly experience obstacles. Therefore, this diverse society is given full sovereignty for the fulfillment of justice.

The end of the goal of social justice is to create an orderly and harmonious society in society by giving people an opportunity, so that people from various groups, both weak and well-off groups, and as a whole are Indonesian people they can build. This is a form of obligation from the authorities as a bridge between the state and its people who can be obliged to empower in order to ensure the welfare of all people, starting from the lowest level of welfare, namely the minimum standard of human life. The ultimate goal of this fifth precept is to realize for human life as a complete individual with decent living conditions with indicators where there is no misery, poverty and suffering. The principle of justice must be implemented in every side of life, from social, political, cultural to legal (Herawati 2014).

Previous Studies

This research has differences with research that discusses VAT, so it has a novelty. The differences with other studies are as follows: The first study entitled "Analysis of the Effect of an Increase in the 11% VAT Rate on Sales at PT X" by (Putri and Subandoro 2022) stated that the...
change in the VAT Rate of 11% which took effect from 1 April 2022 had a significant effect on sales of PT X and changes to the VAT rate of 11% which took effect from 1 April 2022 have a significant effect on purchases made by customers.

The second research entitled "Implementation of the Increase in VAT Rates After Law No. 7 of 2021 on Taxable Entrepreneurs in Surabaya" by (Larasati and Wibowo 2022) states that when viewed from the selling price of 3 (three) Taxable Entrepreneurs in Surabaya, it causes an increase in tariffs on VAT 11% which causes the selling price to increase. However, if you look at the DPP price, they still set the same price. From interviews with several people, it was concluded that people's purchasing power has decreased due to the increase in the price of their daily needs. Of the three informants said that the increase in economic prices was due to the 11% increase in the VAT rate, forcing them to spend a lot more for their needs. The three informants are still facing many obstacles related to the 11% increase in VAT which is feared will make the economy more difficult.

The third study entitled "Potential for MSME Tax Compliance After an Increase in Value Added Tax Rates: An Attribution Theory Approach" by (Maretanidanini et al. 2023) states that there is potential for an increase in Micro Small and Medium Enterprises (MSME) tax compliance after an increase in the VAT rate. The increase in MSME tax compliance is projected to be able to increase Indonesia's overall tax revenue. Thus, MSMEs have a significant role in facing a recession.

**METHODOLOGY**

This is a normative research. The research process is carried out by reviewing and researching law as a rule, norm, legal principle, legal principle, legal theory, legal doctrine and other literature to answer the legal problems studied. Sources of legal materials used in the form of legislation, doctrine/opinion of legal experts and legal theory. The approach taken in this study uses a conceptual approach that is carried out by studying the views that develop in the science of law and doctrines, then giving birth to ideas that give rise to legal understanding.

The legal materials used because they are literature studies are secondary legal materials, namely law books and legal journals. All legal materials will be inventoried and then analyzed prescriptively to provide answers to the problems studied (Marzuki 2016).
RESULTS AND DISCUSSION

Implications of US-China Trade War for Indonesia

International trade is an important reference in encouraging the domestic economy in both developed and developing countries. It can be said that each country today must have its own pattern of cooperation in the field of economic cooperation in order to achieve the benefits of such economic cooperation in accordance with the interests of each country so that it can be adapted to domestic needs. Therefore, every trade policy, both out and into the country, has the same orientation, namely increasing state income in order to boost the welfare of the country. Each country is competing to innovate with its products in order to compete in the international market. International trade can be used as an engine for a country’s economic growth (Setiawan 2018).

International trade arises because of differences in the prices of goods in various countries. The price of an item is usually determined by the cost of production, which consists of wages, capital costs, land rent, raw material costs, and efficiency in the production process. In today's era, every country is very dependent on other countries to meet every need in their country, both for daily human needs and to fulfill national interests. To increase production in a country that requires raw materials or goods that are not available in that country, international trade is needed by every country with an interest in improving the standard of living of its citizens.

In economic terms, a trade war is an economic conflict that is manifested by the implementation of import restriction policies between countries. These import restrictions include increasing import duties on goods, prohibiting certain goods from being imported, making the standard for imported goods higher, and certain goods must be retested and receive additional certification. Trade wars are included in the form of asymmetric wars. Asymmetric war is a war model developed through an unusual way of thinking and outside the rules of war, with a very wide spectrum of war and includes a combination of trigatra (geography, demography, ideology), politics, economy, society, and culture. Asymmetric warfare always involves warfare between two or more actors, with a prominent feature of unequal powers (Aer 2021). According to the National Research Agency, the trade war is included in the category of
non-military war because it is considered an unusual war model, even in its operational practice it tends to be non-violent (Pablo 2018). The US is still listed as the country with the largest economy in the world, but China is now experiencing rapid progress since China reformed its economy and liberalized its trade regime in the late 1970s. In 1979 the total trade in goods between the US and China increased by US$2 billion since China's economic reforms began (Morrison 2018). China, once a poor country, is now the second largest economic power in the world that is able to compete with the US. Of course, China's rapid economic development will greatly affect China's progress in other fields, thereby strengthening China's position in the international world.

In 2018 to 2020, the focus of international politics is on the trade war carried out by the two superpowers, the United States (US) and China. Since early 2018, the US has decided to increase import tariffs for certain trading partners, particularly China. The US move was motivated by the country's increasing trade deficit in recent years, especially with China. According to Comtrade, in 2017, the US trade deficit with China increased to $363 billion, the highest bilateral trade deficit on record. This represents 42% of the total US$861 billion trade deficit experienced by the US (United Nations Department of Economic and Social Affairs 2019). When the US experienced a growing deficit, US President Donald Trump decided to sign a policy decision on imposing import duties on imports of products from China which triggered a trade war between the two world economic giants.

The determination of President Donald Trump's policy towards China has caused tension between the two countries that control world economic growth. President Donald Trump chose to take this policy because President Donald Trump feels that globalization, which is currently dominated by China, has harmed the United States. China's international trade practices with other trading partners are considered by the US to be unfair (Kurniawan 2018). This is because China continues to have a surplus and gets the biggest profit, but on the other hand, China is the largest contributor to the US deficit. The US-China trade war was triggered by the establishment of policies in the era of Donald Trump's leadership which took the initiative to increase import duties on thousands of products from China in March 2018. This happened because China was accused of plagiarizing intellectual property from the US with a very large value and engaging in trade practices that were
illegal. unfair (ISDP 2020). In addition, the increase in tariffs on imports of Chinese products was also carried out to protect US domestic-industries that were unable to compete with Chinese companies, and to add new jobs in the US. In this phase the trade war between the two countries began, although in practice the implementation of the increase in import tariffs began in July 2018. The US-China trade war lasted from July 2018 to September 2019 with the percentage increase in import tariffs ranging from 10% to 25% and the increase in import tariffs from US$34 billion to US$300 billion (Arisanto and Adi Wibawa 2021).

The gap between imports to the US and exports from the US increased to its highest level in 10 years in the first half of 2019. According to data released by the Bureau of Economic Analysis, the US goods and services trade deficit decreased slightly in June, bringing the total deficit to $316 billion for the first half. 2019 was the highest deficit since 2008. This increase was mainly due to the historically high trade deficit in goods, which reached a record $439 billion, of which $219 billion can be traced back just looking at trade relations with China (Richter 2019).

The policies issued by the US, turned out to have a very bad impact on China. China's largest income is through export-import activities. The policies issued by President Trump have created inequality in China's foreign exchange earnings. China's President, Xi Jinping, is not standing still. President Xi Jinping counterattacked the US. Therefore, China took retaliatory actions for the policies issued by President Donald Trump. China responded immediately after President Donald Trump signed a memorandum on imposing tariffs on US$60 billion worth of Chinese products. The US's decision to increase tariffs on imports of Chinese products was responded to by the Chinese government by retaliating. China finally plans to increase tariffs on hundreds of US products.

China plans to impose 25% tariffs on pork imports from the US and 15% tariffs on steel pipe products, fruit and wine. China 's commerce ministry submitted a list of 128 goods that could potentially be subject to tariffs as well. These products include grapes, fresh fruit, dried fruit and nuts, steel pipes, modified ethanol, and ginseng. However, China's Ministry of Commerce did not specify the imposition of these import tariffs. US agricultural products, especially soybeans, are considered to be most affected by China’s retaliatory policies (Ardhani 2019).

The Chinese government made efforts to resolve the trade war by
submitting a complaint to the WTO asking for consultations but the action did not produce results. The US is less cooperative in resolving disputes through the WTO. Representatives of the two countries have also met more than 10 times for negotiations and negotiations, but the negotiations between the two sides have reached a stalemate because the two sides have difficulty negotiating and moderating each other's interests. Negotiations came to fruition in early 2020 when the US and China signed the Phase One deal. Through this, the two countries formally agreed to the withdrawal of import tariffs, expansion of trade purchases, and new commitments to intellectual property, technology transfer, and currency practices (Wong and Koty 2020).

In early 2020, the US and China, which had reached a phase one trade deal, also ended a 17-month trade war. The deal was announced after more than two and a half years of negotiations between Washington and Beijing. The US government will reduce tariffs on Chinese goods entering the United States. China will increase purchases of US agricultural, manufacturing and energy products by a total of $200 billion over the next two years. China has also pledged to better protect US intellectual property, prohibit the forced transfer of US technology to Chinese companies, open up its financial services market to US firms, and avoid manipulation of its currency. However, the deal fell through on May 15, 2020. The United States government led by Donald Tramp blocked the shipment of semiconductors from global chipmakers to Huawei and this became a new chapter in the dispute between the two countries (Universitas Islam Indonesia 2020).

At a time when the United States' foreign policy of protection against China had a significant impact on the Indonesian economy, especially in the export sector and stock investment where the slowdown in the economy of other countries also reduced commodity prices from Indonesian raw materials which had high export values in recent years. The lack of infrastructure and the slowing down of the economy have also caused foreign investors to be less interested in shares in the Indonesian JCI. However, from the analysis, it was also found that government policies to encourage local industry and MSMEs proved successful in suppressing the impact resulting from the trade war on Indonesia where the value of the Indonesian economy was able to survive in the range of 5.02-5.18 percent compared to other countries experiencing economic decline. and the number of local investors in the
Implications of the Russia-Ukraine Conflict for Indonesia

The invasion on February 24, 2022, was not the first time Russia had attacked Ukraine. In 2014, Russia invaded the Crimean Peninsula, invaded eastern Ukraine, and supported Russian separatists in the eastern Donbas region. The conflict has killed more than 14,000 people to date. The Russian attack stemmed from mass protests in Ukraine that toppled pro-Russian Head of State President Viktor Yanukovych, who was ousted over the abandonment of a trade agreement with the European Union (Kirby and Guyer 2022). In 2015 Russia and Ukraine signed the Minsk peace treaty to end the armed conflict in eastern Ukraine. But as the conflict continued, Russia sent "peacekeepers" to the region where the conflict was taking place (NDTV News Desk 2022).

After the Crimea crisis, the ups and downs of Russian-Ukrainian relations continued until February 2022. The crisis started when NATO was trying to expand its membership to Eastern Europe by attracting Ukraine as a target. This is considered by Russia to be a threat to its regional security because Russia considers that if Ukraine joins NATO then in accordance with the provisions of its Defense Pact (Article 5 NATO), NATO has the right to send troops to Ukrainian territory. As a result, President Putin did not let Ukraine go unnoticed. This is something that is natural for a Russian president who does not accept the possibility of foreign troops on his borders. Therefore, the Russian spokesman denied accusations from the West that his country was planning to invade Ukraine and considered the accusations to be just a provocation to increase tensions (Hidriyah 2022).

Before Russia launched its invasion earlier this year, Putin demanded that NATO rule out accepting new members from among the former Soviet states and most importantly Ukraine. Further demands that NATO troops withdraw from positions in other countries near Russia. This claim was flatly rejected by all parties involved. Through these demands, Russia seeks to limit Ukraine's proximity to NATO in order to safeguard its country's security from the threat of the western bloc and the influence of the United States. In addition, Russia is also trying to maintain close relations between Russia and the former Soviet Union because of historical factors and to defend its national interests.
Ukraine, which toppled its last pro-Russian president in 2014, has consistently voted for pro-Western politicians ever since. Ukraine has made its search for NATO membership a cornerstone of its national-security policy, and refuses to back down from that ambition even as the Russian invasion becomes increasingly intense. Because Ukraine is not a member of NATO and most of NATO's European allies have avoided sending aid in the form of military forces to the country to help defend its territory. Instead, these countries have provided aid in the form of military hardware, cash, and diplomatic support. The US as a NATO ally also refuses to send aid in the form of military forces on the grounds: Ukraine is not a significant trading partner, and threats to its territory or sovereignty do not pose a direct threat to the United States.

As is known, Russian President Vladimir Putin on February 24, 2022 ordered special military operations on Ukrainian territory. At the time, Vladimir Putin stressed that Russia would respond immediately if any foreign forces tried to hinder its actions. As the largest country in the world, Russia has various things that are considered important for its country to maintain its integrity and sovereignty. Therefore, for Russia, this issue becomes very sensitive when in its border areas many countries try to do things that Russia considers a security disturbance (Sarkoni 2022).

Indonesia's role as a free and active country does not mean passive neutral, but also contributes, both in the form of thoughts and conflict resolution assistance. Indonesia is currently pushing to stop the use of military force in the Russia-Ukraine conflict so that all parties can resolve disputes under international legal norms. Indonesia also emphasized its position to continue to maintain good relations with Russia and Ukraine.

Indonesia's principle of prioritizing diplomacy in overcoming various international conflicts is indeed appropriate at this time. However, Indonesia must also prepare its defenses to face the possible escalation of the Russian-Ukrainian conflict and be keen to see the "advantages" that Indonesia can use for its national interests.

The conflict between Russia and Ukraine has an impact on the global economy, and Indonesia is no exception. This conflict has an impact on trade performance between Indonesia and the two countries. The main export commodity to the two countries is Indonesia's main commodity, namely CPO and its derivatives, while 25.91% of wheat flour
imports come from Ukraine. One of the severe impacts is the increase in global energy prices. This increase put pressure on fiscal conditions due to increased subsidies for the use of fuel and LPG. Each increase in the price of crude oil of US $ 1 per barrel has an impact on an increase in subsidies for LPG of around Rp. 1.47 trillion, kerosene of Rp. 49 billion, and fuel compensation costs of more than Rp. 2.65 trillion. In addition, an increase in ICP of US $ 1 per barrel has an impact on additional subsidies and electricity compensation of Rp. 295 billion. The DPR needs to encourage the Government to take anticipatory steps so that the inflation rate is under control amidst rising global commodity prices (Permana 2022).

**Enigma of Increasing Value Added Taxes in the Middle of Development Countries Conflict Based on Pancasila Perspective Justice**

All values about justice, will be realized by the government through rules. According to the author, the rules made are certainly a step by the government to overcome problems that occur or anticipate problems that might occur later. Recently the government held a meeting for a regulation related to taxes, namely the value added tax (VAT) which has finally been officially ratified. Polemics related to this regulation have emerged and it is undeniable that many people do not agree with the increase in VAT by the government (CNBC Indonesia 2022).

As a society that has been given such guarantees that many of its people can still survive, it is proper for the community to give their service to the state. This service can be realized by providing tax payment assistance to the state. The increase in VAT is not without reason. Everyone is aware that the current situation is in the process of improving. The increase in VAT which is the tax foundation for the state, according to the author, is an "insurance" for the state, if one day the state faces an unexpected condition, the state can provide protection to its people through "insurance" from the taxes that people pay. This is in line with the tax service theory where this theory is based on the notion of "organische Staatsleer" so it is taught with this understanding that precisely because of the nature of the state there is an absolute right to collect taxes. Indonesians as a country that has a modern view on its legal development, of course, in making tax collection policies, of course there is a need to be based on statutory regulations (Mustaqiem 2014).

The laws and regulations that are made should not be made in a
hurry without paying attention to the rules in making laws and regulations in accordance with Article 5 of Law no. 12 of 2011 concerning the Formation of Legislation which explains that the regulations must have the following principles: a) clarity of purpose; b) appropriate forming institutions or officials; c) the suitability of the type, hierarchy and content of the material; d) can be implemented; e) usability and usability; f) clarity of the formula; and g) openness. Then at the final stage, the government needs to socialize the regulation, in this case the regulation on the increase in VAT. It is based on the principle of legal fiction which assumes that everyone knows the law (presumptio jures de jure), but what needs to be noted is that users of legal fiction must meet two conditions: 1) there must be efforts from the Government, both the Central Government and Local Governments to publish and socialize every laws and regulations established in accordance with those stipulated in Law Number 12 of 2011 concerning the Establishment of Legislations; 2) there must be an effort from the community to know and access the existing laws and regulations (Marwan 2017).

Currently, the government has reached a legal fiction process by socializing the rules to the public and at this time there is a conflict due to the material content of the regulation, one of which is the increase in VAT. All legal polemics that arise need to be studied whether the regulation is "Pancasilais". According to the author, "Pancasalais" regulations are regulations which in their content are a form of implementation of the values contained in Pancasila. The purpose of why a legal product must be "Pancasilais" is because the legal product is a tool to regulate society. This concept is the theory of law as a tool of social engineering put forward by Roscoe Pound. That according to legal theory, law will play an important role in a society so that it even has various functions that are used for the good of society with the aim of creating legal goals of justice, legal certainty, and benefit (Lathif 2017). In Indonesia, this legal goal will be achieved if the legal product reflects the values of Pancasila.

Pancasila has the desire to shape the moral nobility of the Indonesian people. Through the increase in VAT, the community is "forced" to cultivate a moral of sharing and compassion. This indeed looks difficult, considering that the community is currently trying to recover for themselves. But it is undeniable, if there are people who are very difficult to recover themselves. At this moment the morals of the
Indonesian people are "forced" to share and love each other. Through VAT, the underprivileged will receive assistance from those who can afford it through taxes which are channeled through assistance from the government. In addition to coercion from the community, the government also continues to provide assistance to those in need. With the concept of "forcing" from Pancasila so that people can share with each other, the government can save the aid budget with the help of the community. This concept is a harmonious reciprocal relationship. The government can make other budget allocations that were previously used to help the community can be diverted for other development purposes.

Pancasila demands that Indonesia must have a step towards a just and prosperous life as Hatta expected in the fifth precept (Dewi and Dewi 2021). The policy of increasing VAT is certainly one of the steps towards an economically strong Indonesia. Although there are other incomes other than taxes that can increase state income, it is undeniable that taxes are one of the vital instruments to increase state revenues. The reason is, every tax subject with the tax object will pay the tax. This is clearly a bigger state income because everyone will make transactions compared to income from only one source. Low-income countries usually levy taxes of between 10 and 20% of GDP while the average for high-income countries is more than 40 percent (Besley and Persson 2014). From this research, it is said that Indonesia is a low-income country in the category of a developed country. However, the increase in VAT is a form of the country’s efforts to slowly turn into a prosperous country. Hopes like this are the ideals of Hatta which are realized through the fifth precept.

In plain view, the increase in VAT in the midst of economic recovery is something that can make people miserable. However, the wheels of the economy, like it or not, will always run. The object of VAT will continue to rotate to be traded. The community that buys it will pay the tax, and the state that receives the tax, will use this for other funding that will be needed by the community. This reciprocal relationship is actually an indirect implementation of the country’s economy from the people to the people. This relationship is a reflection of the value of the fifth precept in realizing a just and prosperous Indonesia. Without realizing it, this is a reflection of the theory of law as a tool of social engineering from Roscoe Pound above. Through engineering questions based on Pancasila, it is hoped that life will be much better.

Social engineering in Indonesian society occurs in two forms: 1)
community groups that are quick to accept and are able to succeed with the changes that occur and; 2) other groups who are slow to accept and cultivate bonds with change because they are bound to old values. Changing old values to new values will have a negative and detrimental impact on people’s lives such as social inequality, deviation from basic values, social turmoil, and disorganization (Matnuh 2018). The change in the VAT increase will be a dilemma, whether this change will take place sooner or later. Groups that accept changes quickly, they will pay according to what has become the provisions and groups that accept changes slowly will be absent and do not pay their taxes.

To avoid people who accept changes slowly, after the official VAT increase is implemented, the government must take real action by enabling the increased VAT to be a helper for people who really need it, either it can be implemented by accelerating development or leveling welfare with the tax. These efforts must be carried out massively, so that the public can judge if the government is really making efforts to improve the welfare of the people. With concrete evidence from the government, the public will understand that it is true that the increase in VAT which is actually a burden is a starting point for change to build the concept of a prosperous state that can guarantee all its people in carrying out their lives.

The end of the policy of increasing VAT will lead to the goal of justice. Both classical era justice and Pancasila justice. It is undeniable, if the policy concerning public finances is a policy that is prone to rejection. However, without this policy and only relying on investors and other state revenues that are not levies, it is feared that the economy and the welfare of the community will not be achieved, because the country’s largest income is sourced through levies from the community which have been regulated by law. So that the procedure for levies is clear, the benefits and benefits can be felt by the community. Finally, a democratic economic system of the people by the people and for the people can be achieved and provide justice according to the mandate of Pancasila

**CONCLUSION AND RECOMMENDATION**

**Conclusion**

The current increase in VAT by the government is actually at a bad momentum, so this policy is framed very not in favor of the people. The US-China conflict for Indonesia has significant implications for the
Indonesian economy, especially in the export sector and stock investment where the slowdown in the economy of other countries has also reduced commodity prices from Indonesian raw materials which had high export values in previous years. The Russia-Ukraine conflict for Indonesia has implications for trade performance between Indonesia and the two countries. One of the severe impacts is the increase in global energy prices. This increase put pressure on fiscal conditions due to increased subsidies for the use of fuel and LPG. In the reflection of Pancasila's theory of justice, the policy of increasing the VAT rate is appropriate. This policy is also a social engineering carried out by the government to change lives for the better. The fact that the public has not realized is that if the economic recovery of a country needs to be carried out in mutual cooperation with its people. Because the greatest strength of the state comes from its people and the people must dedicate themselves to the state with the aim that their people can feel the welfare of their service to the state.

**Recommendation**

Because the VAT increase policy was made at the wrong time, the government needs to socialize the urgency of the massive VAT increase policy to the public, so that this policy does not cause conflict and the objectives of the VAT increase policy can be achieved and are on target.

**REFERENCES**


