

Taxpayer Awareness Among Gold Jewelry Dealers Following Ministry of Finance Regulation No. 48/2023

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ABSTRACT

This study aimed to determine the awareness among gold jewelry dealers who are taxpayers, regarding the Ministry of Finance Regulation No. 48 of 2023. This research is novel in its comprehensive coverage of the new tax regulation spanning from upstream to downstream processes in the gold jewelry industry. It has the potential to increase tax revenue from this sector; however, understanding the awareness of these taxpayers is crucial as it influences their compliance. A significant number of gold jewelry dealers were not aware of the new regulation, and some had not even implemented the previous regulations. Data were collected through questionnaires and interviews. A qualitative descriptive analysis was employed to analyze the awareness of gold jewelry dealers who are taxpayers. The findings of this study indicate that the awareness of these taxpayers regarding the new regulation remains low. Consequently, further socialization is necessary to yield a positive and significant impact on taxpayer compliance.

Keywords: Gold jewelry dealers; Income Tax, Value Added Tax; Ministry of Finance Regulation No 48 Year 2023

Kesadaran Wajib Pajak Di Kalangan Pedagang Emas Perhiasan Sesuai Peraturan Menteri Keuangan Nomor 48 Tahun 2023

ABSTRAK

Penelitian ini bertujuan untuk mengetahui kesadaran wajib pajak pedagang perantara emas terhadap Peraturan Menteri Keuangan No 48 Tahun 2023. Hal yang baru dari riset ini adalah penggunaan peraturan baru yang diterbitkan oleh Dirjen Pajak yang lebih komprehensif dengan memberlakukan pemajakan dari hulu ke hilir di industri emas. Hal ini akan meningkatkan potensi pendataan pajak pemerintah, namun perlu diketahui juga bagaimana kesadaran para pedagang perantara emas karena akan mempengaruhi kepatuhan wajib pajak. Banyak pedagang perantara emas masih belum mengetahui peraturan baru tersebut dan bahkan belum menerapkan peraturan sebelumnya. Data dikumpulkan melalui kuesioner dan interview. Analisis deskriptif kualitatif digunakan untuk menganalisis kesadaran para wajib pajak pedagang perantara emas terhadap peraturan baru. Hasil penelitian ini menunjukkan bahwa kesadaran para wajib pajak pedagang perantara emas terhadap peraturan baru di industri emas masih rendah dan membutuhkan sosialisasi lebih lanjut sehingga dapat memberikan efek yang positif dan signifikan bagi kepatuhan wajib pajak.

Kata Kunci: Pedagang Perantara Emas, Pajak Penghasilan; Pajak Pertambahan Nilai; Peraturan Menteri Keuangan No 48 Tahun 2023

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INTRODUCTION

The government has restructured the application of Value Added Tax (VAT) and Income Tax for the sale or delivery of gold and related services under the Ministry of Finance Regulation Number 48 of 2023, which was issued on 28 April 2023 and implemented on 1 May 2023 (Ministry of Finance, 2023). This reorganization aims to lower tariffs while enhancing ease of use, legal certainty, and simplicity. Achieving high levels of compliance is challenging, especially amid economic downturns and lower tariffs can raise tax compliance (Khozen & Setyowati, 2023). Certain economic and behavioral factors are effective in either encouraging or discouraging tax compliance behavior. Tax information is one of the most significant drivers of tax compliance (Vincent & Ntim, 2021).

The decrease in tariffs is designed to promote fair competition throughout all levels of the gold jewellery industry ecosystem and to encourage all entities in this sector to register within the system. Theoretical and empirical insights may have useful practical policy implications for tax authorities, offering guidance on designing effective tax policies and enforcement strategies. For example, finding an optimal mixture of enforcement trust may be subject to contextual situation that is a function of multiple factors including the current attitude of taxpayers toward taxation, and intention to comply with tax laws (Azmi, 2024).

As defined in Article 1 (9) of the Ministry of Finance Regulation Number 48 of 2023, gold jewelry refers to any jewellery made wholly or partly of gold, which may also include gemstones and/or other materials integrated into the gold jewelry (Ministry of Finance, 2023). Article 2 (3) further clarifies that gold jewelry entrepreneurs, including manufacturers and dealers or traders, are those who produce gold jewelry and engage in buying and selling activities and/or provide services related to gold jewelry.

Both manufacturers and traders of gold jewelry must register as taxable entrepreneurs, regardless of their sales volume being below 4.8 billion. According to Article 13 (1) of the Ministry of Finance Regulation Number 48 of 2023, businesses dealing in taxable goods and/or services under the value-added tax law must report their operations to be recognized as taxable entrepreneurs. The threshold for mandatory sales to qualify as a taxable entrepreneur is set at 4.8 billion.

This regulation is not entirely new. Under the previous Ministry of Finance Regulation Number 30 of 2014, which took effect on 1 March 2014, Article 6 (1) stipulates that gold jewelry entrepreneurs must report their business activities to the tax service office within whose jurisdiction their business premises fall, to be recognized as taxable entrepreneurs (Ministry of Finance, 2014).

Despite this, many gold jewelry traders, especially personal taxpayers, remain unaware of their obligations under the Ministry of Finance Regulation Number 30 of 2014 to register as taxable entrepreneurs (Ministry of Finance, 2014). Furthermore, they have failed to pay the value-added tax (VAT) at the effective rate of 2%. VAT is levied at 10% of the tax imposition base, which includes an additional value of 20% of the selling or replacement price.

The Theory of Planned Behavior (Ajzen, 1991) provides a framework to understand and predict such behaviors, suggesting that actions are directly influenced by behavioral intentions and, under certain conditions, by perceived behavioral control. This theory posits that taxpayer behavior depends both on motivation (intention) and ability (behavioral control). Tax compliance simplicity has a larger impact on tax filing than perception about government spending and tax morale. Furthermore, the perception of fairness significantly mediates the strengths between morale, simplicity, government spending and compliance behavior (E Hassan, 2021). Tax simplification does not significantly influence tax payment behavior in Indonesia. However, it does have a positive effect on overall tax compliance, as evidenced by increased reporting frequency and decreased penalties (Satyadini & Rosid, 2023). For SMEs, the role of tax literacy is crucial, as it helps SMEs understand the facilities provided by the government in the form of tax privileges or facilities (Agusti & Rahman, 2023).

The major challenges of tax compliance are the complexity of the tax system, inefficiency of tax authorities, lack of tax knowledge and awareness, negative perception of taxpayers, a negative act of tax assessors, absence of tax training, lack of transparency of tax system, arbitrary estimation of taxes, personal financial constraints, political instability and lack of timely tax audit (Abdu, 2023). Tax awareness, tax penalties, and fairness perception are the three most important factors influencing tax compliance. The tax authorities need to build the taxpayers' confidence in the prevailing tax system and streamline the tax system to reduce tax complexity (Hayat, 2022). However, in another research, tax morale, tax fairness, and tax complexity have a statistically significant influence on the tax compliance intention of the citizens, while the power of authority, trust in government, tax information, and tax awareness do not show a statistically significant relation to tax compliance intention (Taing, 2021).

In Small and Medium Enterprises (SMEs) research, referral groups, the probability of audit, tax knowledge, and the perception of equity and fairness have a significant impact on tax compliance. In particular, the referral group had the most significant influence on the non-compliance behavior of SME taxpayers (Inasius, 2019). In another research, mentioned that institutional, firm and entrepreneurs' characteristics are important determinants of SMEs' tax compliance (Carsamer & Abbam, 2023).

In addition, complying with tax regulations often results in increased costs and a significant reduction in profits especially for SMEs. There is limited information available about the various factors that determine the tax compliance costs of SMEs. The size of the business, the age of the business, the business sector and technological costs were significant determinants of tax compliance cost (Ernest, Danie, & Nicholas, 2022). The revenue authorities should make tax laws less complex to reduce the cost of compliance and enhance tax convenience (Trawule, Gadzo, Kportorgbi, & Sam-Quarm, 2022).

Article 3 of the Ministry of Finance Regulation Number 30 of 2014 specifies that the delivery of gold jewelry and/or related services by gold jewelry entrepreneurs is subject to VAT at 10% of the tax imposition base. Furthermore, Article 4 (1) states that the basis for tax imposition, as intended in Article 3, is the

'other value', calculated at 20% of the selling price of gold jewelry or its replacement value (Ministry of Finance, 2014).

A previous study conducted by (Tri K, 2015) examined the application of value-added tax (VAT) on the delivery of gold jewelry, referencing Ministry of Finance Regulation Number 30/PMK.03/2014. This case study was carried out at the Pratama Surabaya Sukomanunggal Tax Service Office. According to the Ministry of Finance Regulation Number 30/PMK.03/2014, VAT is levied at a rate of 10% of the Tax Imposition Base on the delivery of gold jewelry and/or associated services by gold jewelry vendors, where the imposition base for gold jewelry is 20% of the selling price.

This research aimed to explore the implementation and challenges of applying VAT to the delivery of gold jewelry at the Pratama Tax Office Surabaya Sukomanunggal. The findings underscored the necessity of publicizing the new provisions of the Ministry of Finance Regulation Number 30/PMK.03/2014 to ensure that gold entrepreneurs are aware of the taxation policies and to maximize the potential revenue from this sector.

Another study by (Hamilah & Fricilia, 2023) investigated the impact of knowledge, education, and income on the compliance of individual taxpayers within jewelry sector companies in West Jakarta. The study involved a sample of 90 respondents, all of whom were gold entrepreneurs. The researchers employed Structural Equation Modeling (SEM) using the Smart PLS 4.0 software to analyze the data. The results indicated that tax knowledge and income levels positively influenced taxpayer compliance, while education level did not show a significant effect.

This research is novel as it explores the relationship between the tax subject and the tax object within a gold company. The study concluded that increased taxpayer awareness would enhance individual taxpayer compliance, subsequently boosting revenue for the state income tax sector. Distinguishing itself from previous research, this study employs qualitative methods, including questionnaires and interviews, to gain a deeper understanding of gold jewelry dealers' awareness under the latest regulatory framework, Ministry of Finance Regulation Number 48 of 2023.

Despite the introduction of Ministry of Finance Regulation Number 48 of 2023 on 28 April 2023, and its subsequent application on 1 May 2023, many gold jewelry traders remain unaware and non-compliant with the new regulation. This study aims to determine the awareness of gold jewelry dealers regarding Ministry of Finance Regulation No. 48 of 2023, and to explore tax treatments that could enhance their compliance level. The respondents in this study included both personal and corporate taxpayers involved in gold and jewelry businesses, registered with the Tax Identification Number in the Surabaya Pabean Cantikan Pratama Tax Office area – a region with a significant number of gold and jewelry taxpayers. Data collection methods included observations, semi-structured interviews, and documentation to obtain a more profound understanding of the gold jewelry dealers' situation.

In Articles 1 (17) and (18) of Ministry of Finance Regulation Number 48 of 2023, Income Tax Article 22 refers to income tax related to payments for the delivery of goods, activities in the import sector, or business activities in other

fields, as well as sales of goods classified as very luxurious, as regulated in Article 22 of the Income Tax Law. Income Tax Article 23 pertains to income tax on income paid, due, or provided for payment to domestic taxpayers or permanent establishments, as stipulated in Article 23 of the Income Tax Law (Government of Republic Indonesia, 2008).

As specified in Article 2(5) of Ministry of Finance Regulation Number 48 of 2023, the income tax Article 22 levy on the sale of gold jewelry or gold bars is set at 0.25% of the selling price of gold jewelry and/or gold bullion. Article 8(1) of the same regulation states that income derived from compensation related to services associated with gold jewelry, gold bullion, jewelry not wholly made of gold, and/or gemstones or other similar stones, is subject to Income Tax. These services include modification, repair, coating, gilding, cleaning, and other services under various names as intended in the aforementioned regulation.

Furthermore, according to Article 8(3) of Ministry of Finance Regulation Number 48 of 2023, compensation related to services involving gold jewelry, gold bullion, jewelry made from materials other than pure gold, gemstones, and/or comparable stones received by domestic individual taxpayers is subject to an income tax deduction under Article 21. In cases involving taxpayers from domestic entities and permanent establishments, income tax under Article 23 is deducted.

Article 12(1) of Ministry of Finance Regulation Number 48 of 2023 imposes Value Added Tax on the delivery of gold jewelry and/or related services, gold bullion, jewelry not entirely made of gold, and/or gemstones or other similar stones, when these transactions are conducted by gold jewelry manufacturers and gold jewelry traders. Article 12(2) of Ministry of Finance Regulation Number 48 of 2023 specifies that services related to gold jewelry, gold bullion, jewelry not entirely made of gold, and/or gemstones or other similar stones include modification, repair, coating, gilding, cleaning, and other services categorized under various names as outlined from letters a to e.

For taxable entrepreneurs who manufacture gold jewelry, the specific amount for the delivery of gold jewelry is set at 10% (ten percent) of the Value-Added Tax (VAT) rate, as regulated in Article 7, paragraph (1) of the VAT law, multiplied by the Selling Price. This rate applies to deliveries of self-produced gold jewelry to other gold jewelry manufacturers and/or merchants. When delivering to final consumers, the VAT rate is 15% (fifteen percent) of the Selling Price, as stipulated by the same article.

For taxable entrepreneurs who trade in gold jewelry, the VAT rate is similarly 10% of the Selling Price for deliveries to other gold jewelry traders and/or final consumers, provided the entrepreneur has a tax invoice or documents equivalent to a Tax Invoice for the acquisition or import of the said gold jewelry. If such documentation is not available, the VAT rate increases to 15% for deliveries to other gold jewelry traders and/or final consumers. However, the rate is reduced to 0% for deliveries of gold jewelry to gold jewelry manufacturers, as per the stipulations of Article 7, paragraph (1) of the VAT law (Indonesia, 2009).

According to the Theory of Planned Behavior (TPB), posited by (Ajzen, 1991), behavioral achievement hinges on both motivation (intention) and ability (behavioral control). This theory differentiates among three types of beliefs:

behavioral, normative, and control. Originally developed as the Theory of Reasoned Action in 1980, the TPB was intended to predict an individual's intention to engage in a behavior at a specific time and place, aiming to explain all behaviors over which individuals have the ability to exert self-control. A critical component of this model is behavioral intent, which is influenced by the attitude regarding the likelihood of achieving the expected outcome and the subjective evaluation of the risks and benefits associated with that outcome.

The specifics of income tax and value-added tax on the sale or delivery of gold jewelry, gold bars, jewelry made partially of gold, gemstones, and other similar stones, as well as services related to these items, are detailed in Ministry of Finance Regulation Number 48 of 2023. This regulation delineates a new taxation scheme for gold and associated services as depicted in Figure 1.

Taxable business owners involved in the production of gold jewelry are mandated to collect value-added tax at a rate of 1.65% of the selling price when distributing to end users, or 1.1% when delivering to other gold jewelry manufacturers and dealers. Similarly, dealers in old jewelry are required to collect value-added tax at a rate of 1.1% of the selling price if they possess a complete tax invoice or specific documents, or 1.65% if they do not, in cases involving the acquisition or import of gold jewelry. Deliveries made to gold jewelry manufacturers by taxable enterprises that trade in gold jewelry are taxed at a rate of 0%.

In previous regulations, such as Ministry of Finance Regulation Number 30/PMK.03/2014, deliveries of gold jewelry made by taxable entrepreneurs – both manufacturers and traders – were subject to a value-added tax (VAT) of 10% multiplied by the tax imposition base, effectively translating to an effective rate of 2% of the selling or replacement price. This imposition base was uniformly set at 20% of the selling or replacement price, with no linkage between the tax invoice and the VAT rate.

In contrast, the new regulation introduces multiple rates based on the existence of taxpayers' tax invoices. Additionally, it mandates that producers and dealers of gold jewelry must collect Income Tax Article 22 at 0.25% of the selling price. This requirement does not apply to sales made to final customers who are subject to the final income tax under Government Regulation Number 55 of 2022 (President of Republic Indonesia, 2022), which amends Government Regulation Number 23 of 2018 (President of Republic of Indonesia, 2018) and Government Regulation Number 46 of 2013 (President of Republic Indonesia, 2013), or to taxpayers who possess an exemption certificate (Surat Keterangan Bebas - SKB) from income tax collection. Notably, Income Tax Article 22 is not final and can be credited against income tax payments within the current year. Such provisions for Income Tax Article 22 were absent in the previous regulation, Ministry of Finance Regulation Number 30/PMK.03/2014.

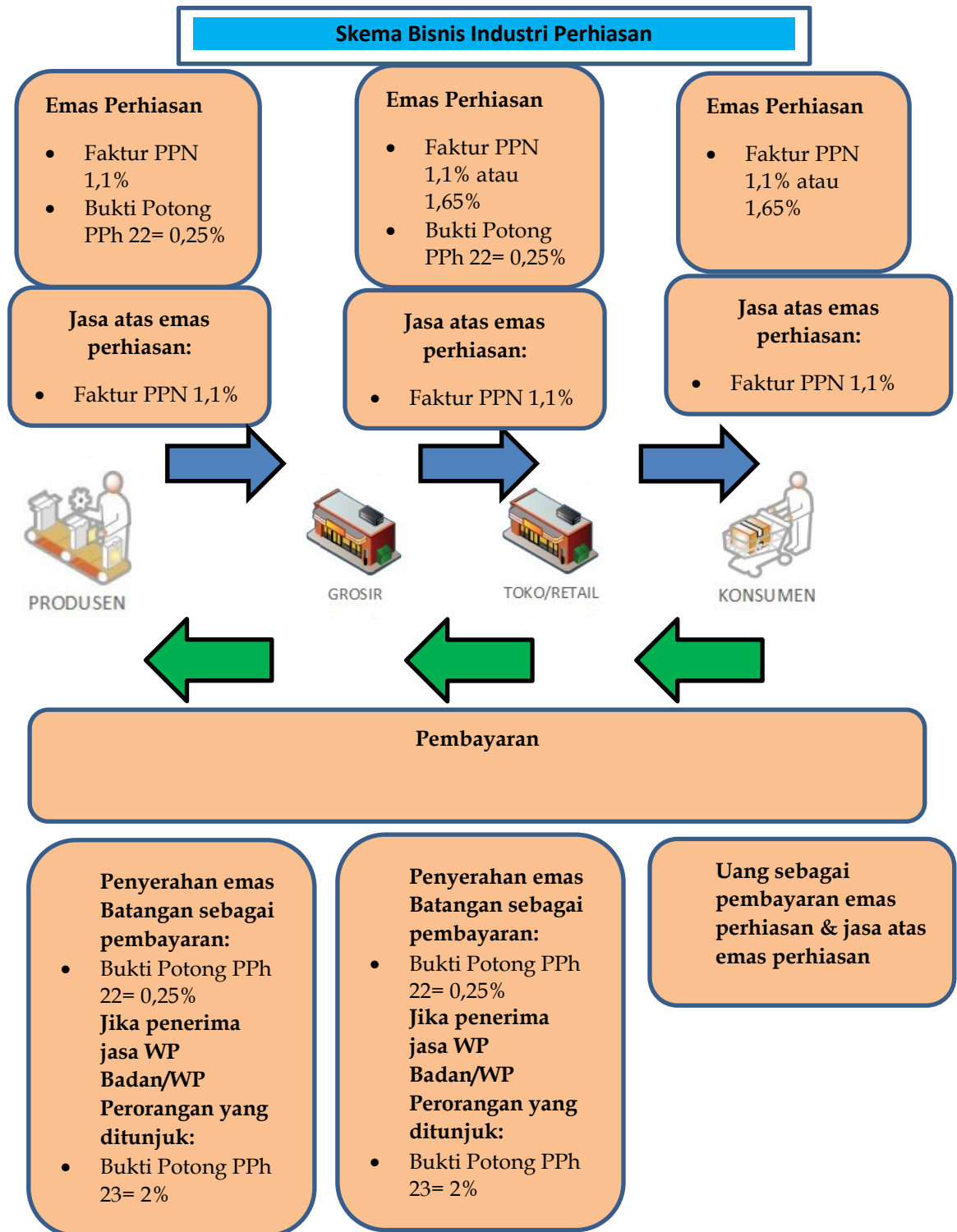


Figure 1. Jewelry Industry Business Scheme

Source: (APPI & APEPI, 2023)

In compliance with Law Number 7/2021 on the Harmonisation of Tax Law (Directorate General of Taxes, 2021), entrepreneurs dealing in gold bullion are required to collect Income Tax Article 22 at 0.25% of the selling price, except in cases of sales to final consumers or taxpayers who are subject to final Income Tax. This is further specified under Government Regulation Number 55 of 2022 (President of Republic Indonesia, 2022), which amends Government Regulation Number 23 of 2018 (President of Republic of Indonesia, 2018) and Government Regulation Number 46 of 2013 (President of Republic Indonesia, 2013). Exemptions are also provided for taxpayers who hold an exemption certificate (Surat Keterangan Bebas - SKB) for Income Tax collection, transactions conducted by Bank Indonesia, or sales compliant with regulations governing the trading of commodity futures through the physical-digital gold market. Notably, the Income Tax Article 22 rate represents a decrease from the previous rate of 0.45% as mandated in Ministry of Finance Regulation No. 34/PMK.010/2017 (Ministry of Finance, 2017).

Furthermore, the new regulatory framework extends its focus not only to gold jewelry but also to jewelry whose material composition includes non-gold elements and/or gemstones and/or other similar stones. This approach aims to simplify the fulfillment of income tax and value-added tax obligations, reduce the burden of tax administration, and decrease compliance costs for gold jewelry entrepreneurs. As a result, taxable entrepreneurs—both manufacturers and traders—who also deal in jewelry composed of materials not entirely made of gold and/or gemstones and/or other similar stones, will now encounter the same value-added tax treatment as those dealing exclusively in gold jewelry.

Taxable entrepreneurs, whether manufacturers or traders of gold jewelry, are mandated to collect a value-added tax (VAT) of 1.1% of the selling price. In addition to VAT, these entrepreneurs are also required to collect Income Tax Article 22 at 0.25% of the selling price, except in cases of sales to final consumers or taxpayers who are subject to the Final Income Tax under Government Regulation Number 55 of 2022 (President of Republic Indonesia, 2022), or those holding an Exemption Certificate (Surat Keterangan Bebas - SKB) for Income Tax collection. It is important to note that Income Tax Article 22 is not definitive and may be accounted for in the current year's income tax payments.

Furthermore, in providing services related to gold jewelry, gold bullion, jewelry composed of materials other than pure gold, gemstones, and/or other similar stones, taxable entrepreneurs, both manufacturers and traders, must collect VAT equal to 1.1% of the service fee. Regarding service fees, Income Tax Article 21 or Income Tax Article 23 is deducted according to the general provisions by the party paying the fees, unless the recipient of the compensation is a taxpayer subject to the Final Income Tax under Government Regulation Number 55 of 2022 (President of Republic Indonesia, 2022), or holds an Exemption Certificate (Surat Keterangan Bebas - SKB) that includes provisions for Income Tax deductions.

Additionally, concerning granular gold, the government, through a 2021 decree (President of The Republic of Indonesia, 2021), has facilitated a VAT exemption on granular gold to stimulate downstream activities in the gold sector,

aiming to enhance Indonesia's position as one of the leading global suppliers of gold.

METHOD

This study processed data from responses of two distinct groups: personal and corporate taxpayers engaged in the gold and jewelry business, whose Tax Identification Numbers are registered in the Surabaya Pabean Cantikan Pratama Tax Office areas. A total of 52 questionnaires were manually distributed to specific gold and jewelry stores located particularly in Pasar Atom and Mall Atom, Surabaya, which are known to house many gold and jewelry taxpayer tenants. These questionnaires were complemented by follow-up interviews to gain a deeper understanding of the situation facing gold jewelry dealers' taxpayers.

Qualitative research methods were utilized in this study. (Creswell, 2018) defines qualitative research as an inquiry process based on understanding, which investigates a social or human problem through various methodological traditions of inquiry. It aims to create a comprehensive, multifaceted picture by examining language, presenting detailed perspectives of data, and conducting research within a natural setting. This study adopted a descriptive methodology, gathering data through observation, documentation, and interviews. The questionnaire, developed by the researcher, addressed attributes of the respondents such as the stage of their business within the gold jewelry industry value chain, the duration of business operation, use of tax consultants, and aspects of tax compliance including tax payments and filings. Comprehensive insights into the application of taxation in the gold jewelry industry were further obtained through semi-structured interviews, which were guided by a series of open-ended questions. This method allowed for the emergence of new questions based on respondents' answers, enabling a more thorough exploration of information during the sessions.

RESULTS AND DISCUSSION

Among the participants, 89.65% (52 respondents) attended informational sessions organized by gold jewelry associations. Conversely, 10.35% (six respondents) reported that work commitments and other business events prevented their attendance. According to interviews conducted with these respondents, there is substantial support for the Ministry of Finance Regulation Number 48 of 2023 among jewelry entrepreneurs, manufacturers, wholesalers, and gold shop owners. They believe that this regulation will foster a tax-compliant ecosystem throughout the entire gold jewelry industry and establish a level business environment across different stages of the industry's value chain.

However, five respondents indicated difficulties in understanding and complying with both the previous and the new regulations. Despite their willingness to comply, they expressed uncertainty about how to begin the process, particularly because they anticipated a high amount of tax payable from previous fiscal years. To address these concerns, the Directorate General of Taxes has provided reductions in administrative sanctions. Specifically, the Regional Offices of the Directorate General of Taxes for East Java I, II, and III have enacted a policy to mitigate administrative penalties for entrepreneurs within the gold and jewelry

sector. This policy is part of the implementation of Minister of Finance Regulation Number 8/PMK.03/2013, which details procedures for reducing or eliminating administrative sanctions and for the reduction or cancellation of Tax Assessment Letters or Tax Collection Letters. Effective from August 1, 2023, each of these three DJP Regional Offices in East Java has issued formal notifications regarding the PSA policy, aimed at providing legal certainty and enhancing tax compliance.

All taxpayers expressed a willingness to comply with tax regulations; however, a significant majority, approximately 90.38% (47 of 52 respondents) who attended the socialization sessions organized by the Directorate General of Taxes, reported a lack of understanding of Ministry of Finance Regulation Number 48 of 2023, even after these sessions. Additionally, seven taxpayers were not even aware of the reduced income tax rate included in the new regulation. According to these respondents, the new tax framework in the gold jewelry industry is perceived as more complex than the previous regulations. They indicated a lack of specific or clear guidance from the tax office applicable to each taxpayer within the gold jewelry industry value chain, where different stages may involve different types of taxes, potentially leading to confusion.

The Directorate General of Taxes and the Tax Service Offices in each region must consider factors that could influence taxpayer compliance. The implementation of Ministry of Finance Regulation No. 48 of 2023 is expected to increase the potential for tax revenue from this industry. However, it is crucial to enhance gold jewelry dealers' awareness of this new regulation as it significantly impacts taxpayer compliance. Taxpayers require more targeted socialization and guidance, such as specialized educational programs or workshops designed specifically for different groups within the gold jewelry industry. Each tax office should engage in these efforts to ensure a positive and significant effect on taxpayer compliance. Moreover, the Directorate General of Taxes should collaborate with gold jewelry industry associations to identify taxpayers at each stage of the industry value chain and provide socialization tailored to the needs of each group.

In Indonesia, two prominent associations represent gold jewelry dealers' taxpayers: APPI (Asosiasi Produsen Perhiasan Indonesia, 2023), the Indonesian Jewelry Manufacturers Association, and APEPI (Asosiasi Pengusaha Emas Perhiasan Indonesia, 2023), also known as the Indonesian Gold Jewelry Business Association or Indonesian Goldsmiths and Jewellers Association. Both associations have collaborated with the Directorate General of Taxes to socialize the new tax regulation across Indonesia.

One notable initiative was undertaken by the Directorate General of Taxes West Java I, which aimed to disseminate information about the Ministry of Finance Regulation Number 48 of 2023 (Kusnaedi, 2023). Further, the Directorate General of Taxes East Java I, II, and III organized a series of socialization events on July 6, 2023, targeting gold business taxpayers in Surabaya, addressing the new gold sector tax regulations stipulated by the Ministry of Finance Regulation Number 48 of 2023 (Widarti, 2023).

This regulation, effective from May 1, 2023, is a derivative of the Law on Harmonization of Tax Regulations. The choice of East Java for these socialization efforts is strategic, given the region's significant contribution to the gold sector,

encompassing everything from the processing industry to retail in jewelry shops. East Java is a pivotal center for the gold processing industry, underscoring the importance of thorough and widespread regulatory familiarization. Currently, APPI boasts 14 gold jewelry manufacturer members, half of whom are based in East Java. This concentration of members in a key region facilitates initial outreach efforts, setting a foundation for extending these initiatives to other regions.

In the gold industry, which includes mining, processing, jewelry making, and distribution to stores, disparities can arise if treatments differ at each level. Although some respondents are eager to comply with tax obligations, confusion persists. Thus, the new regulation aims to provide certainty with clear and simpler rules, including straightforward tax rates to facilitate ease for business actors and enhance tax compliance. The focus is on establishing a robust ecosystem, which is expected to foster a conducive business climate, increase compliance, and subsequently boost state revenues. If every link in the gold business sector is registered, it is anticipated that tax evasion loopholes will be minimized.

In East Java, the contribution of gold to tax revenues is significant, given its role as a major center for gold processing and trading. Recent regulatory changes include the appointment by the Minister of Finance of a third party to determine the benchmark price for selling gold. Additionally, the regulation clarifies rules for taxpayers engaged in gold trading activities, enhancing transparency and regulatory compliance.

Following the initial socialization, a press conference was held on Wednesday, 26 August 2023, by the Directorate General of Taxes and the East Java Associations of Gold Jewelry (Widarti, East Java Gold Entrepreneurs Encourage Law Enforcement, 2023). The conference focused on Supervision and Law Enforcement of Tax Regulations in the Gold Jewelry Sector and the Reduction of Administrative Sanctions in Surabaya.

Responses from questionnaires and interviews indicate that jewelry entrepreneurs, manufacturers, wholesalers, and gold shops broadly support Ministry of Finance Regulation Number 48 of 2023. They believe this regulation will foster a tax-compliant gold jewelry ecosystem, facilitate an open industry from upstream to downstream, and create an equitable business climate. However, they have expressed a need for the Directorate General of Taxes to ensure that there are no opportunities for illegal jewelry transactions that evade value-added tax and income tax or omit the tax identification number, as was common previously. In the months following the enactment of the new regulation, these stakeholders have encountered difficulties in obtaining customers' tax identification numbers—a shift from earlier practices where customers or distributors were not required to disclose their tax identification numbers.

The lack of unified communication among producers, distributors, and traders has been identified as a significant issue. The reluctance to provide tax identification numbers may stem from a variety of factors, including fear or a prolonged comfort with previous regulatory laxity. It is imperative that the Directorate General of Taxes intervenes to cultivate a healthier business ecosystem. At the distributor level, it remains challenging to secure tax identification numbers, forcing traders to rely on existing distribution channels.

The aim of Ministry of Finance Regulation Number 48 of 2023 is to create an integrated and holistic gold sector ecosystem from upstream to downstream, addressing the difficulties tax offices and entrepreneurs have faced in tax collection. The imposition of gold tax often breaks down midway, with the Directorate General of Taxes sometimes unaware of the identities of miners, collectors, processing factories, distributors, and shops.

Interviews revealed that while traders have been compliant and are keen to improve tax administration, they struggle to compete with those who evade taxes. The associations face challenges in determining the correct benchmark price for 24-carat gold, as price differences can vary significantly, with even minor differences of IDR 1,000 - IDR 2,000 being highly sensitive. Currently, gold jewelry industries or producers oriented towards the export market are not experiencing significant declines in performance, whereas those focused on the domestic market have seen utility declines of up to 90 percent.

The Directorate General of Taxes continues to conduct outreach regarding this new regulation and aims to capture potential tax revenues from the gold jewelry sector, encompassing both industry and retail levels. Although there is no specific revenue target at present, the Directorate General of Taxes is working to record all transactions carried out by traders and manufacturers. The new regulation mandates that all transactions must involve Taxable Entrepreneurs capable of issuing invoices. Once all transactions are systematically captured, concerns about illegal gold, unlicensed miners, and related issues should be mitigated.

The Ministry of Finance Regulation Number 48 of 2023 is also expected to benefit consumers significantly. Typically, the value-added tax (VAT) for consumers is around 11 percent, with an effective income tax rate of 2.2 percent. However, under this new regulation, the VAT for final consumers will be reduced to only 1.65 percent. According to most taxpayers interviewed, this regulation represents significant progress. However, they are generally unaware of the lower income tax rate and find the regulation too complicated, with insufficient guidance for both current and new taxpayers. Therefore, the implementation of Ministry of Finance Regulation Number 48 of 2023 will require further socialization and guidance by each tax office to achieve a positive and significant effect on taxpayer compliance.

CONCLUSION

This research examines the new comprehensive tax regulation, Ministry of Finance Regulation Number 48 of 2023, covering the entire gold jewelry industry from upstream to downstream. The aim of this new regulation is to create an integrated and holistic gold sector ecosystem. The conclusion of this research is that jewelry entrepreneurs, manufacturers, wholesalers, and gold shop owners strongly support Ministry of Finance Regulation Number 48 of 2023, believing it will establish a tax-compliant gold jewelry ecosystem, open up the industry from upstream to downstream, and create an equitable business climate. The Directorate General of Taxes, along with the Tax Service Offices in each region, must consider factors that can influence taxpayers' compliance.

The findings indicate that while some taxpayers are eager to comply with the tax regulations, they are confused by the new provisions. Additionally, some taxpayers are unaware of the reduced income tax rate introduced by the new regulation. Taxpayers have expressed concerns about the lack of specific and clear guidance from the tax office tailored to each stage of the gold jewelry industry value chain. Different types of taxes at each stage can lead to confusion. Although the implementation of Ministry of Finance Regulation Number 48 of 2023 has the potential to increase tax revenue from this industry, it is crucial to understand gold jewelry dealers' awareness of this new regulation. Taxpayers require further specific socialization and guidance, such as targeted educational programs or workshops for specific groups within the gold jewelry industry, to achieve a positive and significant impact on compliance. This research has limitations, particularly regarding the number of respondents due to time constraints. Future research should include a larger sample size, and the statements in the questionnaire should be evaluated and reviewed based on the updated regulations at the time of the study, as tax regulations are dynamic and rapidly changing. This will help make the statements clearer for respondents during the completion process, facilitating more in-depth analysis and conclusion for each type of gold jewelry dealer's transactions. I would like to acknowledge and express my gratitude to all taxpayers involved in this research, especially the interviewees and the Directorate General of Taxes.

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