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## Automatic exchange of financial information from the perspective of tax fairness and transparency

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### ABSTRACT

Tax fairness and transparency concepts have gained increasing prominence in the global tax and financial regulatory landscape in recent years. Automatic Exchange of Financial Information (AEOI) has proven to be an effective tool for implementing these principles. The aim of this study is to contribute to the ongoing international tax discussion and facilitate further research on the multiple dimensions of tax fairness and transparency in the global financial ecosystem. The type of research used is normative legal research. The results show that AEOI can help prevent tax evasion, ensure taxpayer compliance, and strengthen international cooperation in the fight against tax evasion and fraud. Challenges such as data security and compliance costs can be addressed with the development of better technology and regulatory frameworks. AEOI reflects countries' vision for tax fairness and transparency that supports social welfare and economic stability.



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## Introduction

In the Preamble to the 1945 Constitution of the Republic of Indonesia, it was mandated to realize the welfare of the Indonesian people fairly and equally by implementing national development. To realize national development, funds are needed that come from state revenues, which mainly come from taxes. The source of state income from taxes has become the main element in supporting economic activities, moving the wheels of government and providing public facilities for the community. In percentage terms, at least taxes fulfill 80% of revenue items in the State Revenue and Expenditure Budget (Khairunnisa et al., 2020). For the state, taxes are a very large state treasury receipt, causing taxes to be positioned as one of the most important or main sources of state income to finance routine government activities and national development for the common interest and welfare (Harry Budi et al., 2022). Tax is a mandatory contribution to the state owed by individuals or entities that is coercive based on law, with no direct compensation and is used for state needs for the greatest prosperity of the people (Candra & Sundarta, 2015).

The obligation to pay taxes is basically a legal obligation for every citizen to participate in contributing to the financing of national development. Tax collection is a manifestation of the relationship between people (Taxpayers) and the state (fiscus) which is carried out based on tax laws and regulations (Farouq, 2018). The constitutional basis for taxation is regulated in Article 23A of the 1945 Constitution, "Taxes and other coercive levies for state needs are regulated by law (Pracasya, 2021). The success of a country in collecting taxes from

its citizens will certainly be beneficial for the economic stability of the country concerned. Development use of tax money is increasing, but it is very unfortunate that the performance of tax revenues in Indonesia is still very weak amidst very dominant dependence. The amount of tax compliance in the APBN which is very dominant is only in the form of a percentage, in fact in nominal terms this amount is still far from the actual potential and can be further optimized while still paying attention to the applicable tax functions, namely budgetair and regularend. The budgetary function is how taxes continue to be focused on intensification to explore potential and undiscovered sources of revenue (Farouq, 2018). The realization of tax revenues in Indonesia is still not optimal because it is still below 50 percent of the potential that could still be collected. Tax ratio in Indonesia it is at 10.8 percent, far from the critical point recommended by the IMF, namely 12.75 percent as a prerequisite for sustainable development (Pasaribu et al., 2022).

Tax compliance issues (tax compliance) which is still low is a classic problem faced by almost all countries that implement a taxation system. Efforts to collect taxes for development purposes still experience obstacles, both from internal and external factors (Subechi, 2017). In overcoming internal factors, continuous improvements are required by carrying out tax reform at the Directorate General of Taxes (DJP), including improving organization, work processes, processing data and information from banking and human resources (Rahayu & Lingga, 2009). Meanwhile, external factors apart from the weakening of the global economy and trade, there are still many taxpayers who make efforts to avoid taxes outside Indonesia so that the tax database is eroded due to tax avoidance and evasion practices that take advantage of limited access to financial information.

The 2008 global financial crisis affected almost all countries in the world. Most countries at that time experienced economic slowdown and uncertainty which affected tax revenues (Mawar et al., 2021). Meanwhile, the tax base itself has been eroded by many tax avoidance and evasion practices that take advantage of limited access to financial information. These countries are also trying to improve fiscal policies to repair the country's battered finances. Resistance to taxes (tax resistance) are obstacles caused by the condition of a country and its people or caused by the efforts of taxpayers who, whether they realize it or not, will make it difficult to collect taxes as a source of state revenue by minimizing the tax payable covering all businesses and actions that directly aim to avoid taxes, either legally (tax avoidance) or illegal (tax evasion).

Tax avoidance is an effort to avoid taxes that is carried out legally and safely for taxpayers without conflicting with the provisions of applicable tax regulations (not contrary to the law), the methods used tend to exploit weaknesses (grey area) existing regulations contained in the Tax Law and Regulations themselves (Desyana & Yanti, 2020). OECD describes tax avoidance as a Taxpayer's attempt to reduce the tax owed, even though it does not violate the law (the letter of law), but it is contrary to the purpose of making tax legislation (the spirit of law). Tax Evasion (Tax evasion/smuggling) is a taxpayer's attempt to illegally avoid taxes owed by hiding the true situation (Srinivasan, 1973). The method used is high risk and has the potential to be subject to sanctions for violating the law/fiscal or criminal offenses (white collar crime). One method is to avoid taxes by shifting profits or assets from economic activities in countries tax haven.

A tax haven is a country that offers foreign individuals and companies minimal tax obligations in a stable political-economic environment, while providing little or no financial information to foreign tax authorities (Desai et al., 2006). Meanwhile, people/companies who invest their funds do not need to live or run a business at the location tax haven. With the characteristics of tax haven countries, this is not surprising if tax haven considered to be a destination country for the flow of illicit funds. In addition, countries tax haven has also played an important role in practice tax avoidance and tax evasion, both by companies and individuals.

G20 leaders agreed that banking secrecy must end immediately and there should be no more tolerance for countries or territories that protect tax evasion and other white-collar crimes. Due to bank secrecy issues (bank secrecy) is considered to be one of the things that worsened the global financial crisis caused by the country tax haven which hides global assets. The leaders of the G20 member countries at the London Summit in 2009, including Indonesia, then declared that the era of banking secrecy had ended and were prepared to take action against countries that were not cooperative regarding transparency, especially in the field of taxation, including countries "tax haven". As a follow-up to this declaration, the Indonesian government signed a multilateral international agreement, namely Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) in 2011, ratification was carried out through Presidential Decree 159 of 2014. As a follow-up to the ratification of the Convention, the provisions in the articles of the Convention must be carried out seriously and in good faith by the Indonesian government.

Konvensi Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Convention) is cooperation for administrative assistance in the field of taxation, including automatic exchange of information. In connection with the exchange of financial information, a multilateral agreement is automatically formed,

namely Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA) signed by the Authorized Official (Competent Authority) from each country. Multilateral Competent Authority Agreement is a multilateral instrument that facilitates the automatic exchange of information using Common Standar Reporting (CRS) is a general reporting standard that has been established by the OECD based on Article 6 of the Convention.

Indonesia has entered into international agreements in the field of taxation with many countries/jurisdictions, which regulate the automatic exchange of financial information (Automatic Exchange of Financial Account of Information) in accordance with agreed international standards. To provide a legal basis for the Directorate General of Taxes to gain access to financial information from banking, capital markets, insurance and other financial service institutions related to the automatic exchange of financial information. The President has stipulated Government Regulation in Lieu of Law (Perppu) Number 1 of 2017 concerning Access to Financial Information for Tax Purposes which was later stipulated as Law Number 9 of 2017.

In the context of tax law enforcement in Indonesia, bank secrecy was initially impenetrable (Halim, 2016). Bank customer transactions, data, information or information regarding depositors and their deposits are kept confidential by banks based on Law Number 10 of 1998 concerning Banking. Article 40 stipulates that banks are obliged to keep information about their customers confidential. However, for taxation in Article 41 it is regulated that for tax purposes, upon written request from the Minister of Finance, the leadership of Bank Indonesia has the authority to issue a written order to the bank to provide information and show written evidence and letters regarding the customer's financial condition to certain officials tax. From banking regulations, it can be seen that to obtain data/information/information regarding certain bank customers, the Directorate General of Taxes can obtain it with a written request from the Minister of Finance after obtaining permission from the Governor of BI/OJK Commissioner, and those who request it or provide it without permission from the Governor/BI. OJK commissioners are threatened with imprisonment and fines.

Based on the provisions of Law Number 6 of 1983 as most recently amended by Law Number 16 of 2009 concerning General Provisions and Tax Procedures. Article 35A regulates that every government agency, institution, association and other party is obliged to provide data and information relating to taxation to the Directorate General of Taxes (Susilo, 2022). In the event that the parties are bound by a confidentiality obligation, the confidentiality obligation is waived, except for banks the confidentiality obligation is waived at the written request of the Minister of Finance (Wibisono & Gunawan, 2013). This means that there is limited access for the Indonesian tax authorities to receive and obtain financial information in accordance with applicable regulations, both tax regulations and banking regulations. To fulfill international agreement commitments on automatic exchange of financial information/AEOI.

At the time the agreement on the automatic exchange of financial information was signed, Indonesia did not yet have primary legislation (law level). To fulfill the commitment to implement the agreement on the exchange of financial information automatically and not be categorized as a country/jurisdiction that "failed to fulfill its commitments" and be included in the list of countries that are not cooperative (non cooperative jurisdiction) which will result in significant losses, namely the possibility of losing credibility as a G-20 country and investor confidence, as well as making Indonesia a destination country for placing illegal funds. Access to financial information for tax purposes includes access to receive and obtain financial information in the context of implementing the provisions of laws and regulations in the field of taxation and the implementation of international agreements in the field of taxation. Reports containing financial information as intended must at least contain the identity of the financial account holder, financial account number, identity of the financial service institution, balance or value of the financial account, and income related to the financial account.

The research by (Jan et al., 2020) show that the implementation of banking access for tax purposes in Indonesia is not hindered by banking secrecy policies. However, clear rules on taxation implementation and information exchange are needed for legal certainty. Based on research by (Ispriyarso, 2020), it shows that tax avoidance is carried out by taxpayers through tax avoidance and tax evasion. The role of AEOI in preventing or reducing tax evasion is very important, because with this system, taxpayers who open accounts in other countries will be tracked directly by the tax authorities of the country of origin. This system will also be useful to reduce tax evaders to avoid taxes, as more and more countries join this system.

The research by (Utomo et al., 2023) implementation of access to financial information for tax purposes varies in each tax office. In Indonesia, such access is carried out in accordance with the provisions of Law Number 9 Year 2017 and its derivative rules, namely Minister of Finance Regulation Number 19/PMK.03/2018 and Director General of Taxes Circular Letter Number SE-16/PJ/2017, which regulates technical guidelines and procedures for accessing financial information. Tax auditors and tax bailiffs also

follow these regulations in carrying out their duties related to accessing financial information. Tax authorities follow the procedures outlined in the Circular Letter to request information and evidence, which ultimately helps increase tax revenue for the tax office. The aim is to ensure compliance with tax obligations and improve overall tax collection.

This research will discuss the key role that AEOI plays in promoting tax fairness and transparency, explore the mechanisms and frameworks behind AEOI and highlight its impact in curbing tax evasion and enhancing equitable sharing of the tax burden between individuals and businesses, as well as the implications of AEOI for financial institutions, governments, and taxpayers, and highlight the challenges and benefits associated with its implementation. Therefore, the aim of this study is to contribute to the ongoing international tax discussion and facilitate further research on the multiple dimensions of tax fairness and transparency in the global financial ecosystem.

## Method

Automatic Exchange of Financial Information (AEOI) has proven to be an effective tool for implementing these principles. By considering AEOI from various perspectives, this brief aims to contribute to the ongoing international tax discussion and facilitate further research on various dimensions of tax fairness and transparency in the global financial ecosystem. In this writing, the type of research used is normative legal research. Normative legal research is legal research carried out by examining library materials in the form of primary legal materials and secondary legal materials as the main activity (Noor, 2023). To answer legal problems in this dissertation research, the author uses several approaches, namely: (1) Legislative Approach (Statute Approach). The legal approach is done by reviewing all laws and regulations that are related to the legal issue being faced (Mardiansyah et al., 2020). (2) Conceptual Approach (Conceptual Approach). The conceptual approach departs from the views and doctrines that develop in legal science (Putri et al., 2023). This entire approach is used from the first collection of materials, clarification of legal issues, identification and sorting of relevant legal issues as well as legal discoveries related to legal issues.

## Result and Discussion

Taxes as an economic instrument are the main source of income for a country, and are the obligation of every citizen as regulated in the 1945 Constitution of the Republic of Indonesia. That "taxes and other coercive levies for state needs are regulated by law" (Article 23A 1945 Constitution). From a legal perspective, tax is an agreement that arises based on law which obliges a person or entity because they have fulfilled certain requirements that can be taxed (tax base requirements) so that they are obliged (can be forced and without receiving direct/individual compensation) to pay a certain amount of money to state treasury, to be used to finance a country's expenses (routine government and development costs) as well as as a control tool (encouragement or inhibitor) to achieve investment and economic goals. In Law Number 28 of 2007, the Third Amendment to Law of the Republic of Indonesia Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 paragraph (1) determines: "Tax is a mandatory contribution to the State that is owed by an individual or entity that "is coercive based on the law without receiving direct compensation and is used for State needs for the greatest prosperity of the people"

From the definition of tax according to law in general, the characteristics inherent in the definition of tax are: (1) Is a mandatory contribution to the state; For every person or entity that has fulfilled certain requirements and conditions, tax payments are mandatory. Because it is an obligation, tax payments are regulated in such a way with procedures and procedures so that people or entities who are obliged to pay taxes can follow them correctly. The word "contribution" is intended to show the enormous role of taxpayers in the country. (2) Can be enforced by law; Regarding the first criterion as a mandatory contribution to the state, tax can be imposed on anyone who, based on the provisions of tax law, meets the criteria for paying tax. However, it needs to be emphasized that coercion in terms of tax payments is always based on the provisions of the applicable tax laws and regulations. (3) Payments do not receive immediate rewards: Taxpayers who have made tax payments, regardless of the amount, will not receive direct compensation or compensation from a specific state that can be appointed directly. This is different from parking fees, for example, the payer of parking fees will receive a parking space for the parking fee that has been paid, but it needs to be understood that the tax subject actually receives reciprocal services, but is received collectively with other communities. (4) Used for national needs for the prosperity of the people.

State revenues originating from tax payments will be included in the State Revenue and Expenditure Budget and used for government operational needs in order to realize the state's vision and mission, which in general is to increase the prosperity of society.

That the aim of the Indonesian state is stated in the Preamble to the 1945 Constitution of the Republic of Indonesia (UUD 1945), namely to protect the entire Indonesian nation and the entire Indonesian people, as well as to advance general welfare, make the life of the nation intelligent, and participate in implementing world order. The main idea contained in the preamble to the Constitution is that the Indonesian state wants to realize social justice for all Indonesian people based on Pancasila and the 1945 Constitution. Collecting or collecting taxes is an essential function and has become *a condition without which* (prerequisite-French) for increasing the country's financial capacity. Without tax collection, it is certain that state finances will be paralyzed, especially for developing countries like Indonesia.

### International Agreement

Relations between international communities are characterized by interdependence between international communities, interdependence between international communities encourages cooperation and this cooperation is formulated in international agreements. An international treaty is an agreement entered into between members of a community of nations which aims to produce certain laws. In Indonesian, an international agreement, also called an agreement, treaty or convention, is an agreement between two or more subjects of international law regarding certain objects or issues with the aim of establishing legal relations or giving birth to rights and obligations regulated by international law. Meanwhile, international agreements according to Law of the Republic of Indonesia Number 24 of 2000 are: "Agreements, in certain forms and names, which are regulated in International Law which are made in writing and give rise to rights and obligations in the field of public law."

The 1969 Vienna Convention in Article 2 paragraph 1 point a confirms the following: *Treaty means an international agreement concluded between States in written form and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its particular designation.* Treaty means, an international agreement entered into between countries in written form and regulated by international law, whether in the form of a single instrument or in the form of two or more interrelated instruments regardless of their name.

From the legal understanding of international agreements, there are several basic criteria that must be fulfilled by a treaty document to be declared an international agreement based on the 1969 Vienna Convention, namely: (1) The agreement must have an international character (an international agreement), so that it does not include national scale agreements such as agreements between states or between regional governments of a national state; (2) Agreements must be made by countries and/or international organizations (by subject of international law), so that they do not include agreements which, although international in nature, are made by non-subjects of international law, such as agreements between countries and multinational companies. (3) The agreement is subject to the international legal regime (*governed by international law*) which Law of the Republic of Indonesia Number 24 of 2000 states is "regulated in international law and gives rise to rights and obligations in the field of public law".

The basics found in international agreements include the following: (1) Asas Compelling Law Jus Cogens Principle: international agreements must refer to the principles of international peace and security. (2) Basic Freedom of Contract (Free Consent). This principle is also found in national law, for example in Article 1320 of the Civil Code (Civil Code) which essentially states that each party has the freedom to bind themselves and freedom of contract is the embodiment of human rights. (3) Basis of Good Faith (Good Faith). This principle is accepted by society both in national law and in international law. This is known as *general principle of law*. (4) Asas Agreements Must Be Held. That the promise is binding on those who make it as law. As stipulated in Article 1338 of the Civil Code "Agreements that are legally made are valid as law for those who make them". (5) That the agreement only applies to the parties and does not apply to third parties (*agreements neither harm nor benefit third parties*).

### Arrangements for Automatic Exchange of Financial Information in the Tax Sector Based on International Treaty Law

Resistance to taxes (tax resistance) by taxpayers is an obstacle to tax collection, whether caused by the condition of the country and its people or caused by taxpayers' conscious or unconscious efforts which will make it difficult to collect taxes as a source of state revenue. Tax resistance is minimizing the tax owed, including all efforts and actions that are directly aimed at avoiding tax, either legally (tax avoidance) or illegally (tax evasion). Tax savings often occur in cross-border transactions, Tax avoidance is an effort to avoid taxes that is carried out legally and safely for taxpayers without conflicting with applicable tax provisions. The

methods and techniques used tend to take advantage of the weaknesses contained in the Tax Laws and Regulations themselves to minimize tax owed. The OECD describes that tax avoidance is a taxpayer's attempt to reduce the tax owed, even though this effort does not violate the law (the letter of the law) but is actually contrary to the purpose of making statutory regulations (the spirit of the law).

Tax avasion (tax evasion and smuggling) is a taxpayer's attempt to avoid taxes owed illegally by hiding the true situation. The act of tax evasion is fraud, because taxpayers try to manipulate transactions so that costs arise that reduce income and even cause state losses. The method used is high risk and has the potential to be subject to legal violations/fiscal or criminal offenses (white collar crime). It is not easy to differentiate between tax avoidance and evasion. Even though these two terms have different meanings from the legal aspect, both acts of tax avoidance cause losses in state revenues from the tax sector. The mode of tax avoidance is shifting profits and saving money to tax havens or Offshore Financial Centres. The country in question will strictly guard the banking secrets of foreign investors in its country to attract investment. Countries like this are often referred to as Tax Haven countries.

The automatic exchange of financial information for tax purposes began to emerge in 2010 when the United States (US) Government issued the Foreign Account Tax Compliance Act (FACTA), which is a regime for reporting information and withholding taxes on the accounts of US citizens located abroad. FACTA's goal is to obtain information about US citizens' assets hidden overseas, as well as increase tax revenue. FACTA obliges *Foreign Financial Institution* (FFI), namely financial institutions located in the US, to report to the US government or other entities in which US residents hold significant ownership (*substantial ownership interest*). If this is not fulfilled, the financial institution in question will be subject to a 30% sanction on all payment transactions and investment returns. The era of information openness pioneered by the US in the form of FACTA was then responded to by other countries to do the same.

### Legal Basis for Automatic Exchange of Financial Information

Regarding the disclosure of bank secrets for tax purposes. Countries that are members of the Organization for Economic Cooperation and Development (OECD) together with Base Erosion and Profit Sharing (BEPS) countries have initiated the Automatic Exchange of Information (AEOI) which aims to increase tax transparency. The Organization for Economic Cooperation and Development spearheaded a concerted effort to eliminate tax avoidance practices by initiating *Global Forum on Transparency and Exchange of Information for Tax Purpose* (Global Forum). The Global Forum is the world's leading multilateral institution that plays a role in the field of transparency and exchange of information for tax purposes. The G20 encourages the OECD through the Global Forum to publish a standard for data collection and reporting of financial information so that it can be exchanged between countries (Hasim et al., 2018). Standards known as Common Reporting Standar (CRS).

Common Reporting Standards need to be translated into domestic law so that the automatic exchange of financial information can be effective. In the standard of automatic exchange of financial information, there is a mutual agreement to open and provide access to financial information within the country to the tax authorities of other countries and to obtain access to financial information abroad automatically (Lestari & Pohan, 2021). With an automatic financial information exchange system, taxpayers who have opened accounts in other countries will be tracked directly by the tax authority of their home country. Article 26 of the 1969 Vienna Convention states "Every treaty in force in binding upon the parties to it and must be performed by them in good faith". Through Article 26, those who are parties to an agreement are bound to carry out the agreement in good faith. A country that has declared to be a party to an agreement means that the country has promised to carry out the obligations imposed on the country concerned by the agreement. In carrying out promised obligations, they must be carried out with full loyalty and good faith.

Article 27 of the 1969 Vienna Convention also confirms that it is not possible to use reasons of compliance with national law to suspend the implementation of an international agreement (treaty). Based on the provisions of the 1969 Vienna Convention, a country may not cancel its commitment to an international agreement by using national legal provisions as an excuse, unless the national legal provisions in question have very important value. A country that expresses its agreement to be bound by an international agreement means that country expresses its willingness to obey and respect that international agreement. This is confirmed by general legal principles recognized by sovereign states regarding international agreements, including principles *pacta sunt servanda*, the principle of good faith and the principle of reciprocity-reprocity. That every country that is a party to an international agreement must comply with the obligations arising from the agreement and cannot give reasons that its obligations are not fulfilled for reasons of national law. In connection with the good faith of the implementation of an international agreement that becomes law (*agreements are to be kept*) then the validity of this automatic exchange of financial information is in accordance with what is regulated in the agreement itself. Law Number 9 of 2017 was created in order to fulfill the

mandate in Article 6 of the convention regarding the implementation of automatic exchange of financial information.

In Article 20 paragraph (1) of Law Number 10 of 2004 concerning the Formation of Legislative Regulations, it is determined that the DPR holds the power to form laws. The aim is to provide definite, standard and binding methods and methods that are binding on all institutions authorized to make laws and regulations in Indonesia. Meanwhile, in the explanation of Law Number 10 of 2004 Article 7 paragraph (4) it is emphasized that "Types of legislative regulations include regulations issued by the People's Consultative Assembly, the People's Representative Council, the Regional Representative Council, the Supreme Court, the Constitutional Court, The Supreme Audit Agency, the Governor of Bank Indonesia, the Head of Ministers, Institutions or Commissions of the same level established by Law or the Government by order of Law. Provincial Regional People's Representative Council, Governor, Regional People's Representative Council (Hastuti, 2007). Implementation of Automatic Exchange of Financial Information for Tax Purposes in the Perspective of Tax Justice and Transparency in Indonesia

The Indonesian government signed *Multilateral Convention on Mutual Administrative Assistance in Tax Matter* (MAC) or Convention on Joint Administrative Legal Assistance in the Field of Taxation (Convention), one of which includes cooperation in exchanging tax information. The exchange of tax information by request and spontaneously can be carried out immediately since the convention was ratified by Presidential Regulation Number 159 of 2014, but for cooperation in exchanging information by automatic means, authorized officials (*Competent Authority*) of each signatory to the Convention is obliged to make an agreement on standards for the exchange of information and procedures for its exchange in accordance with the provisions of Article 6 of the Convention. Another basic requirement for implementing the Automatic Exchange of Financial Information in addition to the existence of international agreements is the availability of domestic legislation in the form of primary legislation (at the level of the Law) and secondary legislation (regulations under the Law) that require financial institutions to collect and report financial information to tax authority to exchange it with the Partner country/jurisdiction.

Primary legislation and secondary legislation, in accordance with the agreement of the Global Forum member countries, must be available no later than June 30 2017. If by this time limit a country does not yet have the legal framework in question, then that country will be categorized as a "failing" country. to meet their commitments" and will be deemed not committed to implementing Automatic Exchange of Financial Information. Customer transactions through banking, data, information regarding depositors and their deposits are kept confidential by the bank based on Law Number 7 of 1992 jo. Law Number 10 of 1998 concerning Banking. Article 40 stipulates that banks are obliged to keep information about their customers confidential. However, for taxation in Article 41 it is regulated that for tax purposes, upon written request from the Minister of Finance headed by Bank Indonesia (Governor of BI) the authority to issue a written order to the bank to provide information and show written evidence and letters regarding the customer's financial condition. certain deposits to tax officials.

Taxation requires taxpayer data, including customer data (as taxpayers) held by the bank. Specifically, bank customer information/data/information based on tax law will be obtained by submitting a request (by the Minister of Finance) to the Governor of Bank Indonesia (BI Governor) now to the Financial Services Authority (OJK Commissioner). The Governor of BI/OJK Commissioner issues written permission for the application addressed to the relevant (operational) bank to provide the data/information/customer information in question. This means that access for the Indonesian tax authorities to receive and obtain financial information in accordance with applicable regulations, both tax and banking regulations, is limited. Limited financial information is exploited by taxpayers to disobey reporting income and assets according to actual conditions, with the assumption that the act of concealing financial information will never be known by the Directorate General of Taxes. This limited access to data or financial information greatly affects the ability of the Directorate General of Taxes to ensure taxpayer compliance in fulfilling their tax obligations. The collection of tax revenues carried out by the Directorate General of Taxes is hampered by limited access to financial information for tax purposes. In fact, the tax system implemented in Indonesia is a self-assessment system, which means that taxpayers calculate, calculate and report their taxes independently. Without information from sources other than those submitted by Taxpayers, the Directorate General of Taxes cannot carry out compliance monitoring, audits and law enforcement actions optimally.

The Directorate General of Taxes is only able to monitor compliance with Taxpayers whose financial information has been reported in the Annual SPT. This is contrary to the principle of fairness in tax collection because the supervision carried out by the Directorate General of Taxes is focused on taxpayers who have reported their tax obligations, including their financial information, to the Directorate General of Taxes.

Taxpayers who do not report their financial information correctly or even do not report their financial information at all to the Directorate General of Taxes find it difficult for the Directorate General of Taxes to monitor them. Because the Directorate General of Taxes cannot know for certain the actual amount of a Taxpayer's income. In order to provide legal certainty regarding providing broad access for tax authorities in receiving and obtaining financial information for tax purposes and fulfilling commitments to implement automatic exchange of financial information and not be categorized as countries/jurisdictions that "fail to fulfill their commitments" which will then be included in the list of countries who are not cooperative (non cooperative). The President of Indonesia has stipulated Government Regulation in Lieu of Law (PERPU) Number 1 of 2017 concerning Access to Financial Information for Tax Purposes which was promulgated on May 8 2017. Subsequently, it was stipulated as Law Number 9 of 2017 concerning Determination of Government Regulations in Lieu of Law Number 1 of 2017 concerning Access to Financial Information for Tax Purposes became Law on 23 August 2017.

Technical instructions regarding access and exchange of financial information for tax purposes are regulated by Minister of Finance Regulation Number 70/PMK.03/2017 concerning Technical Instructions Regarding Access to Financial Information for Tax Purposes and have been amended by Minister of Finance Regulation Number 73/PMK.03/2017, subsequently amended by Minister of Finance Regulation Number 19/PMK.03/2018. Agreement from *Global Forum Transparency and Exchange of Information for Tax Purposes* stipulates that countries that will participate in the automatic exchange of financial information must at least meet a minimum of four international standards, namely: (1) Sufficient domestic regulations for tax authorities to access. (2) Comply with international treaty instruments. (3) Fulfillment of information technology infrastructure. (4) Guarantee of confidentiality and security of customer data. Domestic regulations that exclude bank secrecy for tax purposes have been fulfilled by the Indonesian Government by issuing Government Regulation in Lieu of Law (Perpu) Number 1 of 2017 which was then stipulated by Law of the Republic of Indonesia Number 9 of 2017 concerning Stipulation of Government Regulation in Lieu of Law Number 1 of 2017 concerning Access to Financial Information for Tax Purposes becomes law.

Based on the weighing section of Perpu Number 1 of 2017, several important points can be obtained as to why Indonesia issued this Perpu. The core elements are: (1) In carrying out national development, a source of state revenue from taxes is needed, so broad access is needed for tax authorities to receive and obtain financial information for tax purposes. (2) Strengthening the tax database is still hampered by a number of statutory regulations in the fields of taxation, banking, sharia banking and capital markets as well as other statutory regulations. (3) Indonesia has committed itself to the AEOI which has the consequence that if it has to form statutory regulations at the level of law regarding access to financial information for tax purposes before June 30 2017, it will be declared a country that has failed to fulfill its commitment to automatically exchange financial information (fail to meet). its commitment) if it is not implemented. (4) By qualifying as a country that "fail to meet its commitment" This has an impact on reducing Indonesia's credibility as a member of the G20, decreasing investor confidence, potentially disrupting national economic stability, and could make Indonesia a destination country for placing illegal funds.

Article 2 Paragraph (1) and (2) Attachment to Law Number 9 of 2017 regulates as follows: (1) Article 2 paragraph (1). The Director General of Taxes has the authority to obtain access to financial information for tax purposes as intended in Article 1 from financial service institutions carrying out activities in the banking, capital market, insurance, other financial service institutions and/or other entities categorized as financial institutions in accordance with information exchange standards finance based on international agreements in the field of taxation. (2) Article 2 Paragraph (2). Financial service institutions, other financial service institutions, and/or other entities as referred to in paragraph 1 are required to submit to the Directorate General of Taxes: Financial Report containing financial information in accordance with financial information exchange standards based on international agreements in the field of taxation for each financial account identified as a financial account that must be reported; And Reports containing financial information for tax purposes managed by financial service institutions, other financial service institutions and/or other entities in question during one calendar year.

Automatic Exchange of Financial Information (AEOI) has a significant impact from a tax fairness and transparency perspective. The automatic exchange of information can assist in detecting tax avoidance schemes that involve shifting wealth or income to lower tax jurisdictions. AEOI can help reduce the tax gap as it allows the government to track income and assets hidden overseas. It can improve fairness in the tax system by ensuring that all citizens pay taxes in accordance with the law. In terms of tax transparency, AEOI strengthens international financial transparency by giving tax authorities access to relevant information from foreign parties. This can prevent fraudulent practices and international tax offenses. In addition, the automatic



exchange of financial information can reduce secret financial practices by providing tax authorities with more information about offshore financial accounts held by their citizens.

AEOI or Automatic Exchange of Information is a mechanism designed to prevent tax evasion and strengthen cooperation between countries in addressing tax fairness and transparency issues. AEOI assists tax authorities in making decisions on tax compliance and enforcement by closing loopholes and ensuring taxpayers fulfill their obligations. However, AEOI also has challenges related to data security, compliance costs, and coordination across jurisdictions. Nonetheless, these challenges can be overcome with technological advancements and evolving regulatory frameworks. AEOI reflects countries' commitment to work together to create tax fairness and transparency to promote social welfare and economic stability. This research supports previous study by (Ispriyarso, 2020), which shows that the role of AEOI in preventing or reducing tax evasion is very important, because with this system, taxpayers who open accounts in other countries will be tracked directly by the tax authorities of the country of origin. This system will also be useful to reduce tax evaders to avoid taxes, as more and more countries join this system.

Various breakthrough steps have been taken by the Government in order to meet the realization of tax revenues in the APBN. The government issued a policy through the Tax Amnesty program in 2016, but this has not fully met the tax revenue target in the APBN. If the percentage of realized tax revenues continues to decline and breakthroughs are not made in collecting tax revenues, this could endanger the sustainability of development in Indonesia. Even though tax levies are coercive on the basis of law, there are always parties who use various methods to avoid taxes by hiding the assets and income they earn. In fact, the acquisition of property and income obtained by a person actually occurs because of the taxes that have been enjoyed. Saving money in various financial institutions is a way that is considered safe because it is protected by the laws that regulate it. Likewise, for certain countries that have policies that provide safe steps for those who save money in their country, this factor influences taxpayer compliance (*tax fairness*).

A tax system that is carried out fairly is important for taxpayers, because taxpayers will feel appreciated so that taxpayers have a tendency to carry out their tax obligations correctly (Samrotun & Suhendro, 2018). The concept of vertical justice is seen from the wealth of society where rich people pay more taxes than poor people. Public perception regarding fairness in the taxation system in a country greatly influences the implementation of good taxation in that country. Public perception will influence taxpayer compliance in tax avoidance (tax evasion). Taxes are said to be fair if the government can be fair and provide clear transparency and supervise the state budget properly for the welfare of society. The issue of justice is actually something that is easy for everyone to understand and feel. Likewise with fairness in paying taxes. When someone does not pay taxes even though they enjoy public facilities funded by taxes, it is certainly unfair.

People who don't pay taxes will definitely hurt the sense of justice. Tax justice is a high price that must be fought for towards justice and shared prosperity. The regulations in Law Number 9 of 2017 are tax levies that serve justice because they provide equal treatment for anyone who has not paid their taxes. How can justice be realized if the law makes it a norm to protect someone from accessing assets held in an account at a financial institution? When someone has assets and/or income that has not been taxed, it means that the assets in question should be taxed. On the other hand, when the assets acquired have been taxed, there is no need to be taxed any more. Concerns generally arise because the taxes a person owns have not yet been paid. The fairness of tax levies is a central point that cannot be denied. Law Number 9 of 2017 is justice in a global context. Because it does not provide special treatment for individuals, whether domestic taxpayers or foreign taxpayers, who keep their funds in Indonesia. As a logical consequence when Indonesia binds itself to the automatic exchange of financial information, Indonesia is obliged to convey the financial information of foreign taxpayers in Indonesia.

The principle of taxation in Indonesia is regulated in Article 4 paragraph (1) of Law Number 7 of 1983 concerning Income Tax as amended several times by Law Number 36 of 2008 which states that income is any additional economic capability received or obtained by the Taxpayer, whether originating from Indonesia or outside Indonesia which is used for consumption or to increase the wealth of the Taxpayer concerned and whether the origin of the assets is from legal or illegal activities is not disputed. Thus, property or assets that enter the territory of Indonesia or property or assets of Indonesian citizens who are transferred abroad can still be subject to tax by the Indonesian tax authorities. In implementing the provisions of laws and regulations in the field of taxation as referred to in Article 1 of the Appendix to Law Number 9 of 2017, it is interpreted as a form of implementing the authority possessed by the Directorate General of Taxes in maintaining the balance of system implementation. self-assessment. Based on self assessment Taxpayers should report financial data and information in their books and Tax Returns (SPT) completely, correctly and clearly.

The authority of the Directorate General of Taxes to obtain financial information from financial institutions is in accordance with the principles of Common Reporting Standard. Important aspects of Common Reporting Standard is to translate the provisions in Common Reporting Standard related to identification and reporting procedures into domestic regulations so that the automatic exchange of financial information can be effective. Domestic legal rules must be able to force and oblige financial institutions to collect information and carry out identification procedures and then report financial information on their customers who have been identified as customers who must be reported to the tax authorities, in this case the Directorate General of Taxes. Giving authority to the Director General of Taxes to obtain financial information is attribution authority which is *open legal policy* and is in accordance with the implementation of automatic exchange of financial information based on *Common Reporting Standard* takes place effectively.

Provisions regarding confidentiality as regulated in the Banking Law, Capital Markets Law and Commodity Futures Trading Law are not abolished but are set aside only for tax purposes and not for other purposes, so that for non-tax purposes, the provisions regarding confidentiality of financial information are still applies. Financial institutions remain responsible for maintaining the confidentiality of customer financial information outside of tax purposes which is submitted to the tax authority, in this case the Directorate General of Taxes. The confidentiality and protection of financial information exchanged is guaranteed, the information exchanged is used solely for tax purposes. Automatic Exchange of Information (AEOI) is intended to increase transparency, but it raises concerns about privacy. Various studies have expressed concerns about individual privacy and the potential misuse of data by unauthorized parties. While AEOI can help countries uncover hidden revenues, it does not fully solve the problem of the global tax gap caused by differences in tax rates and loopholes in international tax law. Future research could explore how AEOI impacts social justice, wealth distribution and different economic actors. It is important to continue to evaluate the effectiveness of AEOI and address privacy concerns to achieve the goals of fair taxation and transparency.

## Conclusion

AEOI not only deters tax evasion, but also helps tax authorities make informed decisions about compliance and enforcement. Closing the gap and ensuring taxpayers meet their obligations has proven critical. In addition, AEOI promotes cooperation among countries to strengthen international efforts to combat tax evasion and fraud. However, the road to tax fairness and transparency is not without challenges. Issues related to data security, compliance costs and cross-jurisdictional coordination remain concerns. However, these challenges are not insurmountable, and AEOI may become more efficient and effective as technology and regulatory frameworks develop. In the wider context of an interconnected global economy, the AEOI demonstrates the commitment of countries to work together to address issues of tax fairness and transparency. It reflects a shared vision of individuals and businesses contributing their fair share to the national coffers, promoting social well-being and economic stability. Ongoing research, policy development, and international collaboration will be critical to refine and expand AIA's reach in the coming years. In this way, we can work towards a future in which tax fairness and transparency are not just ideals, but tangible realities that ultimately benefit society as a whole.

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