

# Policy of Taxation of Premium Value Addition Tax (Ppnbm) on Motorwages for the Purpose of Tax Collection in Indonesia

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## Abstract

The Sales Tax on Luxury Goods (PPnBM) policy in Indonesia is designed to regulate the consumption of luxury goods, increase state revenue, and encourage the growth of local industries. This study analyzes the mechanisms of PPnBM imposition on motor vehicles and other luxury goods. The results show that the imposition of PPnBM on non-motor vehicle luxury goods is considered suboptimal. Many high-value luxury goods, such as watches, bags, and jewelry, are not the object of PPnBM, potentially weakening the principle of tax justice and reducing the country's revenue potential. In contrast, the PPnBM policy on motor vehicles is considered effective in achieving tax collection objectives, with detailed and clear regulations categorizing tariffs based on passenger capacity, engine size, fuel consumption, and CO2 emissions levels. This study recommends expanding the scope of PPnBM to include more luxury goods and adjusting regulations to ensure fairness in tax distribution and increase state revenue.

**Keywords:** PPnBM; luxury goods; motor vehicles ;state revenue; tax fairness;



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## Introduction

Tax is an important instrument in the life of a state, especially to support development, such as the development of infrastructure that supports community activities. Therefore, every country establishes a taxation system that is regulated through tax law. Tax law is a collection of rules governing the legal relationship between the state (Fiscus) as the tax collector and the community as the taxpayer. (Mustaqiem, 2014).As a state of law, Indonesia establishes a taxation system through the rules of tax law. This regulation aims to ensure that the tax collection process runs well, so that the state and the community can understand their respective rights and obligations, which ultimately creates justice in the implementation of taxes.(Thomas Sumarsam, 2022).

Law Number 28 of 2009 concerning Taxes states that taxes are mandatory contributions to the State owed by individuals or entities that are compelling based on the Law, with no direct reward and are used for State purposes for the greatest prosperity of the people. Taxes are either direct or

indirect assistance imposed by public power from the population or goods, to cover government spending, which means that taxes are a collection from the public that is useful for the benefit of the State.(Hakim & Nangoi, 2015)Tax collection by the state aims to be a source of state revenue and create a balance in tax burdens for all taxpayers. The tax burden is determined based on several criteria, namely income, consumption, and wealth. According to Adam Smith, the principle of tax collection related to justice is the principle of Equality. This principle emphasizes that tax collection by the state must be adjusted to the taxpayer's capacity and income, so that the tax burden imposed should not be greater or smaller than the taxpayer's capacity and income.(Made Dwi Surya Suasana, 2021).The existence of PPnBM has the aim that the community can limit the use of luxury goods, so that the state can encourage the local sector to develop and be able to compete so that it becomes a product that is in demand. PPnBM exists so that it can overcome the use of luxury goods and reduce people's interest in buying these goods, so that people can use local goods.

The government's strategy to control luxury consumption, increase state revenue, and promote sustainable growth includes the imposition of luxury sales tax (STLG) on both motorized and non-motorized vehicles. The imposition of luxury tax aims to indirectly redistribute income as luxury vehicles are mostly owned by high-income groups, while an increase in the number of motorized vehicles can increase traffic congestion and increase pressure on road infrastructure.

Based on existing facts, there are a number of goods that have the characteristics of luxury goods as stipulated in Law Number 42 Year 2009. These goods are generally only consumed by people with high incomes, but are not included in the legislation and are not subject to STLG. This can cause injustice and is not in line with the purpose of collecting PPnBM. Some goods that have characteristics as luxury goods in accordance with the provisions of the Law on Value Added Tax (PPn) and Sales Tax on Luxury Goods (PPnBM) are not subject to PPnBM and are not listed in the list of taxable goods subject to PPnBM. An example is a luxury watch, which is classified as a tertiary need and is generally consumed by individuals with high income and certain social status. Apart from functioning as a timepiece, luxury watches are also used as a symbol of social status.(AntikaMuliaWardani et.al).

Other luxury goods that are not subject to PPnBM include luxury bags, diamonds, and paintings. Ownership of these items indicates that the individual's primary and secondary needs have been met, so that the fulfillment of needs has reached the tertiary needs stage. Expenditure on luxury goods and social needs that reflect the difference in one's status with other people should be distinguished from the category of primary needs. Usage If implemented properly, PPnBM can play a strategic role in driving economic growth. Through rate adjustments, incentives, and

transparent management, PPnBM can be an instrument that not only improves state revenue but also supports the sustainable and competitive growth of local industries.

## **Methodology**

The research method taken in this research is normative legal research. Normative legal research is to find some coherence, namely whether the rule of law is in accordance with legal norms and whether the norms in the form of orders or prohibitions are in accordance with legal principles, and whether a person's actions are in accordance with legal norms (not just in accordance with legal rules) or legal principles. This research uses a legal and conceptual approach and uses secondary legal materials, namely laws related to this research uses primary legal materials, namely books, journals and the internet. (Peter Mahmud Marzuki, 2014: 47).

## **Results and Discussion**

### ***How is the Imposition of Sales Tax on Luxury Goods (PPnBM) in Indonesia***

ReferencesLaw Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, as last amended by Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP Law), regulates the mechanism of imposition of Sales Tax on Luxury Goods (PPnBM) in Indonesia. Understanding the subjects and objects of VAT and STLG, as well as the imposition and reporting mechanisms, is very important for business actors and the general public to ensure compliance with tax provisions and avoid administrative sanctions. This is because the existing laws in Indonesia regulate the mechanism of imposition of VAT and STLG in an exploratory manner. (Harahap & Fakhri, n.d.). Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLG) are two types of indirect taxes levied on consumption at any level of production or distribution. PPnBM is imposed by the government to balance the tax burden between low-income and high-income consumers and to control the consumption pattern of luxury goods. (Arianti Dewi & Haryatiningsih, 2022).

The Minister of Finance Regulation on the Implementation of Law Number 11 of 2020 on Job Creation in the Fields of Income Tax, VAT and STLG, as well as the General Provisions of Tax Procedures, stipulates that this tax is on goods that are considered luxurious. Registered taxpayers who produce or import luxury goods are required to pay PPnBM tax. VAT is a tax that imposes on other parties. (Rika Mawarni et al., 2022). Sales Tax, also known as Value Added Tax and Luxury Goods Sales Tax, is an indirect tax in Indonesia that is levied on consumption at the production or distribution

level. Although both of these taxes are imposed at the production and distribution level of goods or services, the final consumer bears these taxes indirectly. (*Ibid*).

According to Law Number 42 Year 2009, the rate of STLG should be a minimum of ten percent and a maximum of two hundred percent. In addition, zero tax is imposed on luxury goods produced by a manufacturer or entrepreneur for the purpose of producing or importing such luxury goods in the entrepreneur's commercial activities. The background of Sales Tax on Luxury Goods is that every tax collection, including Value Added Tax collection, is expected to reflect both horizontal and vertical justice. To achieve the goal that Value Added Tax collection reflects such fairness, the imposition of Sales Tax on Luxury Goods Tax is a symptom of society, meaning that taxes only exist in society. (Yeremia, 2022).

In Indonesia, the value-added tax (VAT) collection system is a self-assessment system, which means that taxpayers are given the trust to calculate, deposit, and report their own taxes owed to the state. The easiest method to collect taxes is to require taxpayers to levy and collect taxes by other parties. Thus, the government does not need to use other methods to collect taxes. (Ratnawati, n.d.). Before taxable goods or taxable services are consumed by consumers, VAT is collected at each link in the production and distribution chain. The double effect of the age of tax credits is not caused by usage at each level. Therefore, the consumer's tax cost is fixed and is not affected by the length of the production or distribution process. VAT on the increase in the value of taxable goods or services provided by taxable entrepreneurs is the difference between the selling price and the cost of the goods. (Harahap & Fakhri, n.d.).

The PPnBM Tax Subject is Taxable Entrepreneurs (PKP and Non-Taxable Entrepreneurs (BPKP) and the PPnBM Tax Object is, PPnBM has 4 (four) characteristics as follows: (Mardikwati et al., n.d.).

1. An additional levy, PPnBM is an additional tax on luxury goods that are also subject to VAT;
2. Only imposed once, namely when importing or delivering luxury taxable goods by producers who produce luxury taxable goods.
3. Not creditable because PPnBM has a target, namely consumers, therefore if PPnBM can be credited, the purpose of providing additional tax burden cannot be achieved because the PPnBM that has been paid will be returned to the vault of the large company;
4. If exporting, PPnBM paid at the time of purchase can be recovered.

If exporting, the sales tax paid at the time of purchase can be recovered, which in Indonesia includes, PPnBM is imposed on. Domestic shipments of Completely Built-Up transportation and not shipments of assembled/manufactured transportation within the customs territory, transportation carrying up to fifteen individuals, such as drivers, double cabin transportation, unique transportation, as well as motorcycles with cylinder capabilities above 250 CC. The provision of motorcycles, namely, transportation carrying up to 15 individuals, such as riders and multiple compartment transportation resulting from the alteration of the vehicle frame and transportation carrying objects. The following transportation is free from foreign inputs and gifts. Ambulances, prisoner cars, fire engines, hearses and angkots. State service transportation. Motorcycles to transport 10-15 individuals, there are riders on official transportation of state officials. State apparatus guard transportation. Individuals or institutions engaged in overseas delivery activities as well as those who receive motorcycles that are not subject to Luxury Goods Tax as described in point 2 above must have a Sales Tax Decree on Luxury Goods published by the Directorate General of Taxes, the Head of the Tax Office where the applicant's registration is located, prior to overseas delivery of the motorcycle.

Taxable Goods other than Motor Vehicles that are subject to PPnBM at a rate of 10%. These goods include, Group of household appliances, refrigeration equipment, heating equipment, and television broadcast reception equipment. Refrigerators, consisting of refrigerator-freezer combinations, of the household type with a capacity of more than 180 liters up to 230 liters and refrigerators, of the household type with a capacity of more than 180 liters up to 230 liters and compression type. Instantaneous water heaters or water heaters with storage, instead of electricity, for household use that use gas. Washing machines of the type used for household use, including machines that can be used for washing and drying clothes, cloth or the like, consisting of; Fully automatic machines with a dry linen capacity of more than 10 kg; Other machines, equipped with centrifugal dryers, with a dry linen capacity of more than 10 kg; Other machines that have a dry linen capacity of more than 10 kg.

Instantaneous water heaters or water heaters with storage, electricity and other electro thermal equipment of the type used for domestic purposes, consisting of; Instantaneous water heaters or water heaters with storage, electric; Electric space heating apparatus and electric ground heating apparatus.

A receiving apparatus for television, whether or not combined with a radio broadcast receiver or a sound or video recording or reproducing apparatus and a video monitor, comprising; Color video monitors above 17 inches up to 43 inches; Receiving apparatus for television above 29 inches up to 43 inches.

Group of sports equipment and supplies, namely fishing equipment (fishing rods or reels) with an import value or selling price of IDR 500,000 or more per unit; The group of air temperature control machines, consisting of motor-driven fans and elements for changing air temperature and humidity, including those machines, which cannot adjust air humidity separately, of the window or wall type, with a wall capacity of 1 PK to 2 PK.

Group of image recording or reproduction devices, radio broadcast receiver consisting of; Video recording or reproducing apparatus, whether or not combined with a video tuner, with a selling price or import value above Rp1,000,000.00 per unit: Magnetic tape type other than those used exclusively in cinematography, television and broadcasting; Receiving apparatus for broadcasting, whether or not combined in the same housing, with apparatus for recording or reproducing sound or time indication, with a selling price or import value above Rp1,000,000.00 per unit.

Groups of photographic equipment, cinematographic equipment, and equipment, namely; Digital cameras and video recording cameras, other than those used for radio or television broadcasting businesses; Photographic cameras (other than cinematographic cameras) and digital cameras, with a selling price or Customs value of import duty above IDR 2,000,000.00 per unit.

Taxable Goods other than Motor Vehicles that are subject to PPnBM at a rate of 20%. These goods include; Group of household appliances, refrigeration aircraft, heating aircraft, other than those mentioned in the List of Types of Taxable Goods Classified as Luxury other than motor vehicles that are subject to PPnBM at a rate of 10%, namely; Furnaces, stoves, open stoves, cooking utensils with gas fuel (including furnaces with additional boilers for central heating), grills, braziers, gas rings, heating plates, and similar household appliances without electricity, of iron or steel, and non-portable types; Refrigerators, i.e. combination refrigerators-freezers, equipped with separate outer doors, of the household type with a capacity exceeding 230 liters.

Luxury housing groups, such as mansions, apartments, condominiums, town houses, and the like; Houses and town houses of the non-title strata type with a building area of 250 m<sup>2</sup> or more; Apartments, condominiums, and town houses of the strata title type and the like, with an external building of 150 m<sup>2</sup> or more. The group of television broadcast receivers and antennas and antenna reflectors, other than those mentioned in the List of Taxable Goods Classified as Luxury other than motor vehicles that are subject to PPnBM at a rate of 10%, are; Receiving apparatus for television, whether or not combined with a radio broadcast receiver or sound or video recording or reproducing apparatus, video monitors where the receiving apparatus for television is above 43 inches and the color video monitor is above 43 inches; A video projector that has the capacity to project on a screen measuring 300 inches or more; Antennas and antenna reflectors of all kinds, other than those used for radio or television broadcasting, telecommunication services, and those used for radar equipment, radio aids to navigation and radio remote control equipment; Antennas and antenna reflectors of all kinds for radio or television broadcast receivers with an import value or selling price of IDR 500,00 or more per set or per unit.

The group of air conditioning machines, dishwashers, dryers, electromagnetic aircraft, and musical instruments, other than those included as Luxury Taxable Goods other than motor vehicles that are subject to PPnBM at a rate of 10%, namely; Air temperature control machines, consisting of a fan driven by a motor and elements to change the temperature and humidity of the air, including such machines that cannot regulate air humidity separately with a cooling capacity of above 2 PK up to 3 PK (window or wall type) and which are used for people in motor vehicles; Dishwashers of household type; Drying machines with dry linen capacity not exceeding 10 kg of the type used for households; Microwave oven; Pianos including automatic pianos, harsichords and other stringed keyboard instruments; Musical instruments with sound produced, or to be amplified electrically (e.g. organ, guitar, accordion) 5. Fragrances group, namely perfumes and perfumed liquids that are ready for retail sale with an import value or selling price of IDR 2,000.00 or more per ml.

List of types of taxable goods classified as luxury other than motor vehicles that are subject to luxury taxation; (15~PMK.03~2023, n.d.) Twenty percent (20%), Luxury residential groups such as luxury houses, apartments, condominiums, town houses, and the like with a selling price of Rp30,000,000,000.00 (thirty billion rupiah) or more. Eighty percent (40%),

Group of aerial halons and steerable aerial halons, other aircraft without propulsion.

Group of firearms bullets and other ap1 weapons, except for state purposes: Bullets and their parts, excluding air rifle bullets. Fifty percent (50%). Group of aircraft other than those subject to 40% tariff, except for state purposes or commercial air transportation, Helicopters; Aircraft and other air vehicles, other than helicopters.

Group of ap1 weapons and other ap1 weapons, except for state purposes, Artillery weapons; Revolvers and pistols; Firearms (other than artillery guns, revolvers and pistols) and such equipment operated by firing explosives. Seventy-five percent (75%) Group of luxury yachts, except for state purposes or public transportation, Yachts, excursion boats, such water vehicles especially designed for the carriage of persons, ferry boats of all types, except for the benefit of the state or public transport; Yachts, except for the benefit of the state or public transportation or tourism business.

### ***How is the Imposition of Sales Tax on Luxury Goods (Ppnbm) on Motor Vehicles Classified as Luxury Goods***

Tax is a source of government funds for development, both at the central government and regional levels, as regulated by law. Taxes are collected through mandatory contributions paid by the people to the state, with the purpose of managing the government and the general public. The benefits of taxes cannot be directly felt by the people, as taxes are used for public interests, not for personal gain. (Muhammad Taufiq, 2018).

W.J. de Langen introduced the theory of fiscal capacity in tax collection. This theory explains that tax collection should align with the taxpayer's ability to pay, ensuring that the tax burden is in accordance with the taxpayer's capacity, taking into account their income, wealth, and expenditures. (Erly Suandy, 2016).

Tax capacity refers to the extent of a person's ability to meet their needs to the highest possible level after deducting essential primary needs. The ability to pay taxes arises when basic life needs have been sufficiently met, allowing a person to be taxed without disrupting their livelihood. (*Ibid.*).

Significant to the life of the state, especially, is the issue of development. One of the benefits of taxes is as a source of state revenue to finance all expenditures for comprehensive national development. Taxes collected by the government from the public generally have four functions, namely: (*Ibid*, hal.12.) Budget Function (Budgeter). Taxes are the largest source of state revenue, allocated to finance expenditures for national development in areas such as education, economy, and healthcare. Regulating Function. One of the

functions of taxation is to regulate the state's policies in the socio-economic field. This regulatory function includes; Taxation functions to curb inflation; Taxes function to encourage import and export activities; Taxes serve to provide protection for domestically produced goods, for example Value Added Tax (VAT) and PPnBM. Taxes serve to provide protection for domestic production goods, such as Pajak Pertambahan Nilai (PPN) and PPnBM; Taxes function to attract and regulate capital investment that can help make the country's economy more productive. Equalization Function (Distribution). Taxes serve to adjust or equalize the income and welfare of every citizen. Stabilization Function. Taxes function to stabilize the economic conditions of a country. For example, in addressing inflation, the government can set high tax rates, which will reduce the circulation of money. An example of addressing deflation is when the government lowers tax rates, which will increase the circulation of money

Taxes play an important role as a source of state revenue, which enables the continuation of proper development. In order for tax collection to run smoothly and fairly, there should be a legal framework in place as well as principles of taxation to guide the implementation of tax collection. The principles of taxation are as follows: (Khalimi & Dharma Prawira). Equality. Tax collection among tax subjects must be balanced with their ability. The balance referred to means it should align with the income earned under legal protection. The amount of tax paid by the tax subject must be in accordance with their income, and the tax amount should not exceed the income of the tax subject. Certainty. It means there is legal certainty, the subject, object, and tax rates must be clear. Convenience of payment. This means that taxes must be collected at the right time, the most suitable time for the taxpayer. Efisiensi/economics of collection. This means that tax collection must yield results, be carried out as efficiently as possible, and the cost of collection should not exceed the tax revenue

Tax collection must also adhere to the principle of fairness in order to function effectively. The principle of fairness embedded in the taxation system includes horizontal fairness and vertical fairness. Horizontal fairness can be understood as the principle that individuals with the same income should pay the same amount of tax, while vertical fairness means that individuals with higher income should pay a higher amount of tax. These principles of fairness must be upheld by the state as the tax collector, ensuring that no members of society are disadvantaged in the process of tax collection.

Based on the explanation in Pasal 5 Ayat (1) Undang-Undang Nomor 42 Tahun 2009, the purpose of the Luxury Goods Tax (PPnBM) is as follows. For the delivery of luxury taxable goods by producers or the import of luxury taxable goods, in addition to being subject to Value-Added Tax, they are also subject to Luxury Goods Sales Tax, considering that:

1. There needs to be a balance in tax imposition between low-income consumers and high-income consumers.
2. There is a need to regulate consumption patterns of luxury taxable goods.
3. There is a need for protection for small or traditional producers.
4. It is necessary to secure state revenue.

The purpose of the Luxury Goods Sales Tax (PPnBM) is further outlined in Peraturan Pemerintah Nomor 61 Tahun 2020 concerning Taxable Luxury Goods Other Than Motor Vehicles Subject to Luxury Goods Sales Tax. Peraturan Pemerintah Nomor 61 Tahun 2020 states that the objective of imposing PPnBM is to create a balance in tax burdens between low-income and high-income consumers and to promote the tourism industry.

Based on the objectives outlined above, the luxury goods sales tax (PPnBM) has not fully achieved its intended purposes. This is due to the fact that certain luxury items, which should have the potential to generate revenue for the state, are not subject to PPnBM taxation. The Luxury Goods Sales Tax (PPnBM) on motor vehicles has been considered effective in achieving the objectives of PPnBM collection. The regulation of PPnBM objects for motor vehicles is detailed and clear in categorizing PPnBM rates based on transportation capacity, engine capacity, fuel consumption, and CO<sub>2</sub> emission levels.

The carbon emissions and fuel consumption of motor vehicles subject to the Luxury Goods Sales Tax (PPnBM) have a significant impact on the environment. Therefore, the imposition of PPnBM is necessary to help preserve environmental quality. Furthermore, the application of PPnBM also plays a role in maintaining the competitiveness of the national automotive industry, reducing traffic congestion, and alleviating pressure on road infrastructure. (Margono et al., 2022; Pratama & Rezki, 2022). However, the Luxury Goods Sales Tax (PPnBM) on objects other than motor vehicles does not sufficiently fulfill the purpose of its imposition. There are numerous potential luxury items aside from motor vehicles that should be considered

as PPnBM objects to generate revenue for the state, such as watches, diamonds, paintings, and others.*(Ibid)*.

According to Millie Lukito, Founder & Chairwoman of Mobiliari, luxury goods or luxury brands have a distinct place in the Indonesian market. Based on Retail Asia data from 2022, sales of luxury goods in Indonesia increased by 15 percent compared to the previous year. The growth in luxury goods sales in Indonesia continued into 2023 with an increase of 10 percent. Products such as luxury clothing, bags, jewelry, watches, and beauty products remain highly sought after by luxury goods enthusiasts.*(Pratama & Rezki, 2022)*. Based on this, luxury items such as watches, bags, and jewelry, which already have a substantial market, should be subject to the Luxury Goods Tax (PPnBM) in order to generate revenue for the state. However, in practice, items other than motor vehicles subject to PPnBM under the regulations are limited to luxury residential groups, firearms, airplanes, hot air balloons, and luxury cruise ships.

Policies related to the classification and imposition of the Luxury Goods Tax (PPnBM) do not yet reflect the goal of balancing the tax burden between high-income and low-income consumers. This is due to the fact that many prestige and high-value items, such as luxury watches, bags, and diamonds, which are only accessible to high-income groups, are not included as taxable objects under PPnBM. The exclusion of these items from PPnBM actually provides more advantages to high-income consumers, thereby widening the tax burden gap between high- and low-income groups.*(ErlySuandy, Op.Cit, hal.56)*.

The policy regarding the classification and determination of Goods Subject to Sales Tax on Luxury Goods (BKP) currently applies only to certain types of goods, and thus does not fully support the control of consumption of luxury BKP. Based on previous analysis, there are various items in society that meet the criteria of luxury goods but are not subject to the luxury goods tax (PPnBM). If items such as luxury watches, luxury bags, diamonds, and other goods with high prestige and expensive prices are not subject to PPnBM, the consumption of these goods cannot be controlled. This is further exacerbated by the fact that the consumption of luxury items like watches continues to rise, meaning the objective of PPnBM to control the consumption of luxury goods is not being achieved.*(Ibid, hal.57)*.

The items currently categorized as luxury goods and subject to the Luxury Goods Tax (PPnBM) include luxury residences, firearms, aircraft, hot

air balloons, and luxury yachts. These products are typically manufactured by large producers rather than small or traditional ones. Furthermore, manufacturers of these goods are relatively rare in Indonesia, so the imposition of PPnBM on these items does not affect the protection of small or traditional producers. However, from the perspective of other luxury goods, there are several high-value items, such as watches, bags, and jewelry, which are also produced by small, traditional, or local producers.

The limited scope of the objects subject to the Luxury Goods Tax (PPnBM), apart from motor vehicles, also hinders the objectives of ensuring the country's financial security. The state should be able to generate more revenue by imposing the luxury goods tax on items that have a broad market in Indonesia, such as watches, bags, jewelry, and others. However, the lack of regulations regarding the collection of taxes on these items prevents the state from generating additional income.

The legislation related to the Luxury Goods Tax (PPnBM), especially concerning objects other than motor vehicles, should give more attention to the principles of equality and justice in the implementation of the PPnBM collection in Indonesia. Individuals with high incomes who can afford luxury goods should indeed be subject to the PPnBM collection, so that the tax redistribution function can be maximized and contribute to the better development of the nation and its people.

## Conclusion

Luxury Goods Tax (PPnBM) is a tax imposed on goods classified as luxury, and companies are required to pay tax on these goods, ranging from a minimum of 10 percent up to 200 percent. Not many people are aware of PPnBM because it is an additional tax levied only once when a Taxable Entrepreneur imports and delivers the goods during the production process. Furthermore, there is no specific process for income tax and production tax. Since the PPnBM charged to the supplier is included in the cost price of luxury goods subject to tax, some customers are unaware of it. As a fiscal instrument, the policy of imposing the Luxury Goods Tax (LGT) on motor vehicles in Indonesia is intended to achieve various goals, such as increasing state revenue, controlling the consumption of luxury goods, and protecting the environment. The policy regarding the imposition of the Luxury Goods Tax on motor vehicles has been quite effective in achieving tax objectives in Indonesia. However, the policy on the imposition of Luxury Goods Tax on goods other than motor vehicles has not met the tax objectives in Indonesia.

due to inappropriate tax objects, which violate the principles of equality and justice. Nevertheless, the success of the policy depends on strict government oversight, collaboration with environmental policies, and changes in the market and technology. Therefore, to achieve both fiscal and non-fiscal goals of the Luxury Goods Tax, collaboration between the government, industry players, and society is essential.

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