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Legal Review of the Directorate General of Taxes' Authority to Freeze Taxpayer Assets

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Abstract

This study conducts a normative legal evaluation of the authority of the Directorate General of Taxes (DGT) to freeze taxpayer assets, focusing on a concrete case study involving the freezing of assets belonging to PT Intan Karya Mandiri, domiciled in Sumbawa, West Nusa Tenggara Province, by the Banjarbaru Tax Office (KPP) in South Kalimantan Province. The primary objective is to analyze two main issues: the *ratio legis* underlying the asset-freezing authority within the Indonesian tax law framework, and the legal implications of exercising this authority on taxpayers and the national tax system—specifically concerning alleged territorial overreach (*ultra vires ratione loci*) and errors in legal identity (*error in persona*). Adopting a normative legal (doctrinal) research methodology, this study employs statute, conceptual, case, and deductive approaches. Findings reveal that while the *ratio legis* under Law No. 19 of 2000 on Tax Collection by Warrant and its implementing regulations aims to safeguard state receivables, this power is inherently constrained by three cumulative boundaries: material limits, territorial limits, and personal limits (correct legal subjects). In the case of PT Intan Karya Mandiri, strong evidence indicates a dual violation of territorial and personal limits. Consequently, the asset-freezing action by KPP Banjarbaru constitutes an *ultra vires* act compromised by both procedural authority defects and substantive errors in identifying the legal subject. The legal implications encompass the infringement of the taxpayer's economic and legal rights, structural weaknesses in inter-tax office coordination, the urgent need to enhance the single identity system, and potential institutional and personal legal liabilities for the officials involved. This study recommends mandating a dual-verification mechanism combining the Tax Identification Number (NPWP) and Business Identification Number (NIB) prior to asset freezing, along with drafting explicit regulations codifying a Taxpayer's Bill of Rights within Indonesia's legal tax system.

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Introduction

Taxes serve as the bedrock of state financing in executing governmental functions and national development, as mandated under Article 23A of the 1945 Constitution of the Republic of Indonesia, which explicitly stipulates that taxes and other compulsory levies for state purposes shall be regulated by law. [1] This constitutional provision establishes that taxation is not merely a fiscal instrument, but also a legal instrument whose existence must strictly adhere to the principle of legality (*het legaliteitsbeginsel*)

[1] Article 23A, The 1945 Constitution of the Republic of Indonesia.

as a primary pillar of a state governed by the rule of law (rechtsstaat) [2]. According to Zain, taxes constitute enforceable contributions levied without direct counter-performance or immediate individual reciprocity [3]. In the context of a constitutional state, tax collection must be executed based on statutory law while upholding the principles of legal certainty and justice [4].

Data from the Directorate General of Taxes (DGT) indicates that in 2024, net tax revenue realization reached IDR 1,931.61 trillion, representing 100.50 percent of the target specified in the Revised State Budget (APBN-P) 2024 a growth of 3.41 percent compared to 2023 with significant contributions from domestic Value Added Tax amounting to IDR 729.39 trillion and Article 21 Income Tax totaling IDR 243.65 trillion. Meanwhile, the tax revenue target in the 2025 State Budget is set at IDR 2,189.30 trillion, reflecting an ambitious 13.34 percent increase from the previous year's realization that compels the DGT to optimize all tax collection instruments including active enforcement through asset freezing to safeguard state revenue amidst global economic uncertainty. [5] The pressure to achieve these targets frequently drives field tax officials to act aggressively without thoroughly assessing the judicial and territorial boundaries inherent to their official jurisdiction.

Over the past decade, Indonesia has undergone massive structural reforms within its national tax administration system. The enactment of Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP), part of the omnibus law policy in taxation, introduced significant amendments across nine regulatory clusters, ranging from General Provisions and Tax Procedures (KUP), Income Tax, and Value Added Tax, to the voluntary disclosure program and carbon tax. Parallel to regulatory harmonization, the DGT has been executing digital transformation through the Core Tax Administration System (CTAS, locally known as *PSIAP*), rolled out in stages since early 2025. This core system is designed to integrate all taxpayer databases into a single unified platform to minimize data duplication, misidentification, and jurisdictional overlaps between Tax Services Offices (*Kantor Pelayanan Pajak* or KPP).

Ironically, during the transition toward this integrated platform, various data validity issues have emerged that pose a risk of fatal administrative errors, including mistakes in identifying the legal subjects targeted for active enforcement actions such as bank account and asset freezing. [6] Statutorily, this enforcement authority aims to secure state receivables, create a deterrent effect, and protect the interests of compliant taxpayers. [7]

Since its launch in early 2025, the implementation of Coretax DGT has encountered various technical and administrative hurdles widely reported by mass media and business associations, ranging from glitches in the electronic tax invoice module and data synchronization issues when migrating legacy taxpayer profiles, to reports regarding inaccurate balance data and compliance status. Empirically, such transitional conditions open a wider margin for misidentifying tax subjects, given that migrating data from dozens of segregated systems (silo systems) into a single integrated database is neither instantaneous nor immune to errors. This phenomenon underscores the critical urgency of investigating the jurisdictional limits of asset freezing, as the risk of administrative errors directly impacting the substantive rights of taxpayers is significantly heightened during a transitional phase compared to a fully mature and stabilized system. [8]

The issue of taxpayer identity is paramount because the Indonesian tax system adheres to the self-assessment principle, wherein the Taxpayer Identification Number (NPWP) serves as the sole, legally valid identifier distinguishing one tax subject from another. When two distinct legal entities utilize similar or identical trade names a common occurrence in Indonesian business practice given the lack of strict statutory restrictions on corporate name similarities across different regional jurisdictions the risk of misdirected enforcement, including asset freezing, becomes acutely real. Such errors are not merely technical or administrative oversights; rather, they infringe upon fundamental economic human rights, specifically the right to legal certainty and property rights protected under Article 28D paragraph (1) and Article 28H paragraph (4) of the 1945 Constitution, alongside Law No. 39 of 1999 on Human Rights. [9]

The territoriality principle governing the jurisdiction of Tax Services Offices represents a foundational doctrine in the organizational structure and workflow of the DGT's vertical units, as regulated by the Minister of Finance Regulation concerning the organization and work procedures of DGT vertical offices. [10] Each KPP is assigned a defined geographical jurisdiction that bounds its operational mandate, including the authority to enforce tax collection against taxpayers registered within its territorial boundary. This principle derives directly from the principle of legality in administrative law, which dictates that every governmental act (*bestuurshandeling*) must possess a valid legal foundation, encompassing material competence (subject matter jurisdiction), temporal competence (temporal limits), and territorial competence (geographical jurisdiction). [11] Actions taken by tax officials exceeding their geographical jurisdiction without a legally valid inter-KPP coordination mechanism constitute *ultra vires* acts infected by authority

[2] Jimly Asshiddiqie, *Pengantar Ilmu Hukum Tata Negara* [Introduction to Constitutional Law] (Jakarta: Rajawali Pers, 2020), 230–245.

[3] Mohammad Zain, *Manajemen Perpajakan* [Tax Management] (Jakarta: Salemba Empat, 2008), as cited in Indah Chairun Nisa, Memen Suwandi, and Muhammad Sapril Sardi Juardi, "Pengaruh Sistem Pemungutan Pajak, Pelayanan Fiskus Dan Efektifitas Sistem Perpajakan Terhadap Kepatuhan Wajib Pajak Dengan Layanan Drive Thru Sebagai Variabel Moderating," *AKTIVA Jurnal Akuntansi dan Investasi* 3, no. 1 (May 2018): 2.

[4] Article 23A, The 1945 Constitution of the Republic of Indonesia

[5] Directorate General of Taxes, "Laporan Kinerja Direktorat Jenderal Pajak," accessed June 1, 2026, https://www.pajak.go.id/id/laporan-tahunan.

[6] Law No. 7 of 2021 on the Harmonization of Tax Regulations, State Gazette of the Republic of Indonesia Year 2021 No. 246, Supplement to the State Gazette No. 6736.

[7] Directorate General of Taxes, *Laporan Kinerja Direktorat Jenderal Pajak Tahun 2024* [Directorate General of Taxes Performance Report 2024] (Jakarta: Ministry of Finance RI, 2025), 14–17.

[8] Directorate General of Taxes, "Core Tax Administration System: Reformasi Digital Perpajakan," accessed June 1, 2026, https://www.pajak.go.id/coretax.

[9] Article 28D paragraph (1) and Article 28H paragraph (4), The 1945 Constitution of the Republic of Indonesia. See also: Law No. 39 of 1999 on Human Rights.

[10] Directorate General of Taxes, *Op. Cit.* (accessed June 1, 2026).

[11] Philipus M. Hadjon *et al*., *Pengantar Hukum Administrasi Indonesia* [Introduction to Indonesian Administrative Law] (Yogyakarta: Gadjah Mada University Press, 2011), 130–132.

defects (*onbevoegdheid*), rendering them voidable or void *ab initio*. [12]

The asset freezing of PT Intan Karya Mandiri domiciled in Sumbawa, West Nusa Tenggara Province by the Banjarbaru Primary Tax Office (KPP Pratama Banjarbaru) in South Kalimantan Province presents a complex, multidimensional legal dispute. On one hand, this action gives rise to strong allegations of territorial overreach (*ultra vires*), considering that PT Intan Karya Mandiri, as an entity domiciled in Sumbawa, falls under the territorial jurisdiction and oversight of the KPP supervising Sumbawa, rather than KPP Banjarbaru, which operates in a geographically and administratively distinct province. On the other hand, there are compelling indications of an error in legal identity (*error in persona*) resulting from corporate name similarity with another entity that may be a legitimately registered taxpayer within KPP Banjarbaru's jurisdiction. The convergence of alleged territorial overreach and misidentification renders the PT Intan Karya Mandiri case an indispensable case study for critically evaluating the jurisdictional limits of DGT asset-freezing powers, as well as its legal implications for taxpayer rights protection and legal certainty within the national tax framework. [13]

From a geographical and administrative standpoint, the distance between Sumbawa Regency (West Nusa Tenggara) and Banjarbaru City (South Kalimantan) spans hundreds of kilometers across sea and air routes a physical separation that logically and administratively should serve as a clear indicator that the two territories fall under completely separate vertical jurisdictions of the DGT. This geographical reality reinforces the premise that the freezing order issued by KPP Banjarbaru against an entity domiciled in Sumbawa resulted from severe administrative verification negligence rather than a minor technical oversight. Under sound principles of good governance, such errors should be precluded through multi-tiered verification mechanisms prior to executing coercive administrative acts that severely impact citizens' legal and economic rights.

The urgency of this research is further highlighted by the fact that asset freezing is an administrative enforcement measure of a coercive nature (*dwang*) that inflicts severe economic harm and reputational damage on taxpayers, particularly corporate entities that rely on bank account liquidity for operational continuity. When an asset-freezing order is executed carelessly, without adequate identity verification, and in disregard of statutory territorial limits, it not only injures the taxpayer victimized by the administrative error but also violates the General Principles of Proper Administration (*AUPB*) specifically the principles of due care (*zorgvuldigheidsbeginsel*), legal certainty (*rechtszekerheidsbeginsel*), and proportionality. [14] In the long run, such practices risk eroding public trust in tax institutions, which ought to serve as strategic partners for the business community in fostering a conducive investment climate. Consequently, a normative legal investigation into the *ratio legis* of asset-freezing powers and its legal ramifications for taxpayers and the Indonesian tax system is vital from both an academic standpoint and the practical interest of equitable administrative law enforcement. [15]

From the perspective of administrative jurisprudence, the phenomenon of misdirected asset freezing is also relevant to analyze within a broader framework: the structural tension between the state's necessity to execute effective and efficient law enforcement (*rechtshandhaving*) and its constitutional duty to protect citizen rights (*rechtsbescherming*). While this tension is a classic theme in administrative law, it acquires a new dimension when intertwined with rapid information technology integration and bureaucratic automation within modern tax governance. Heightened reliance on automated IT systems introduces the risk of systemic errors that are difficult to detect manually, thereby demanding a responsive legal framework that adapts to technological advancements without sacrificing established principles of the rule of law.

Equally critical is the psychological and sociological dimension of misdirected asset freezing on regional entrepreneurs, particularly in areas geographically distant from major tax oversight centers like Jakarta and other metropolitan cities. Business actors in regional areas such as Sumbawa generally face restricted access to tax consultants, advocates, and legal professionals who specialize in challenging erroneous administrative acts. Consequently, their bargaining position against administrative errors by tax authorities is significantly weaker than that of metropolitan enterprises. This dynamic introduces an element of distributive justice to this study, highlighting that the issue extends beyond technical legalities to encompass disparities in access to justice between regional and capital business entities when confronting flawed state administrative actions.

Based on the background formulated above, the main research questions of this study are:

1. What is the *ratio legis* underlying the Directorate General of Taxes' authority to freeze taxpayer assets within the Indonesian tax law system, particularly in light of the asset freezing of PT Intan Karya Mandiri in Sumbawa by KPP Banjarbaru, South Kalimantan?
2. What are the legal implications of exercising this asset-freezing authority on legal protections for taxpayers and on the national tax administration system as a whole?

Research Methodology

1. Research Type and Approaches

This study employs normative legal research (*doctrinal legal research*), focusing on law as a system of norms. Primary data from field research is not utilized. The legal approaches applied in this study include:

- **Statute Approach:** Applied by examining relevant statutory provisions to evaluate consistency across legal hierarchies and normative coherence. [16]
- **Conceptual Approach:** Employed to address regulatory gaps by synthesizing legal doctrines, principles, and concepts established in legal jurisprudence.
- **Case Approach:** Applied by analyzing concrete legal cases including binding judicial precedents focusing specifically on the *ratio decidendi* underlying judicial

[12] F.A.M. Stroink and J.G. Steenbeek, as cited in Ridwan HR, *Hukum Administrasi Negara* [State Administrative Law] (Jakarta: Rajawali Pers, 2018), 99–101.
[13] Sri Handayani, "Error in Persona dalam Praktik Penagihan Pajak: Sebuah Tinjauan Kritis," *Jurnal Hukum Bisnis* 9, no. 1 (2023): 89–107.
[14] Anis Farida, "Asas Kecermatan dalam Pengambilan Keputusan Administrasi Pemerintahan," *Jurnal Yuridika* 33, no. 1 (2018): 1–22.
[15] Gusti Ngurah Mahendra, "Analisis Proporsionalitas dalam Tindakan Pemerintahan yang Membebani Warga Negara," *Jurnal Konstitusi* 18, no. 2 (2021): 387–412.
[16] Peter Mahmud Marzuki, *Penelitian Hukum* (Revised edn, Kencana 2017) 133–137.

decisions.

- Deductive Legal Reasoning: Utilized through legal syllogism, deriving specific conclusions regarding the legal issue from general legal principles and premises.

2. Data Collection Techniques

Legal materials were collected through library research, systematically categorizing primary, secondary, and tertiary legal materials based on specific keywords, including *"asset freezing authority," "ultra vires," "tax collection," "ratio legis,"* and *"taxpayer protection."*

To analyze the specific case of PT Intan Karya Mandiri, publicly available legal facts and official documents related to tax collection and asset freezing were examined. Confidential internal tax documents were excluded; analysis was instead framed around general principles of administrative and tax law to maintain objective evaluation.

3. Method of Analysis

This study applies a prescriptive analysis, evaluating not merely the current legal framework (*das sein*), but formulating normative solutions and determining what the law ought to be (*das sollen*) based on fundamental legal principles.

Discussion

1. The *Ratio Legis* of Asset Freezing Authority over Taxpayers

Etymologically, the term ***ratio legis*** derives from Latin, combining *ratio* (reason, rationality, or justification) and *legis* (the genitive form of *lex*, meaning law or statute). Grammatically, *ratio legis* refers to the underlying legislative rationale or the legal purpose behind the enactment of a legal norm. It addresses a fundamental question in jurisprudence: why a norm was created and what objective it aims to achieve. *Black's Law Dictionary* defines *ratio legis* as *"the reason or purpose for a rule of law; the ground or cause of a rule,"* highlighting that *ratio legis* transcends the literal textual provisions to encompass the original legislative intent—frequently reflected in statutory recitals (*considerans*), explanatory notes (*memorie van toelichting*), or legislative histories (*travaux préparatoires*). [17]

The concept of *ratio legis* is deeply rooted in the Continental Civil Law tradition, particularly in German legal methodology, which utilizes *telos der norm* (the purpose of the norm) as a key interpretive tool when textual wording alone proves inadequate. Friedrich Carl von Savigny, a pioneer of the Historical School of Jurisprudence, emphasized the necessity of examining the historical and social context of a norm to ensure proper interpretation—a view that evolved into the historical interpretation method (*historische interpretatie*), which operates alongside teleological interpretation to uncover a norm's *ratio legis*. This approach has been widely adopted in civil law jurisdictions, including Indonesia, which inherited its legal framework from Dutch colonial law.

In Indonesian jurisprudence, legal scholars have extensively elaborated on *ratio legis*. Sudikno Mertokusumo asserted that judicial law-making or legal interpretation (*rechtsvinding*) must extend beyond literal textual meaning to uncover the lawmaker's intent through teleological or sociological interpretation, evaluating the law based on the societal objectives it serves upon application. [18] Bagir Manan emphasized that every statutory provision comprises two elements: the literal text (*littera legis*) and the spirit or intent behind it (*ratio legis* or *mens legis*); a comprehensive legal analysis requires balancing both elements to avoid rigid formalism while remaining faithful to the written law. Furthermore, Satjipto Rahardjo, through his progressive law framework, argued against strict rule-bound thinking, advocating for the law to be interpreted as a living, purpose-driven institution where *ratio legis* serves as the key to contextually responsive justice. [19]

In statutory interpretation, *ratio legis* acts as a bridge between grammatical interpretation (focused on textual and syntactical meaning) and teleological interpretation (focused on broader societal goals). It allows legal practitioners to understand both why a provision was drafted in a particular manner and what specific interests it seeks to protect. Uncovering the *ratio legis* is vital when facing legal vacuums (*rechtsvacuum*), vague norms (*vage normen*), or instances where strict textual application yields unjust outcomes aligning with the Latin maxim *summum ius, summa iniuria* (extreme law can result in extreme injustice).

Methodologically, the *ratio legis* of a statute can be identified through statutory preambles, official explanatory memorandums, legislative debate records, and authoritative judicial precedents. In Indonesian tax law, preambles often state broad objectives, such as *"ensuring legal certainty and equity"* or *"maximizing state revenue."* Operationalizing these general statements in concrete cases such as cross-territorial asset freezing requires systematic and teleological interpretation.

Applying *ratio legis* is critical to evaluating the scope of tax authorities' asset-freezing powers under the Tax Collection by Distress Warrant Act (UU PPSP) and its implementing regulations. While the statutory text empowers Tax Officers to request asset freezes from financial institutions, analyzing the *ratio legis* reveals *why* and *under what conditions* this authority was created. The core purpose of asset freezing is to secure outstanding tax arrears by preventing delinquent taxpayers from dissipating, transferring, or concealing assets prior to settlement. Inherently, this authority requires absolute certainty regarding the identity of the legal subject and the territorial jurisdiction of the enforcing officer. Without these two elements, the objective of securing state claims risks inflicting unlawful harm on non-liable parties, thereby directly contradicting the normative purpose of the law. Consequently, this *ratio legis* framework serves as the primary analytical tool to evaluate whether the asset-freezing action executed by KPP Banjarbaru against PT Intan Karya Mandiri aligned with legislative intent or constituted an *ultra vires* act resulting from misidentification and territorial overreach.

Case Study and Legal Implications Analysis Asset Freezing of PT Intan Karya Mandiri by KPP Banjarbaru

Case Description: Chronology and Legal Facts

This case study stems from an administrative enforcement action by the Banjarbaru Tax Office (*KPP Banjarbaru*), located in South Kalimantan Province, requesting an asset

[17] Bryan A. Garner (ed), *Black's Law Dictionary* (11th edn, Thomson Reuters 2019) 1536.
[18] Sudikno Mertokusumo, *Mengenal Hukum: Suatu Pengantar* (Liberty 2010) 162–170.
[19] *Ibid.* 171–175; see also Satjipto Rahardjo, *Hukum Progresif: Sebuah Penjelajahan Hukum* (Kompas 2009).

and bank account freeze against PT Intan Karya Mandiri, a corporate entity domiciled and actively operating in Sumbawa Regency, West Nusa Tenggara Province. The freezing request was executed as part of an active tax collection sequence for alleged tax liabilities recorded in KPP Banjarbaru's administrative database.

A legal dispute emerged when PT Intan Karya Mandiri (Sumbawa) asserted that it was not a registered taxpayer under the supervision of KPP Banjarbaru, but was instead registered with the regional tax office possessing territorial jurisdiction over Sumbawa. This situation points to two interrelated legal defects:

1. An alleged *ultra vires* act involving territorial overreach by KPP Banjarbaru against a taxpayer residing outside its statutory jurisdiction.
2. An alleged error in legal identity (*error in persona*), wherein an independent corporate entity with a similar or identical trade name may have owed tax liabilities within KPP Banjarbaru's jurisdiction, but due to administrative verification failures, the freezing order misaddressed PT Intan Karya Mandiri in Sumbawa—a completely separate legal entity.

Analysis of KPP Territoriality Principle

The territoriality principle governing Tax Services Offices (*KPP*) is a logical consequence of the Directorate General of Taxes' (DGT) vertical-decentralized structure, wherein each KPP is assigned a specific geographical jurisdiction under Minister of Finance regulations. Territorial jurisdiction is determined by a taxpayer's legal domicile for corporate entities, typically defined by the address in the deed of establishment or the Business Identification Number (NIB) used for tax registration. Normatively, KPP Banjarbaru's authority to service, supervise, and enforce tax collection is strictly limited to taxpayers registered within its assigned territory, which excludes Sumbawa Regency, West Nusa Tenggara. [20]

This principle embodies the specialty principle of authority (*specialiteitsbeginsel*) in administrative law—as formulated in Stroink and Steenbeek's theory of authority which dictates that governmental power is constrained by geographical boundaries (*ratione loci*) that cannot be exceeded without an explicit statutory basis. Unless executed through formal inter-KPP coordination mechanisms (such as cross-jurisdictional tax collection requests regulated under distress warrant provisions), direct enforcement by a KPP lacking jurisdiction lacks legal authority. The geographical separation between Banjarbaru (South Kalimantan) and Sumbawa (West Nusa Tenggara) further demonstrates the absence of any natural jurisdictional link between these two entities within the DGT's vertical framework.

Ultra Vires Analysis: KPP Banjarbaru's Authority over a Sumbawa-Based Taxpayer

Based on the territoriality principle, the action of KPP Banjarbaru in requesting an asset freeze against PT Intan Karya Mandiri in Sumbawa assuming the entity is not registered with KPP Banjarbaru and no valid cross-jurisdictional collection mechanism was invoked satisfies the criteria of an ***ultra vires*** act, specifically *onbevoegdheid ratione loci* (lack of territorial authority).

This can be systematically demonstrated using legal deductive reasoning:

- **Major Premise:** A tax office's collection authority is strictly bounded by its statutory territorial jurisdiction, and enforcement against taxpayers outside its territory without lawful inter-KPP coordination is *ultra vires*.
- **Minor Premise:** PT Intan Karya Mandiri is domiciled in Sumbawa (outside KPP Banjarbaru's jurisdiction), and no valid cross-jurisdictional collection procedure was established for this freezing order.
- **Conclusion:** The asset freezing executed by KPP Banjarbaru constitutes an *ultra vires* act infected by authority defects.

This conclusion aligns with Philipus M. Hadjon's Theory of Authority, which establishes that the validity of administrative acts depends on statutory basis (*rechtsgrond*) and legal conformity (*rechtmatigheid*), including compliance with defined territorial limits.

Identity Defect: Risk of Misdirected Freezing Due to Corporate Name Similarity

The legal complexity is further compounded by a potential error in identifying the legal subject due to trade name similarity. Under Indonesian corporate practice, there are few strict statutory restrictions preventing independent corporate entities from sharing identical or similar names across different regional administrative jurisdictions, provided they were registered in separate databases or periods. Consequently, multiple distinct legal entities named "PT Intan Karya Mandiri" may lawfully exist with separate NIBs, Tax Identification Numbers (NPWP), and legal domiciles.

The risk of misidentification is acute in an unintegrated tax database—particularly during the transition to the Core Tax Administration System (CTAS / Coretax), where real-time cross-validation across tax offices may be incomplete. If KPP Banjarbaru officials issued the freezing order based solely on name matches without cross-verifying NPWP, NIB, and registered domiciles, it committed a fatal administrative error resulting in an *error in persona*. This violates the principle of due care (*zorgvuldigheidsbeginsel*) under Article 10 of Law No. 30 of 2014 on Government Administration.

Legal Analysis: Validity of KPP Banjarbaru's Action

KPP Banjarbaru's asset-freezing action against PT Intan Karya Mandiri exhibits cumulative legal defects: an authority defect (*onbevoegdheid ratione loci*) due to territorial overreach, and a substantive/subject-identity defect (*error in persona*) due to verification failures. Under Articles 70 and 71 of Law No. 30 of 2014 on Government Administration, administrative decisions or acts issued without requisite authority, proper procedure, or correct legal substance are unlawful and must be revoked. [21]

Because territorial overreach touches upon the fundamental validity of administrative authority (*bevoegdheid*), this action constitutes an act that is void *ab initio* (*van rechtswege nietig*), rather than a curable procedural flaw. Legally, the asset freezing is invalid and must be formally revoked. PT Intan Karya Mandiri (Sumbawa) is entitled to legal

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[20] Dwi Anggraeni, "Prinsip Teritorialitas dalam Kewenangan Administrasi Perpajakan di Indonesia," *Jurnal Ilmu Hukum* 12, no. 2 (2022): 178–195.

[21] Articles 70 and 71, Law No. 30 of 2014 on Government Administration (stipulating invalidity and mandatory revocation of administrative acts exhibiting authority, procedural, or substantive defects).

rehabilitation and compensation for damages caused by this erroneous administrative act.

This finding answers the study's first research question regarding the *ratio legis* of asset-freezing powers: legislative intent is meant to secure valid state claims, not to validate territorial overreach or misdirected enforcement against incorrect legal subjects.

Legal Implications of Asset-Freezing Authority

1. Legal Implications for Taxpayers
2. Economic Impact

Erroneous asset freezing causes immediate and severe economic damage to victimized taxpayers:

- **Capital Access & Liquidity:** Freezing bank accounts halts corporate cash flow, disrupting payroll, supplier payments, and contractual obligations, thereby triggering third-party breach of contract and cascading reputational harm.
- **Business Continuity:** Prolonged freezes without legal clarity can force operational shutdowns or insolvency for entities dependent on liquid cash flows.
- **Business Reputation:** Public or commercial disclosure of tax asset freezes creates market perceptions of non-compliance and financial instability an intangible harm that is difficult to remedy even after the freeze is lifted.

For regional enterprises in areas like Sumbawa, which rely on localized supply chains and limited financial services, liquidity disruptions carry a heightened multiplier effect compared to metropolitan firms with broader access to alternative financing.

Legal Rights and Remedies

Taxpayers subjected to erroneous asset freezing possess procedural rights to seek legal redress:

1. **Administrative Objections:** Filed under Article 25 of the General Tax Provisions and Procedures Act (UU KUP) against underlying tax assessments.
2. **Appeals to the Tax Court:** Governed by Law No. 14 of 2002 on the Tax Court, providing a specialized judicial forum for tax disputes.
3. **Administrative Court Lawsuits (PTUN):** Filed against unlawful administrative actions or decisions under Law No. 5 of 1986 on State Administrative Courts (as amended).

Because the core issue for PT Intan Karya Mandiri is the validity of the administrative act itself rather than the quantum of tax owed, an Administrative Court (PTUN) lawsuit or a Tax Court challenge against the collection process represents the appropriate forum.

Proportionality Analysis

The principle of proportionality in administrative law requires a reasonable balance between public objectives and private burdens (*means-ends rationality*). In asset freezing, the scope and target must correspond proportionately to the verified tax debt, executed only after establishing that the targeted subject is the actual liable party.

2. Legal Liability for Erroneous Asset Freezing

Official Liability vs. Personal Liability

In administrative law, a fundamental distinction exists between official liability (*ambtelijke verantwoordelijkheid*) and personal liability (*persoonlijke verantwoordelijkheid*) of public officials. As a general rule, so long as an official acts within the scope of their statutory authority, legal liability rests with the office or institution rather than the individual. However, an important exception applies: if an official acts outside their statutory authority (*ultra vires*) or commits an abuse of power (*détournement de pouvoir*) intentionally or through gross negligence (*grove nalatigheid*), liability shifts to personal liability for the individual official. [22]

In the case of PT Intan Karya Mandiri, if the asset freeze was executed without adequate verification due to gross administrative negligence, a valid legal basis exists to hold the issuing official personally liable, alongside the institutional liability of KPP Banjarbaru and the Directorate General of Taxes (DGT). Distinguishing between these forms of liability ensures that legal accountability is not merely symbolic at the institutional level, but enforces individual accountability to deter similar administrative errors in the future.

The Concept of *Onrechtmatige Overheidsdaad*

Onrechtmatige overheidsdaad (unlawful government act) is an administrative law doctrine adopting the civil law principle of tort (*onrechtmatige daad*) under Article 1365 of the Indonesian Civil Code (KUHPerdata) and applying it to governmental actions. It provides a statutory basis for citizens to claim monetary damages from the state for harm caused by unlawful administrative acts, including acts exceeding statutory authority or violating the General Principles of Proper Administration (AAUPB).

The legal elements of *onrechtmatige overheidsdaad* require:

1. An administrative action/act by the government;
2. Unlawfulness (*onrechtmatig*), breaching written statutes or unwritten AAUPB;
3. Fault (*schuld*), attributable to intent or negligence;
4. Actual damage/loss; and
5. A direct causal link between the unlawful act and the loss incurred.

In this case, the action fails all three classic tests of administrative proportionality:

- **Suitability (*Geschiktheid*):** Failed, as the action targeted the wrong legal entity.
- **Necessity (*Noodzakelijkheid*):** Failed, as proper pre-verification would have rendered the coercive action against this entity unnecessary.
- **Proportionality Strictu Sensu (*Evenredigheid in enge zin*):** Failed, as the economic and reputational damage inflicted on an innocent regional entity vastly outweighs any public benefit.

Taxpayer Standing as an Administrative Object vs. Legal Subject

While taxpayers are objects of state administrative enforcement (*bestuurshandeling*), this public law relationship is not an absolute subordination that strips citizens of constitutional protections. Modern rule-of-law

[22] Rudolf Simamora, "Pertanggungjawaban Hukum Pejabat Pajak dalam Undang-Undang Administrasi Pemerintahan," *Jurnal Hukum Internasional* 19, no. 2 (2022): 178–201.

principles dictate that all coercive state acts must remain subject to judicial and administrative review (*toetsbaar*).

PT Intan Karya Mandiri retains its standing as a legal subject (*rechtssubject*) entitled to challenge unlawful state acts. This duality underscores that public enforcement powers cannot bypass foundational statutory boundaries.

Preventive vs. Repressive Legal Protection

According to Philipus M. Hadjon's Legal Protection Theory, protection manifests in two forms:

- **Preventive Protection:** Aims to prevent disputes prior to administrative execution through proper notification, right to clarification, and multi-tiered identity verification.
- **Repressive Protection:** Resolves existing disputes post-execution via objections, appeals, or judicial lawsuits.

In this case, preventive safeguards failed completely, forcing the taxpayer to rely on burdensome repressive remedies to restore its rights. This highlights the operational need to strengthen statutory pre-freezing verification safeguards within Indonesia's tax enforcement framework.

In the case of PT Intan Karya Mandiri, if the asset freeze was executed without adequate verification due to gross administrative negligence, a valid legal basis exists to hold the issuing official personally liable, alongside the institutional liability of KPP Banjarbaru and the Directorate General of Taxes (DGT). Distinguishing between these forms of liability ensures that legal accountability is not merely symbolic at the institutional level, but enforces individual accountability to deter similar administrative errors in the future.

The Concept of *Onrechtmatige Overheidsdaad*

Onrechtmatige overheidsdaad (unlawful government act) is an administrative law doctrine adopting the civil law principle of tort (*onrechtmatige daad*) under Article 1365 of the Indonesian Civil Code (KUHPerdata) and applying it to governmental actions. It provides a statutory basis for citizens to claim monetary damages from the state for harm caused by unlawful administrative acts, including acts exceeding statutory authority or violating the General Principles of Proper Administration (AAUPB).

The legal elements of *onrechtmatige overheidsdaad* require:

1. An administrative action/act by the government;
2. Unlawfulness (*onrechtmatig*), breaching written statutes or unwritten AAUPB;
3. Fault (*schuld*), attributable to intent or negligence;
4. Actual damage/loss; and
5. A direct causal link between the unlawful act and the loss incurred.

In the PT Intan Karya Mandiri case, all elements are satisfied if the freezing order lacked territorial jurisdiction and adequate identity verification (establishing unlawfulness and fault), directly inflicting economic and reputational harm on the entity (establishing damage and causation), thereby entitling the taxpayer to file a civil damage claim against the state. [23]

Taxpayer Litigation Mechanisms

A taxpayer harmed by an invalid asset-freezing order has multiple legal avenues for judicial redress:

- **Administrative Court (PTUN) Lawsuits:** Filed under the State Administrative Judiciary Act, challenging factual government actions (*feitelijke handelingen*) that violate AAUPB or statutory provisions, as expanded by Law No. 30 of 2014 on Government Administration.
- **Civil Tort Lawsuits (*Onrechtmatige Daad*):** Filed under Article 1365 of the Civil Code in the District Court to claim material and immaterial damages for government wrongdoing.
- **Tax Court Petitions:** Filed under Law No. 14 of 2002 on the Tax Court, specifically challenging the execution of active tax collection measures, including Distress Warrants and associated freezing orders.

These options offer a choice of forum depending on litigation strategy. Because the core issue for PT Intan Karya Mandiri is the validity of the administrative act itself, a PTUN lawsuit or a Tax Court petition challenging enforcement procedure constitutes the primary forum. Careful coordination is necessary to avoid procedural conflicts (*litispendensi*).

Administrative and Criminal Sanctions for Tax Officials

Tax officials found to have executed enforcement actions exceeding their authority or violating mandatory procedures face administrative sanctions under Civil Service Discipline regulations, ranging from written reprimands to dismissal. Additionally, Article 36 of Law No. 30 of 2014 on Government Administration stipulates that officials who abuse their authority must return state financial losses caused by their actions.

In criminal law, if an erroneous asset freeze involves bad faith or malicious intent (*mens rea*) that meets the statutory elements of official misconduct under the Criminal Code (KUHP) or the Anti-Corruption Law, criminal prosecution may apply. However, for administrative errors arising from negligence without criminal intent, remedies are directed toward administrative and civil compensation mechanisms, adhering to the principle of *ultimum remedium* (criminal law as a last resort).

Relevant Jurisprudence in Indonesian Tax and Administrative Disputes

Indonesian judicial practice contains established precedents regarding the invalidation of authority-defective or procedurally flawed administrative tax actions. The Tax Court has consistently held that tax assessment letters or enforcement measures issued without meeting statutory formal and material prerequisites are subject to annulment, adhering to the principle of legality.

Similarly, Administrative Court (PTUN) rulings confirm that government actions exceeding territorial jurisdiction or targeting incorrect legal subjects suffer from fundamental authority defects, rendering them void or voidable. While no exact factual precedent identical to PT Intan Karya Mandiri exists, established administrative jurisprudence offers an authoritative legal analogy confirming that KPP Banjarbaru's

[23] Fajar Kurniawan, "Tanggung Jawab Negara atas Perbuatan Melawan Hukum oleh Penguasa (Onrechtmatige Overheidsdaad)," *Jurnal Hukum Administrasi Negara* 5, no. 1 (2020): 45–67.

actions constitute a recognized category of administrative invalidity.

3. Implications for Governance and Institutional Reform

Impact on Compliance Risk Management

Misdirected asset freezing has direct implications for Compliance Risk Management (CRM), a cornerstone of modern tax administration. The DGT utilizes CRM models to classify taxpayers based on non-compliance risk levels to allocate enforcement resources efficiently. However, CRM accuracy depends heavily on baseline data quality, including taxpayer identities and domiciles. The misidentification in the PT Intan Karya Mandiri case reveals database vulnerabilities that undermine CRM risk modeling, leading to misallocated enforcement resources.

This highlights the operational need for routine Data Quality Audits within CRM frameworks. These audits should involve real-time cross-verification with external government databases, such as civil registry data from the Directorate General of Population and Civil Registration (Dukcapil) and corporate licensing data from the Ministry of Investment/BKPM, ensuring cross-institutional data accuracy for corporate tax subjects.

Tax Administration Human Resource Competence

This case highlights the need to enhance legal training for Tax Bailiffs (*Jurusita Pajak*) and enforcement personnel, who execute coercive collection actions. Errors in territorial authority and identity verification often stem from a limited understanding of administrative law boundaries, coupled with institutional pressure to meet revenue targets over procedural rigor.

Consequently, training curricula for tax enforcement officers must extend beyond administrative procedures to cover administrative law principles, AAUPB, and the legal consequences of *ultra vires* actions. Understanding these boundaries is critical as the implementation of the Core Tax Administration System (CTAS) introduces digital jurisdictional limits and automated workflows.

Investor Confidence and the Business Climate

At a macro level, erroneous asset freezing impacts investor confidence and the broader investment climate, particularly for regional business actors far from central oversight hubs like Jakarta. Legal uncertainty caused by administrative errors creates investment deterrence, as legal certainty and governance quality are primary determinants in corporate investment decisions.

Resolving misdirected asset freezing fairly and transparently—coupled with systemic improvements to identity verification and inter-office coordination—is essential not only for individual taxpayer justice, but also for maintaining market confidence in developing economic regions like West Nusa Tenggara.

4. Implications for Center-Regional Relations in Tax Administration

The cross-jurisdictional dispute between KPP Banjarbaru and a Sumbawa-based taxpayer illustrates structural challenges in managing vertical tax administration units. While the DGT's decentralized structure is designed to bring services closer to taxpayers, it requires solid inter-office coordination protocols for cross-territorial enforcement.

A lack of coordination creates an accountability gap, making it difficult for victimized taxpayers to determine which regional office holds legal liability for administrative errors. To address this, tax regulations must explicitly codify command responsibility within the DGT structure: the tax office originating a freezing request must retain full legal liability for data accuracy and statutory authority, regardless of the role played by executing financial institutions or secondary tax offices.

Conclusion

Based on the comprehensive legal analysis conducted throughout this study, the primary findings regarding the authority of the Directorate General of Taxes (DGT) to freeze taxpayer assets and its application in the case of PT Intan Karya Mandiri are synthesized as follows:

The *Ratio Legis* of Asset-Freezing Authority:

The *ratio legis* underlying the asset-freezing authority under Law No. 19 of 2000 on Tax Collection by Warrant (UU PPSP) and its implementing regulations is fundamentally aimed at securing state receivables and preventing delinquent taxpayers from dissipating, transferring, or concealing assets prior to settling their tax obligations. However, this coercive authority is inherently bound by three cumulative statutory boundaries: material limits (subject matter jurisdiction), territorial limits (geographical jurisdiction), and personal limits (accurate identification of the liable legal subject). The *ratio legis* of asset freezing was never intended to justify arbitrary state actions that bypass jurisdictional limits or target uninvolved legal entities. Without adherence to these boundaries, coercive tax collection contradicts the principles of legal certainty, due care, and proportionality, thereby invalidating the normative purpose of the statutory authorization.

Legal Invalidity of KPP Banjarbaru's Action against PT Intan Karya Mandiri:

The asset-freezing order issued by the Banjarbaru Primary Tax Office (KPP Pratama Banjarbaru) against PT Intan Karya Mandiri in Sumbawa suffers from two cumulative and non-curable legal defects: an authority defect due to territorial overreach (*onbevoegdheid ratione loci / ultra vires*) and a substantive defect due to the misidentification of the legal subject (*error in persona*). Because PT Intan Karya Mandiri in Sumbawa falls outside KPP Banjarbaru's assigned geographical jurisdiction, and no valid cross-jurisdictional tax collection procedure was established, KPP Banjarbaru acted without legal authority. Furthermore, issuing the freeze based on trade name similarity without verifying the Taxpayer Identification Number (NPWP), Business Identification Number (NIB), and registered domicile breached the general principle of due care (*zorgvuldigheidsbeginsel*) under Article 10 of Law No. 30 of 2014 on Government Administration. Consequently, under Articles 70 and 71 of Law No. 30 of 2014, the freezing order is unlawful and void *ab initio* (*van rechtswege nietig*), entitling the victimized taxpayer to full legal rehabilitation and compensation for damages incurred.

Systemic and Governance Implications:

Erroneous asset freezing carries severe legal, economic, and institutional implications. For taxpayers, particularly regional corporate entities in locations like Sumbawa, it causes immediate liquidity disruption, business interruption, and severe reputational damage. From a state governance perspective, such actions amount to an unlawful government act (*onrechtmatige overheidsdaad*), giving rise to both state institutional liability and potential personal liability for officials acting with gross negligence. Furthermore, misdirected enforcement exposes structural flaws in inter-office tax coordination, undermines the accuracy of Compliance Risk Management (CRM) models, and damages the broader investment climate by heightening legal uncertainty for regional business actors.

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