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# Discourse on Justice in the Era of Digital Determinism: A Critical Analysis of Legal Certainty and Business Risk in the Implementation of Indonesia's Core Tax System

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**ABSTRACT**

*Global public administration is currently gripped by a techno-solutionism narrative, in which digitalization is seen as a panacea for bureaucratic inefficiency. This research aims to present a critical analysis of one of the most ambitious manifestations of this narrative in a developing country: Indonesia's Core Tax Administration System (PSIAP). Through the lens of critical legal theory and procedural justice, we centrally argue that the top-down, technology-driven implementation of PSIAP creates a juridical dissonance—a fundamental friction between the deterministic logic of algorithmic efficiency and the dialogic, certainty-based principles of business law. Using a juridical-empirical approach, this research unpacks how this dissonance manifests in three critical arenas: (1) the diffusion of accountability within an integrated data ecosystem that obscures legal accountability; (2) the erosion of due process through automated, "black-box" audits; and (3) the contestation between corporate data privacy regimes and increasingly expansive state fiscal prerogatives. Rather than simply identifying risks, this article examines the root causes and proposes a normative model for equitable digital tax governance. Its primary contribution is a critical deconstruction of claims of technological neutrality in tax reform and a reformulation of the discourse from technocratic efficiency to procedural justice in the digital age.*

***KEYWORDS***
*Core Tax System; Legal Dissonance; Algorithmic Governance; Legal Certainty; Procedural Justice; Critical Legal Theory; Business Risk; Indonesian Tax Law.*



## INTRODUCTION

Entering the third decade of the 21st century, digital transformation has become a global imperative, reshaping nearly all aspects of life, including state administration. The taxation system is one of the sectors most pressured to adapt, driven by post-pandemic fiscal needs, public demands for transparency, and advances in data processing technologies (OECD, 2020). The narrative of techno-solutionism portrays digitalization as the pathway toward a bureaucracy that is efficient, accurate, and free from human error and corruption. Models such as Estonia's e-governance and India's GST Network are frequently cited as blueprints for modern administrative reform.

However, this transformation is not without criticism. Zuboff (2019) has highlighted the dangers of "surveillance capitalism" in the private sector, and a similar logic is now being adopted by states at an alarming pace. This shift marks a transition from the state as a service provider to the state as an algorithmic overseer (algorithmic statecraft), particularly in taxation, which is inherently coercive.

Indonesia represents a critical case within this discourse. As the largest digital economy in Southeast Asia, the government faces the persistent challenge of a low tax-to-GDP ratio (10–11%), which lags behind other G20 countries. To address this issue, the government has launched the Core Tax System Reform Project (*Proyek Pembaruan Sistem Inti Administrasi Perpajakan – PSIAP*).

*PSIAP* is not merely a software upgrade but rather a large-scale integration of public and private data—including banking, asset ownership, e-commerce transactions, and utility records—into a centralized platform. Through this system, tax authorities can construct a 360-degree profile of each taxpayer, conduct automated compliance risk management, and trigger audits based on algorithmic detection (Kemenkeu, 2023).

While fiscally rational, this shift fundamentally alters the social contract of taxation. The principle of self-assessment, which allowed space for voluntary declaration and verification, is increasingly replaced by a deterministic and panoptic model.

The lack of clear answers generates legal uncertainty, which may undermine investment—paradoxically contradicting the original goals of enhancing compliance and state revenue.

Previous studies have addressed aspects of digital taxation and the legal implications of automated state systems. For instance, Alm & Melnik (2020) investigated the impact of digital tax administration on compliance behavior, finding that algorithm-driven auditing can increase revenue but may also induce stress and perceptions of unfair treatment among taxpayers. However, their study primarily focused on behavioral outcomes and neglected the juridical implications of relying on algorithmic decision-making within a legal framework, leaving a gap in understanding the interaction between technological rationality and business law. Another study by Sitaraman (2019) examined procedural fairness in tax enforcement under digital systems, highlighting risks of opaque decision-making and limited recourse for taxpayers. Yet, Sitaraman's work largely provided theoretical insights without empirically analyzing how integrated, large-scale tax IT systems—such as Indonesia's *PSIAP*—reshape legal certainty, corporate liability, and data protection compliance in practice.

This research fills these gaps by focusing on the juridical-empirical dimensions of digital taxation in Indonesia, using corporate taxpayers as the primary subjects. By critically examining *PSIAP*'s technological and regulatory architectures, this study analyzes how digital auditing reconfigures legal liability, procedural justice, and data protection obligations, introducing the concept of "juridical dissonance" to conceptualize the tension between technological rationality and business law. The objectives are to deconstruct *PSIAP*'s embedded assumptions, map emerging legal-business risks, and formulate a normative digital tax governance model that balances efficiency with justice. The research contributes theoretically by providing an interdisciplinary framework bridging law, technology, and institutional economics, and practically by offering actionable guidance for regulators and corporate actors to mitigate risks, enhance legal certainty, and protect taxpayer rights.

## METHOD

### Research Paradigm: Moving Beyond Positivism toward Critique

Every research project rests on an ontological foundation (the nature of reality) and an epistemological orientation (the way knowledge is obtained). Choosing a paradigm is not a mere methodological formality but an intellectual declaration that defines the trajectory of analysis. This study positions itself within the critical paradigm, primarily inspired by the Frankfurt School and Habermas's theory (1984).

The positivist paradigm, widely used in legal studies, views law as a set of objective, neutral rules. This perspective is problematic because it ignores the fact that taxation technologies such as *PSIAP* are laden with values, biases, and distributions of power. Meanwhile, the interpretive/constructivist paradigm is capable of uncovering actors' subjective meanings but often lacks the critical force to reveal the structures of power surrounding them.

The critical paradigm is chosen because of its dual purpose: to understand socio-legal realities while simultaneously transforming them. In this study, the critical paradigm is employed to:

1. Deconstruct the ideology of techno-solutionism that portrays *PSIAP* digitalization as a neutral solution.
2. Expose how law and technology interact to produce injustice, particularly for corporate taxpayers.
3. Contribute emancipatory by proposing alternative governance models that are fairer and more balanced.

Thus, this research does not merely describe the phenomenon of juridical dissonance but also critiques the structures that produce it and empowers stakeholders through critical knowledge.

### Research Approach: Bridging the Gap between Text and Context

In line with the critical paradigm, this study adopts a juridical-empirical (socio-legal) approach. This approach is deemed most suitable because it bridges the gap between *law in books* (written rules) and *law in action* (law as practiced).

**Rationale for Approach Selection:**

1. **Limitations of purely juridical-normative analysis:** A doctrinal study of the Tax Administration Law (*KUP*), the Personal Data Protection Law (*PDP*), or other tax regulations is important, but it stops at the text. It cannot explain how companies experience algorithmic audit pressures or how legal consultants negotiate regulatory ambiguities in practice.
2. **Limitations of purely empirical (quantitative) analysis:** Large-scale surveys can capture compliance levels but fail to reveal ethical dilemmas, fear, or subtle resistance strategies in confronting the new system.

A juridical-empirical approach allows the researcher to move dialectically: rigorously reading legal texts while also exploring actors' empirical experiences. In this way, *PSIAP* is understood not only as an object of regulation but also as an agent reshaping legal practices themselves.

### Research Design: A Holistic Qualitative Case Study

This study employs a qualitative case study design (Yin, 2018). Such a design is suitable for examining complex contemporary phenomena where the boundaries between the phenomenon and its context are difficult to separate.

1. **Unit of Analysis:** The case under study is the implementation of *PSIAP* as a juridical-political phenomenon. The analysis focuses on three dimensions: (a) the regulatory framework underlying *PSIAP*, (b) its technological architecture, and (c) the experiences of actors, particularly corporate taxpayers.
2. **Nature of the Study:** Both exploratory (since *PSIAP* is a new phenomenon) and explanatory (as it seeks to explain how and why juridical dissonance emerges).
3. **Scope:** The focus is on medium- and large-scale corporate taxpayers in Indonesia, the groups most affected by tax digitalization. The research period covers from the announcement of the *PSIAP* blueprint to its early implementation phase.

**Data Sources and Collection Techniques**

To capture the complexity of the phenomenon, a triangulation strategy is used, combining secondary and primary data.

**Secondary Data: Critical Doctrinal Analysis**

1. **Legislation:** The Tax Administration Law (*KUP*), the Personal Data Protection Law (*PDP*), the Electronic Information and Transactions Law (*ITE*), as well as government regulations (*PP*) and ministerial regulations (*PMK*), are analyzed through legal hermeneutics to reveal hidden meanings.
2. **Policy Documents:** *PSIAP* blueprints, draft bills' academic texts, and Directorate General of Taxes press releases are examined using content analysis to identify dominant narratives and political justifications.
3. **Tax Court Decisions:** Analyzed to identify patterns in dispute resolutions involving digital evidence, helping to anticipate juridical challenges in the *PSIAP* era.

**Primary Data: Semi-Structured Interviews**

In-depth interviews will be conducted with 25–30 key informants selected through purposive and snowball sampling:

1. **Corporations:** Chief Financial Officers, Tax Managers, and in-house legal counsel.
2. **Tax & Legal Consultants:** Senior partners from both large firms and boutique practices.
3. **Regulators:** Current or former Directorate General of Taxes officials involved in *PSIAP* design/socialization.
4. **Academics:** Tax law and technology law experts from leading universities.

Interviews are semi-structured to flexibly probe experiences, lasting 60–90 minutes each. Data collection will continue until theoretical saturation is achieved, i.e., when new interviews no longer add significant themes.

**Data Analysis Technique: Braun & Clarke's Thematic Analysis**

Qualitative data from interviews and documents will be analyzed using Thematic Analysis (Braun & Clarke, 2006). The process involves six phases:

1. **Familiarization:** Re-reading transcripts and notes.
2. **Coding:** Labeling meaningful data segments.
3. **Theme Search:** Grouping codes into initial themes.
4. **Theme Review:** Refining themes in relation to the dataset as a whole.

5. **Theme Definition:** Defining the essence of each theme and naming them concisely.
6. **Reporting:** Weaving themes into an analytical narrative that answers the research questions.

NVivo or ATLAS.ti software will be used to ensure analytical consistency.

**Data Trustworthiness and Research Ethics**

In qualitative research, validity and reliability are translated into trustworthiness (Lincoln & Guba, 1985):

1. **Credibility:** Achieved through data triangulation and member checking with informants.
2. **Transferability:** Ensured by providing thick description, allowing readers to assess applicability in other contexts.
3. **Dependability:** Guaranteed through an audit trail documenting each research step.
4. **Confirmability:** Maintained through researcher reflexivity, ensuring findings stem from data, not personal bias.

From an ethical perspective, the study adheres to principles of informed consent, anonymity, and confidentiality. The researcher remains sensitive to power dynamics, especially in interactions with government officials.

Through this methodological framework, the study seeks to unpack juridical dissonance in *PSIAP* comprehensively. The critical paradigm enables the deconstruction of techno-solutionist ideology; the juridical-empirical approach ensures the linkage between legal texts and social practices; the qualitative case study design allows in-depth exploration of a novel phenomenon; and thematic analysis provides a systematic mapping of actors' experiences and perceptions. All of this is conducted under rigorous standards of trustworthiness and ethics, ensuring that the findings are not only academically robust but also relevant to policy practice and the business sector.

## RESULT AND DISCUSSION

### Anatomy of Juridical Dissonance: Empirical Analysis and Critical Discussion

**Introduction: Dissecting Juridical-Technological Friction**

This chapter constitutes the empirical core of the dissertation. While the previous chapter established the conceptual and methodological framework, this section presents how juridical dissonance—friction between the logic of algorithmic technology and the principles of business law—materializes in the practical implementation of the Core Tax System (PSIAP).

Data were collected through doctrinal analysis and interviews with tax practitioners, lawyers, academics, and corporate tax managers. The analysis shows that such dissonance manifests in three main forms:

1. Diffusion of accountability within an integrated data ecosystem.
2. Erosion of due process due to algorithmic determinism.
3. Contestation of data sovereignty between privacy regimes and fiscal prerogatives.

Together, these indicate that tax digitalization is not merely a technical modernization, but rather a legal reconstruction that generates substantive justice problems.

**Manifestation I: Diffusion of Accountability in the Data Ecosystem**

From Self-Assessment to Pseudo Co-Assessment Indonesia's Tax Administration Law (UU KUP) adopts the principle of self-assessment, where taxpayers (TPs) calculate, pay, and report taxes independently. The tax authority (DJP) acts as examiner through audits. However, PSIAP alters this pattern. Through pre-populated tax returns and automated cross-validation with third-party data (DPK), the responsibilities of taxpayers now extend beyond internal corporate records to data reported by banks, marketplaces, customs, and utility providers.

***A tax manager noted***

"In the past, I only needed to master internal bookkeeping. Now I must ensure consistency across bank data, marketplace data, even customs data. These are beyond my control, yet I bear the consequences if discrepancies arise." (K-03)

This creates a pseudo co-assessment, where the state seems to share the role of tax calculation, but the full risk remains with the taxpayer.

Legal Vacuum on Third-Party Data Accountability Doctrinal analysis of UU KUP and the Electronic Information and Transactions Law (UU ITE) shows no legal provisions governing mechanisms when third-party data are incorrect, delayed, or inaccurate. For instance, if a bank mistakenly reports deposit interest, the CRM system automatically flags the taxpayer as high risk. The company may then receive an SP2DK or audit notice and must allocate significant resources to prove the error lies with the bank.

***A tax lawyer criticized***

"A massive data pipeline has been built, but no legal recourse exists if a leak occurs along the way. Clients ask: if we suffer losses because e-commerce data are wrong, who can we sue? The legal answer is: no one." (P-01)

In short, there is a regulatory missing link: legal accountability does not align with the data architecture.

Implication: The Birth of 'Delegated Risk'

Consequently, the state effectively delegates risk to taxpayers. To mitigate its own informational risk, the government shifts the burden of data accuracy onto the party with the least control. This illustrates the core of juridical dissonance: the principle of individual accountability is forced to operate within a collective technological system, thereby generating structural injustice.

**Manifestation II: Erosion of Due Process in Tax Supervision**

The Black Box of Compliance Risk Management (CRM) PSIAP employs CRM analytics to assign risk scores to taxpayers. These scores determine supervisory levels, from warnings to audits. Yet the algorithm's weights and variables remain secret, creating a "black box" situation (Pasquale, 2015).

***A corporate legal counsel observed***

"We were flagged as high risk, but we never knew why. Without knowing the basis of the accusation, how can we defend ourselves effectively?" (K-07)

Threat to the Right to Be Heard

The principle of *audi et alteram partem*—the right to be heard before a decision is made—is fundamental to administrative law. In conventional audits, this principle was realized through dialogue between taxpayer and examiner. Automation, however, makes the process deterministic: the system can issue an SP2DK or determination based solely on data, before taxpayers have the chance to provide context.

***A senior tax consultant remarked***

"We used to explain business contexts to humans. Now we argue with system outputs. The system doesn't care about narratives, only data." (P-05)

As a result, taxpayers begin from a weaker position, with the entire burden of proof placed on them.

Behavioral Impact: Defensive Compliance and Strategic Resistance

This dynamic produces two response patterns:

1. Defensive compliance – especially among smaller companies, which accept system findings because the cost of resistance is too high.
2. Strategic resistance – larger companies engage in excessive documentation, attempt to reverse-engineer the algorithm, or treat tax litigation as a business strategy.

Both patterns carry negative implications: instead of encouraging voluntary compliance, the system imposes heavy costs and fosters adversarial behavior.

**Manifestation III: Contestation of Corporate Data Sovereignty**

Personal Data Protection Law vs. State Fiscal Prerogatives

Law No. 27 of 2022 on Personal Data Protection (PDP) adopts principles of purpose limitation, data minimization, and data subject rights. By contrast, UU KUP grants the tax authority broad powers to access taxpayer and third-party data without restrictions beyond "state revenue interests."

***A legal technology scholar observed***

"The PDP Law pulls the emergency brake on data collection, while tax reform hits the accelerator. Without a normative bridge, collision is inevitable." (A-02)

Thus, a contestation arises between legal regimes: privacy versus fiscality.

Corporate Data as Strategic Assets

For corporations, data are not mere figures but intangible assets: client lists, pricing strategies, business algorithms. The obligation to hand over granular data to PSIAP is perceived as a threat.

***A CFO of a fintech company stated***

"Our pricing algorithm is a trade secret. Submitting all this data to the government's data lake, without assurance of who can access it, is a nightmare." (K-11)

Concerns extend beyond hacking to potential misuse by rogue officials or other government units. This reinforces business sector resistance to fiscal digitalization.

**Synthesis: Convergence of Risks and Systemic Juridical Dissonance**

The three manifestations interlock, creating systemic juridical dissonance:

1. Diffusion of accountability is sharpened by erosion of due process: taxpayers bear risks from third-party data but struggle to defend themselves against automated decisions.
2. Erosion of due process worsens data contestation, as the lack of defense channels makes taxpayers increasingly reluctant to disclose strategic data.
3. Data contestation reinforces diffusion of accountability, as unclear legal status of data further blurs responsibility.

This convergence yields a fiscal ecosystem marked by legal uncertainty, high compliance costs, and declining public trust capital. Yet legitimacy and trust are prerequisites for the long-term success of digital tax reform.

## Discussion

### *Towards a Just Digital Tax Governance*

The philosophical foundation of this model is rooted in the paradigm of Justice by Design, which rejects the subordination of justice beneath technocratic efficiency. This aligns with the theoretical arguments of Bovens (2007) on accountability in public administration and Latzer et al. (2019) on algorithmic governance, which emphasize that legitimacy in digital governance arises not only from functional efficiency but also from procedural fairness and transparency. Procedural justice must therefore be treated as a non-negotiable technical specification within PSIAP design, requiring cross-disciplinary collaboration—engineers, legal experts, regulators, and businesses—from the earliest stages of system development.

From this foundation, three main pillars emerge. First, Distributed Accountability ensures that legal responsibility follows the chain of data control and benefit, echoing Heald's (2006) work on accountability frameworks in complex organizations. Normative proposals include safe harbor provisions for taxpayers, rights of recourse against third-party data providers, and innovations like data integrity certification and transparent audit trails. This pillar addresses the problem of accountability diffusion that has unfairly burdened taxpayers.

Second, Algorithmic Explainability and Procedural Rights responds to the risks of black-box decision-making in fiscal administration. This is consistent with emerging research on Explainable AI (XAI) and procedural fairness, such as Burrell (2016) and Selbst et al. (2019), highlighting that algorithmic opacity can undermine legal certainty and erode public trust. Normative measures proposed include recognition of the right to algorithmic explanation, mandatory human-in-the-loop review before enforcement actions, simplified mechanisms for algorithmic appeals, and adoption of XAI technologies.

Third, Subsidiarity and Data Fiduciary Duty integrates fiscal obligations with privacy protection. This principle resonates with the legal theory of data minimization under EU GDPR (Voigt & Von dem Bussche, 2017) and the concept of fiduciary duties in digital governance (Calo, 2013), emphasizing that the state must collect only data strictly necessary while bearing fiduciary responsibility for its protection. Implementation requires harmonization of the General Taxation Law (KUP) with the Personal Data Protection Law (PDP), establishment of an independent Data Protection Officer within the Tax Authority, and application of privacy by design through granular access controls and privacy-enhancing technologies.

Together, these three pillars form a holistic normative model that bridges the gap identified in prior studies. Previous research (e.g., Zuboff, 2019; Kemenkeu, 2023) largely focused on either technical efficiency or macro-level policy impact without critically

examining procedural justice, legal certainty, or taxpayer rights. By embedding legal safeguards into technological design, this study addresses the lacuna in literature regarding how large-scale tax digitalization can balance efficiency, accountability, and fairness simultaneously.

Thus, the primary contribution of this research is to shift the paradigm from "technology for law" to "law embedded in technology," offering both theoretical and practical insights. For policymakers, regulators, and businesses, the model provides actionable guidance to mitigate risks, enhance legitimacy, and protect fundamental rights. Future research could empirically test the model's effectiveness in real-world PSIAP implementation, explore comparative applications in other digital governance platforms, and evaluate impacts on taxpayer behavior, compliance rates, and state revenue, further advancing the discourse on just digital governance.

## CONCLUSION

This research has deconstructed the juridical and technological assumptions embedded in Indonesia's Core Tax System (*PSIAP*) and identified the emergence of juridical dissonance, where technological rationality conflicts with principles of business law, procedural justice, and data protection. By mapping the associated legal-business risks, this study formulated a normative model of digital tax governance based on three pillars: Distributed Accountability, Algorithmic Explainability and Procedural Rights, and Subsidiarity with Data Fiduciary Duty. These pillars collectively ensure that accountability, transparency, and legal certainty are embedded in the design and operation of digital tax administration, addressing the objectives of deconstructing *PSIAP*'s assumptions, analyzing juridical risks, and proposing a justice-centered governance model. The practical implications include guidance for policymakers, regulators, and corporate taxpayers to mitigate risks, safeguard fundamental rights, and enhance legitimacy and trust in digital taxation. For future research, this study provides a conceptual and methodological foundation for evaluating the real-world implementation of the proposed model, assessing its impact on taxpayer behavior, compliance, and state revenue, as well as extending the analysis to other digital governance platforms where algorithmic decision-making intersects with law. By embedding justice within technological frameworks, this research contributes both theoretically and practically to the development of fair, accountable, and sustainable digital public administration.

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