

DOI: 10.5281/zenodo.11322543

REIMAGINING TAX MEDIATION AS ETHICAL INFRASTRUCTURE: BRIDGING PROCEDURAL JUSTICE AND INSTITUTIONAL LEARNING IN INDONESIA'S FISCAL SYSTEM

Sabrina Hakim^{1*}, Yulianti Abbas², Anik Setyaningsih³, Ferry Yudi Irawan⁴, Maulvi
Nazir⁵, Herri Dermawan⁶

¹²³⁴⁵⁶*Faculty of Economics and Business, Universitas Indonesia, Jakarta, Indonesia. Email:
sabrina.hakim31@ui.ac.id; yuli.a@ui.ac.id; anik.setyaningsih@ui.ac.id; ferry.yudi@ui.ac.id;
maulvi.nazir@ui.ac.id; herridermawan@gmail.com, Orcid id: <https://orcid.org/0009-0005-2470-1666>;
<https://orcid.org/0000-0002-7941-8447>*

*Received: 03/08/2025
Accepted: 23/09/2025*

*Corresponding Author: Sabrina Hakim
(sabrina.hakim31@ui.ac.id)*

ABSTRACT

In numerous developing nations within the Global South, tax governance is characterised by an ongoing conflict between procedural legality and relational legitimacy. This essay examines the feasibility of institutionalised tax mediation in Indonesia as an ethical framework to mitigate systemic distrust, knowledge disparity, and procedural bottlenecks. The qualitative case study, which includes tax officials, judges, consultants, and a professional mediator, demonstrates that current dispute resolution processes perpetuate hierarchical rigidity, inhibit communicative justice, and diminish taxpayer agency. Informed by relational agency, reflexive governance, epistemic injustice, and assemblage theory, the study presents a mediation model that transitions from adjudication to entanglement redefining the state and taxpayer as co-constituted agents within a dialogical and dynamic system. This paper enhances the relational and reflexive comprehension of fiscal institutions by suggesting mediation as a performative ethical domain that redefines the interactions among the state, law, and tax subjects. The results provide actionable insights for developing mediation frameworks that encourage voluntary compliance, epistemic acknowledgement, and institutional learning within fragmented tax systems. The proposed paradigm is applicable to other Global South jurisdictions with analogous institutional impediments to justice, beyond the Indonesian context. It underscores the significance of integrating conversation, trust cultivation, and participatory governance into tax administration reform.

KEYWORDS: Voluntary Compliance, Procedural Justice, Epistemic Asymmetry, Reflexive Governance, Relational Agency, Public Administration Reform, Institutional Trust, Alternative Dispute Resolution.

1. INTRODUCTION

In the last twenty years, international trends in tax dispute resolution have transitioned from inflexible formal litigation models to collaborative, mediation oriented methods. Countries like Australia, the Netherlands, and Brazil have been at the forefront of incorporating Alternative Dispute Resolution (ADR) into their tax frameworks. The implementation of Alternative Dispute Resolution (ADR) in tax disputes has demonstrated efficacy in accelerating resolutions, minimising administrative expenses, and enhancing trust-based relationships between authorities and taxpayers (de Moraes Sales & Silveira, 2023; Jone, 2018; Schmiedel, 2013; Tran-Nam & Walpole, 2016). The OECD has specifically advocated for techniques that emphasise discussion, transparency, and mutual understanding as enduring methods to improve voluntary compliance and fiscal legitimacy (Martini, 2022; Siglé et al., 2022). Nonetheless, Indonesia has not yet adopted this pattern. The national tax system predominantly depends on legalistic and procedural objection and appeal systems, which provide minimal opportunities for taxpayer engagement (Hidayah, 2018). The obstacles are growing more intricate due to escalating tax dodging strategies, psychological tax burdens, and diminished public confidence in tax authorities factors that directly impact the quality of interactions between tax officials and taxpayers (Anjarwi et al., 2024). The existing conflict resolution systems have not adequately guaranteed communicative justice, which occurs when opposing parties possess equal opportunities to articulate their reasons, be heard, and receive fair consideration. Although they offer legal certainty, formal procedures like objections and appeals frequently lead to significant administrative burdens, protracted resolutions, and adversarial relationships (Hidayah, 2018). Statistical data reveal that the reduction in tax court cases from 14,672 in 2020 to 9,794 in 2024 has not correlated with a fall in the number of conflicts favourably resolved for taxpayers. In 2023, there were 6,372 rulings entirely granted and 3,071 partially granted (Sekretariat Pengadilan Pajak, 2025). This indicates that the origin of numerous conflicts resides not alone in substantive legal discrepancies but also in miscommunication, data inaccuracies, and administrative misalignments between taxpayers and authorities. In this setting, dialogical methods like mediation, which prioritise reciprocal communication and transparent discussion, are especially pertinent for averting unwarranted conflict escalation. International legal

practice acknowledges negotiation as the principal method of dispute settlement, owing to its capacity to reconcile differences in a more flexible and inclusive manner (Orheian, 2011).

A comparable scenario is apparent during the objection phase. While the Key Performance Indicator (KPI) performance indicates a high percentage of timely case resolution 93.43% in 2024 – this mostly signifies administrative efficiency rather than the quality of participative and reflective resolution. The reduction of objections submitted, from 15,254 cases in 2023 to 14,972 in 2024, should not be construed as systematic advancement; instead, it may indicate stagnation in effectively resolving the core issues of conflicts. The frequent occurrence of objection cases and inconsistencies in rulings between the Directorate General of Taxes (DGT) and the Tax Court underscore the inadequacy of the existing objection system as a deliberative forum that reconciles perceptual and interpretive discrepancies between authorities and taxpayers (Directorate General of Taxes, 2024). This predicament signifies more than a simple procedural issue; it embodies a crisis of procedural fairness that directly influences public opinions of the legitimacy of fiscal authority. Research on procedural justice emphasises that equity in the dispute resolution process significantly affects persons' readiness to accept outcomes and regard legal institutions (Fricker, 2007). Formal methods prioritising document validation and administrative evidence frequently neglect the intricacies of taxpayer experiences as directly impacted entities (Hartner et al., 2008). The psychological tax literature underscores the significance of the interaction climate between authorities and taxpayers in influencing compliance (Kirchler et al., 2008). In Indonesia's tax system, fragmented information among units, unilateral evidence techniques, and inadequate internal coordination weaken the connection between the tax authorities and taxpayers. Consequently, the opportunity for conversation and acknowledgement, which ought to underpin procedural justice, is frequently diminished in excessively legalistic and technological processes. In this environment, epistemic asymmetry an imbalance in the acknowledgement and validation of knowledge between authorities and taxpayers not only influences conflict resolutions but also erodes institutional legitimacy and fosters an increasing divide between the state and its taxpayers. Resolution methods that depend exclusively on technical documents overlook the relational aspect of tax compliance; specifically, trust, involvement, and

procedural justice are vital to an ethical and sustainable fiscal system. Therefore, alternative spaces are required to address the intricacies of this relationship not simply as adjuncts to official procedures, but as venues for collective contemplation and acknowledgement of the state's financial objectives. This scenario exemplifies epistemic injustice (Fricker, 2007), wherein the lived experiences of taxpayers are frequently disregarded in a system that acknowledges just formal records and procedures as legitimate sources. Fiscal expertise is monopolised by the state, while taxpayers' accounts are relegated to the status of "non-knowledge," deemed unworthy of consideration in formal legal contexts. When legal systems function exclusively in technocratic terminology and do not allow for involvement, disputes just replicate uneven power dynamics rather than serve as a platform for achieving collective justice. In this setting, the concept of Alternative Dispute Resolution (ADR), especially tax mediation, gains heightened significance. Mediation has been implemented in numerous countries, including the Netherlands, Australia, and Brazil, to expedite dispute resolution, minimise costs, enhance trust between the state and taxpayers, and increase awareness of fiscal rights and responsibilities (Jha & Lim, 2023; Oliveira, 2022; Poitras, 2009). The OECD (2020) estimates that more than 50% of its member countries have included mediation into public administration systems, including tax and customs, as part of reform initiatives aimed at enhancing voluntary compliance. Nevertheless, Indonesia has not yet adopted similar measures. The lack of a formal legal framework, insufficient trust between tax officials and taxpayers, and a prevailing bureaucratic culture continue to hinder the implementation of mediation inside the tax system (Damayanti & Supramono, 2019; Hidayah, 2018). The existing litigation framework prioritises strict legal evidentiary standards, so excluding the articulation of taxpayers' subjective experiences as legitimate alternative knowledge. Furthermore, the classical liberal humanist perspective, which prioritises autonomous individuals and institutional impartiality, has proven inadequate in elucidating the intricacies of contemporary tax dynamics. A theoretical paradigm based on relational agency and epistemic injustice provides a more pertinent approach to comprehend how knowledge disparities, procedural inflexibility, and the lack of dialogical space undermine institutional responsiveness and public trust. This theoretical understanding leads to a reconceptualisation of tax mediation as not just

procedural but also transformational. From this viewpoint, the institutional framework of tax mediation necessitates reevaluation not as an impartial process between two opposing entities, but as an ethical foundation that promotes collective contemplation, epistemic acknowledgement, and institutional evolution. This notion arises from the perspective that governance should operate not merely as a mechanism of control but also as a framework for learning (Voß et al., 2006). Mediation serves as an essential conduit for the development of reflexive governance a governance model that derives lessons from failures, permits internal critique, and incorporates multiple viewpoints. In this context, the mediator transcends the role of a basic technical facilitator and becomes a relational actor adept at reconciling legal terminology, taxpayer experiences, and institutional objectives. They function as boundary spanners (Boyne & Dahya, 2002), navigating knowledge borders, organisational cultures, and value systems.

This position necessitates interdisciplinary competence and institutional adaptability to ensure that mediation is not merely a rigid procedural supplement. In Indonesia's tax system, characterised by software, rules, and compliance complexities, mediators can serve as an ethical framework for the transfer of agency and collaboration among several actors. However, the primary problem resides in developing institutional frameworks that facilitate these goals. Should mediation be integrated within the Directorate General of Taxes (DGT) within a multi-stakeholder monitoring framework, established by an independent entity such as the Financial Services Authority's ADR Institute (LAPS OJK), or should it be formulated as a hybrid model? In what ways may these designs facilitate the state's role as a learning institution receptive to criticism and collaborative learning? In what ways could the incorporation of mediation transform the overall structure of Indonesia's tax system?

This work reconceptualises tax mediation as a locus for institutional reform, informed by theoretical and empirical tensions. This study seeks to address the following principal question. In what manner may the institutional framework of tax mediation function as a platform for ethical contemplation and institutional reform within the intricate context of Indonesia's tax system? This study synthesises three theoretical frameworks relational agency, reflexive governance, and assemblage theory to reassess the limits and possibilities of mediation institutions within the tax system. This study employs an interpretive qualitative methodology utilising

interviews and legal texts to offer an alternative framework for tax mediation institutions, aimed at improving efficiency while simultaneously bolstering the legitimacy of tax authorities through heightened trust and relational justice.

2. LITERATURE REVIEW

2.1. Theoretical Justification and Global Positioning

The worldwide discourse on tax justice highlights prevailing frameworks including cooperative compliance (OECD, 2016), Mutual Agreement Procedures (MAP), and the BEPS 2.0 project, which prioritise openness, legal certainty, and conflict prevention via data harmonisation and institutional alignment. Although these methodologies have enhanced procedural efficiency and diminished jurisdictional disputes, they are nonetheless rooted in a technocratic framework one that presupposes rational agents, hierarchical information dissemination, and the supremacy of state power.

This study presents an alternative ontological and normative perspective, perceiving tax dispute resolution not solely as a compliance tool, but as a domain for relational negotiation, ethical engagement, and institutional learning. This paradigm critiques anthropocentric and linear assumptions inherent in conventional administrative dispute designs by utilising relational agency (Emirbayer & Mische, 1998), reflexive governance (Voß *et al.*, 2006), and assemblage theory (Deleuze & Guattari, 1987; Latour, 2008).

It transitions the emphasis from enforcement to engagement, from legal clarity to the co-constitution of meaning, and from control to trust-building. This viewpoint is especially pertinent for Global South nations, like Indonesia, where formalism, epistemic disparity, and bureaucratic fragmentation persistently obstruct taxpayer engagement and perpetuate procedural exclusion. This paper reframes mediation as an ethical infrastructure a forum for reflexive dialogue, inclusive thinking, and multi-actor engagement thereby enhancing the global discourse on tax justice by linking procedural innovation with socio-relational transformation.

2.2. Three Supporting Theoretical Approaches

The subsequent three theoretical frameworks are chosen for their significance in reconstructing the institutional design of tax mediation, encompassing procedural, normative, and transformative dimensions.

2.2.1. Reflexive Governance

Voß *et al.* (2006) characterise reflexive governance as a mode of institutional learning that embraces uncertainty, feedback, and self-modification. In this context, mediation is regarded not merely as an administrative remedy, but as a catalyst for introspective reform. Mediation allows organisations to acknowledge failures, scrutinise fundamental assumptions, and integrate varied perspectives to establish adaptable, trust-based financial partnerships. This methodology is crucial in situations where legal formalism obstructs communication and when procedural inflexibility hinders innovation in public administration.

2.2.2. Assemblage Theory

Assemblage theory, as articulated by Deleuze & Guattari (1987) and Latour (2008), conceptualises tax mediation as a heterogeneous network comprising both human and non-human components, including documents, software, legal codes, audit algorithms, and stakeholder interpretations. This theoretical perspective highlights that agency and meaning are not only found inside individuals or legal instruments, but rather arise dynamically through their interactions and collaborative functioning. Guided by post-anthropocentric thought, assemblage theory facilitates the comprehension of tax systems as widespread socio-technical arrangements. Mediation, from this perspective, is not only a neutral zone between the state and the taxpayer, but an ethical framework where governance is reconstructed through entanglement the continuous interaction among participants, processes, and material technology. This viewpoint is especially beneficial for comprehending the intricate procedural, technological, and interpretive factors that influence tax disputes in Indonesia. Assemblage theory enables us to reconceptualise mediation as a dynamic and adaptable domain where meaning is collaboratively generated, agency is reallocated, and institutional structures can transform in accordance with contextual requirements.

2.2.3. Epistemic Injustice and Relational Agency

Relational agency, as developed by Emirbayer & Mische (1998), posits that human acts arise from dynamic social and institutional networks rather than from solitary individuals. This method emphasises the roles of mediators, tax officials, and taxpayers as collaborative architects of mutual comprehension in tax mediation. Their agency is influenced by institutional histories, relational circumstances, and negotiations of financial standards. Furthermore, in numerous tax systems,

including that of Indonesia, formal legal entities often favour documentary evidence and technical reasoning above taxpayer accounts. This illustrates a state of epistemic injustice (Fricker, 2007), wherein specific voices especially those of non-expert individuals are consistently marginalised in the formation of legitimate knowledge. Tax mediation, informed by relational agency, provides a dialogical space for epistemic awareness, enabling the acknowledgement of taxpayers' lived experiences as essential to institutional learning and procedural justice, rather than merely instrumental.

The three theoretical frameworks reflexive governance, assemblage theory, and epistemic-relational agency constitute the conceptual basis of this study and direct the analysis of empirical evidence in the subsequent chapters. Mediation is regarded not only as a procedural instrument but also as an evolving ethical framework, intertwined with reflexive, relational, and epistemic aspects of financial interaction. This framework connects theoretical insights with practical realities, enabling a critical comprehension of how tax mediation in Indonesia functions as both a procedural alternative and a transformative institutional space addressing systemic asymmetries, promoting trust-based reform, and redefining taxpayers as co-constitutive agents in fiscal governance.

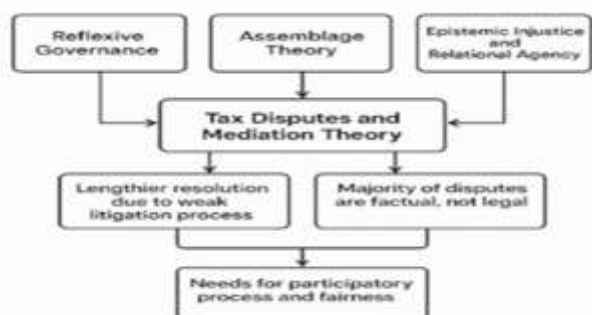


Figure 1: Contribution of Theoretical Approaches to the Relevance of Tax Mediation
(Compiled by Author, 2025).

Figure 1 delineates the contributions of each theoretical perspective to the significance of tax mediation, emphasising their collective role in fostering a more reflexive, relational, and morally informed institutional design.

3. METHODOLOGY

3.1. Research Design and Epistemological Approach

This study employs a qualitative interpretive methodology through a case study to investigate the institutional potential and tactics for the implementation of tax mediation in Indonesia. The employed epistemological paradigm is contextualist, perceiving meaning as collaboratively generated by institutional actors and the researcher, influenced by socio-legal frameworks and individual experiences. This research does not regard tax mediation as a neutral procedural tool, but as an evolving ethical framework intertwined with the dynamics of fiscal interaction. This approach facilitates an examination of the understanding, negotiation, and construction of fiscal justice within the context of tax dispute settlement practices.

3.2. Informants and Data Collection Techniques

Seven key informants were purposively selected to capture a diversity of institutional and epistemic positions within the tax dispute system. **They consisted of:**

- Two Tax Court judges,
- Two officials from the Directorate General of Taxes (DGT),
- Two senior tax consultants, and
- One professional mediator.

Informant identities were anonymized using institutional labels (e.g., Judge 1, DGT 2, Mediator) to protect confidentiality and emphasize their strategic roles in the research context. A summary of the informants is provided in Table 1 below.

Table 1: Summary of Research Informants (Compiled by Author, 2025).

Code	Institutional Role
Judge 1	Tax Court Judge
Judge 2	Tax Court Judge
Consultant	Senior Tax Consultant
DGT 1	DGT Official, Directorate of Tax Regulation II
DGT 2	DGT Official, Directorate of Objections and Appeals
Mediator	Independent Professional Mediator

3.3. Thematic Analysis: Phases and Process

The method of analysis used is thematic analysis

based on the six phases developed by Braun & Clarke (2006), chosen for its theoretical flexibility and

suitability in exploring interview-based qualitative data within institutional contexts.

3.3.1. Phase 1: Familiarization with Data

All transcripts were read repeatedly by the researcher to gain contextual understanding and note initial observations.

3.3.2. Phase 2: Generating Initial Codes

Open coding was conducted inductively using spreadsheet software. Each meaningful quotation was assigned a code label representing its initial thematic meaning. **The table below illustrates examples of coding results:**

Table 2: Initial Codes and Illustrative Excerpts from Interview Data (Compiled by Author, 2025).

No	Illustrative Excerpts	Initial Codes
1	High dispute value triggers appeals	Dispute value sensitivity
2	Regulatory reform reduces certain disputes	Regulatory impact on dispute frequency
3	Tax nature tends to provoke disputes	Tax burden aversion
4	Independent party needed in objections	Independent adjudication demand
5	Taxpayers do not understand mediation concept	Lack of mediation awareness
6	Mediation is difficult to apply under tax law	Legal incompatibility of mediation
7	All disputes can be mediated if there's willingness	Universal mediability
8	Disputes over equalization should be resolved early	Avoidable factual disputes
9	Mediation can increase compliance if taxpayer understands DGT's position	Compliance through understanding
10	Learn from LAPS-KI OJK mechanism	Institutional learning opportunity
11	Other courts better prepared with evidence than tax court	Comparative inefficiency
12	Evidence not prepared from the beginning	Delayed evidence submission
13	Hearings often focus on formalities	Formalistic litigation issues
14	Judges lack human resources, delaying decisions	Judicial resource constraint
15	Article 26(4) of KUP Law limits new evidence	Legal limitation on new evidence
16	Litigation takes too long and is uncertain	Litigation inefficiency
17	Appeals officer does not understand audit documents	Officer unpreparedness
18	Procedural law does not require initial evidence attachment	Procedural legal gap
19	Disputes dominated by evidentiary issues	Proof-dominant dispute
20	Taxpayer not prepared at first hearing	Taxpayer unpreparedness
21	Low audit quality triggers objections	Examination quality issue
22	Ambiguity in tax rules triggers disputes	Legal ambiguity
23	ADR is difficult in Indonesia due to public law	Public law barrier to ADR
24	Taxpayers litigate to reduce burden	Strategic litigation
25	Unity of law principle limits negotiation in taxation	Unity of law constraint
26	Misunderstanding of substance and procedure triggers dispute	Epistemic misunderstanding
27	Not all judges evaluate evidence with impartial principles	Judicial inconsistency
28	Facts often misunderstood during audits	Misunderstood factual basis
29	Taxpayers want a neutral process, not DGT-led	Neutrality concern
30	Small taxpayers should still receive justice	Substantive flexibility

The 30 initial codes in Table 2 were conceptually clustered through iterative synthesis into four major thematic domains: (1) Procedural and Legal Asymmetry, (2) Epistemic and Relational Justice, (3) Normative-Institutional Barriers, and (4) Structural Triggers and Conflict Incentives. These thematic domains reflect the layered nature of tax dispute dynamics in Indonesia, encompassing procedural inefficiencies, asymmetrical power relations, institutional rigidity, and systemic drivers of contestation. This thematic structure serves as the analytical foundation for the subsequent findings and is visually summarized in the following diagram.

3.3.3. Phase 3: Searching for Themes

Codes with conceptual links were grouped into preliminary themes. **For example:**

- Codes related to procedural delays and unpreparedness → Procedural and Legal Asymmetry

- Codes related to dialogical inequality and understanding → Epistemic and Relational Justice

3.3.4. Phase 4: Reviewing Themes

Initial themes were revised to ensure internal coherence and external differentiation. Some codes were merged, adjusted, or excluded if they lacked conceptual relevance.

3.3.5. Phase 5: Defining and Naming Themes

Each theme was named and defined to reflect its central meaning, aligned with theoretical frameworks such as reflexive governance, relational agency, and ethical infrastructure. **The resulting main themes are:**

- Procedural and Legal Asymmetry
- Epistemic and Relational Justice
- Normative-Institutional Barriers
- Structural Triggers and Conflict Incentives

To enhance visual clarity and demonstrate the conceptual logic of the thematic structure, Figure 1 provides an overview of the analytical trajectory,

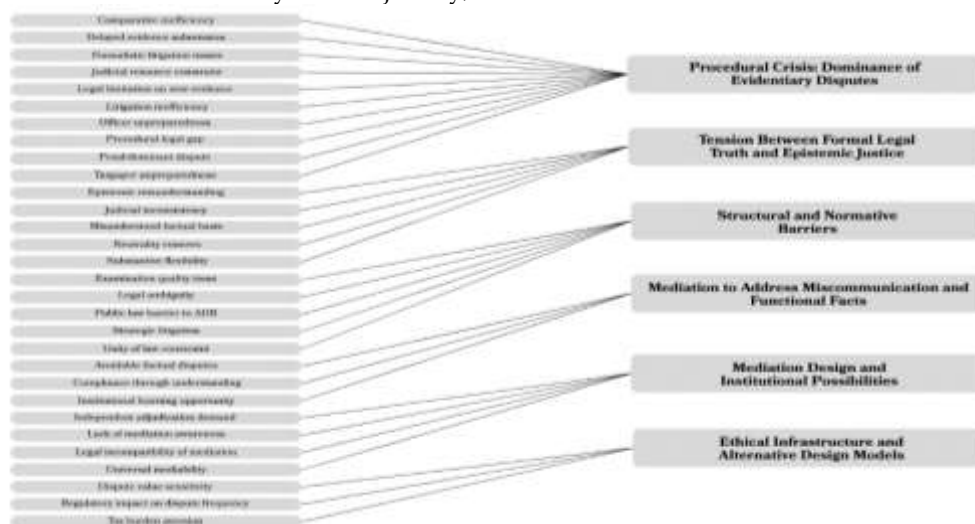


Figure 1: Thematic Analysis Diagram: From Initial Codes to Main Themes (Designed by Author, 2025).

3.3.6. Phase 6: Producing the Report

In this final phase, themes were organized into a coherent analytical narrative that forms the foundation of Chapter 4 (Findings) and Chapter 5 (Discussion and Strategy). These interpretations draw upon the three core theoretical lenses, reflexive governance, assemblage theory, and epistemic-relational agency, to uncover the institutional, procedural, and epistemic dynamics of tax mediation in Indonesia.

3.4. Validation and Triangulation

To ensure credibility and reliability of interpretation, the researcher cross-checked interview findings with secondary sources, including:

- Minister of Finance Regulation (PMK 202/2015),
- Tax Court rulings,
- OECD reports on cooperative compliance, and
- Academic literature on mediation and tax administration.

This process is referred to as methodological triangulation, aimed at testing the consistency of findings and strengthening the validity of thematic constructions.

All participants provided informed consent after understanding the objectives and scope of the study. Data were analyzed anonymously to protect informant confidentiality and uphold ethical integrity in reporting. The findings are not claimed as “objective truths,” but rather as reflective

from inductively derived codes to the formation of four overarching themes.

interpretations of the dynamics within Indonesia’s tax dispute resolution system.

4. RESULTS

This section delineates the empirical conclusions obtained from comprehensive interviews with tax court judges, tax officials, consultants, and a professional mediator. The study is structured into six thematic subsections, each representing a significant pattern derived from the data. These themes not only underscore procedural and structural deficiencies within Indonesia’s existing tax dispute settlement system but also reveal the normative and relational aspects that obstruct or facilitate revolutionary change. The results are analysed using three theoretical frameworks, relational agency, reflexive governance, and assemblage theory, to explore how tax mediation might serve as a dialogic, trust-building, and adaptable alternative to the dominant litigation-focused model.

4.1. Procedural Crisis: Dominance of Evidentiary Disputes and Litigation Unreadiness

Interview data revealed that the majority of disputes brought before the Tax Court involve evidentiary conflicts rather than substantive legal disagreements.

A Directorate General of Taxes (DGT) official (DGT 2) explained that the dominance of evidentiary disputes stems from the taxpayer’s (TP) tendency to be uncooperative during audits, especially in

submitting documents. Often, key evidence is only provided during the objection or trial phase, rather than at the outset of the audit.

As one respondent explained:

"...most tax disputes in court are about evidence... It shows that the documents submitted by taxpayers, whether during the audit or at the objection stage, are key to resolving disputes..." (DGT 2, 2025)

This issue is exacerbated by Article 26(4) of the General Taxation Law (KUP), which stipulates that evidence not presented during the audit phase will not be considered during the objection stage, even if later submitted by the TP:

"...according to the law, documents submitted only at the objection stage won't be considered if they were not submitted during the audit..." (DGT 2, 2025)

"...some TPs, unfortunately, are not cooperative during the audit process... they don't take the opportunity to submit documents then but do so during the objection..." (DGT 2, 2025)

As a result, evidentiary processes are shifted to the appeal level in the Tax Court, reinforcing the dominance of evidentiary disputes in Indonesia's tax litigation system:

"...this shifts the evidentiary process to the tax court... evidentiary disputes will remain dominant, partly due to Article 26(4)..." (Judge 1, 2025)

However, this is not merely a behavioral issue among TPs. Two Tax Court Judges (Judge 1 and Judge 2) highlighted that litigation often stalls due to unprepared evidence from both parties and a procedural framework that does not require submission of evidence lists during the initial filing.

Judge 2 stated that the current procedural law does not mandate the inclusion of an evidence list at the time of filing an appeal or lawsuit, which directly undermines procedural efficiency:

"...if both parties had their evidence ready from the start... we don't even require an evidence list initially..." (Judge 2, 2025)

"...the procedural law does not require evidence to be submitted with the appeal... this lack of requirement causes inefficiencies and delays..." (Judge 2, 2025)

"...this is why some cases drag on for a long time... parties are still testing evidence in court..." (Judge 2, 2025)

Judge 1 echoed this, noting that both TP and DGT often appear unprepared at hearings, with DGT representatives frequently not being the same personnel involved in the earlier stages of the case:

"...in the first hearing, they're not prepared. They don't have their discussion materials ready..." (Judge 1, 2025)

"...DGT representatives are often unprepared because they weren't involved in the objection process..." (Judge 1, 2025)

In sum, the dominance of evidentiary disputes

reflects a deeper procedural flaw in the litigation framework. The lack of formal obligations to submit evidence early, combined with unpreparedness, slows the judicial process and calls for urgent procedural reform to improve administrative, substantive, and procedural justice

1.1. Tension Between Formal Legal Truth and Epistemic Justice in Tax Litigation

Judges acknowledged that Indonesia's tax litigation system heavily prioritizes formal-procedural correctness over participatory and reflective justice. Judge 2 emphasized that tax law is grounded in formal legal truth as defined by statute, in contrast to civil law's emphasis on agreement (*pacta sunt servanda*). This principle leaves little room for compromise or negotiated settlement in tax cases.

"In civil law, the highest law is agreement. In tax law, truth is determined by legislation. [...] Pacta sunt servanda applies in civil law but not in tax law, where everything must follow statute—that's our constitutional basis." (Judge 2, 2025)

However, this rigid legal positioning creates epistemic tension. In many disputes, the taxpayer's narrative and reasoning are excluded simply because they do not fit the formal criteria of admissible evidence. This reflects a form of epistemic injustice (Fricker, 2007), where the knowledge and voices of certain actors (in this case, TPs) are structurally devalued.

Thus, the dominance of legalistic truth in tax law not only limits the space for mediation but contributes to asymmetric recognition of taxpayers' epistemic positions, undermining the legitimacy of the dispute resolution system itself.

4.2. Structural and Normative Barriers to Dispute Resolution: Critique of the Objection System and Mediation Incompatibility

A DGT official (DGT 1) emphasized that rising dispute numbers should not be taken as evidence of widespread taxpayer-authority conflict, but must be evaluated in proportion to the total number of tax assessment letters issued and contextual regional dynamics.

Both DGT 1 and DGT 2 highlighted that the core barrier to fair and objective resolution lies in the structural design of the objection system, which is still managed internally by DGT without involvement of neutral third parties:

"Objections are still part of DGT's internal procedure... there is no neutral party involved yet. That's the current limitation." (DGT 1, 2025)

Normative barriers also persist. Tax is framed

within public law, where the state wields full authority under statutory law. **This makes compromise-based mediation appear incompatible with the principle of legality:**

"Tax falls under public law, where the state holds full power under statute. If you bring that into mediation, it might clash with legal authority and the principle of legality." (DGT 2, 2025)

Hence, critiques of the objection system and skepticism toward mediation reflect deeper institutional and ideological rigidity in Indonesia's legal tax framework, which remains closed to deliberative and participatory resolution models.

4.3. The Potential of Mediation in Addressing Miscommunication and Functional Facts

A senior tax consultant noted that many disputes reaching court could have been resolved earlier if not for miscommunication and misperceptions of factual conditions. Taxpayers often feel misunderstood or pressured, while DGT perceives them as uncooperative, leading to escalating conflict.

"Many cases could be resolved if the parties just sat down early and explained things. But sometimes TPs feel pressured, DGT thinks they're uncooperative, and it escalates into full disputes." (Consultant, 2025)

These communication failures, according to the consultant, are not simply interpersonal but institutional, stemming from the lack of structured, dialogic engagement in the early stages of dispute resolution. Without an intermediary platform, misunderstandings tend to harden into adversarial positions.

The consultant proposed that mediation be adopted as a preliminary filtering mechanism, especially for fact-heavy disputes like VAT documentation or reconciliation differences, which could be clarified through open dialogue.

To address taxpayers' concern about DGT's neutrality, the consultant advocated for the establishment of an independent mediation body, modeled after the Financial Services Authority's (OJK) Alternative Dispute Resolution Body (LAPS OJK), with institutional legitimacy and trustworthiness.

Thus, mediation is not just a technical fix, it is an institutional intervention to improve communication, trust, and dispute de-escalation.

4.4. The Relevance of Mediation and Recommendations for Institutional Design

According to a professional mediator, nearly all types of conflicts including tax disputes can be mediated if two conditions are met a safe space for

dialogue and the presence of a trusted, neutral facilitator. Mediation is thus a facilitative process that fosters shared understanding and voluntary compliance, not a legalistic negotiation.

"If everyone is willing to be open, almost any conflict can be mediated – including tax. As long as there's room to listen and someone both sides trust to facilitate, the process can work." (Mediator, 2025)

The mediator recommended adapting the design of tax mediation from the LAPS OJK model, allowing administrative resolution without undermining public law principles.

Mediation should be positioned before the objection stage, or as a parallel process based on voluntary participation. This would not violate legal principles, but instead enrich the dispute system with reflective and restorative dialogue.

4.5. Ethical Implications and Alternative Institutional Design

Tax mediation in Indonesia must be reimagined not as a neutral procedural tool, but as ethical infrastructure capable of:

- Addressing epistemic asymmetry between the tax authority and taxpayers,
- Serving as a site of institutional learning (reflexive governance),
- Facilitating relational agency across heterogeneous actors.

Possible institutional designs include:

- **Reflective Internal Model:** Managed by DGT with multi-stakeholder oversight, prioritizing transparency and accountability.
- **Hybrid External Model:** Based on LAPS OJK, involving certified independent mediators and a consultative but documented mediation framework.
- **Collaborative Experimental Model:** Pilot programs jointly operated by DGT and professional associations (e.g., IKPI) to resolve factual disputes participatively.

These findings suggest that tax disputes in Indonesia are not merely formal legal issues but reflect unequal relationships and an insufficiently reflective system. Tax mediation holds transformative potential but requires institutional designs that overcome normative and cultural resistance.

A first step could be to integrate mediation provisions into the Minister of Finance Regulation (PMK) experimentally, while building mediator capacity and regulatory safeguards to ensure neutrality.

Table 3: Summary of Research Findings on Tax Mediation (Compiled by Author, 2025).

No	Interview Theme	Respondents & Institutions	Relevant Theories	Key Findings
1	Litigation Efficiency and Evidence Preparedness	Judge 1, Judge 2	Reflexive Governance	Litigation is slow due to unprepared evidence and weak procedural rules.
2	Dominance of Evidentiary Disputes	DGT 2, Judge 1	Assemblage Theory	Evidentiary disputes dominate due to Article 26(4) of KUP and miscommunication.
3	Procedural Justice and Epistemic Asymmetry	Judge 1, Judge 2, DGT 1	Epistemic Injustice; Relational Agency	Procedural flaws harm taxpayers relationally and epistemically.
4	Barriers to Mediation Implementation	DGT 2, Judge 2	Reflexive Governance	Institutional rigidity and legal formalism hinder participatory mechanisms.
5	Taxpayer and Consultant Perspectives	Consultant, Mediator	Relational Agency	Neutral facilitation fosters mutual understanding and early dispute prevention.
6	Potential and Institutional Design of Mediation	Consultant, Mediator	Assemblage Theory; Reflexive Governance	Mediation requires adaptive institutional design involving human and non-human actors.

Table 3 summarises that Indonesia's tax dispute system is marked by procedural inefficiencies, evidential inflexibility, and systemic opposition to participatory reform. The interview findings indicate potential opportunities for institutional redesign, especially via mediation mechanisms that foster reflexive governance, relational involvement, and adaptive infrastructure. These observations highlight the necessity to reconceptualise tax mediation not simply as a procedural remedy, but as a normative intervention that can alter the experience, negotiation, and institutionalisation of fiscal justice in practice.

5. DISCUSSION

This study's findings highlight the inefficiencies in Indonesia's existing tax dispute settlement system and the importance of adopting mediation as a more contemplative and participative alternative technique. Theoretically, the concepts of relational agency, reflexive governance, and assemblage theory offer a robust framework for reconfiguring the interaction between tax authorities and taxpayers in a more just and ethical way. From the standpoint of reflexive governance, the escalation of numerous conflicts to court, attributed to inadequate evidence and deficient procedural law, signifies a systematic failure in what ought to be a deliberate administrative process. Tax court judges affirm that the duration and expenses of resolution frequently escalate due to the insufficient preparedness of both parties, the DGT and taxpayers, during the beginning phases of the legal proceedings. In this setting, mediation functions as a reflecting process that facilitates settlement via dialogue, rather than exclusively through recorded evidence. Assemblage theory supports the conclusion that the majority of disagreements are evidential (factual issues) rather than legal in origin. Article 26(4) of the General Taxation Provisions and Procedures Law (KUP),

permitting the introduction of new evidence during the objection phase, exacerbates problems stemming from miscommunication and disjointed information. Mediation could function as a platform to reconcile disparities in administrative interpretation in a more adaptable and contextualised manner. This necessitates an institutional framework that promotes interaction between human and non-human entities (information systems, algorithms, digital processes), as highlighted by Deleuze & Guattari (1987) and Latour (2008). The unequal acknowledgement of taxpayers' experiences and narratives, from the perspective of epistemic injustice and relational agency, hinders procedural justice. This viewpoint is corroborated by interviews with judges and tax advisors, who recognised that the objection and appeal mechanisms inadequately accommodate taxpayer tales, instead only affirming the formal and authoritative data of the DGT. Mediation is regarded as a relational mechanism for multi-actor participation in the development of a collective comprehension of emergent conflicts. Conversely, institutional obstacles emerge from the perception that taxation constitutes public law and is thus non-negotiable. This legalistic perspective, grounded in legal positivism, is reflected by DGT officials who contend that objections, as an internal forum, are impervious to intervention by a neutral third. Field findings indicate an immediate necessity to establish participatory channels that are both administrative and substantive. A redefining of mediation's legal standing is necessary to reconcile the ideals of legal certainty and relational justice. Tax consultants and professional mediators promote the establishment of mediation as a preliminary screening procedure prior to the objection phase or as a concurrent method, particularly in cases involving factual misconceptions or data normalisation challenges. This corresponds with trust theory, which posits that enhanced compliance

is not exclusively established through control, but also through the taxpayer's perception of procedural fairness. Consequently, the existence of impartial entities, either as an autonomous institution akin to the OJK's Alternative Dispute Resolution Board (LAPS OJK) or accredited mediators is crucial. Mediation's significance in Indonesia's tax framework transcends mere administrative efficiency, encompassing the reestablishment of ethical connections between the state and taxpayers. Mediation can function as an ethical framework that fosters the redistribution of agency, institutional introspection, and reciprocal trust. The three proposed models, internal-reflective, external-hybrid, and collaborative-experimental, provide tangible alternatives for Indonesia to implement mediation in a contextual and progressive fashion. Based on these theoretical insights and empirical findings, Figure 3 depicts three possible models of tax mediation design, each addressing specific institutional, normative, and relational issues observed in the Indonesian setting. These models function as both conceptual alternatives and strategic frameworks for integrating mediation into the current fiscal infrastructure, thereby fostering equity, flexibility, and ethical governance.

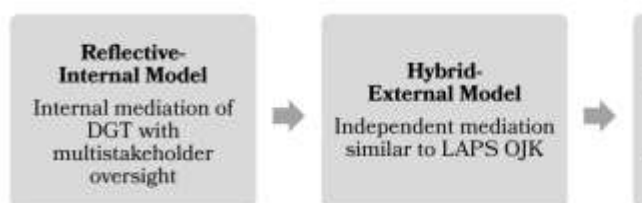


Figure 2: Conceptual Models of Tax Mediation Design in Indonesia (Compiled by Author, 2025).

Thus, this discussion affirms that the urgency to implement tax mediation arises not only from procedural deficiencies in the current dispute system but also from the pressing need for a more just, transparent, and dialogic taxation system.

6. CONCLUSION AND IMPLICATIONS

This article contends that Indonesia's existing tax dispute settlement system, despite its legal formalism, has not sufficiently addressed the epistemic, procedural, and relational aspects of fiscal fairness. Qualitative investigation with diverse stakeholders revealed that the system unintentionally perpetuates epistemic disparities, marginalises taxpayer viewpoints, and upholds procedural inflexibility, so eroding public trust. Mediation, when meticulously structured and institutionalised, is a potent remedy for these deficiencies. Mediation serves not only as an

administrative mechanism to alleviate caseloads and enhance efficiency but also as an ethical infrastructure a performative and relational environment where taxpayers and the state interact not as adversaries, but as co-learners within a common fiscal framework. Tax mediation serves not as an ultimate goal, but as a mechanism to promote reflexive governance, improve communicative justice, and encourage voluntary compliance based on mutual acknowledgement and accountability. The suggested hybrid model, which combines legal principles, interdisciplinary mediation units, and reflective learning mechanisms, provides a transformative approach for Indonesia's tax administration, shifting its role from a bureaucratic enforcer to a dialogical state actor. By adopting mediation as a domain of ethical complexity, tax authorities might transform their institutional legitimacy from procedural oversight to relational accountability, thus restoring public trust and institutional credibility.

6.1. Implications of the Study

The results of this study possess considerable theoretical, institutional, and policy ramifications. Theoretically, the amalgamation of relational agency, reflexive governance, and assemblage theory reconceptualises tax mediation as an ethical framework that fosters mutual acknowledgement and reallocates institutional agency. The report advocates for a reconfiguration of Indonesia's litigation-centric framework to incorporate deliberative, trust-oriented methods. At the policy level, establishing mediation as a pre-objection or concurrent process offers a pragmatic and equitable alternative consistent with worldwide trends in administrative justice. The focus on autonomous facilitation, digital preparedness, and collaborative engagement among multiple stakeholders provides strategic direction for reform-oriented politicians.

6.2. Limitations and Future Research

This study establishes a normative and conceptual framework for tax mediation in Indonesia, however it is constrained by its qualitative nature and national emphasis. The proposed models remain untested in empirical pilot programs, and the insights obtained are predominantly sourced from institutional participants inside the current dispute resolution framework.

This study recognises the promise of digital infrastructure, such as AI-assisted case triage, e-facilitation tools, and blockchain-based evidence validation, although it does not empirically

investigate these aspects. Future study should investigate how these tools can improve procedural accessibility, impartiality, and scalability in tax dispute settlement.

It is imperative to evaluate the preparedness of both tax authorities and taxpayers to utilise digital

Author Contributions: Sabrina Hakim conducted the conceptual and methodological work, including theoretical integration, field coordination, and manuscript drafting; Anik Setyaningsih contributed to the theoretical framework and analysis of digital infrastructures; Ferry Yudi Irawan collected and interpreted institutional data and contributed to the empirical section; Maulvi Nazir contributed to the analysis and drafting of the discussion and policy implications; Herri Dermawan supported the theoretical articulation related to digital systems and mediation design. All authors read and approved the final manuscript.

Acknowledgements: The author expresses gratitude to the Indonesian Ministry of Finance's Indonesia Endowment Fund for Education (LPDP) for providing financial support for the completion of this research.

REFERENCES

- Anjarwi, A. W., T, S., Baridwan, Z., & Iqbal, S. (2024). The Deterrent Role of Social Norms on Tax Evasion in Indonesia. *Deviant Behavior*. <https://doi.org/10.1080/01639625.2024.2375017>
- Boyne, G., & Dahya, J. (2002). The competent boundary spanner. *Public Administration*, 80(1), 103–124. <https://doi.org/10.1111/1467-9299.00296>
- Braidotti, R. (2013). *The posthuman*. Polity Press.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Damayanti, T. W., & Supramono, S. (2019). Trust reciprocity and power: An integration to create tax compliance. *Montenegrin Journal of Economics*, 15(1), 131–139. <https://doi.org/10.14254/1800-5845/2019.15-1.10>
- de Moraes Sales, L. M., & Silveira, T. D. L. (2023). Innovation in conflict management in Brazil: the importance of raising awareness and knowledge on ADRs | Inovação na gestão de conflitos do Brasil: a importância da difusão prática e do conhecimento sobre as formas consensuais de resolução de conflitos. *Revista de Estudos Constitucionais, Hermeneutica e Teoria Do Direito*, 15(3), 477–497. <https://doi.org/10.4013/rechtd.2023.153.11>
- Deleuze, G., & Guattari, F. (1987). *A thousand plateaus: Capitalism and schizophrenia*.
- Directorate General of Taxes. (2024). *Laporan Kinerja DJP*.
- Emirbayer, M., & Mische, A. (1998). What is agency? *American Journal of Sociology*, 103(4), 962–1023. <https://doi.org/10.1086/231294>
- Fricker, M. (2007). *Epistemic Injustice: Power and the Ethics of Knowing*.
- Haraway, D. J. (2016). *Staying with the trouble: Making kin in the Chthulucene*. Duke University Press. <https://doi.org/https://doi.org/10.1215/9780822373780>
- Hartner, M., Rechberger, S., Kirchler, E., & Schabmann, A. (2008). Procedural Fairness and Tax Compliance. *Economic Analysis and Policy*, 38(1), 137–152. [https://doi.org/10.1016/S0313-5926\(08\)50010-5](https://doi.org/10.1016/S0313-5926(08)50010-5)
- Hidayah, K. (2018). Indonesian Tax Dispute Resolution in Cooperative Paradigm Compared to United Kingdom and Australia. *IOP Conference Series: Earth and Environmental Science*, 175(1). <https://doi.org/10.1088/1755-1315/175/1/012203>
- Jha, S., & Lim, C. (2023). Evolution of Mediation in Singapore. *Revista Brasileira de Alternative Dispute Resolution*, 5(9), 121–143. <https://doi.org/10.52028/rbadr.v5i9.ART07>
- Jone, M. (2018). A dispute systems design evaluation of the tax dispute resolution system in the United States and possible recommendations from Australia. *EJournal of Tax Research*, 16(1), 56–86.
- Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The “slippery slope” framework. *Journal of Economic Psychology*, 29(2), 210–225. <https://doi.org/10.1016/j.joep.2007.05.004>
- Latour, B. (2008). *Reassembling the social : an introduction to actor-network-theory*. Oxford University Press.
- Martini, M. H. (2022). A Review of Brazil Approaches to Cooperative Compliance in Light of International Tax Practice and the OECD Concept. *Intertax*, 50(2), 177–195. <https://doi.org/10.54648/taxi2022016>
- OECD. (2016). *Cooperative Tax Compliance: Building Better Tax Control Frameworks*.

- <https://doi.org/10.1787/9789264253384-en>
- Oliveira, P. T. P. D. (2022). Improving the Relationship Between Tax Authorities and Taxpayers in Brazil. *Intertax*, 50(3), 218–230.
- Orheian, O. M. (2011). Importance of intercultural negotiation and knowledge of different negotiation styles. *Quality - Access to Success*, 12(SUPPL. 2), 887–891.
- Poitras, J. (2009). What makes parties trust mediators? *Negotiation Journal*, 25(3), 307–325. <https://doi.org/10.1111/j.1571-9979.2009.00228.x>
- Schmiedel, L. (2013). Mediation in the Netherlands: Between State Promotion and Private Regulation. In *Mediation: Principles and Regulation in Comparative Perspective*. <https://doi.org/10.1093/acprof:oso/9780199653485.003.0013>
- Sekretariat Pengadilan Pajak. (2025). Jumlah Berkas dan Putusan Sengketa Pajak .
- Siglé, M. A., Goslinga, S., Speklé, R. F., & van der Hel, L. E. C. J. M. (2022). The cooperative approach to corporate tax compliance: An empirical assessment. *Journal of International Accounting, Auditing and Taxation*, 46. <https://doi.org/10.1016/j.intaccaudtax.2022.100447>
- Tran-Nam, B., & Walpole, M. (2016). Tax disputes, litigation costs and access to tax justice. *EJournal of Tax Research*, 14(2), 319–336.
- Voß, J.-P., Bauknecht, D., & Kemp, R. (2006). *Reflexive governance for sustainable development*. Edward Elgar Publishing.