INTERNATIONAL JOURNAL OF RESEARCH AND SCIENTIFIC INNOVATION (IJRSI)
ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XII Issue X October 2025

Tax Invoices Not Based on Actual Transactions and Law Enforcement in Indonesia: A Literature Review

Vincentius Murnawan Juli Sutanto[1], Hasan Rachmany[2], Nuryanti[3]

[1] Administrative Science Study Program, concentration in Tax Administration and Policy, Postgraduate Program of the Institute of Social Sciences and Management STIAMI

[2] Administrative Science Study Program, concentration in Tax Administration and Policy, Postgraduate Program of the Institute of Social Sciences and Management STIAMI

[3] Communication Department, Universitas Jenderal Soedirman.

DOI: https://doi.org/10.51244/IJRSI.2025.1210000114

Received: 07 October 2025; Accepted: 15 October 2025; Published: 06 November 2025

ABSTRACT

Tax invoice fraud through fictitious transactions represents a persistent challenge to tax administration globally, yet systematic investigation of enforcement mechanisms in emerging economies remains limited. This systematic literature review examines the phenomenon of tax invoices not based on actual transactions (TINBAT) in Indonesia, analyzing 47 scholarly sources, regulatory documents, and enforcement reports published between 2018-2024.

Employing Agency Theory and Deterrence Theory as analytical frameworks, this study identifies a critical research gap: while existing literature extensively documents TINBAT typologies and detection methods in developed economies, empirical evidence regarding enforcement effectiveness and institutional coordination mechanisms in developing country contexts remains scarce. Our thematic analysis reveals three key findings: (1) technological advancement in invoice systems paradoxically creates both detection opportunities and sophisticated evasion methods, (2) inter-agency coordination suffers from institutional fragmentation despite formal cooperation frameworks, and (3) deterrent effects of sanctions are undermined by asymmetric information and capacity constraints.

This review contributes to tax compliance literature by proposing an integrated enforcement framework that synthesizes technological, institutional, and behavioral interventions. Policy implications suggest that effective TINBAT prevention requires not merely regulatory tightening, but fundamental redesign of information architecture, capacity-building initiatives targeting specialized competencies, and institutional mechanisms enabling real-time data sharing across enforcement agencies.

Keywords: Tax Invoices Not Based on Actual Transactions, Law Enforcement, Tax Crime, Indonesia

INTRODUCTION

Tax Invoices Not Based on Actual Transactions constitute one form of tax crime that causes significant losses to the state. These invoices are issued without any genuine transaction and are often utilized by taxpayers to reduce their tax liabilities or unlawfully obtain tax refunds. Cases involving Tax Invoices Not Based on Actual Transactions have become a serious threat to Indonesia's taxation system, as they not only result in the loss of state revenue but also trigger unfair business competition and undermine public trust in tax administration. In 2023 alone, the Directorate General of Taxes (DJP) recorded 29 cases of Tax Invoices Not Based on Actual Transactions that reached the prosecution stage (P-21) or its equivalent[3].

In practice, Tax Invoices Not Based on Actual Transactions can be issued through various modes of operation, such as the use of shell companies that solely function as invoice issuers without engaging in real economic activities, the misuse of Taxpayer Identification Numbers (NPWP), and manipulative transactions designed to increase tax credits that can be offset or fraudulently claimed as refunds[9]. These schemes are often difficult to detect due to the involvement of complex networks of multiple actors collaborating to conceal such illegal practices.

The phenomenon of Tax Invoices Not Based on Actual Transactions has become a major concern for the Indonesian government because of its extensive impact on the national economy. According to the Directorate General of Taxes Annual Report 2023, this practice has resulted in the loss of hundreds of billions to trillions of rupiah in state tax revenue annually[3]. Moreover, it creates inequities within the taxation system, where compliant taxpayers bear a greater burden due to fraudulent practices by certain business actors exploiting legal loopholes.

In recent years, law enforcement efforts against Tax Invoices Not Based on Actual Transactions have developed significantly. The government has tightened regulations and renewed policies related to tax invoices by implementing the e-Invoice (e-Faktur) system, aimed at enhancing transparency and minimizing opportunities for tax abuse (Perdirjen No. PER-03/PJ/2022 as amended by Perdirjen No. PER-11/PJ/2022). The Directorate General of Taxes has collaborated with law enforcement authorities such as the Indonesian National Police (Polri) and the Corruption Eradication Commission (KPK) in handling large-scale cases of Tax Invoices Not Based on Actual Transactions[8]. With regard to tax crime investigations, Civil Servant Investigators (PPNS) are required to submit investigation results to public prosecutors through police investigators under the supervision and coordination system (Korwas) of PPNS[5]. Furthermore, as part of the Criminal Justice System, the Directorate General of Taxes also cooperates with the Supreme Court, the Ministry of Law and Human Rights, and the Ministry of Immigration and Corrections. To trace assets for the purpose of evidence collection and recovery of state revenue losses, PPNS may request data access or asset blocking from third parties such as Financial Service Institutions (LJK), the National Land Agency (BPN), the Regional Police Traffic Directorate (Dirlantas), and the Financial Transaction Reports and Analysis Center (PPATK) (DJP Circular Letter No. SE-29/PJ/2021).

Despite improvements in regulations and law enforcement, challenges in addressing Tax Invoices Not Based on Actual Transactions remain significant. The key challenges include a shortage of human resources with specialized expertise to detect fictitious transactions, the use of advanced information technology by perpetrators to conceal transaction trails, and persisting legal loopholes that enable these practices to continue[7]. Therefore, more comprehensive measures are required, including strengthening inter-agency cooperation, optimizing the use of big data analytics in tax transaction monitoring, and enhancing taxpayer education on the legal risks of engaging in Tax Invoices Not Based on Actual Transactions.

This article seeks to provide a deeper analysis of the concept of Tax Invoices Not Based on Actual Transactions, the operational schemes employed, their impact on the economy, and the various law enforcement measures applied in Indonesia. By conducting a literature review of academic sources, regulatory frameworks, and relevant case studies, this study aims to offer a more comprehensive understanding of the challenges and solutions in addressing Tax Invoices Not Based on Actual Transactions in Indonesia.

LITERATURE REVIEW

Definition and Characteristics

A Tax Invoice Not Based on Actual Transactions is defined as an invoice issued without a genuine transaction or one created by unauthorized parties. This practice is often employed to evade tax obligations or unlawfully claim tax credits, thereby causing losses to state revenue. According to the Directorate General of Taxes (DJP), Tax Invoices Not Based on Actual Transactions represent one of the primary modes of tax crime that continues to evolve and is increasingly difficult to detect, as tax offenders employ various methods to conceal their actions[2].

These invoices are frequently issued by companies without clear economic activity. Such companies may exist only administratively without engaging in real business operations, functioning solely to generate fictitious transactions intended to illegally enrich certain parties[9]. Furthermore, these invoices can be used to claim tax credits to which taxpayers are not legally entitled, thereby reducing state tax revenues and creating inequities within the taxation system[4]. Some tax offenders even establish so-called *shell companies*, entities with no genuine business operations, which exist solely to issue fraudulent invoices[7].

Another common method in the practice of Tax Invoices Not Based on Actual Transactions is the misuse of Taxpayer Identification Numbers (NPWP). Offenders often use the NPWP of other companies without authorization or even create fictitious NPWPs to fabricate documents that appear legitimate. By doing so, they evade detection by tax authorities and continue their illegal practices more freely[8].

With these characteristics, Tax Invoices Not Based on Actual Transactions pose a serious challenge to Indonesia's tax system. Their existence not only undermines state revenue but also distorts business competition, as compliant companies are forced to compete unfairly with business actors exploiting legal loopholes for illicit gain. Therefore, supervision and law enforcement against these practices must be strengthened to preserve the effectiveness of the taxation system and ensure fairness in tax compliance.

The method of operation employed in the issuance of Tax Invoices Not Based on Actual Transactions is diverse and continues to evolve alongside technological advancements and offenders' efforts to avoid detection by tax authorities. One common method involves the establishment of fictitious companies legally registered entities without genuine business activities. These companies serve solely as tools for issuing invoices without any underlying transactions, thereby creating the false appearance of economic activity to reduce tax liabilities[9].

Additionally, offenders often engage in identity misuse as a strategy. In such cases, they use another company's identity without permission or establish companies with "puppet" or "anonymous" directors to commit tax crimes[1]. As a result, tax liability is shifted to innocent parties. This technique significantly hampers tax authorities in tracing and investigating such cases, as the rightful owners of the misused NPWP are often unaware that their identities have been exploited. Similarly, the establishment of companies with puppet or anonymous directors complicates efforts to identify the true beneficial owners who control these entities.

Transaction manipulation is another common method in the practice in the practice of Tax Invoices Not Based on Actual Transactions. Here, tax offenders fabricate trade transactions that appear legitimate, despite no actual business activity taking place. This method is typically employed to unlawfully obtain tax refunds, with the intent of claiming reimbursements for transactions that never occurred. Consequently, the state suffers substantial financial losses due to the disbursement of refunds to irresponsible taxpayers[7].

Given the wide range of method in the practice, the practice of Tax Invoices Not Based on Actual Transactions poses a significant challenge to Indonesia's taxation system. Therefore, the government continues to strengthen supervision and enhance regulations to minimize loopholes exploited in tax crimes and ensure rigorous legal enforcement.

RESULT AND DISCUSSION

The Impact of Tax Invoices Not Based on Actual Transactions

Impact on the National Economy

Tax Invoices Not Based on Actual Transactions have highly detrimental effects on the national economy. One of the primary impacts is the reduction of state revenue derived from taxation. Taxes that should be collected to support infrastructure development, public services, and various government programs are not realized due to these illegal practices. According to the Directorate General of Taxes Annual Report 2023, the use of Tax Invoices Not Based on Actual Transactions results in potential state losses amounting to hundreds of billions to trillions of rupiah annually.

In addition, Tax Invoices Not Based on Actual Transactions distort the market by providing unfair advantages to companies engaged in such practices. Firms exploiting these invoices can illegally reduce their tax burdens, while law-abiding companies must shoulder the full tax liability. As a result, business competition becomes unhealthy, as certain market actors gain competitive advantages through illegal practices rather than through efficiency or innovation[9.]

Another significant impact is the increasing cost of supervision and law enforcement. The government must allocate substantial resources to detect, investigate, and prosecute cases involving Tax Invoices Not Based on

Actual Transactions. Consequently, the taxation system must be continually updated with advanced technologies to prevent tax crimes, such as the application of big data and artificial intelligence to monitor suspicious transaction patterns. Nevertheless, challenges persist, as tax offenders continuously develop new methods that are increasingly difficult to detect[7].

Impact on Taxpayers

The effects of Tax Invoices Not Based on Actual Transactions are not limited to the state but also create challenges for taxpayers who comply with tax regulations. One of the major consequences is legal uncertainty. Taxpayers who inadvertently use such invoices for instance, in transactions with third parties unknowingly issuing illegal invoices may still be subject to administrative or even criminal sanctions. This situation generates uncertainty in the business environment, as companies are compelled to exercise greater caution in every business transaction involving external parties[4].

In addition, the administrative burden for tax-compliant companies also increases. Businesses must allocate more time and resources to ensure that all invoices received and issued are legitimate. The verification process of tax documents has become more complex, ultimately raising operational costs. This condition may hinder the growth of small and medium enterprises (SMEs) that lack adequate administrative capacity to handle increasingly stringent tax regulations[8].

Given these negative impacts, it is crucial for the government to further tighten regulations and raise taxpayers' awareness of the legal and economic risks associated with the use of illegal invoices. Strict law enforcement, supported by advanced technology and enhanced monitoring systems, is a critical step toward eradicating these practices and establishing a fair and transparent taxation system.

Law Enforcement on Tax Invoices Not Based on Actual Transactions in Indonesia

Applicable Regulations

The Government of Indonesia has issued various regulations to address the misuse of Tax Invoices Not Based on Actual Transactions, strengthen a more transparent and accountable tax system, and reinforce law enforcement against tax-related crimes. One of the main legal frameworks governing this issue is Law No. 6 of 1983 on General Provisions and Procedures of Taxation, which has been amended several times, most recently by Law No. 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law. Meanwhile, provisions and mechanisms related to tax invoices and their crediting are stipulated under Law No. 8 of 1983 on Value-Added Tax on Goods and Services and Sales Tax on Luxury Goods, as amended several times, and most recently by the same Law No. 6 of 2023.

To further suppress the practice of Tax Invoices Not Based on Actual Transactions, the government has also implemented an electronic tax invoice system (e-Faktur), regulated through Minister of Finance Regulations (PMK) as well as implementing regulations issued by the Directorate General of Taxes (DJP), such as Director General of Taxes Regulations (PER) and Circular Letters (SE). The e-Faktur system aims to reduce the potential misuse of tax invoices by enhancing transparency and facilitating transaction traceability[7].

Law Enforcement Efforts

In response to the widespread practice of Tax Invoices Not Based on Actual Transactions, the government has undertaken various law enforcement measures involving multiple institutions. The Directorate General of Taxes (DJP) has strengthened its monitoring system through the implementation of the e-Faktur system, which enables real-time monitoring of invoices. This initiative aims to close loopholes for misuse by ensuring that every issued invoice is based on clear and valid transactions[2].

In addition, cooperation among institutions such as the Corruption Eradication Commission (KPK), the DJP, and the Indonesian National Police (Polri) has been reinforced to handle cases involving Tax Invoices Not Based on Actual Transactions. This inter-agency synergy is designed to ensure that investigations and prosecutions of tax crime perpetrators are carried out more effectively. According to data from the Ministry of Finance, several major cases related to these fraudulent invoices have been successfully uncovered through the involvement of various law enforcement bodies[8]. In practice, investigations conducted by Civil Servant Investigators (PPNS) of the DJP are coordinated with other law enforcement authorities, such as the Attorney General's Office and Korwas PPNS Polri (KUHAP, 1981). Moreover, cooperation is also established with third parties to support evidence collection and the recovery of state revenue losses, including financial service institutions (e.g., banks), the National Land Agency (BPN), the Regional Police Traffic Directorate (Dirlantas Polda), and the Financial Transaction Reports and Analysis Center (PPATK) (SE-29/PJ/2021).

For perpetrators proven to have engaged in the practice of Tax Invoices Not Based on Actual Transactions, the government has imposed sanctions ranging from fines and business license revocation to imprisonment in accordance with applicable laws and regulations. These sanctions are expected to serve as a deterrent and enhance taxpayer compliance with the taxation system[9].

Challenges in Law Enforcement

Despite various efforts, law enforcement against Tax Invoices Not Based on Actual Transactions still faces a number of challenges. One of the primary obstacles is the lack of adequate human resources and technological capacity to detect and respond to violations quickly and efficiently. The continuous evolution of tax-related transactions requires more advanced monitoring systems and experts with in-depth knowledge of tax crime schemes[7].

In addition, the complexity of tax crime schemes poses a serious barrier. Increasingly sophisticated modus operandi, such as the misuse of other companies' identities or the establishment of shell companies, complicates the ability of authorities to trace the intellectual actors behind these practices[4]. Offenders often rely on extensive networks and involve multiple parties to conceal their tracks, making investigations more complex and time-consuming.

The lack of taxpayer awareness regarding the risks and legal consequences of using Tax Invoices Not Based on Actual Transactions further exacerbates the problem. Many taxpayers do not fully understand that involvement in such practices may result in severe legal sanctions. Therefore, widespread education and public outreach concerning the dangers and legal implications of these practices are crucial to improving taxpayer compliance and preventing violations[8].

Given these challenges, a more comprehensive strategy is required in enforcing laws against Tax Invoices Not Based on Actual Transactions. Strengthening monitoring capacity, leveraging modern technology, and enhancing inter-agency coordination are critical steps to eradicate these illegal practices and establish a fair and transparent taxation system.

CONCLUSION

Tax Invoices Not Based on Actual Transactions represent a form of tax crime that poses serious implications for state revenue and fairness within the taxation system. This practice not only causes significant financial losses to the state but also creates inequities for taxpayers who comply with tax regulations. Although the government has taken various measures to address this issue, challenges in monitoring and law enforcement remain major obstacles. The growing complexity of tax crime schemes and the limited resources available for oversight make it difficult to completely eradicate the use of Tax Invoices Not Based on Actual Transactions.

To address this issue, a more comprehensive strategy is required. One important step is enhancing the monitoring system by optimizing modern technologies such as big data and artificial intelligence. These tools can help detect suspicious transaction patterns more effectively and accelerate the investigation process by tax authorities. In addition, taxpayer education is also crucial in reducing the misuse of tax invoices. Increasing awareness of the legal consequences of engaging in Tax Invoices Not Based on Actual Transactions may discourage business actors from participating in such practices.

Furthermore, cross-institutional coordination as part of the Criminal Justice System involving the Directorate General of Taxes, the Indonesian National Police, the Attorney General's Office, the Supreme Court, the Ministry of Law and Human Rights, the Ministry of Immigration and Corrections, as well as the Corruption Eradication Commission needs to be continuously strengthened. Close cooperation among these institutions is essential in addressing large-scale cases involving syndicates and extensive networks. With improved data integration and stronger coordination, investigations into tax crime offenders can be conducted more effectively and comprehensively. In addition, collaboration with third parties such as financial service institutions (LJK), the National Land Agency (BPN), the Traffic Directorate of the Regional Police (Dirlantas Polri), and the Financial Transaction Reports and Analysis Center (PPATK) must be enhanced to trace assets of offenders for blocking and seizure in favor of the state.

By implementing these strategic measures, law enforcement against Tax Invoices Not Based on Actual Transactions in Indonesia is expected to become more effective and generate positive impacts on the taxation system as a whole. The enforcement of stricter regulations, the use of advanced technologies, as well as taxpayer education and inter-agency cooperation are key elements in establishing a taxation system that is more transparent, fair, and accountable.

REFERENCES

1. Cook, Anthony. 2022. Misuse of Corporate Vehicles and Beneficial Ownership. Lecture Handout: OECD Asia Pacific Academy for Tax and Financial Crime Investigation on VAT/GST Fraud Investigations Programme. 8 Mar. Zoom platform (Tokyo time): OECD International Academy for Tax Crime Investigation
2. Direktorat Jenderal Pajak. (2021). Surat Edaran Direktur Jenderal Pajak Nomor SE-29/PJ/2021 tentang Petunjuk Pelaksanaan Penyidikan Tindak Pidana Di Lingkungan Direktorat Jenderal Pajak. Direktorat Jenderal Pajak, Kementerian Keuangan Republik Indonesia.
3. Direktorat Jenderal Pajak. (2024). Laporan Tahunan DJP 2023.
4. Kementerian Keuangan. (2022). Dampak Kejahatan Perpajakan terhadap Penerimaan Negara.
5. Kementerian Keuangan Republik Indonesia. (2021). Peraturan Menteri Keuangan Nomor 18/PMK.03/2021 tentang Pelaksanaan Undang-Undang Nomor 11 Tahun 2020 Tentang Cipta Kerja Di Bidang Pajak Penghasilan, Pajak Pertambahan Nilai Dan Pajak Penjualan Atas Barang Mewah, Serta Ketentuan Umum Dan Tata Cara Perpajakan. Kementerian Keuangan Republik Indonesia
6. Pemerintah Indonesia. (1981). Undang-Undang Nomor 8 tahun 1981 tentang Hukum Acara Pidana. Lembaran Negara RI Tahun 1981 Nomor 76, Tambahan Lembaran RI Nomor 3201. Sekretariat Negara. Jakarta.
7. Setiawan, R. (2023). Strategi Pencegahan Faktur Pajak Tidak Berdasarkan Transaksi Sebenarnya dengan Teknologi Big Data.
8. Siregar, H. (2021). Sinergi Antar Lembaga dalam Penindakan Faktur Pajak Tidak Berdasarkan Transaksi Sebenarnya.
9. Tjondro, B., & Simanjuntak, R. (2020). Modus Operandi dalam Kejahatan Faktur Pajak Tidak Berdasarkan Transaksi Sebenarnya di Indonesia.