JIHAD: Jurnal Ilmu Hukum dan Administrasi
Vol. 8 No. 3 September 2026
p-ISSN : 2745-9489, e-ISSNl 2746-3842
DOI: *10.36312/jihad.v8i2.11202/*https://ejournal.mandalanursa.org/index.php/JIHAD/issue/archive

Legal Analysis of Tax Court Disputes Regarding the Determination of Loan Agreements as Value Added Tax Objects

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Article Info

Article history:
Accepted: 20 July 2026
Published: 1 September 2026

Keywords:
Tax Dispute;
Loan Agreement;
Value Added Tax;
Tax Court.

Abstract

This study aims to analyze tax court disputes related to the determination of loan agreements as subject to Value Added Tax (VAT). The research uses a normative juridical method with a legislative approach through the analysis of primary, secondary, and tertiary legal materials. The results show that disputes arise due to differences in interpretation regarding the legal qualifications of transactions, the application of the substance over form principle, and the principle of legality. Resolution is carried out through objections, appeals, and judicial reviews. The study highlights the importance of legal certainty in distinguishing loan transactions from service delivery to provide legal protection for taxpayers and tax authorities. Keywords: VAT, tax disputes, loan agreements.

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1. INTRODUCTION

As a developing country, Indonesia relies heavily on state revenue to finance national development. One of the main sources of state revenue comes from the tax sector, including Value Added Tax (VAT), which contributes significantly to the State Budget (APBN). VAT is a tax on the consumption of goods and services imposed at every point in the distribution chain, making it broad in nature and potentially encompassing various economic activities, including the mining sector (Gunadi, 2023).

In practice, the application of VAT is not limited to conventional sales and purchase transactions of goods and services but can also encompass certain forms of transactions legally qualified as "supplies." This creates complexity in determining whether a legal act, including a loan agreement, can be categorized as a VAT-deductible supply (Muttaqin, 2023).

Following the enactment of Law No. 7 of 2021 (the HPP Law), this law does not explicitly define the boundaries of pure loans and financing services, creating a regulatory vacuum. This issue becomes even more complex when linked to business activities in the mining sector, particularly among coal trading companies, which have diverse transaction characteristics and often involve specific financing schemes.

Value Added Tax (VAT) is a key source of state revenue and plays a crucial role in financing development. Although VAT is regulated by the VAT Law, practice shows differing interpretations regarding whether a loan agreement can be treated as a VAT-deductible service. This situation has given rise to disputes between taxpayers and the Directorate General of Taxes. The research gap in this study lies in the limited number of studies specifically addressing conflicting interpretations of loan agreements as VAT objects from the perspective of legality and legal protection. The objective of this study is to analyze the types of disputes and their resolution mechanisms (Hutagaol, 2022)

2. METHOD

This research uses a normative juridical method with a statutory approach. Data were obtained through a literature review of laws and regulations, literature, and scientific journals, then analyzed qualitatively using grammatical and systematic interpretation. This research focuses on examining the application of rules or norms in positive law, specifically examining the vertical synchronization between laws and government regulations. The researcher will examine the problem formulation with applicable legal norms and rules, explain them in detail, and then provide legal solutions to the research conducted. This research is conducted with reference to and based on legal norms contained in existing laws and regulations, as well as reviewing legal provisions of a normative nature and materials derived from the literature.

In this research, the legislation used by the author is the 1945 Constitution of the Republic of Indonesia, specifically Article 23A. The Civil Code (KUH Perdata), specifically Articles 1313, 1320, 1338, and 1754–1769 concerning agreements and borrowing. Law Number 6 of 1983 concerning General Provisions and Procedures for Taxation. Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods. Law Number 7 of 2021 concerning Harmonization of Tax Regulations. Law Number 14 of 2002 concerning Tax Courts. Government Regulation Number 49 of 2022 concerning Adjustments to Regulations in the Field of Value Added Tax. Regulations of the Minister of Finance and Regulations of the Director General of Taxes governing the implementation of Value Added Tax (VAT) and other laws and regulations related to this research.

3. RESULTS AND DISCUSSION

Forms of Tax Court disputes regarding the Determination of Loan Agreements as Value Added Tax Objects.

The research results show that the most dominant form of dispute in cases of determining loan agreements as objects of VAT is differences in legal qualifications regarding the substance of the transaction. Taxpayers generally believe that the transaction is a loan agreement as regulated in the Civil Code, so that the legal relationship created is only a debt-receivable relationship with an obligation to return funds at a certain time. In the view of the taxpayers, the transaction does not contain an element of service delivery as referred to in the VAT Law and therefore cannot be subject to Value Added Tax. On the other hand, the Directorate General of Taxes considers that the transaction cannot be assessed solely based on the formal form of the agreement, but must be viewed based on its actual economic substance (*substance over form*). If there are economic benefits, compensation, or service characteristics provided to another party, then the transaction can be qualified as a VAT object (Resmi, 2024).

The next form of dispute relates to differences in interpretation of the provisions **regarding financial services. In** tax practice, certain financial services receive special treatment and are therefore exempt from VAT. However, not all transactions related to the provision of funds are automatically categorized as financial services that receive this exemption. The Directorate General of Taxes frequently examines the purpose of the transaction, the payment mechanism, the relationship between the parties, and the economic benefits received by each party. If the examination results indicate that the transaction is more like the provision of services than a loan, the tax authorities will argue that the transaction is still subject to VAT. This difference in interpretation is one of the main causes of disputes in the Tax Court (Kristiaji, 2023).

Apart from the substance of the transaction, the research results also show that there are disputes related to **evidence** submitted by the parties. In dispute hearings in the Tax Court, evidence plays a crucial role because the judge must assess whether the disputed transaction is truly a loan agreement or another form of transaction subject to VAT. Taxpayers generally submit evidence in the form of loan agreements, financial statements, proof of fund transfers, repayment schedules, accounting records, and even minutes of company meetings to support their claim that the transaction constitutes a debt. Conversely, the Directorate General of Taxes bases its arguments on audit results, cash flow analysis, supporting transaction documents, and factual circumstances indicating the provision of benefits or compensation that, according to the tax authorities, fulfills the elements of a service (Fuady, 2021).

These differences in evidence demonstrate that tax disputes are not only concerned with normative aspects, but also involve proving the legal facts underlying a transaction. Therefore, the Tax Court panel of judges must not only examine the nomenclature of the agreement but also assess whether the transaction is truly in accordance with its contents. If there are significant differences between the legal documents and the transaction itself, the judge can consider the economic substance of the transaction as a basis for determining whether VAT is indeed due. This approach aligns with the principle of *substance over form, which* developed in modern tax law (Darussalam & Septriadi, 2024).

Research also shows that most disputes filed with the Tax Court begin with the issuance of a Tax Underpayment Assessment Letter (SKPKB) based on an audit by the Directorate General of Taxes. After receiving the SKPKB, taxpayers file an objection, arguing that the disputed transaction is not subject to VAT. If the objection decision upholds the tax authorities' correction, taxpayers then file an appeal with the Tax Court. Therefore, disputes examined by the Tax Court are disputes related to the determination of the amount of tax payable due to differing interpretations of the legal character of a transaction (Nurmantu, 2022).

Based on the overall results of the study, it can be analyzed that the forms of disputes in the Tax Court regarding the determination of loan agreements as objects of Value Added Tax basically include: first, disputes regarding the legal qualification of transactions as loan agreements or service delivery; second, disputes regarding the interpretation of provisions on VAT objects and financial service exemptions; third, disputes regarding proof of the economic substance of transactions; and fourth, disputes regarding the application of the principle of legality in tax collection (Rosdiana, 2024).

Efforts to Resolve the Tax Court Dispute regarding the Determination of Loan Agreements as Value Added Tax Objects

Research results indicate that disputes regarding the determination of loan agreements as VAT objects generally begin with the issuance of a Tax Underpayment Assessment Letter (SKPKB) based on the results of a DGT audit. During this audit, the tax authorities may conclude that the transaction recorded by the taxpayer as a loan agreement is essentially the provision of services subject to VAT (Irianti, 2023). This difference in assessment then becomes the basis for issuing a fiscal correction that increases the amount of tax payable. If the taxpayer believes that the correction is inconsistent with the provisions of laws and regulations or the actual transaction facts, the taxpayer has the right to pursue legal action according to the established mechanism (Mardiasno, 2023).

The first effort that can be made is **filing an objection to** the Director General of Taxes. An objection is an administrative measure aimed at prompting the tax authorities to review the audit results and the issued tax assessment letter. In this process, taxpayers must clearly outline the reasons for the objection, along with supporting evidence, such as loan agreements, proof of fund transfers, financial statements, accounting records, and other documents demonstrating that the transaction constitutes a debt-receivable relationship, not a service (Suandy, 2022).

If the objection decision still maintains the corrections made by the tax authorities, the taxpayer can submit an appeal to the Tax Court**.** An appeal is a form of dispute resolution through a specialized judicial institution authorized to examine and decide tax disputes. In the appeals process, the panel of judges not only assesses whether administrative procedures have been carried out correctly, but also assesses the substance of the transaction, the evidence presented by the parties, and the appropriateness of the DGT's application of legal provisions (Burton, 2024).

The research results show that proof is a crucial factor in disputes regarding loan agreements as VAT objects. Taxpayers must be able to prove that the transactions carried out are indeed loan agreements that fulfill the elements as stipulated in the Civil Code. This proof is not sufficient only through the title or name of the agreement, but must also be supported by the implementation of transactions that are consistent with the contents of the agreement, such as the existence of a repayment obligation, loan term, payment mechanism, and appropriate recording in the financial statements. Conversely, the Directorate General of Taxes must prove that the transaction is essentially the delivery of services or other transactions that fulfill the elements as a VAT object.

In examining the dispute, the panel of Tax Court judges generally uses an approach of *substance over form*, namely assessing the economic substance of a transaction compared to its formal form. This approach aims to ensure that taxation is based on actual conditions and not solely on the name or form of the agreement (Sutedi, 2022). In addition to proving the substance of the transaction, dispute resolution also requires an analysis of the provisions governing VAT objects and financial services exemptions. In cases related to loan agreements, judges must assess whether the transaction falls into the category of financial services that receive special treatment under statutory regulations or whether it is another transaction subject to VAT. This assessment is made through an interpretation of legal norms, trial facts, and documents submitted by the parties. Balanced (Waluyo, 2024).

Based on the research results, the effectiveness of dispute resolution regarding the determination of loan agreements as objects of VAT is significantly influenced by the clarity of the legal provisions, the quality of the parties' evidence, and the consistent application of tax law principles. Recurring disputes regarding transaction characteristics indicate that there is still room for differing interpretations between taxpayers and tax authorities regarding the concept of service delivery and the scope of VAT objects. Therefore, more consistent application of provisions and interpretations that prioritize legal certainty is needed to avoid creating uncertainty for the business world.

4. CONCLUSION

Based on the research results, it can be concluded that the Tax Court dispute over the determination of a loan agreement as an object of Value Added Tax (VAT) was essentially triggered by differences in interpretation between the Taxpayer and the Directorate General of Taxes (DGT) regarding the legal characteristics and economic substance of a transaction. The Taxpayer argued that the loan agreement constituted a debt-receivable relationship that did not fulfill the elements of service delivery and therefore was not an object of VAT. In contrast, the DGT applied the principle of substance. *Over form by* assessing that if a transaction substantially contains elements of providing services or economic benefits to another party, then the transaction can be qualified as an object of VAT. Furthermore, the dispute also relates to differences in interpretation regarding financial services exemptions, proving the economic substance of the transaction, and the application of the principle of legality in tax collection.

This study also shows that dispute resolution is carried out through mechanisms stipulated in laws and regulations, namely starting with submitting an objection to the Director General of Taxes, followed by an appeal to the Tax Court if the objection is rejected, and further legal action can be taken in accordance with applicable provisions. The success of dispute resolution is greatly influenced by the quality of evidence submitted by the parties, the consistency of the application of the principles of *substance over form*, as well as the accuracy of judges in interpreting provisions regarding VAT objects and financial services exemptions. Therefore, more stringent and consistent regulations are needed regarding the boundaries between loan transactions and the provision of services, thereby providing legal certainty, increasing legal protection for taxpayers, and minimizing the potential for future tax disputes.

5. ACKNOWLEDGMENTS

The author would like to express his gratitude to all parties who have provided support and contributions to the completion of this research. He expresses his deepest appreciation to his supervisor for his guidance, direction, criticism, and constructive suggestions throughout the research process. He also thanks the institution where he studied for providing academic support and access to various necessary reference sources. Furthermore, he expresses his appreciation to all parties who have assisted, both directly and indirectly, in ensuring the successful completion of this research. He hopes that the results of this research will contribute to the development of legal science, particularly in the field of tax law, and serve as a reference for further research.

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