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# *Tax Sovereignty and Administrative Justice: The Matching Principle Under Islamic Constitutional Law*

# Kedaulatan Pajak dan Keadilan Administratif: Prinsip Penandingan dalam Hukum Tata Negara Islam

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## Abstract

*The systematic bureaucratic disallowance of the matching principle in corporate taxation creates profound normative tension between sovereign revenue optimization and administrative justice. This manipulative practice distorts corporate financial realities by accelerating revenue recognition while arbitrarily deferring deductible employee compensation, constituting a manifest abuse of administrative discretion. This study aimed to rigorously deconstruct this fiscal asymmetry and formulate an equitable harmonization model. Employing a normative dogmatic methodology integrated with a comparative constitutional approach, this research juxtaposed modern legal protections against classical taxation doctrines within Islamic constitutional law. The analysis revealed that the state's asymmetrical interpretation structurally violates the principle of equality before the law. Comparatively, Islamic jurisprudence dictates that the state must deduct operational sacrifices prior to wealth exaction. By synchronizing corporate tax deductibility with Islamic equitable parameters, this novel framework prescribes a transnational legal model that effectively curtails bureaucratic arrogance and secures fundamental material certainty for commercial entities operating globally.*

## Abstrak

Penolakan birokratis yang sistematis terhadap prinsip penandingan dalam perpajakan korporasi menciptakan ketegangan normatif tajam antara optimalisasi penerimaan kedaulatan dan keadilan administratif. Praktik manipulatif ini mendistorsi realitas finansial korporasi dengan mempercepat pengakuan pendapatan sembari menunda beban kompensasi pekerja, sehingga memanifestasikan bentuk penyalahgunaan kewenangan secara absolut. Studi ini bertujuan untuk mendekonstruksi asimetri fiskal tersebut dan merumuskan model harmonisasi yang proporsional. Menggunakan metodologi dogmatis normatif yang diintegrasikan melalui pendekatan konstitusional komparatif, penelitian ini menyandingkan doktrin perlindungan hukum modern melawan filosofi perpajakan klasik dalam hukum tata negara Islam. Analisis membuktikan bahwa interpretasi asimetris negara melanggar esensi prinsip persamaan di hadapan hukum. Secara komparatif, yurisprudensi Islam mewajibkan negara untuk memotong pengorbanan operasional sebelum mengeksekusi penarikan harta kekayaan. Dengan menyinkronkan pengurangan beban pajak korporasi bersama parameter keadilan teologis, kerangka baru ini menghasilkan model hukum transnasional yang efektif memberantas arogansi birokrasi sekaligus menjamin kepastian hukum material paling mendasar bagi seluruh entitas komersial yang beroperasi secara global kini.

# A. INTRODUCTION

## 1. Background

The existential viability of a sovereign state entity is inherently predicated upon its capacity to mobilize financial resources to execute governmental functions, preserve public order, and sustainably advance social welfare. Within the jurisprudential discourse of constitutional law, the state's plenary authority to exact revenue from its citizenry is manifested through a constitutional framework recognized as tax sovereignty. Historically, classical theorists such as Jean Bodin conceptualized sovereignty as the supreme power within a polity—a prevailing authority that is absolute and unencumbered by the constraints of external positive law.[1]

Nevertheless, as civilization has evolved toward the paradigm of the modern constitutional state (*Rechtsstaat*), such tyrannical sovereignty has been fundamentally circumscribed by the social contract enshrined within the constitution. In the Indonesian context, this constitutional mandate is explicitly articulated in Article 23A of the 1945 Constitution of the Republic of Indonesia, which stipulates that taxes and other coercive levies exacted for state purposes must invariably be governed by statutory law. The codification of this principle of legality (*nullum tributum sine lege*) transcends mere procedural formality; rather, it operates as a fundamental safeguard to forestall executive caprice and arbitrary state action. Viewed through the prism of constitutional law, any state-compelled exaction inherently entails an encroachment upon private property rights; consequently, rationality, legality, and administrative justice emerge as irreducible, absolute prerequisites.[2]

The discourse on constitutional law is inextricably linked to the comparative perspectives contributed by Islamic constitutional law (*Fiqh Siyasah*), particularly through its sub-discipline of *Siyasah Maliyah*, which governs the administration of public financial and economic policy. Within the *Siyasah Maliyah* tradition, the state's sovereign power to levy taxes is never construed as the absolute prerogative of the ruler; rather, it is conceptualized as the manifestation of a theological fiduciary duty bound by the principles of *maqashid al-syariah* (the fundamental objectives of Islamic law), public

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[1] David Doresta Wijaya and Nurul Mubin, "Teori Kedaulatan Negara," *WISSEN : Jurnal Ilmu Sosial Dan Humaniora* 2, no. 4 (August 20, 2024): 114–21, https://doi.org/10.62383/wissen.v2i4.332.
[2] Roberto Ranto, "Tinjauan Yuridis Perlindungan Hukum Terhadap Konsumen Dalam Transaksi Jual Beli Melalui Media Elektronik," *Jurnal Ilmu Hukum: ALETHEA* 2, no. 2 (February 2019): 145–64, https://doi.org/10.24246/alethea.vol2.no2.p145-164.

interest (*maslahah ammah*), and distributive justice. The administration of the *Baitul Mal* (state treasury) imposes a mandate upon state leaders to act as fiduciaries safeguarding public rights, precluding the inequitable concentration of wealth among the elite (*israf*), and ensuring the absolute absence of systemic injustice (*dzulm*) in the exaction of citizens' wealth.[3]

The preeminent Islamic political philosopher and constitutional scholar, Imam Al-Mawardi, established a profoundly comprehensive theoretical framework for the ethics of taxation in his seminal treatise, *Al-Ahkam as-Sulthaniyyah*. He articulated exacting legal standards for the determination of land tax (*kharaj*), mandating that the state conduct a factual evidentiary assessment of the taxable subject's actual economic capacity prior to the imposition of any fiscal liability.[4] Administrative justice within the Islamic jurisprudential paradigm, therefore, mandates a precise equilibrium between the collective exigencies of the state and the safeguarding of the financial rights of individuals and commercial entities.

The nexus that engenders the most profound complexity among tax sovereignty, administrative justice, and the equitable doctrines of *Siyasah Maliyah* in the contemporary era can be traced specifically to the interpretation and application of the matching principle concerning employee compensation policies within the domain of corporate taxation. Under Generally Accepted Accounting Principles (GAAP), the matching principle is recognized as a foundational doctrine mandating that a commercial entity record and recognize expenses in the identical reporting period as the revenues precipitated or generated by those respective expenses.[5]

Strict adherence to this doctrine ensures the generation of financial performance statements that are materially representative, equitable, and insulated from reporting distortions. Within the jurisdiction of tax administrative law, however, this foundational tenet is perpetually subject to friction, distortion, and even evisceration, driven by the state's imperative to secure immediate revenue sovereignty. The taxing authority (*fiscus*)

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3 Andi Agung Mallongi et al., "Kebijakan Efisiensi Dalam Pengelolaan Anggaran Negara Di Indonesia Tahun 2025 Ditinjau Dari Perspektif Siyasah Maliyyah," *Jurnal El-Thawalib* 6, no. 2 (April 20, 2025): 212–26, https://doi.org/10.24952/el-thawalib.v6i2.14972.
4 Epy Pujiaty and Ahmad Hasan Ridwan, "Distributive Justice In Providing Tax Amnesty According To Islamic Economy," *Maro: Jurnal Ekonomi Syariah Dan Bisnis* 5, no. 2 (February 2023): 296–306, https://doi.org/10.31949/maro.v5i2.4622.
5 Regina F. Bento, Lasse Mertins, and Lourdes F. White, "Risk Management and Internal Control: A Study of Management Accounting Practice," in *Advances in Management Accounting* (Emerald Publishing Limited, 2018), 1–25, https://doi.org/10.1108/S1474-787120180000030002.

frequently implements a policy of asymmetry: mandating accelerated revenue recognition for corporations, while aggressively deferring or disallowing the recognition of substantial deductible expenses—such as employee bonus accruals and the provision of fringe benefits—until the materialization of an actual cash disbursement.[6] Employee compensation policies, which fundamentally constitute the lifeblood of economic productivity, ultimately become ensnared in interpretive disputes that scrutinize the extent to which administrative justice is substantively enforced by the state.

To construct a comprehensive research roadmap, a systematic literature review examines the intersection of taxing authority, accounting principles, and public law. First, comprehensive scholarship highlights the paradigm shift in the tax treatment of fringe benefits subsequent to the implementation of a new statutory regime, concluding that the taxation of such benefits definitively engenders vertical and horizontal equity for individual taxpayers, while concurrently reconciling the matching principle for corporate entities.[7] Second, applied legal scholarship dissecting the anatomy of tax litigation posits, through normative-dogmatic analysis, that the accrual-based recognition of bonus expenses far more accurately encapsulates economic reality under the *substance over form* doctrine than mere provision-based recognition, establishing that the judicial annulment of such fiscal adjustments constitutes a necessary remedy to restore substantive justice.[8] Third, this comparative constitutional analysis centers on the apportionment and limitations of tax sovereignty within autonomous European territories, underscoring that fiscal sovereignty does not constitute a monolithic entity; rather, it is a distributed power fortified by stringent safeguards against unilateral modification by the central government.[9] Fourth, this quantitative legal study utilizes the prevailing and losing adjudication rates of the taxing authority before the administrative judiciary as a barometer to gauge the level of efficiency, accountability, and financial

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[6] Avriliani Dwi Septiana and Nera Marinda Machdar, "An Exposition of Transfer Pricing, Fixed Asset Intensity and Capital Intensity on Tax Avoidance," *Akuntansi Pajak Dan Kebijakan Ekonomi Digital* 2, no. 1 (December 2024): 17–26, https://doi.org/10.61132/apke.v2i1.713.
[7] Heriantonius Silalahi and Budi Kurnia, "Fringe Benefits in Tax Law: Matching Principle and Tax Justice Perspective," *Ilomata International Journal of Tax and Accounting* 4, no. 4 (October 2023): 684–702, https://doi.org/10.52728/ijtc.v4i4.870.
[8] Nandi Maulana, Budi Kurnia, and Heriantonius Silalahi, "Readiness of Companies to Implement Effective Tax Management Practices: A Case Study in Indonesia," *Educoretax* 4, no. 8 (August 23, 2024): 1036–53, https://doi.org/10.54957/educoretax.v4i8.1073.
[9] Monika Bogucka-Felczak and Patryk Kowalski, "The Constitutionalisation of the Tax Sovereignty of European Autonomous Territories," *Kwartalnik Prawa Podatkowego*, no. 4 (December 2023): 121–42, https://doi.org/10.18778/1509-877X.2023.04.07.

administrative justice within the state.[10] Fifth, this jurisprudential inquiry elucidates the function of the administrative judiciary as a critical mechanism for mitigating the structural asymmetry between a state taxing authority endowed with expansive discretionary power and taxpayer entities vulnerable to the abuse of authority.[11]

An examination of these five preceding scholarly works exposes a critical lacuna in the academic discourse that urgently demands remediation. Prior scholarship demonstrates a tendency toward epistemological fragmentation: analyzing the matching principle exclusively through the lenses of accounting and tax litigation, or alternatively, examining state sovereignty as a purely theoretical construct devoid of application to the technical commercial sphere, while concomitantly failing to incorporate the philosophical dialectic of Islamic Constitutional Law in a comparative context. The essential distinction and substantive novelty of the present research are predicated upon a holistic, multidisciplinary integration. This article does not relegate the matching principle to a mere bookkeeping instrument; rather, it deconstructs and rehabilitates the principle as the nexus of legal civilization—a locus where the theoretical circumscription of state power within positive constitutional law converges with the anti-fiscal exploitation doctrines of Al-Mawardi's *Siyasah Maliyah*.

Serving as a conceptual synthesis of the empirical findings, this research affirms that the taxing authority's systematic disallowance of the matching principle within the domain of employee compensation—under the guise of safeguarding state revenue—constitutes a manifest instance of *détournement de pouvoir* (abuse of discretion) that vitiates administrative justice. Furthermore, the comparative analysis decisively establishes that the synchronization of corporate tax deductibility with employee taxability embodies the true manifestation of equitable *kharaj* parameters, under which the state possesses constitutional and theological legitimacy to tax only the intrinsic economic benefit, strictly contingent upon the prior recognition and proportional compensation of all sacrifices expended in the generation of said benefit.

10 Marie Karfíková and Jakub Vojtěch, "Measuring Success of the Czech Financial Administration before the Supreme Administrative Court: Partial Results of a Quantitative Research of Court Proceedings," *Public Governance, Administration and Finances Law Review* 4, no. 1 (June 2019): 5–18, https://doi.org/10.53116/pgaflr.2019.1.1.
11 Agus P. Priyono Henry DP Sinaga, "Is Administrative Justice a Problem-Solving of Tax Dispute?," *Jurnal Tax Law and Policy* 1, no. 1 (June 2022): 54–66, https://doi.org/10.56282/jtlp.v1i1.63.

## 2. Research Questions

Premised upon the antecedent background delineating the structural tension between state authority and the protection of economic entities, the analytical framework of this inquiry is structured around research questions that govern the overarching investigative process. The inherent complexity of this issue necessitates rigorous philosophical, doctrinal, and applied jurisprudential dissection. Consequently, to advance the extant literature, the original research inquiries formulated herein are as follows:

a. How are the dialectic and the lines of demarcation between state tax sovereignty and administrative justice constructed, construed, and operationalized within the frameworks of positive constitutional law and Islamic constitutional law (*Siyasah Maliyah*)?

b. Within the context of tax jurisprudence and corporate litigation, to what extent do the taxing authority's statutory interpretation and administrative discretion concerning the matching principle—specifically regarding the regulation of fringe benefits and employee bonus compensation—reflect the tenets of legal certainty and proportional administrative justice?

c. How can a comparative analytical framework—juxtaposing modern constitutional governance theories with Imam Al-Mawardi's prescriptive doctrines on *kharaj* within *Fiqh Siyasah*—synthesize an optimal harmonization model to resolve the inherent tension between maximizing state revenue exactions and safeguarding the fundamental rights of corporate entities and labor?

## 3. Research Methodology

This study employs a normative-dogmatic legal research design integrated with a comprehensive comparative law approach. Transcending mere statutory compilation, the methodology focuses on the rigorous interpretation of abstract legal principles, doctrinal coherence, and the cross-disciplinary synchronization of modern and Islamic constitutional jurisprudence. The scientific soundness of this design is fortified by a reproducible, layered methodology that ensures rigorous logical reasoning.

Data collection is executed through an extensive, structured, and validated literature review, categorized into three referential strata. The first stratum comprises contemporary scholarship (2019–2025), providing empirical material—such as tax court rulings, tax accounting discourses, and administrative litigation evaluations—that reflects the *state of the art* concerning the matching principle. The second stratum relies on authoritative treatises governing Indonesian constitutional law. The third stratum incorporates classical Islamic constitutional literature, notably Al-Mawardi's *Ahkam Sulthaniyah*, which conceptualizes the state's absolute prerequisite to provide public facilities prior to taxation—functioning as the *Magna Carta* of Islamic taxation—and articulates the four absolute parameters of equitable *kharaj*. Furthermore, the administrative justice framework is supplemented by Philipus M. Hadjon's doctrine regarding the dichotomy of preventive and repressive legal protections for the citizenry.

Data analysis is conducted through a deductive-comparative framework utilizing a layered syllogism. The conceptualization phase establishes the major premise of state sovereignty and its constitutional circumscriptions under both positive law and *Siyasah Maliyah*. Subsequently, the contextualization phase dissects the minor premise: the taxing authority's asymmetric interpretation of the matching principle regarding fringe benefits and employee bonus accruals, scrutinizing its logical anomalies through accounting and administrative law doctrines. The ultimate comparative synthesis phase juxtaposes these administrative anomalies against Al-Mawardi's *kharaj* indicators to identify theoretical convergence. This methodical triangulation guarantees that the ensuing jurisprudential arguments are fundamentally insulated from speculative conjecture and firmly anchored in robust evidentiary substantiation.

## B. DISCUSSION

### 1. Tax Sovereignty vs. Administrative Justice: The Construction of Positive Constitutional Law

Tax sovereignty constitutes the most critical pillar in ensuring the existential sustainability of a nation-state entity. It reduces the abstract concept of state sovereignty into a tangible, coercive instrument. As historically introduced by the philosopher Jean Bodin, sovereignty was originally defined as the supreme, independent, and absolute power to establish law within a territory.[12] The capacity of a state to execute its social and economic functions is fundamentally unattainable absent the fiscal sovereignty that compels citizens to participate in public financing.

However, within the architecture of contemporary constitutional law that has transitioned toward the *Rechtsstaat* paradigm, such absolute power is systematically

[12] Nurlaila Sari et al., "The Effectiveness of Tax Law Enforcement Against Tax Evasion Crimes in Indonesia," *Jurnal Cendikia ISNU SU* 2, no. 3 (December 29, 2025): 411–20, https://doi.org/10.70826/jcisnu.v2i3.959.

circumscribed by constitutional boundaries. The 1945 Constitution of the Republic of Indonesia rigorously articulates this limitation in Article 23A. Taxes are designated as "coercive" exactions; however, this state coercion is inextricably tethered to the strict prerequisite that they be "governed by statutory law." This principle of legality represents a foundational compromise between state sovereignty and individual liberty. Formal legality alone, however, is perpetually insufficient to engender substantive justice. In his *magnum opus* on Indonesian constitutional jurisprudence, Professor Jimly Asshiddiqie establishes a fundamental postulate regarding the architecture of legal norms. He articulates that the theoretical existence of a legal norm can never attain absolute validity and efficacy if predicated exclusively upon mere textual enactmen.[13]

Public law norms, particularly tax statutes that directly diminish citizens' private property, necessitate the availability of operational legal frameworks (implementing regulations) that fully encapsulate the logical rationale and equity mandated by their enabling legislation. Should a deviation arise between the benevolent intent of the parent statute and discriminatory implementing regulations, constitutional law enforcement will fail to function as a baseline for rational conduct, mutating instead into an instrument that legalizes extortion. Furthermore, Professor Jimly Asshiddiqie specifically accentuates the principle of equality before the law and the essence of a system of checks and balances. Tax sovereignty does not imply that the position of the taxing authority is inherently superior to that of the taxpayer; rather, both are legally coequal and bound by administrative rules of engagement that uphold substantive justice.[14]

When tax norms are disproportionately operationalized by the state administrative apparatus (the Directorate General of Taxes), administrative justice emerges as the ultimate safeguard for the citizenry. Invoking Philipus M. Hadjon's classical doctrine on administrative law, the essence of legal protection for the Indonesian public is bifurcated into two fundamental dimensions: preventive legal protection and remedial legal protection.[15] Preventive protection is manifested through the procedural opportunity afforded to taxpayers to proportionally rebut and contest the taxing authority's assessments during the audit phase, prior to the issuance of a binding Notice of Tax Assessment. Conversely, remedial protection is invoked when an impasse is reached and

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[13] Jimly Asshiddiqie, *Perihal Undang-Undang* (Depok: Rajawali Pers, 2010). Page, 84-89.
[14] Asshiddiqie. Page, 84-89.
[15] Ranto, “Tinjauan Yuridis Perlindungan Hukum Terhadap Konsumen Dalam Transaksi Jual Beli Melalui Media Elektronik.”

an administrative agency decision is issued that allegedly violates substantive law, thereby compelling the taxpayer to pursue litigation before the Tax Court. This framework of administrative justice is predicated upon the premise that the state must not take refuge behind the shield of "state revenue interests" to legitimize *détournement de pouvoir* (abuse of discretion).[16]

## 2. The Epistemology of Tax Justice within the Doctrine of *Siyasah Maliyah*

At the opposite end of the philosophical spectrum, state financial governance within the Islamic tradition is formulated with a profound degree of circumspection through the jurisprudential discourse of *Fiqh Siyasah*, particularly *Siyasah Maliyah*. *Siyasah Maliyah* transcends mere budgetary policy; rather, it constitutes the political administration of the state treasury (*Baitul Mal*), systematically regulated to guarantee the fulfillment of fundamental rights for legitimate beneficiaries (*mustahik*), actualize the overarching objectives of Islamic law (*maqashid al-syariah*), and strictly eschew oppressive practices (*dzulm*) alongside the dissipation of economic resources (*israf* and *tabdzir*).[17] Within this paradigm, the state's sovereign prerogative to exact taxes (such as *kharaj* or *jizyah*) is predicated upon a fiduciary mandate (*amanah*), rather than the right of conquest.

The most preeminent manifestation of administrative justice within the intellectual history of Islamic constitutionalism was the subversion of the exploitative taxation paradigm through the promulgation of regulations grounded in an empirical analysis of actual economic capacity. In his treatise, Al-Mawardi established an unequivocal prerequisite: the state bears an absolute obligation to provide and rehabilitate public infrastructure—such as water resources, municipal fortifications, and irrigation systems—in the event of their degradation. More fundamentally, he articulated four critical parameters (determinant variables) that tax assessors must mandatorily evaluate prior to assessing an equitable *kharaj* liability, encompassing: (1) soil fertility, (2) the nature of the cultivated commodities, (3) the specific irrigation system utilized, and (4) the geographical proximity of the arable land to commercial markets.[18]

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[16] Annisa Dwi Lestari, Taufiqurrohman Syahuri, and Ahmad Ahsin Thohari, "Restrictions on Judicial Review Rights for State Administrative Officials: A Critical Perspective on Constitutional Court Deci-Sion No. 24/PUU-XXII/2024," *International Journal of Law, Crime and Justice* 2, no. 3 (July 2025): 01–14, https://doi.org/10.62951/ijlcj.v2i3.688.
[17] Mallongi et al., "Kebijakan Efisiensi Dalam Pengelolaan Anggaran Negara Di Indonesia Tahun 2025 Ditinjau Dari Perspektif Siyasah Maliyyah."
[18] Imam Al-Mawardi, *Ahkam Sulthaniyah* (Jakarta: Qisthi Press, 2014). Page, 245-253.

The establishment of the irrigation system parameter possesses profound intellectual prescience when extrapolated to the contemporary context. Al-Mawardi perceptively recognized that arable land reliant upon labor-intensive manual irrigation necessitates supplementary economic sacrifices—functionally equivalent to operational expenditures—that substantially exceed those required for tracts irrigated by natural riparian flows.[19] Consequently, the applicable tax rate must be commensurately lower. This underlying rationale fundamentally constitutes the most archaic, yet remarkably precise, conceptualization of the matching principle and the recognition of deductible expenses within modern tax jurisprudence. The Islamic state is strictly enjoined from levying taxes upon gross economic turnover without antecedently deducting the labor and operational expenditures disbursed by the capital owner to generate such wealth. Absent the satisfaction of this equitable mandate of *Siyasah Maliyah*, the exaction of taxes is legally classified as an illicit expropriation of propert.[20]

To elucidate the precise jurisdictional and philosophical demarcation between the modern constitutional state's conception of sovereignty and Islamic constitutional philosophy, Table 1 delineates a comparative synthesis matrix of the two paradigms:

**Table 1. Comparative Matrix of Tax Sovereignty between Positive Constitutional Law and *Fiqh Siyasah***

| **Analytical Dimension** | **Positive Constitutional Law (Rechtsstaat / 1945 Constitution)** | **Islamic Constitutional Law (Fiqh Siyasah / Siyasah Maliyah)** |
|---|---|---|
| **Nature of Authority & Sovereignty** | Supreme sovereignty (Jean Bodin) strictly constrained by the Constitution (Article 23A of the 1945 Constitution of the Republic of Indonesia). | Theological sovereignty operating as a divine trust (*amanah*); strictly subordinated to *Sharia*, public interest (*maslahah ammah*), and distributive justice. |
| **Pillars of Taxation Legality** | Formal legal certainty (*nullum tributum sine lege*), operational norms, and explicit consent through political representation. | Substantive justice and proportional capacity assessment (*misahah/musaqah*), meticulously overseen by the state consultative council (*Ahlul Halli wal Aqdi*). |
| **Citizen Protection Mechanisms** | The doctrine of equality before the law, systemic checks and balances, alongside preventive and repressive administrative | The state's prerequisite obligation to develop public infrastructure prior to exaction, tax exemptions if economic burdens are excessively severe, and the |

[19] Firdaus Firdaus, Erni Wati, and Putri Amalia, "Analisis Kebijakan Fiskal Dan Kebijakan Moneter Dalam Mengendalikan Inflasi Dan Stabilitas Ekonomi," *Journal of Economics Development Research* 1, no. 3 (August 20, 2025): 91–101, https://doi.org/10.71094/joeder.v1i3.144.
[20] Mallongi et al., "Kebijakan Efisiensi Dalam Pengelolaan Anggaran Negara Di Indonesia Tahun 2025 Ditinjau Dari Perspektif Siyasah Maliyyah."

| | | |
|---|---|---|
| | legal protections. | absolute prohibition of oppression (*anti-dzulm*). |
| **Epistemology of Expense Recognition** | Tax deductibility is dictated by bureaucratic statutory interpretation, frequently neglecting factual economic realities if such recognition depletes state revenue. | Absolutely integrated within Al-Mawardi's four parameters of *kharaj*: comprehensive acknowledgement of physical and capital sacrifices (e.g., irrigation system maintenance and market proximity). |

## 4. Interpretation of the Matching Principle on Benefits-in-Kind (Natura) and Employee Bonus Compensation

Entering the technical and operational spectrum of the second research question, the fiercest battleground between tax sovereignty and administrative justice emerges within the domain of cross-disciplinary accounting interpretation. The matching principle within commercial accounting and globally recognized financial reporting frameworks (Generally Accepted Accounting Principles) constitutes the bedrock of the accrual method. This fundamental doctrine dictates that an enterprise must record and recognize expenses within the exact accounting period in which the associated revenues generated by such expenditures are recognized.[21] The primary objective of the matching principle is to present an authentic portrayal of a corporation's financial health and operating performance, uncorrupted by temporal anomalies and distortions in cash collection schedules.

However, this coherent accounting logic is frequently compromised and dematerialized when confronted by tax law regulations. Utilizing its sovereign authority, the state institutes a reporting asymmetry: tax authorities systematically adopt a conservative cash-basis posture regarding corporate expense recognition to restrict deductible expenses, while simultaneously pursuing an aggressive, progressive stance toward revenue recognition to maximize state fiscal exactions.[22]

This severe disparity is acutely manifested in employee compensation schemes, which can be categorized into two prominent contemporary case studies: Benefits-in-Kind (*Natura*/Fringe Benefits) and Employee Bonus Provisions. Regarding fringe benefits, prior to the enactment of the Law on the Harmonization of Tax Regulations (UU HPP) in Indonesia, the state maintained an asymmetrical and disadvantageous

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[21] Bento, Mertins, and White, "Risk Management and Internal Control: A Study of Management Accounting Practice."
[22] Erkki Kalervo Laitinen, "Matching of Expenses in Financial Reporting: A Matching Function Approach," *Journal of Financial Reporting and Accounting* 18, no. 1 (December 19, 2019): 19–50, https://doi.org/10.1108/JFRA-01-2019-0009.

framework. Facilities provided to employees as benefits-in-kind (such as corporate housing, meal provisions, and executive healthcare coverage) were treated as non-taxable income for employees; consequently, all corporate expenditures incurred for such benefits were strictly categorized as non-deductible expenses from the corporation's gross revenue.[23]

Nonetheless, under foundational operational accounting principles, the provision of these facilities represents an indispensable operational investment to maintain employee psychological well-being and physical health, which directly drives the entity's operating profit generation. As demonstrated in the research by Silalahi and Kurnia, the post-UU HPP regulatory regime restored administrative justice by establishing that fringe benefits constitute taxable income (Income Tax Article 21 / *PPh Pasal 21*) for employees while simultaneously qualifying as legitimate deductible expenses for the employer corporation. This statutory recalibration demonstrates that the state's adherence to the matching principle establishes an equitable harmony between vertical equity (securing state tax claims from the workforce) and horizontal equity (enabling corporations to account for authentic operational burdens).[24]

Second, contentious friction persists regarding the tax treatment of performance-based employee bonuses accrued at the close of the financial year. Governed by the matching principle, when employees render services from January through December that generate an operational surplus, the corporation is obligated to record a bonus provision (accrual) in December to charge those labor costs against current-year revenues.[25] During tax audits, however, the *fiscus* routinely executes fiscal corrections. Tax authorities persistently disallow these bonus reserve expenses under a rigid interpretation, alleging that accrued bonuses constitute mere unliquidated estimates because cash has not yet been physically disbursed, thereby asserting that they fail to satisfy the threshold of definitive legal certainty.[26]

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[23] Rifqy Azza Firmansyah and Suparna Wijaya, "Natura Dan Kenikmatan Sebelum Dan Sesudah Undang-Undang Harmonisasi Peraturan Perpajakan," *Jurnal Pajak Dan Keuangan Negara (PKN)* 3, no. 2 (June 2022): 343–59, https://doi.org/10.31092/jpkn.v3i2.1645.
[24] Silalahi and Budi Kurnia, "Fringe Benefits in Tax Law: Matching Principle and Tax Justice Perspective."
[25] Brid Murphy et al., "Exploring Accounting and AI Using Topic Modelling," *International Journal of Accounting Information Systems* 55 (December 2024): 100709, https://doi.org/10.1016/j.accinf.2024.100709.
[26] Indriyani Astuti Nurachman et al., "The Trend of Audit Quality Development: A Scopus-Based Bibliometric Analysis," *Golden Ratio of Social Science and Education* 5, no. 1 (May 27, 2025): 230–37, https://doi.org/10.52970/grsse.v5i1.1086. Page, 64.

As doctrinally scrutinized by Santoso through corporate tax litigation in the Tax Court, the tax authority's rejection of compensation bonus accruals constitutes an inequitable distortion of the matching principle. Under the governing legal doctrine of *substance over form* (prioritizing economic substance over formalistic strictures), the payment liability has legally vested in the enterprise and is determinable with reasonable accuracy because the underlying services rendered by the employees have been fully performed. Such artificial fiscal adjustments disrupt the corporation's Effective Tax Rate (ETR), generate illusory taxable profits, and compel taxpayers to satisfy tax obligations by irrationally straining their capital maturity matching.[27]

## 5. Comparative Review: The Harmonization of Administrative Justice and *Fiqh Siyasah*

The third research question is addressed through a synthesis and comparative alignment between modern matching principle disputes and the prescriptions of Islamic Constitutional Law. The actions executed by the *fiscus* (bureaucratic apparatus) in rejecting employee compensation expenses, viewed from both constitutional and *Fiqh Siyasah* perspectives, constitute a form of power exploitation that must be deconstructed.

From the perspective of Constitutional Law, drawing upon the thoughts of Professor Jimly Asshiddiqie, the validity of a statute necessitates the realization of operational legal instruments. Administrative justice does not justify tax authorities undermining the stability of economic entities merely out of fear of potentially eroding state revenues. When the state prohibits corporations from deducting their employee compensation expenses in real-time, it enforces the creation of a legal fiction that destroys the principle of equality before the law.[28]

Viewed through the lens of *Siyasah Maliyah*, administrative policies that sacrifice employee bonus accruals absolutely violate Al-Mawardi's doctrine of *kharaj*. It is recalled that Al-Mawardi compelled *kharaj* officials to discount the tax burden on agricultural lands employing labor-intensive manual irrigation systems. In the modern business ecosystem, the mechanical labor of water wheels or manual irrigation described by Al-Mawardi is identical to the performance, dedication, bonus compensation, and fringe benefits of corporate employees. Just as a farmer cannot reap a harvest without expending

[27] Muhammad Rifky Santoso, "Matching Cost Against Revenue at Royalty Expenses," *The Indonesian Accounting Review* 11, no. 2 (July 22, 2021): 171–85, https://doi.org/10.14414/tiar.v11i2.2558.
[28] Asshiddiqie, *Perihal Undang-Undang*. Page, 75.

extra energy to irrigate their fields, a corporation cannot possibly realize trillions in profits without sacrificing massive equivalent funds to motivate its superior human resources. Rejecting bonus accruals and fringe benefits from corporate deductible expenses is as oppressive as levying double taxation on Al-Mawardi's farmers without regard for their suffering in drawing water. Tax policies that turn their back on the matching principle trigger an accumulation of *israf* (economic damage/oppression), as entrepreneurs will ultimately be disincentivized from providing for the welfare of their employees; withholding employee wages and rights is a severe transgression that destabilizes the pillars of the Islamic economy.[29]

Below is an interpretation of employee compensation, highlighting the logical divergences among commercial administration, the tax administration of the *fiscus*, and harmonization based on the justice of *Siyasah Maliyah*:

**Table 2. Anatomical Interpretation of the Matching Principle on Employee Compensation**

| Aspect of Employee Expense Recognition (Benefits-in-Kind & Bonus Accruals) | Commercial Accounting Paradigm & GAAP | Tax Administration Interpretation (Fiscus / State Sovereignty) | Harmonization of Positive Constitutional Law & Siyasah Maliyah |
|---|---|---|---|
| **Point of Recognition** | Expenses must be accrued concurrently with the recording of profits at the end of the fiscal year. | Deferred until physical cash flow/disbursement occurs; accruals are frequently annulled as imaginary provisions. | Recognition must be simultaneous. Deferring real expenses violates the certainty of operational norms and the logic of Al-Mawardi's *kharaj* irrigation. |
| **Benefits-in-Kind (Fringe Benefits)** | Absolutely recognized as a business expense to maintain the organizational machinery. | Regime-dependent (Pre-UU HPP: rejected; Post-UU HPP: conditionally recognized). | Must be recognized by the state as a deductible factor. Taxation without cost recognition constitutes oppression (*dzulm*) against private property rights. |
| **Priority and Substance** | *Substance over form*; the essence of the bonus debt obligation to employees is definitive because | Priority is placed on the liquidity of state revenues, sacrificing the accuracy of the taxpayer's Effective Tax Rate. | The welfare of the people (including the corporate workforce) is the state's highest priority (*salus populi suprema lex esto*); administrative justice |

[29] Mallongi et al., "Kebijakan Efisiensi Dalam Pengelolaan Anggaran Negara Di Indonesia Tahun 2025 Ditinjau Dari Perspektif Siyasah Maliyyah."

| | | | |
|---|---|---|---|
| | the performance has been rendered. | | supersedes artificial optimization. |

## 6. The Significance of the Tax Court and Legal Certainty

Ultimately, this philosophical and administrative battle is tested within the courtrooms of the Tax Court. If preventive legal protection from the state bureaucracy encounters a deadlock due to the arrogance of the *fiscus* abusing its sovereignty, then repressive legal protection assumes the primary role. Financial administrative efficiency in the administrative judiciary is not measured solely by the quantum of money seized by the state, but rather by the state's own level of compliance with legal rationality.

In mediating disputes concerning the disallowance of employee bonus compensation expenses, the Panel of Judges at the Tax Court wields absolute authority grounded in the principle of *dominus litis* (master of the case). Within the state administrative system, the *dominus litis* principle enables judges to act actively, progressively, and extensively in seeking material truth to dismantle the artificial constructs built by tax authorities. Historically, tax judges have frequently delivered verdicts granting the annulment of fiscal corrections on employee bonus expenses, based on the consideration that corporations have demonstrably satisfied the matching principle standards through a *substance over form* analysis (as the performance has been fully completed).

The presence of a judiciary that upholds the matching principle does not diminish state sovereignty in the slightest. Conversely, it proves that the mechanisms of checks and balances within the state administrative judicial system operate effectively in censoring the abuse of authority. At the macro level, this carries tangible significance (*significance & quality*): cultivating the government's sociological legitimacy, enhancing voluntary compliance, and transmitting a positive signal to the global investment climate that the Indonesian state—by referring to both modern principles and the spirit of *Siyasah Maliyah*—guarantees the certainty of financial reporting governance with integrity, harboring no intent to expropriate the sweat already expended by workers and entrepreneurs alike.

## C. CONCLUSION

The construction of tax sovereignty and administrative justice discovers its substantial equilibrium through the fiscal authority's full recognition of the matching principle in regulating benefits-in-kind and employee bonuses. Accrual interpretations based on *substance over form* regarding labor expenses should not be unilaterally eliminated by state administrative authorities under the pretext of optimizing cash receipts. Preventive and repressive protections for taxpayer entities within the constitutional system are comparatively highly congruent with Al-Mawardi's *Siyasah Maliyah* philosophy, wherein the parameters of *kharaj* justice obligate the state to acknowledge and discount capital and performance sacrifices before levying taxes. This harmonization represents material legal certainty that shatters the arrogance of the *fiscus* bureaucracy, restores equality before the law, and simultaneously preserves the fundamental sustainability of the economic engine and workforce welfare.

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