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THE IMPLEMENTATION OF A CARBON TAX WITHIN THE INDONESIAN TAX LEGAL SYSTEM: A LITERATURE REVIEW FOLLOWING THE ENACTMENT OF THE HPP ACT

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Abstract
This study examines the implementation of carbon tax within the Indonesian tax law system following the Tax Regulation Harmonisation Act. Carbon tax serves as a fiscal instrument that not only functions to increase state revenue but also to control greenhouse gas emissions through the internalisation of external costs arising from carbon-emitting activities. This study employs a literature review using a normative legal approach to examine the legal framework of the carbon tax, the challenges to its implementation, and its prospects in supporting the transition towards low-carbon development. The findings indicate that the HPP Act has provided an important initial legal foundation; however, the implementation of the carbon tax still faces obstacles in the form of unclear technical standards, institutional readiness, inter-sectoral coordination, and potential economic and social impacts. On the other hand, a carbon tax holds great promise as an environmental policy instrument if supported by clear secondary legislation, a robust monitoring system, and fair compensation mechanisms. Thus, a carbon tax has the potential to become an important part of tax reform aligned with Indonesia's sustainable development goals.
Keywords: carbon tax, HPP Act, tax law, climate change, literature review, sustainable development.

Introduction

Climate change has become an urgent global issue requiring measured and evidence-based policy responses. Rising global temperatures, rising sea levels, and the increasing frequency of hydrometeorological disasters indicate serious pressure on environmental systems and human life. Reports from the Intergovernmental Panel on Climate Change confirm that human activities, particularly greenhouse gas emissions from the energy and industrial sectors, are the primary cause of climate change (IPCC, 2023). In this context, countries are required to design policies that are not only administrative in nature, but also economic and regulatory.

As a developing country, Indonesia occupies a strategic position whilst being vulnerable to the impacts of climate change. As an archipelago, Indonesia faces direct threats such as coastal erosion, tidal flooding and changes in extreme weather patterns. On the other hand, Indonesia is also a significant contributor to carbon emissions, particularly from the coal-based energy sector and deforestation (Pigou, 2017). This situation places Indonesia in a complex position between the need for economic development and the obligation to reduce emissions.