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EVALUATION OF VAT COLLECTION ON TRADING THROUGH ELECTRONIC SYSTEM

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Abstract

This research aims to evaluate the Value-added Tax (VAT) collection on trading through the electronic system (TTES) from the TTES VAT Collector's perception, based on "The Four Maxims" tax collection principle. This research uses a qualitative research method with a case study approach. Data was collected using interview techniques with eight respondents from TTES VAT Collectors. The results showed that TTES VAT collection in Indonesia has fulfilled the equality, convenience and efficiency principles based on "The Four Maxims". However, the collection of TTES VAT in Indonesia has failed to meet the criterion of certainty, owing to uncertainties in the definition, the legal status of the collector, the method for calculating the tax basis, tax procedures, and the enforcement of fines.

Keywords: *E-commerce, Four Maxims, Value Added Tax*

Abstrak

Penelitian ini bertujuan mengevaluasi pemungutan Pajak Pertambahan Nilai (PPN) atas perdagangan melalui sistem elektronik (PMSE) bagi pemungut berdasarkan asas pemungutan pajak "The Four Maxims". Penelitian ini menggunakan metode penelitian kualitatif dengan pendekatan studi kasus. Pengumpulan data dilakukan menggunakan teknik wawancara terhadap 8 narasumber yang berasal dari Pemungut PPN PMSE. Hasil penelitian menunjukkan bahwa pemungutan PPN PMSE di Indonesia telah memenuhi asas keadilan, kenyamanan dan efisiensi berdasarkan "The Four Maxims". Namun pemungutan PPN PMSE di Indonesia belum memenuhi asas kepastian meliputi ketidakpastian definisi di dalam peraturan, status hukum pemungut, mekanisme penentuan Dasar Pengenaan Pajak, prosedur perpajakan, dan pengenaan sanksi.

Kata kunci: *E-commerce, Four Maxims, Pajak Pertambahan Nilai*

INTRODUCTION

The digital economy has become the latest challenge for international taxation. Argiles-Bosch et al. (2020) prove that digital-based companies can easily carry out the practice of base erosion and profit shifting to tax haven countries aggressively. The Coronavirus 19 pandemic is growing momentum for the digital economy. The Deputy Governor of Bank Indonesia said that the volume of e-commerce transactions

in 2020 had increased by 29.6% of nominal transactions, wherein 2019 amounted to Rp 205.5 trillion to Rp 266.3 trillion (Jayani 2021).

To create the same level playing field for taxpayers and secure state revenues from e-commerce transactions, the Government of Indonesia issued Government Regulation in Lieu of Law Number 1 of 2020, ratified through Law Number 2 of 2020 regarding State Financial Policy and Financial System Stability for

Managing the Corona Virus Disease 2019 (Covid-19) Pandemic and/or in Dealing with Threats that Harm the National Economy and/or Financial System Stability. This regulation regulates the taxation aspects of trading through the electronic system (TTES) in Article 4 paragraph 1 letter b. According to the destination principle, one of the taxes that has reached global consensus is VAT on imported Intangible Taxable Goods (ITG) and Taxable Services (TS).

The imposition of VAT on imported Intangible Taxable Goods (ITG) and Taxable Services (TS) has been regulated in Article 4 paragraph 1 letter d and e of Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods. Parties who should conduct VAT collection are Indonesian taxpayers who utilize ITG and TS under Article 6 paragraph 1 in Minister of Finance Regulation Number 40 of 2010 regarding Procedures for Calculation, Collection, Payment, and Reporting of Value Added Taxes on the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area. In e-commerce transactions, this creates high tax compliance costs for taxpayers and complex supervision by tax authorities due to a large number of consumers and the volume of transactions. In contrast, the transaction value tends to be small (OECD 2015).

The Indonesian government refined this collecting paradigm by formulating Minister of Finance Regulation Number 48 of 2020 regarding Procedures for Appointment of Collector, Collection, Payment, and Reporting of Value Added Taxes on the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area Within the Customs Area Through Trading Through the Electronic System (TTES) as a legal basis. Article 2, paragraph 2 of the Minister of Finance Regulation explains that VAT on imported Intangible Taxable Goods

(ITG) and Taxable Services (TS) through TTES becomes collected by TTES corporate appointed by the DGT.

However, not long ago, some criticisms directed discussion on the "The Four Maxims" tax collection principle, which was initiated by Adam Smith (1776). The imposition of a tax administration burden on TTES VAT Collectors who are domiciled outside the customs area will result in high compliance costs, contrary to the principle of economic efficiency (Nugroho 2020).

Nugroho (2020) argued that by equalizing the administrative burden between TTES VAT Collectors who are domiciled in and outside the customs area, the DGT has treated people who are not in an equal condition with equal tax treatment. So that the goal of creating the same level playing field in the TTES VAT sector has violated vertical equality in tax collection. Article 7 paragraph (1) and paragraph (2) of Lieu of Law Number 1 of 2020 states that the imposition of administrative sanctions and legal remedies for tax audit and collection TTES VAT refers to the General Provisions and Taxation Procedures Law. The General Provisions and Taxation Procedures Law, which does not regulate the legal position of the tax subject for TTES VAT collectors and the absence of a *mutatis mutandis* clause, can cause legal uncertainty for TTES VAT collectors.

In practice, there are eighty late TTES VAT payments with a total amount of Rp 348,181,179,865.30 based on State Revenue Module data, as explained in Appendix 1. Besides that, the simple format of the TTES VAT return is not directly proportional to the timely reporting of the return. Based on data from the Information System of the Directorate General of Taxes, it was found that there are still many TTES VAT Collectors who are late in reporting their TTES VAT returns, as showed in Table 1.

Table 1
List of Late TTES VAT Return

| Currency | Total Tax Return | Non Payment Return | Payment Return | Over Payment Return | Late Return Report |
|----------|------------------|--------------------|----------------|---------------------|--------------------|
| IDR | 17 | 17 | 0 | 0 | 9 |
| USD | 91 | 81 | 3 | 7 | 44 |

Source: Foreign Corporate and Individual Tax Office

The high volume of e-commerce transactions in Indonesia is not linear with tax revenues. TTES VAT revenue that reached IDR 2.25 trillion as of June 16, 2021, should be appreciated. However, House of Representatives (2020) noted that the transaction amount for digital products for the music, games, and videos category in Indonesia reached IDR 37 trillion in 2020. Thus, the potential VAT for the music, games, and video categories should have reached IDR 3.7 trillion.

The dispute over the taxation rights of Value Added Taxes arising from cross-border transactions reached a global consensus in 2015. The OECD recommends destination principles in the Base Erosion and Profit Shifting (BEPS) Action 1 project. Indonesia exercises its taxation rights by issuing PMK-48/PMK.03/2020, which took effect on August 1, 2020. Indonesia, which is predicated as the largest e-commerce market in Southeast Asia (Lidwina 2019), has an immense potential for VAT revenue on trading through the electronic system. Based on the description above, it can be concluded that this research is fundamental because it has a novelty value to make a significant theoretical contribution. To the best of the author's knowledge, there has been no research evaluating whether TTES VAT collection in Indonesia has complied with the principles of tax collection based on "The Four Maxims." So that this research can answer the evaluation of the quality of TTES VAT collection and provide recommendations for tax authorities, which can be measured based on the principles of tax collection "The Four Maxims."

Previous research conducted by Yapara et al. (2015) in Turkey only

discussed e-commerce tax regulations. They argue that e-commerce tax regulations must create a sense of equality. The government must build an effective and efficient e-commerce taxation system to reduce compliance and administrative costs. E-commerce taxation rules and procedures must be clear and certain. McLure's (2003) is limited to discussing the application of Value Added Tax (VAT) for electronic commerce (e-commerce) in the European Union (EU). The study said that the main problem in e-commerce taxation is the difficulty of imposing a sales tax on digital products by foreign sellers to final domestic consumers. The VAT system must provide legal certainty, simplicity, and neutrality to safeguard the development of electronic commerce, ensure a competitive level of competition and avoid market distortions. This justification is the basis for this research using "The Four Maxims" to evaluate the quality of Value Added Tax collection on trading through the electronic system.

LITERATURE REVIEW

General Provision of VAT Collection on Imported Intangible Taxable Goods and Taxable Services

Value Added Tax is regulated in Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods. VAT is collected by the Taxable Entrepreneur (TE), who delivers the Taxable Goods and the Taxable Service. In certain cases, the VAT collection may also be carried out by the Government treasurer and agencies or corporate appointed by the Minister of

Finance to collect, pay, and report the tax payable.

Article 4 paragraph 1 letter d and e of Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods states that the imported Intangible Taxable Goods and Taxable Services object VAT at a 10% rate. Digital products from trading through the electronic system do not include goods and services that are not subject to VAT under Article 4A of Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods.

In general, Article 3A paragraph 3 of Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods states that individuals or entities that utilize imported Intangible Taxable Goods and utilize Taxable Services must collect, pay, and report Value Added Tax payable.

OECD Action Plan on Digital Economy VAT

The OECD pays particular attention to VAT collection because of the growing volume of international online trade and the fact that most of these sales, in principle, had to be imposed VAT. Hence, the amount of VAT revenue is quite large. VAT collection also has an impact on the level playing field between domestic and foreign corporations.

In the VAT area, BEPS action 1 identified that digitization creates two challenges, namely BEPS risks, and broader challenges. In online trading in services and intangible goods, especially from overseas sellers to final buyers, the amount of VAT collected is still very low due to the complexity of law enforcement. VAT on cross-border trading in intangible goods and services is collected through a self-assessment mechanism following the OECD International VAT Guidance

recommendations. The self-assessment mechanism can be applied well in a business-to-business (B2B) context but is ineffective in a business-to-customers (B2C) context.

Based on the B2C guidelines, the OECD recommends the following:

- a. The jurisdiction where the customer resides will have the right to collect VAT on the provision of digital content,
- b. Overseas sellers will be required to register VAT in those market jurisdictions under a simple registration and compliance tax regime, and
- c. Overseas sellers will be required to charge and collect VAT in that jurisdiction at the same rate as domestic rates.

The OECD also recommends that jurisdictions consider a simplified registration and compliance regime for non-resident suppliers in developing and implementing policies and administrative measures in their domestic regulations. This recommendation is available in Appendix 2.

VAT Regulations on Trading Through Electronic Systems in Indonesia

In article 1, number 15 PMK-48/PMK.03/2020, corporate included in TTES is:

- a. Domestic and foreign corporations
- b. Domestic and foreign TTES corporations
- c. Domestic and foreign intermediary providers

VAT at a 10% rate is imposed if digital products and services are classified as Taxable Goods (TG) and Taxable Services (TS) and utilized within the Customs Area by buyers and service recipients who meet the following criteria :

- a. Resident or domiciled in Indonesia;
- b. Payments using debit, credit, and other payment facilities provided by Indonesia's institutions; and

- c. Use an internet protocol address in Indonesia or use a telephone number with Indonesia's country code.

DGT appoints VAT collectors on TTES with the following criteria:

- a. The amount of transactions with buyers in Indonesia exceeds Rp. 600,000,000.00 (six hundred million rupiahs) in 1 (one) year or Rp. 50,000,000.00 (fifty million rupiahs) in 1 (one) month; and/or
- b. Traffic or access in Indonesia exceeds 12,000 (twelve thousand) in 1 (one) year or 1,000 (one thousand) in 1 (one) month.

TTES VAT collectors are given an identification number for tax administration purposes. Until October 2021, 83 (eighty-three) corporates were appointed as VAT collectors for foreign digital products by the Director-General of Taxes (DGT). VAT is payable when a buyer and service recipient pay. Based on attachment Circular Letter Number 44 of 2020, the mechanism for determining and calculating the taxable base of TTES VAT is filtered by seller, product, or invoice issuer. For foreign TTES corporate, VAT invoices for digital products and services are commercial invoices, billing, order receipts, or similar documents that at least include the buyer's e-mail. VAT payments are due at the end of the following month, while the VAT report is quarterly. In addition, the tax office may request the Annual Report.

Four Maxims of Adam Smith

This research uses the principles of tax collection "The Four Maxims" written by Smith (1776) as a guide because it is comprehensive and widely used in previous literature. Here is the description:

Equality

This principle states that taxes imposed on individuals must be proportional to their ability to pay and their benefits.

In addition, this principle is divided into horizontal and vertical equality. Tax collection meets horizontal equality when all taxpayers who earn the same amount of income bear the same tax burden regardless of the type or source of income. Tax collection meets vertical equality when all taxpayers in the same economic condition bear the same tax.

Certainty

This principle means that taxes cannot be determined arbitrarily without precise regulation for all taxpayers. Therefore, clear regulations and taxation systems must be made to regulate the problem of calculating taxes, tariffs, when to be paid and reported, and how to pay and report.

Convenience

The right time to pay taxes is a time that will not burden the taxpayer, so it will encourage them to fulfill their obligations. This principle is also known as the simplicity principle. This principle considers the ease of tax payments and pays as you earn principle.

Efficiency in Collection

This principle is based on economic principles, which emphasize that the cost of collection for tax authorities and especially the cost of compliance for taxpayers must be as minimal and efficient as possible. The cost of compliance includes money, energy, time, and psychological costs incurred by taxpayers to fulfill their tax obligations.

Previous Research

Previous research conducted by Yapara et al. (2015) in Turkey only discussed e-commerce tax regulations. They argue that e-commerce tax regulations must create a sense of equality. The government must build an effective and efficient e-commerce taxation system to reduce compliance and administrative costs. E-commerce taxation rules and procedures must be clear and certain.

McLure's (2003) is limited to discussing the application of Value Added Tax (VAT) for electronic commerce (e-commerce) in the European Union (EU). The study said that the main problem in e-commerce taxation is the difficulty of imposing a sales tax on digital products by foreign sellers to final domestic consumers. The VAT system must provide legal certainty, simplicity, and neutrality to safeguard the development of electronic commerce, ensure a competitive level of competition and avoid market distortions.

Research about Four Maxims conducted by Siahaan (2010) divides tax equality into three approaches, namely the benefit principle, the ability to pay principle, and horizontal and vertical equality. The benefit principle states that a tax system is fair when the contributions of the taxpayer are proportional to the benefits or services received from the government. The ability to pay is defined as a tax imposed on the taxpayer should be based on the condition of the taxpayer. This means that taxpayers with the same income must have the same tax obligations.

Horizontal equality is the fairness of taxes paid compared to other taxpayers who have the same wealth. Vertical equality is the fairness of taxes paid compared to other taxpayers with different wealth. The principle of vertical equality means that taxpayers with greater wealth must pay more taxes.

Sandford (1995) explains three components of compliance costs, namely direct money costs, time costs, and psychological costs. Financial costs are cash that taxpayers pay to fulfill their tax obligations, such as paying a tax consultant. Time costs are the time spent by taxpayers to complete their tax obligations. Psychological costs are the feelings of dissatisfaction, frustration, and anxiety when interacting with regulations and the Tax Authorities.

Arianty (2017) states that the certainty principle includes the following aspects, namely tax subjects, tax objects,

tax base, and tax procedures. Certainty means that the tax regulation should be clear and certain, not arbitrary. In addition, Arianty (2017) said that the convenience of payment must pay attention to pay as you earn principle, the due date of tax payments, and the ease of payment procedures. One of the most convenient and appropriate times to pay tax is through a levying tax at the source mechanism.

RESEARCH METHODOLOGY

Research Design

This research uses a qualitative method with a case study approach. Sugiyono (2009) argues that qualitative research is used when researchers intend to deeply understand social situations and find patterns, hypotheses, and theories that are impossible to capture only through a questionnaire instrument.

Data Source

This study uses in-depth interviews as primary data. The results are available in digital form and transcripts of notes.

Data Collection Procedure

This research uses in-depth interviews with semi-structured questions where researchers can find more problems and source persons further elaborate their perceptions but remain in the corridor of problem formulation.

The sampling technique used in this study is using a purposive sampling technique. The criteria of source persons selection are competent employees that perform TTES VAT collection obligations. The purposive sampling technique makes it easier for the author to explore the research object and maintain the validity and reliability of the information obtained. The source persons selected were middle managerial level employees to get more technical and non-normative information. Source persons contacted via LinkedIn and Whatsapp Group social media.

Table 2
List of Source Persons and Interview Process

| No. | Source Persons Code /Reference | Position of Source Persons | Interview Duration | Date and Interview Conduct | Words Before Reduction | Word After Reduction |
|-----|--------------------------------|---|-------------------------|---|------------------------|----------------------|
| 1. | BL | Tax Supervisor | 57 minutes 05 second | September 18, 2021, via <i>Whatsapp Voice</i> | 6.669 | 6.572 |
| 2. | LI | Senior Manager Tax | 38 minutes 15 second | September 27, 2021, via <i>Whatsapp Voice</i> | 3.935 | 3.663 |
| 3. | 1JD | Tax Specialist | 36 minutes 52 second | September 20, 2021, via <i>Whatsapp Voice</i> | 4.983 | 4.633 |
| 4. | 2JD | Supervisor Tax | 38 minutes 15 second | September 21, 2021, via <i>Whatsapp Voice</i> | 5.605 | 5.147 |
| 5. | AE | Senior Tax Manager | 43 minutes 17 second | September 21, 2021, via <i>Whatsapp Voice</i> | 5.271 | 5.049 |
| 6. | TP | Tax Senior Lead Senior Tax Specialist Head of Tax | 38 minutes 15 second | September 20, 2021, via <i>Google Meet</i> | 4732 | 4642 |

As of September 18, 2021, six domestic TTES VAT collectors become source persons for interviews from a total population of 83 TTES VAT collectors. It is considered adequate because these six TTES VAT collectors represent 92,8 % of the e-commerce market share in Indonesia. Table 2 shows a list of source persons and the interview process:

The in-depth interview procedure is:

- a. Before the interview is conducted, the respondent explained the objectives, benefits, and research procedures
- b. Source persons signed an informed consent form.
- c. Interviews were recorded using tools so that they are available in digital form.
- d. Interviews were conducted through WhatsApp voice and Google Meet telecommunication by considering the

flexibility of the interview time during the coronavirus 19 pandemic.

- e. Information acquisition is declared complete when the data is saturated where various source persons with the existing variations do not provide new data.
- f. The digital recording of the interview was converted into a verbatim transcript of the conversation.
- g. Confirming the contents of the conversation transcripts by source person review to increase the credibility of the data.

Interview Questions

In formulating interview questions, the authors take references based on the principles of previous research by making relevant adjustments to TTES VAT collection in Indonesia to meet the

Tabel 3
The theme of the Interview Questions

| No. | Principle | Theme | References |
|-----|-------------|---|-----------------|
| 1. | Equality | Benefit Principle Ability to Pay Horizontal Equality Vertical Equality | Siahaan (2010) |
| 2. | Certainty | Tax Subject Tax Basis Tax Procedures | Arianty (2017) |
| 3. | Convenience | Pay as You Earn Due Date of Payment Tax Facilities | Arianty (2017) |
| 4. | Efficiency | Financial Cost Time Cost Psychological Cost | Sandford (1995) |

reliability aspect. Table 3 presents the theme of the interview questions:

In this research, interview questions have been tested on three sources first to get feedback. From the results of trials and discussions, the researcher justified that the questionnaire had met the validity.

Data Analysis Procedure

This study uses thematic analysis techniques. Thematic analysis is an analytical method used to find themes or patterns from qualitative research data. Interview results analyzed by searching and compiling the data obtained systematically, then organized into categories, describing, synthesizing, compiling into patterns, choosing which ones are important and what studied, and making conclusions so that the results are easy to understand. (Sugiyono 2009).

The results of the recorded interview sessions that have been used as verbatim transcripts are then processed using Microsoft Excel software in tabular form. The data processing consists of counting the number of words, giving a reference code, and identifying the theme.

The next step is to assign a transcription reference code to each transcription line. The reference code

begins with an alphanumeric combination. Each transcription line is then given a reference code in the form of a number that represents the sequence of the transcription line.

The subsequent process is to review the transcription carefully for data reduction. Data reduction is made by choosing the main things, focusing on the crucial things, and looking for themes and patterns to provide a clearer picture to answer research questions.

The next stage is to classify the interview transcripts into several sub-themes. The principle of tax collection "The Four Maxims" in the interview questions was prepared based on the principles of previous research with relevant adjustments made to the collection of TTES VAT.

Based on these ideas, the authors identify the subthemes of the source persons' answers using Microsoft Excel software. Source persons' answers analyzed by sub-theme and interpreted as conclusions and verification. The analysis results that have been organized are presented in the form of narrative text for easy understanding. Table 4 provides an example of a processing table based on sub-themes in a Microsoft Excel application:

Table 4
Example of Interview Data Processing Based on Sub Themes

| Ref Code | Speaker | Dialog | Sub Themes |
|----------|-------------|--|----------------------|
| 1JD48 | JDID | : "How about it... If we feel like we do not question it. I mean, yes, we know the direction that the DGT wants to capture like the MSME taxpayers.." | Tax Subject 2 |
| 1JD49 | Interviewer | : "Okay." | |
| 1JD50 | JDID | : "Eh, sorry... TTS is the foreign sellers, but..." | Tax Subject 2 |
| 1JD51 | Interviewer | : "No VAT, okay?" | |
| 1JD52 | JDID | : "We can enjoy it here, but we do not have to pay VAT." | |
| 1JD53 | Interviewer | : "Okay, okay.." | |
| 1JD54 | JDID | : "Well, if we look at it from there, the target is fair. For example, because it is like Netflix, they have many subscribers, and there must be many customers who subscribe, right. However, from the government's perspective, how come there is no income for us." | Horizontal Equality1 |

Data Validation and Reliability

The validation strategy used in this study consists of triangulation of sources, triangulation of data collection methods, and member checking. The credibility of the information and data obtained can also be tested by selecting the right source, namely employees who are competent in performing TTES VAT collection obligations. In this research, interview questions have been tested on three sources first to get feedback. From the results of trials and discussions, the researcher justified that the interview questions had met the validity.

Furthermore, to fulfill the reliability aspect of qualitative research, the authors formulated interview questions based on the principles of previous research by making relevant adjustments to the TTES VAT collection in Indonesia.

RESULT AND ANALYSIS

This section evaluates the quality of TTES VAT collection formulated by the tax authorities, which can be measured based on "The Four Maxims" principles, namely the principle of equality, the principle of

certainty, the principle of convenience, and the principle of efficiency.

Equality

There are four principle approaches used in evaluating tax equality in collecting TTES VAT in Indonesia, namely the benefit principle, the ability to pay principle, and horizontal and vertical equality. Based on Appendix 3, there are four sources persons considered the appointment of TTES VAT Collectors as a form of cooperation in establishing good relations with the Government. They believe this benefit is proportional to taxes imposed, as explained in ideal tax collection principles by Smith (1776) and Siahaan (2010). Four source persons stated that the TTES VAT collection had no impact on the number of foreign digital products sold. There are no complaints or questions from foreign digital product sellers who sell at the source persons' company. They agreed that TTES VAT collection in Indonesia follows the conditions of consumers' ability to pay in line with ideal tax collection principles by Smith (1776). This conclusion is reflected in the following quotes by source persons:

“There is no impact (on sales)...our consumers do not complain (about the imposition of VAT).” (BL31)

Furthermore, all source persons agreed that the TTES VAT collection is an excellent first step to creating a level playing field and horizontal equality. All taxpayers from domestic or foreign TTES corporate who earn the same amount of income bear the same tax burden as described in ideal tax collection principles by Smith (1776) and Siahaan (2010). They believe that TTES VAT collection maintain a competitive business climate and reduce market distortion between e-commerce and brick-mortar store. All source persons agreed that the limitation of transaction value in TTES VAT collection in Indonesia encourages the creation of vertical equality. Small-scale TTES corporate does not have to bear the burden of TTES VAT administration in line with ideal tax collection principles by Smith (1776) and Siahaan (2010). They believe that the limitation of transaction value is adequate to cover the digital market share in Indonesia and can represent a significant economic presence. This perception is reflected in the following quotes by source persons:

“...600 million has already covered... 70 percent of the digital market share in Indonesia...” (AE71)

“...the significance that these offshore merchants sell in Indonesia... can be seen...” (TP80)

Certainty

Three principles that are analyzed related to the principle of certainty are tax subjects, tax bases, and tax procedures, which are elaborated into six questions. According to Appendix 4, five source persons agreed that TTES VAT collection in Indonesia has not yet explained the certainty of traffic/access definition, which are the criteria of tax subjects for TTES VAT collectors explained in TTES VAT Regulations in Indonesia. This condition is contrary to the principle of certainty based

on Arianty (2017), where differences in interpretation between taxpayers and tax authorities have the potential to create disputes in the future. Besides that, five source persons question the certainty of the legal status of Domestic PMSE Operators as tax subjects that are different from General Provision of VAT Collection on Imported Intangible Taxable Goods and Taxable Services explained in Law Number 8 Of 1983 as amended last time in Law Number 42 of 2009 regarding Value Added Tax of Goods and Services and Sales Tax on Luxury Goods. Such doubts are conveyed in the following statement:

“...out of sync...Where in the law that says the intermediary has to collect the VAT?” (AE33-35)

“The mechanism of collection... is contradictory... the regulations on the VAT have not yet been revised.” (LI35)

The mechanism for determining the tax base is not entirely appropriate so that contrary to the principle of certainty, according to Arianty (2017). This finding is supported by the evidence obtained from interview results where all TTES VAT collectors only filtered tax base by seller or product. Meanwhile, based on attachment Circular Letter Number 44 of 2020, they also need to pay attention to the invoice issuer. Moreover, all source persons agreed that the procedures when the TTES VAT Collector activates their account or updates data on the PMSE portal are unclear in contrary to ideal tax collection principles by Smith (1776). The absence of socialization and instructions or user manual available on the PMSE portal makes them confused about how to operate it.

It is interesting to note that although Article 7 paragraph 2 of Government Regulation in Lieu of Law Number 1 of 2020 and Article 32 A paragraph (3) of the Harmonization of Tax Regulations Law has explained sanctions related to TTES VAT, these are not enough to provide certainty according to Smith (1776). This opinion is

indicated by the statement from three source persons:

"There is no rule about penalties."
(1JD212) (TP60)

Tax authorities that do not enforce sanctions regulations create uncertain legal basis conditions that drive the taxpayers not to understand the tax consequences before making a transaction.

Convenience

The evaluation of the convenience principle is translated into the principle of pay as you earn, determining the due date of tax payments and tax facilities. Based on Appendix 5, all source persons agreed that when the customer pays as the payable time will not burden the taxpayer, so it will encourage them to fulfill their obligations as described in ideal tax collection principles by Smith (1776) and Arianty (2017). They believe that TTES VAT collectors only help seller obligation by paying the taxes. This payable time is the most suitable for the e-commerce business model, especially for the transaction of intangible goods or services, as stated by one of the source persons:

"...the platform is cash before delivery, right... We pay first, and then we get the service... If suddenly the payable time is not at the time of payment, it will not be in-line." (2JD219-2JD221)

In addition, all source persons agreed that the TTES VAT payment due date, which falls at the end of the following month, provides a sufficient time for companies to reconcile the data on the amount of VAT that must be paid. All source persons also agreed that their company does not feel any difficulties managing TTES VAT collection data reported in tax returns quarterly. As we know that e-commerce companies certainly have strong back-end data support for their business activities. Taxation data can be available in real-time, as explained by one of the source persons:

"...it depends on the back end of the company. For example, if the data team supports it, it does not matter if you report it monthly or quarterly." (2JD201)

All source persons also agreed that the use of commercial invoices and transaction receipts as tax invoices meets the balance between business and taxation purposes in line with OECD recommendations. They believe that this choice greatly facilitates them and minimizes adjustments due to TTES VAT collection.

Efficiency in Collection

Compliance costs are divided into three components consisting of financial costs, time costs, and psychological costs. Based on Appendix 6, there are some notes on the time cost and energy of the IT team in adjusting the system, especially the customer identification section in the form of tax identification number or e-mail. This problem was captured in the following conversation:

"(The adjustment of) transactions receipt...by internals are not as easy as the IT team work...You have to map it in front... That is a bit difficult." (BL187)

However, apart from this, TTES VAT collection aligns with ideal efficiency principles based on Smith (1776) and Sandford (1995) that minimize money, time, and energy spent by taxpayers in fulfilling their tax obligations. This finding was confirmed based on the results of interviews, which stated that all source persons conduct their obligations without the need to pay an additional tax consultant/representative fees. All source persons also stated that the time required to pay and reports TTES VAT return is a maximum of two days during normal working hours. TTES VAT collection does not take much time for the TTES VAT collector, who only intensely communicates with the Foreign Corporate and Individual Tax Office at the beginning of the appointment. Besides that, Foreign Corporate and Individual Tax Office are

responsive to problems faced by all source persons. Lastly, all source persons believe that the data provided by the company is from the actual situation without any intention of tax evasion so that they are not worried about potential tax disputes in the future.

CONCLUSION

Based on the source persons' perceptions, it can be concluded that the TTES VAT collection in Indonesia has fulfilled the equality, convenience, and efficiency principles based on "The Four Maxims." However, according to the source persons' perceptions, TTES VAT collection in Indonesia has not fully met the certainty principle based on "The Four Maxims."

Based on interview results and OECD BEPS Action 1 Report, this research suggests recommendations to improve the quality of TTES VAT collection in Indonesia. Short term recommendation for tax authorities regarding the principle of equality is to provide recognition disseminated to the media in the form of appreciation for compliant TTES VAT Collectors.

Short-term recommendations for tax authorities regarding the principle of certainty, namely:

- a. The tax authority can immediately issue a Minister of Finance Regulation, which specifically regulates TTES VAT penalties.
- b. The tax authority can prepare a circular letter regarding matters that have not been regulated, for example, the definition of traffic/access.
- c. The tax authorities can make a step-by-step guide starting from activation and updating the data provided on the PMSE Portal. In addition, the authors suggest that the tax authorities simplify the updated data on the PMSE Portal according to the OECD recommendations.
- d. The tax authorities can disseminate the mechanism for determining the tax base through the PMSE Portal.

Furthermore, tax authorities may consider eliminating the requirement to issue invoices in business to consumer supply based on the efficiency principle as OECD recommendations.

The short-term recommendation for TTES VAT Collectors regarding the principle of certainty is the need to pay attention to who issues the invoice in determining the object of TTES VAT collection.

An internal limitation in this research is the object of the research, which only includes domestic TTES VAT collectors with data collection methods using in-depth interviews. The external limitations were interviews conducted online due to the coronavirus 19 pandemic conditions, so there were network constraints and they became a problem to capture non-verbal gestures.

Further research may include foreign TTES VAT collectors as research objects. If the number of source persons is adequate, the data collection methods can use a questionnaire. Using the in-depth interview method can be done directly to reduce voice distortion and capture non-verbal gestures.

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APPENDIX 1
List of Late TTES VAT Payments

| No. | VAT Collector Code | Total Tax Periode | Total Amount of VAT |
|-------|--------------------|-------------------|----------------------|
| 1 | A1 | 5 | Rp145,324,560.68 |
| 2 | A2 | 8 | Rp37,804,688,573.81 |
| 3 | A3 | 4 | Rp61,366,859,581.00 |
| 4 | A4 | 3 | Rp7,799,192.12 |
| 5 | A5 | 2 | Rp75,636,941.52 |
| 6 | A6 | 3 | Rp478,616,895.97 |
| 7 | A7 | 3 | Rp32,800,180,262.88 |
| 8 | A8 | 2 | Rp3,251,149,749.00 |
| 9 | A9 | 1 | Rp65,703,422,358.00 |
| 10 | A10 | 5 | Rp992,927,183.90 |
| 11 | A11 | 3 | Rp57,706,497.42 |
| 12 | A12 | 4 | Rp625,717,044.96 |
| 13 | A13 | 1 | Rp79,970,802,926.00 |
| 14 | A14 | 3 | Rp4,909,855,642.00 |
| 15 | A15 | 2 | Rp98,677,264.00 |
| 16 | A16 | 1 | Rp894,972,768.76 |
| 17 | A17 | 4 | Rp331,159,558.08 |
| 18 | A18 | 1 | Rp5,300,449,700.00 |
| 19 | A19 | 1 | Rp1,328,239,809.81 |
| 20 | A20 | 1 | Rp83,273.00 |
| 21 | A21 | 1 | Rp53,710.00 |
| 22 | A22 | 4 | Rp440,632,581.71 |
| 23 | A23 | 2 | Rp564,107.32 |
| 24 | A24 | 2 | Rp5,139,067,414.00 |
| 25 | A25 | 2 | Rp11,679,045,085.53 |
| 26 | A26 | 2 | Rp98,344,956.84 |
| 27 | A27 | 1 | Rp237,853,377.00 |
| 28 | A28 | 1 | Rp1,117,843,138.50 |
| 29 | A29 | 1 | Rp896,382,022.00 |
| 30 | A30 | 1 | Rp53,177,792.00 |
| 31 | A31 | 2 | Rp16,466,208,279.99 |
| 32 | A32 | 4 | Rp15,907,737,617.50 |
| Total | | | Rp348,181,179,865.30 |

Source: Foreign Corporate and Individual Tax Office

APPENDIX 2
OECD Main Features Simplified Registration and Compliance Regime For Non- Resident Suppliers

| No. | Features | Explanation |
|-----|----------------------------|--|
| 1. | Registration | <p>The information requested could be limited to necessary details, which could include:</p> <ul style="list-style-type: none"> - Name of business, including the trading name - Name of contact person responsible for dealing with tax administrations - Postal and/or registered address of the business and its contact person - Telephone number of contact person - Electronic address of contact person - Web sites URL of non-resident suppliers through which business is conducted in the taxing jurisdiction - National tax identification number, if such a number is issued to the supplier in the supplier's jurisdiction to conduct business in that jurisdiction. <p>The simplest way to engage with tax administrations from a remote location is by electronic processes. An on-line registration application could be made accessible on the home page of the tax administration's web site, preferably available in the languages of the jurisdiction's major trading partners.</p> |
| 2. | Input tax recovery refunds | <p>Taxing jurisdictions could limit the scope of a simplified registration and compliance regime to the collection of VAT on B2C supplies of services and intangibles by non-resident suppliers without making the recovery of input tax available under the simplified regime.</p> <p>Input tax recovery could remain available for non-resident suppliers under the normal VAT refund or registration and compliance procedure.</p> |
| 3. | Return procedure | <p>Tax administrations could consider authorising non-resident businesses to file simplified returns, which would be less detailed than returns required for local businesses that are entitled to input tax credits. In establishing the requirements for information under such a simplified approach, it is desirable to strike a balance between the businesses need for simplicity and the tax administrations need to verify whether tax obligations have been correctly fulfilled. This information could be confined to:</p> <ul style="list-style-type: none"> - Supplier's registration identification number - Tax period - Currency and, where relevant, exchange rate used - Taxable amount at the standard rate - Taxable amount at reduced rate(s), if any - Total tax amount payable. <p>The option to file electronically in a simple and commonly used format is essential to facilitating compliance.</p> |
| 4. | Payment | <p>Use of electronic payment methods is recommended, allowing non-resident suppliers to remit the tax due electronically.</p> <p>Jurisdictions could consider accepting payments in the currencies of their main trading partners.</p> |
| 5. | Book keeping | <p>Jurisdictions are encouraged to allow the use of electronic record keeping systems.</p> |

| No. | Features | Explanation |
|-----|--------------------------------------|---|
| | | <p>Jurisdictions could limit the data to be recorded to what is required to satisfy themselves that the tax for each supply has been charged and accounted for correctly and relying as much as possible on information that is available to suppliers in the course of their normal business activity.</p> <p>Taxing jurisdictions could require these records to be made available on request within a reasonable delay.</p> |
| 6. | Tax Invoice | <p>Jurisdictions could consider eliminating invoicing requirements for business-to-consumer supplies that are covered by the simplified registration and compliance regime, in light of the fact that the customers involved generally will not be entitled to deduct the input VAT paid on these supplies.</p> <p>If invoices are required, jurisdictions could consider allowing invoices to be issued in accordance with the rules of the supplier’s jurisdiction or accepting commercial documentation that is issued for purposes other than VAT (e.g. electronic receipts).</p> <p>It is recommended that information on the invoice remain limited to the data required to administer the VAT regime (such as the identification of the customer, type and date of the supply(ies), the taxable amount and VAT amount per VAT rate and the total taxable amount).</p> <p>Jurisdictions could consider allowing this invoice to be submitted in the language of their main trading partners</p> |
| 7. | Availability of information | <p>Jurisdictions are encouraged to make available on-line all information necessary to register and comply with the simplified registration and compliance regime, preferably in the languages of their major trading partners.</p> <p>Jurisdictions are also encouraged to make accessible via the Internet the relevant and up-to-date information that non-resident businesses are likely to need in making their tax determinations. In particular, this would include information on tax rates and product classification</p> |
| 8. | Use of third-party service providers | <p>Compliance for non-resident suppliers could be further facilitated by allowing such suppliers to appoint a third-party service provider to act on their behalf in carrying out certain procedures, such as submitting returns.</p> <p>This could be especially helpful for small and medium enterprises and businesses that are faced with multi-jurisdictional obligations.</p> |

APPENDIX 3
Summary Table of Source Persons' Answers for TTES VAT Collectors Regarding the Principle of Equality

| | BL | LI | 1JD | 2JD | AE | TP |
|--|--|--|---|---|---|--|
| What benefits does the company receive after being appointed as a TTES VAT collector? | "...corporate relationship..." (BL25) | "Nothing, I guess." (LI47) | "...cooperati on..." (1JD116) | "...contributi on to the country..." (2JD67) | "None." (AE43) | "...good relationship..." (TP16) |
| What is the percentage increase/decrease in sales/number of customers that impacts price increases due to the imposition of TTES VAT? | "There is no impact... our consumers do not complain (about the imposition of VAT)" (BL31) | "No (impact)..." (LI51) | "...No (impact)..." (1JD90) | "Nothing ..." (2JD87) | "Nope.. It is the same." (AE53) | "No (impact)..." (TP34) |
| How do your company's customers/sellers respond to the price increase due to the imposition of TTES VAT? | "...many customers shouted... We have to re-negotiate for a loss..." (BL27- B41) | "...No complaint or a question..." (LI49) | "no one asks.." (1JD80) | "...they already know..." (2JD77) | "No complaint or a question..." (AE51) | "...We have to communicate again with the sellers." (TP30) |
| What is your company's opinion regarding the appointment of TTES VAT collectors in fulfilling horizontal equity principles and creating a level playing field? | "...the level playing field is okay..." (BL59) | "...to be honest it fills the level playing field" (LI55) | "... it is fair.." (1JD54) | "...yes, it is really good..." (2JD143) | "...80% - 85%, it is fulfilled.." (AE57) | "...from a level playing field point of view...a good start..." (TP56) |
| In your opinion, who are the TTES corporate who have met the criteria but have not been appointed as TTES VAT collectors? | "Some... have not had time to capture it yet.." (BL75) | "...we cannot (know)...whether they meet the criteria or not". (LI195) | "I do not think I have seen Joox here before" (1JD322) | "...many foreign TTES corporates that have been appointed.." (2JD135) | "I would say there is a lot more." (AE61) | "... the probability is a bit small.." (TP66) |
| What is your company's opinion regarding the criteria for appointment as a TTES VAT collector in fulfilling the principle of vertical equality? | "...600 million I think it is a bit heavy for small corporate ..." (BL71) | "...it does not matter about the threshold.." (LI61) | "...this is actually for foreign entities, isn't it..." (1JD76) | "The transaction limit is less (compared to domestic TE) because the risks are different..." (2JD111) | "...600 million has already covered... 70 percent of the digital market share in Indonesia..." (AE71) | "...the significance that these offshore merchants sell in Indonesia... can be seen..." (TP80) |

APPENDIX 4
Summary Table of Source Persons' Answers for TTES VAT Collectors Regarding the Principle of Certainty

| | BL | LI | IJD | 2JD | AE | TP |
|---|--|--|--|---|--|---|
| How does your company understand the definition of traffic/access criteria for appointing TTES VAT collectors? | Just click on Bukalapak... (BL83) "According to DGT, the traffic is... sales or not..." (BL91) | "People visit our website." (LI67) "...not clear should be ...traffic related to purchases." (LI67) | "Well, access to the website...even if they do not buy." (IJD124) | "...Not buy, but visit our website." (2JD97) | "...the traffic uses a unique MSIDN.. Which is... a unique IP address..." (AE77) | "From DGT... still unclear..." (TP86) "There is no definition of traffic in PMK 48." (TP115) |
| What is your company's opinion regarding the legal basis for the status of TTES VAT Collector, which is not regulated in the Law on General Provisions and Tax Procedures (UU KUP) or the VAT Law? | "...even the positioning of VAT collectors has been confused since then" (BL15) | "...the mechanism of collection... is contradictory... the regulations on the VAT have not yet been revised." (LI35) | "...no question." (IJD48) | "We conduct FGD.. to asking questions like that..." (2JD57) | "...out of sync... Where in the law that says the intermediary has to collect the VAT?" (AE33-35) | "PMK 48... does not match apple to apple with the VAT law." (TP70) |
| How does your company determine and calculate the taxable base of TTES VAT? | "...classification by type of item." (BL99) | "by seller..." (LI75) | "...entity..." (IJD150) | "...it looks like that on the SKU, 'Oh this is digital..." (2JD149) | "By seller." (AE85) | "..... Seller ... transaction..." (TP143) |
| What are the problems faced when activating an account or updating data on the TTES portal? | "...there were no instructions..." (BL113) | "...in the beginning, we had a bit of a problem, how do we get in..." (LI99) | "When we activate the account, we have a few questions to ask." (IJD164) | "...a bit complicated..." (2JD161) | "...we are very, very helped by the AR." (AE93) | "...there is no socialization about how to operate it... it is having many problems." (TP147-TP149) |
| What is your company's opinion about the TTES VAT Return format in explaining that my company has carried out its tax obligations correctly to reduce the potential for tax disputes in the future? | "... it is simpler than other tax return. ..DGT still can ask for the details every three months..." (BL131) | "...beyond that, they have the right to ask for the details." (LI103) | "...if DGT sees a large transaction, at least later he asks us for data." (IJD244) | "...trouble... have to fill in the traffic" (2JD175) "...if the DGT is not satisfied, they can ask for a clearer one-year report, right." (2JD191) | "The report is simple. It is more about safeguarding the data if there is an audit. I have to be able to save the data." (AE109) | "That is enough (explaining), so far." (TP159) |
| According to regulations, what are the penalties if your company does not comply with its obligations as a TTES VAT collector? | "If I am not mistaken, there has been no real sanction." (BL219) | - | "There is no rule about penalties." (IJD212) | - | - | "There is no rule about penalties." (TP60) |

APPENDIX 5

Summary Table of Source Persons' Answers for TTES VAT Collectors Regarding the Principle of Convenience

| | BL | LI | 1JD | 2JD | AE | TP |
|---|---|---|--|--|--|---|
| What is your company's opinion about the payable time of TTES VAT in terms of the company's cash flow? | "...support the payable time when customer payment, because...e-commerce only help the payment of the taxes." (BL153) | "...in marketplace company, if we sell...the digital booth will be sent immediately after payment." (LI123) | "...in terms of money... We have already received the money, so we just have to pay it... there is no problem." (1JD266) | "...the platform is Cash before Delivery, right.. We pay first, and then we get the service... If suddenly the payable time is not at the time of payment, it will not be in-line.." (2JD219-2JD221) | "...the payable time at the time of payment, it means that we are safe, right.. It means that we did not use our money first...it was very helpful." (AE117) | "It is appropriate...that is not our money...We help sellers obligation to pay.." |
| What is your company's opinion regarding the TTES VAT payment due date in terms of the availability of sufficient time to make a payment at the end of the following month? | "That is enough. Because Bukalapak has a weekly report.." (BL161) | "That is enough." (LI131) | "That is enough, it is standard...We ask the data before 10th.." (1JD270-1JD274) | "That is enough... We have monthly closing." (2JD231-2JD233) | "...there should not be an issue to us, because we all use the system m." (AE121) | "Yes, that is enough... the deadline does not make us late." (TP179) |
| According to your company's opinion, what is the best type of invoice that accommodates business needs and TTES VAT collection? | "...transaction receipt..." (BL185) | "invoice from the seller." (LI149) | "...SMS notification..." (1JD282) | "...SMS and e-mail..." (2JD243) | "Receipt." (AE129) | "...commercial invoice..." (TP205-TP211) |
| What is your company's opinion regarding the TTES VAT Return, which is reported quarterly regarding the ease in managing TTES VAT collection data? | "We have locked the number monthly... If we can choose, it is better for monthly..." (BL137) | "...We make a summary every month... quarterly, all you have to do is copy and paste.." (LI117) | "...they have to keep the sales data of this foreign entity every month.. We, finance just asking for it." (1JD258) | "...it depends on the back end of the company. For example, if the data team supports it, it does not matter if you report it monthly or quarterly." (2JD201) | "...If we have to report every month, we are ready. We also have the data every month." (AE111) | "It is okay for us for quarterly, compared to every month." (TP223) |

APPENDIX 6
Summary Table of Source Persons' Answers for TTES VAT Collectors Regarding the Principle of Efficiency

| | BL | LI | 1JD | 2JD | AE | TP |
|--|---|---|--|--|---|--|
| What is your company's opinion regarding the number and competence of your company's HR to fulfill TTES VAT collection obligations? | "...HR is enough." (BL191) | "...because of the little transaction, so we will not have too much problem..." (LI157) | "No (paying consultant services). All internal." (1JD106) | "Inhouse. Should be (competent)." (2JD261) | "...we have received all the data from the system.. We just copy and report..." (AE143) | "...compliance costs and regulatory requirements are already mandatory, Tokopedia will comply..." (TP237) |
| What is your company's opinion regarding adjusting the billing/invoicing system to accommodate TTES VAT collection? | "Transactions receipt...by internals are not as easy as the IT team doing...You have to map it in front... That is a bit difficult." (BL187) | "For TTES, there is no (system adjustment)." (LI155) | "...changing a system like that takes a long time." (1JD98) | "...when we were appointed, we asked for a system upgrade so that tax invoice of TTES collection could appear." (2JD249) | "...what must be changed in the system if we are appointed...So it is not too complicated. And it did not take too long to change." (AE127) | "...there is an internal cost adjustment in IT. Then, of course, there must be employees who have to do it." (TP231) |
| How long does it take to make TTES VAT return, payment and report TTES VAT? | "Half day." (BL207) | "...two days." (LI159) | "...one day." (1JD298) | "One day or two days is enough." (2JD273) | "...in a few days we can make a report, we can send it." (AE147) | "About a day or two." (TP245) |
| How often does your company come/e-mail to Foreign Corporate and Individual Tax Office for consultation regarding regulations related to TTES VAT? | "...chat with Foreign Corporate and Individual quite often. But when (the systems) were running, we seldom to communicate with Foreign Corporate and Individual." (BL211) | "Now (the system) were s running... And at first it was more about the system." (LI167) | "I only asked Foreign Corporate and Individual when we were appointed..." (1JD292) | "Just in the beginning." (2JD299) | "It has been more than six months without any e-mails." (AE157) | "Rarely. (TP251) |
| What is your company's opinion regarding the service of the Foreign Corporate and Individual Tax Office in responding to the problems faced by my company as a TTES VAT collector? | "...fast response.." (BL215) | "...we never really asked. Because it is enough to research regulations." (LI93) | "Fast response." (1JD178) | "Fast response and the way they communicate are also good." (2JD179) | "Fast response." (AE97) | "So far Fast response." (TP155) |
| How confident is your company in fulfilling its obligations as a TTES VAT collector according to regulations so that no potential for tax disputes in the future? | "...so we believe that what we are doing is correct..." (BL229) | "...we are sure that we have fulfilled our obligation." (LI171) | "I am sure. We have complied.." (1JD308) | "... I am sure..." (2JD303) | "I am not (worried)." (AE161) | "...sure that we are complied enough ..." (TP267) |