



Principles of Tax Collection in Value Added Tax (VAT) on Digital Services in Indonesia

Putri Andreana dan Inayati

Departemen Ilmu Administrasi Fiskal, Fakultas Ilmu Administrasi, Universitas Indonesia, Indonesia

ARTICLE INFORMATION

Received: September 17, 2021
 Revised: October 25, 2021
 Accepted: November 25, 2021
 Available online: January 30, 2022

KEYWORDS

Digital Economy, Digital goods Taxation, Tax Administration

CORRESPONDENCE

Name: Putri Andreana
 E-mail: putriandreana24@gmail.com

A B S T R A C T

Indonesia is one of the countries with a high level of consumption of digital services. That potential encourages the government to collect Value Added Tax (VAT) on digital services, including foreign companies. However, in practice, issues related to efficiency and supervision were found. This paper aims to analyze the fulfillment of the principles of tax collection in collecting Value Added Tax (VAT) on digital services. The method used is qualitative with data collection through literature study. The analysis results show that the principle of Equity fulfills horizontal Equity because the fees are charged regardless of ability; Revenue Productivity has succeeded in increasing state revenue; Ease of administration, meets the aspects of certainty, convenience, simplicity, and efficiency. However, in terms of efficiency, it is feared that it could increase compliance costs due to the limited knowledge of PMSE tax. Transparency is not optimal because the absence of a physical presence in Indonesia makes it difficult to access data and information so that supervision is carried out; Neutrality is fulfilled because it supports the competitiveness of local business, while in terms of consumption, it is necessary to pay attention to VAT facilities on digital export services due to the potential for distortion of local digital service providers. So it can be said that the practice of collecting Value Added Tax (VAT) fulfills all aspects. However, several issues need more attention, especially efficiency, transparency, and neutrality.

INTRODUCTION

The era of digital economy spurs the advent of technology-based commerce, or better known as digital commerce. With the revolution of communication and internet, digital commerce continually expands until it surpasses the borders of countries. Digital commerce produces market-dominating, technology-based companies. This digital platform connects different groups of users, such as user-merchants and user-consumers until the effect caused by the users gives certain benefits to the platform-providing company. This link of effect happens when the value of a product or service provided by a certain industry rises in proportion to the number of the consumers. This suggests that the more the users, the more benefit the company gains (Kim, 2020) Therefore, there is an opinion that not only in terms of business model does the digital commerce must be adjusted, but also the systems of the taxes. Although it is set out in digital, the business still runs and has the obligation of taxes. As cross-border digital trade expands, so does the debate of the tax collection systems (Ademuwiya & Adeniran &, 2020)

Cross-border digital service trade demands the state's efficiency as an entity of autonomous taxation to encounter fiscal pressure. The progress shows that there is a constant shift in the state's tax authority which was exclusive now turned global by involving international forums and institutions. As a result, each country involved is likely to participate in an increasing role in developing the tax policy designs, especially in the tax administration (Paris, 2003). The imposition of taxes on digital service has large target on companies that are advanced in technology and focused on the sector of digital service, for instance Google, Facebook, Apple, Microsoft, and many more. Nevertheless, the target of the taxes are not just on

the providers, but also the service user on the basis of digital service consumption both individually and in groups. The imposition of taxes on digital service has promising prospects for the countries in the collecting (Bauer, 2018) One of the examples of service provider companies that gain the profit off the digital trade is Netflix. It is revealed that 80% of Netflix income is acquired from international users including Indonesia (Chang, as cited in Beebeejaun, 2020).

Indonesia is one of the countries with the highest number of digital content consumption in ASEAN (Figure 1). During the Covid-19 pandemic the consumption on digital products continually escalate and many activities are carried out online. Those activities undeniably use the service provided by several applications, for instance, Zoom, Google Meet, Netflix, and many more. This statement is supported by the data from (Bain Company, 2020) that revealed that the contribution of digital industry in Indonesia reached USD 44 billion in 2020 and is expected will increase to USD 124 billion in 2025.

The data was stated in e-Conomy SEA 2020 Report that Indonesia was a country that has the biggest internet market in Southeast Asia. The report revealed that the digital economy in Indonesia in 2020 reached USD 44 billion. Compared to in 2019 the number showed a growth by 11% and is predicted to continuously escalate to USD 124 billion in 2025. The digital product consumption potential in Southeast Asia is illustrated in Figure 1.

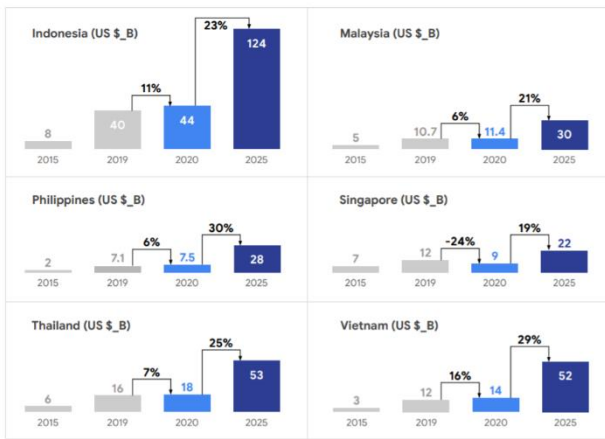


Figure 1. Digital product consumption potential in Southeast Asia

source: e-Conomy SEA Report (2020)

Figure 1 illustrates Indonesian consumption of digital products continually increase every year. The consumption escalation drives the state's tax revenue potential optimization through Value Added Tax. Moreover, amidst the current unstable economy, Indonesian government designed a strategy to acquire optimal revenue notably from tax on the digital service. Some digital products and service used in Indonesia are music and film streaming service, digital games applications, online meeting service that deliver economic benefits to the users in Indonesia (Kusuma, 2020).

Indonesia is one of the countries that are a tad slow in instigating the tax collection on digital service. In 2018, the regulation related to e-commerce tax has been stipulated in Regulation of Minister of Finance (PMK) No. 210/PMK. 010/2018 regarding Tax Treatment of Trade Transactions through Electronic Systems (PMSE), but Sri Mulyani as the Minister of Finance stated that many parties had regarded the regulation made a new type of tax instead (Pramesti, 2019). Although the regulation only emphasizes the obligation to the marketplace platform provider, in 2019 the PMK was officially revoked. The pandemic in 2020 forced the Indonesian government to implement tax extensification by formulating the regulation of tax on digital service. The urgency was stipulated in Government Regulation in Lieu of Law No. 1 Year 2020 regarding the State Financial Policy and Financial System Stability to Control COVID-19 Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System (Adnyani, Ginting, & Riana, as cited in Pratiwi & Liana, 2015).

One of the matters stipulated in the government regulation discusses the Value Added Tax collection on digital products from foreign merchants, foreign service providers, and foreign E-Commerce operators (PMSE). Digital service is classified as intangible taxable imported goods and taxable service subjected to Value Added Tax payable. The government implemented the tax regulation in Regulation of Minister of Finance No. 48/PMK. 03/2020 concerning the procedures for appointing collectors, collection, remittance, and filing of Value Added Tax on the utilization of Intangible Taxable Goods and/or Taxable Service from the Outside of the Customs and Excises Territory within The Customs and Excises Territory through Electronic Commerce in July 2020. The tax collection on digital service require different conditions than VAT collection in general

given that the digital service provider company does not have the physical presence in Indonesia. There are several challenges for Indonesian government caused by this condition, such as (Pratiwi & Liana, 2021):

1. Indonesian tax authority is constrained from accessing the data and obtaining the information of the digital service provider companies due to their physical absence in Indonesia. This challenge affects the risk of VAT mistreatment because Indonesian tax authority are incapable to verify whether the amount of taxes remitted and collected match or not.
2. Corruptible inspection and penalties implementation to supervise the digital service provider companies abide by their obligation to collect, remit, and file the VAT. At the same time, these digital service provider companies do not have legal entity in Indonesia, so in the event that they cause a mistake, they can not be reprimanded. Thus, it set hurdles to the implementation of penalties.
3. Causing high potential of cost of taxation due to the systems that demand the companies to calculate their payable tax, then transfer and file on their own. In reality, this system is believed to cause the high cost of taxation because not all the foreign digital service operators are guaranteed to have the adequate knowledge of taxes (Adnyani et al, as cited in Pratiwi & Liana 2021). Based on those issues, the writer believes there needs to be a particular attention on not only the concept of definitions, but also the administration system adjusted to the principles of tax collection.

Furthermore, the concept of basic principles of tax collection used in this research is stated by Rosdiana and Irianto (2012) that there are 5 (five) principles of tax collection; Equity, Revenue Productivity, Ease of Administration, Transparency, and Neutrality. Although the mentioned principles are 5 (five), the writer did not analyses the concept of Equity due to the lack of correlation between equity and VAT both vertically and horizontally. A similar approach has been conducted before by (Arianty, 2017) in her journal titled "Tinjauan Atas Asas Keadilan dan Kemudahan Administrasi Pajak dalam Pengenaan Pajak Penghasilan Final 1% Terhadap Wajib Pajak UMKM" [Overview of Principle of Equity and Ease of Administration in the Imposition of 1% Final Income Tax on SME Taxpayers]. The journal studied the principles of tax based on Rosdiana & Irianto (2012), although the writer only used equity and ease of administration. Therefore, the objective of this research is to analyses the practice of Value Added Tax collection through the principles of tax collection and challenges in tax collection on digital service.

METHODS

The method applied in this study is qualitative method with the objective of descriptive analysis which elucidates the practice of Value Added Tax collection of digital service in Indonesia examined on the principles of tax collection which consist of revenue productivity, ease of administration, simplicity, and neutrality. Furthermore, the data was obtained from secondary data through literature review. The secondary data was obtained by analyzing documents related to taxation, digital service consumption data in Indonesia, e-Conomy SEA 2020 report, and previous research journals related to digital service tax, ministerial regulation of digital service tax

collection, and several publications of articles. Moreover, the information and data were acquired if they are compatible with the research focus, complementing the lack of information and data, hence assisting in the discussion analysis. Additionally, the data analysis method of this study is descriptive method that describes the obtained information and data in comprehensive and structured manner (Sugiyono, 2017).

RESULT AND DISCUSSION

The concept of imposing Value-Added Tax (VAT) on digital services

Value Added Tax (VAT) is a general tax imposed on business activities that produce and distribute goods and services. A value-added tax is imposed on consumption because it is ultimately paid for by the consumer, even if it is collected by the importer, producer, or distributor. VAT levy is referred to taxes on the acquisition of goods and services by individuals for personal use as a form of personal satisfaction (Alhussain, 2020). In its practice, VAT is levied by providers of goods and services which have been paid by consumers as part of sales. The taxable entrepreneur is obliged to collect, deposit, and report the value of the collection following the transaction which then fulfills the administrative requirements to the relevant tax authorities. Taxable entrepreneurs must report under applicable regulations (Beebeejaun, 2019). Likewise, for the collection of VAT imposed on digital services, taxes are levied on the consumption of digital goods submitted in Indonesia.

Law No. 42 of 2009 on Value Added Tax (VAT) article 3a paragraph 3 explains that the imposition of VAT on digital services originating from foreign companies is the same as other goods because VAT levies on digital services are based on the *Destination Principle*. Ebrill, Keen, dan Bodin (2001) describe that the destination principle is a taxation principle where the total and rate of tax that must be paid on the consumption of an item is imposed on the last jurisdiction the goods were consumed, regardless of the origin of the goods obtained. Yet, if they are submitted in the customs area, they will be subject to VAT. The concept is also stated in Law Number 42 of 2009 on Value Added Tax (VAT) article 4 paragraph 1 point d. The article shows that the collection of VAT on the delivery of an item does not look at the origin of the item; however, if it is submitted within the customs area, it will be subject to VAT.

Meanwhile, more details regarding Value-Added Tax (VAT) on digital goods are regulated in Minister of Finance Regulation (PMK) Number 48/Pmk. 03/2020 which regulates how digital service providers collect, deposit, and report VAT on the use of digital services which are included in intangible taxable goods and or services from outside the customs area through trade through electronic systems, which will be explained in more detail in the next section.

Tax Subjects and Objects for Digital Services

The definition of digital products and services is regulated in the [Ministry of Finance Regulation \(PMK\) Number 48/PMK. 03/2020](#) concerning the mechanism for collecting, recording, and reporting VAT on the benefits of digital services classified as Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area within the Customs Area through Trading Through the Electronic System, so that the VAT tax object is digital in Indonesia is divided into Digital Goods and

Services. Digital Goods are any intangible goods in the form of electronic or digital information, including goods that are the result of conversion of goods that are originally in electronic form, including but not limited to software, multimedia, and/or electronic data. Digital Services are services that are sent via the internet or electronic networks, are automated, or involve little human intervention, and it is impossible to ensure without information technology, including but not limited to software-based services.

The two statements above are following the definition presented by the OECD (2017) in its report entitled "Mechanisms for the Effective Collection of VAT/GST: Where the Supplier is Not Located in the Jurisdiction of Taxation"; the growing consensus states that in digital trade transactions, goods and services traded can be delivered both digitally and physically. Hence, it can be said that the definition of the tax object on digital services in Indonesia is under the concept commonly used by various countries, namely products that are not physically visible and technology-based. In addition to the object, the tax subject in the imposition of VAT on digital services is the recipient of the service or a person/organization who benefits from the delivery of the digital goods/services. In Indonesia, this is regulated in PMK Number 48/PMK. 03/2020 Article 1 paragraph 9 which states that "Service Beneficiary is an individual or entity that receives or should receive delivery of taxable service (JKP) and who pays or should pay for the replacement of JKP due to the use of JKP from outside the Customs Area inside the Customs Area through an electronic system".

In addition to this definition, it is also necessary to remember that the tax subject, in this case, is the Domestic Tax Subject by meeting certain predetermined criteria. From these regulations, it can be said that the tax subject in imposing VAT on Digital Services is the same as non-digital VAT, namely the end consumer.

Challenges in imposing taxes on digital services

Raul (2015) states that there may be several impacts if VAT is levied on digital services (Beebeejaun, 2020), namely:

1. Potentially reducing consumer purchasing power. The existence of the collection of Value-Added Tax (VAT) on digital services will certainly affect the price of services. This means that the levy will increase the cost of consumers to obtain digital services so that it is considered to reduce public interest in consuming these digital services.
2. Illegal digital services. Technological developments encourage the emergence of the ability for services to be provided digitally at lower prices, while jurisdictions cannot yet track these illegal acts. One of the challenges is the use of virtual private network (VPN) services, allowing users to access websites to display their IP address from another location. Although it does not eliminate the imposition of the tax base, it allows for an error in measuring the amount of income distributed to local users.
3. Tax avoidance. There is a risk of tax evasion schemes causing loss of tax revenue to jurisdictions where digital services are utilized. Therefore, the challenge that will be faced is the difficulty of supervising the taxes that are deposited by those collected.

The principles of tax collection in VAT on digital services

In assessing the practice of tax collection, one can look at the principles of tax collection. In looking at the concept, the principles of tax collection consist of the principles of justice, revenue productivity, ease of administration, transparency, and neutrality. Meanwhile, the principle of fairness is generally used to analyze Income Tax so that it is not in accordance when associated with Value-Added Tax (VAT). Therefore, the author will analyze the other principles as follows:

Revenue Productivity

This principle is related to the interests of state revenues, given that taxes are the largest source of state revenue to finance the needs of the community. Therefore, in the tax system, the element of revenue productivity is important to note. There are various efforts made by the government, both through extensification and intensification of taxes; yet what needs to be emphasized is the balance between the principles of revenue productivity and equity, so that not only the interests of the government are met, but also the interests of the community (Rosdiana & Irianto, 2012). It can be said that a tax collection is said to be optimal if it produces an adequate amount of revenue while being balanced with the principle of justice.

Rosdiana & Tarigan (2005) also conveyed that this principle illustrates how tax revenues should be able to finance government spending effectively. However, the government cannot set high tax rates to obtain quick revenue. Instead, the government must ensure that tax-financed expenditures must be able to encourage people's productivity to trigger economic growth.

The emergence of VAT collection on digital services is certainly a breath of fresh air for state revenues, especially when it is applied during a pandemic situation where tax revenues from other aspects are decreasing. Based on data obtained from the Directorate General of Taxes (DJP), the realization of the receipt of Value-Added Tax (VAT) collected by digital service provider companies have reached Rp. 2,01 Trillion Rupiah. The figures were obtained from July 2021 to May 2021 which were collected from 50 digital service provider companies appointed as VAT collectors. Currently, the government has increased the number of companies that are required to collect VAT to a total of 73 companies. This, of course, will directly increase state revenues. From this data, it can be seen that the Government's decision to collect VAT on digital services is certainly one of the efforts to fulfill the principle of revenue productivity (Handoyo, n.d.)

Ease of administration

The concept of administrative ease according to Pistone, Roesveld, et al (2019a) is divided into several principles, namely:

a. *Certainty*. The concept of certainty means that the tax administration system must be consistent to provide certainty to taxpayers. Such certainty includes tax subjects, tax objects, the amount of tax to be paid, collection mechanisms, procedures, and so on. If there is no clear certainty, it will be difficult for taxpayers to fulfill their obligations, while the tax authorities will find it difficult to supervise. Policies that continue to change also tend to increase taxpayer non-compliance and lead to tax disputes (Rosdiana & Irianto, 2012). The principle of certainty in

digital VAT is demonstrated through the establishment of the Ministry of Finance Regulation (PMK) Number 48/PMK. 03/2020 on the mechanism for collecting, recording, and reporting Value-Added Tax on the benefits of digital services classified as Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area within the Customs Area through Trading Through the Electronic System.

b. *Convenience*. The principle of convenience means that taxes paid by the taxpayers should be collected in ways and at convenient times. Additionally, tax withholding can be considered as an effective way in the collection of taxes (Rosdiana dan Irianto, 2012). As for VAT collection on digital services, the convenience can be seen from its mechanism and report, including those companies that provide services on digital platforms. Even though companies do not need to have any physical presence in Indonesia, the seller is still responsible for collecting and remitting tax. If it is reported by the charged consumer, then it is going to burden a consumer itself. The act of not paying taxes that are owed can lead to greater compliance cost more than the taxes themselves.

Not only that, in its practice in Indonesia according to the Ministry of Finance Regulation Number 48/PMK. 03/2020, convenience is also provided to digital service provider companies through the following conditions:

- Article 8 paragraph 2 which stipulates that deposits can be made electronically to make it easier for digital service providers;
- Article 8 paragraph 3 which stipulates that the deposit does not have to be in the form of Rupiah, but is given the option of either using the Dollar or a foreign currency that has been determined by the Directorate General of Taxes;
- Article 9 paragraph 1 stipulates that collectors can make deposits at once for a maximum period of 3 (three) tax periods so that the compliance costs incurred by the company are less than they have to be every month.

From this explanation, it can be said that the government has provided convenience for both consumers and digital service providers and there is no difference with VAT on non-digital goods, only in the currency deposited.

c. *Efficiency*. The principle of efficiency in taxation can be observed from two sides: fiscus and taxpayers. As for VAT collection, the efficiency can be seen from its collector, such as digital service providers. The efficiency of fiscus appears when the total amount of taxes collected must be greater than the incurred cost. Taxpayer can be accomplished as a way to fulfil its obligations and compliance costs should be minimized (Rosdiana & Irianto, 2012). In terms of fiscus, VAT collection on digital services is not different with non-digital goods in which the elements should be equal, and the tax receipts are greater than the fees required. On the other hand, the efficiency of consumer and digital service provider may be linked to compliance costs. As for the consumers, efficiency can be obtained if the tax collection and report carried out by the digital service providers. Additionally, this efficiency can be done by them electronically since the company does not need to have any physical presence in Indonesia. However, another issue that increases the

compliance cost is the limited form of knowledge of taxation who is owned by the digital service provider.

- d. *Simplicity*. The principle of simplicity means that the tax administration system should be clear and simple, so it can help taxpayers better understand the system. In addition, simple tax regulations will certainly help the taxpayers to be able to understand the rules. Moreover, overly complicated tax system tends to push tax non-compliance in causing a high prevalence of non-compliance. Simplicity becomes one of the cornerstones of a good tax administration system in order to ensure compliance set out for a business within various jurisdiction. The complexity in tax registration and reporting somehow lead to non-compliant service providers, so that is why they choose not to serve user in that country.

An example of simplicity in tax administration system is the implementation of Automated Payment Transaction (APT) which offers simplification, base broadening, reductions in marginal tax rates, the elimination of tax and information returns, and the automatic collection of tax revenues at the payment source. The deduction will be made automatically by the tax authorities from their bank accounts. This auto payment offers an easy and convenient way to make debit and credit entries so that the taxpayers can figure out the withheld tax. However, APT tax basically proposed to simplify the tax administration system. This system helps to eliminate the need for individuals to manually file the documents. This payment mechanism is designed to complement the computerized payment system that is available, so it can reduce the cost of compliance for the construction of APT tax collection system (Feige, 2020).

Same goes for the practice of VAT collection on digital service in which the tax withholding and the payment service are conducted simultaneously. Besides, this calculation does not involve tax deductible expenses, so it easier for the taxpayers to understand. Nevertheless, it is completely different when the government initiate tariffs. In other words, the taxpayers must understand the tariff classification of goods to reduce the principle of simplicity.

- e. *Transparency*. The principle of transparency means the legitimacy of the government accountability. In other words, it is the government's obligation to share information with the public, making it much easier for public to evaluate the services provided by government (Pistone, Roeleveld, dkk, 2019). Additionally, the practice of VAT collection on transparent digital service is also needed. Since those digital service providers do not have any physical presence in Indonesia, the performance monitoring becomes difficult.

As previously explained, consumers pay the VAT tax while the digital service providers deducting, collecting, and reporting it. After the VAT has already been collected by the digital service providers, they are required to deposit it to related authority. The digital service providers will be completing the levy payment by filling out the tax invoice. Later on, they are required to pay via bank transfer or come directly to local tax office. However, the limitation of access making it difficult to collect data and information regarding the digital service providers.

As stated by Pratiwi & Liana (2021), one of the many challenges of collecting VAT on digital service providers is

the limitation of access to the information regarding business actors. Hence, it is possible that the collected VAT does not match the amount deposited. This limitation may lead situations of potential abuse causing loss of state revenue. One of the largest efforts by DJP is to build partnership in order to exchange information regarding foreign digital service providers.

Currently, Indonesia has become 1 out of 105 countries who has signed the Multilateral Competent Authority Agreement (MCAA) on Automatic Exchange of Financial Account Information (AEOI) by OECD. However, according to DJP No. PENG-65/PJ/2020, not all countries are a part of Multilateral Competent Authority Agreement (MCAA), including United States (U.S.). According to UNCTAD, U.S. dominates the global digital economy with 90% of 70 the digital platforms are capitalized by them (Hafidh Nadhor Tsaqib, 2020). In other words, even though Indonesia has signed the agreement, that does not mean the country will be 100% protected from tax fraud since most of digital companies are from America.

Besides the agreement, there are several approaches and practices in other countries that may be adopted, such as split payment system by the Romania and Poland. Split payment system also known as an alternate method in collecting VAT effectively. There are two forms of split payment system:

- The owed VAT can be paid directly by transferring to local tax authority. Additionally, each customer will be considered as a taxpayer who has a separate account to pay VAT.
- VAT collection is conducted by a third party, such as digital service providers. In this case, every payment made by the costumer will be automatically sent to local tax authorities. Meanwhile, the digital service providers are responsible for ensuring the payment (Zídková & Šťastná, 2019).

Between those two methods, the writer thinks the second method provides the best fit for the situation in Indonesia because the costumers are able to submit their own payment to local tax authorities which can reduce the principle of simplicity. In addition, the second method is the most secure methods to prevent fraud. Nevertheless, an adequate technology becomes one of the great remaining challenges since the providers are from various countries.

- f. *Neutrality*. Generally, the tax system should strive to be neutral so that decisions are made on their economic merits or other factors. In other words, people's choices in consumption and should not reduce an individual's enthusiasm for work since the purpose of tax collection is to increase state revenues and economic growth (Rosdiana & Irianto, 2012).

As previously stated, the existence of VAT collection on digital services is to encourage the local product competitiveness and only domestic companies that were obliged to pay VAT. Things like this somehow can distort local products because the levy of VAT will increase the pricing digital goods. In that case, the existence of VAT collection is actually one of the government's efforts to uphold justice for domestic companies. Levy of VAT also helping to push the price of digital products higher so that

the Indonesian local products will likely to be able to rise its competitiveness.

In terms of consumption, the issue that needs to be considered is double taxation. For example, transactions that are conducted by 2 countries in which both of them implemented different principles (Country A: origin principle and Country B: destination principle). When an international trade is conducted from Country A to B, the taxpayer will be subjected to pay tax in both countries. However, if it is conducted the other way around, it will not be imposed on both countries. This condition distorts goods in country A so that they become more expensive to compete in country B. Meanwhile, goods from country B have a high competitiveness in country A since it is not subjected with tax. In order to avoid this, some countries provide tax facilities on export of goods to encourage the competitiveness of local products (Thuronyi, 1996).

In Indonesia, tax facilities on exported goods have been implemented, but the writer views that there is no clear certainty whether digital goods are classified as goods that are exempt from VAT collection. According to Tax Harmonization Law, a 0% VAT rate is implemented for export goods, such as tangible taxable goods, intangible taxable goods, and exports of taxable services. It means that there is an expansion of OJEK that are not subjected to tax. The expansion is listed in 16B and Article 4a of the HPP Law regarding non-taxable export services, include:

- Art and entertainment services;
- Services provided by the government;
- Parking space provision services;
- Catering services

From the points above, the writer considers that digital services are not yet classified as export services that are exempt from VAT. One of the service types that may be related to digital services is the type of art and entertainment. However, if you look at the explanation, it includes all types of services performed by arts and entertainment workers. Therefore, it does not match with what is meant by digital services imposed by VAT.

CONCLUSION

The imposition of taxes on digital services is a potential new source of revenue for Indonesia, considering that digital consumption in Indonesia is quite high and is predicted to continue to increase. When viewed from the principles of tax collection, the practice of collecting Value Added Tax (VAT) on digital goods/services can be concluded as follows:

Revenue Productivity. This principle is fulfilled in the collection of Value Added Tax (VAT) because it adds state revenue even though it does not dominate compared to other types of tax revenues.

Ease of administration. This principle is seen from the certainty indicators which are described from the implementation of PMK Number 48/PMK. 03/2020 that explains in detail the mechanism for collecting VAT on digital services.

Convenience. This principle is shown from tax collection, deposit, and reporting is still carried out by digital service provider companies; some flexibility is also provided to depositors in a form of electronic deposit, currency determination, and time of deposit.

Efficiency. This principle may increase the compliance costs for digital service provider companies due to their limited knowledge to calculate the tax payable, but on the positive side, deposits can be made electronically. Simplicity can be seen in the application of the final tariff without the need to deduct the costs that affect the DPP, so the calculation is considered simpler compared to progressive or multi-tariff tariffs.

Transparency. This principle is one of the issues in the practice of collecting VAT on digital services due to the absence of a physical presence in Indonesia which caused difficult access to data and information. This makes supervision difficult to carry out; there is a potential for fraud in which the amount deposited is not after what is collected, meaning that it has the potential to lose state revenue.

Neutrality. This principle can be seen in terms of production and consumption. In terms of production, neutrality is met because the collection of VAT on digital services encourages the competitiveness of local products in Indonesia. Meanwhile, in terms of consumption, it is necessary to pay attention to the provision of VAT exemption facilities on digital products because the extensification of non-taxable export services in the HPP Law has not confirmed whether digital services receive those facilities. This facility is important when transactions are made between the two countries that transact with different imposition principles.

From the explanation above, it can be said that the practice of collecting Value Added Tax (VAT) can be analyzed from the principles of tax collection. All of the aspects are met, but several issues need attention, especially from the principles of efficiency, transparency, and neutrality.

REFERENCES

- Ademuwiya, & Adeniran &. (2020). *Adapting African Taxation Systems to the Digital Economy*.
- Alhussain, M. (2020). The impact of value-added tax (VAT) implementation on Saudi banks. *Journal of Accounting and Taxation Vol. 12(1)*, Pp. 12-27, January-March 2020, 12 (1), 12–27.
- Arianty, F. (2017). Tinjauan Atas Asas Keadilan dan Kemudahan Administrasi Pajak dalam Pengenaan Pajak Penghasilan Final 1% Terhadap Wajib Pajak UMKM. *Journal of Vocational Program University of Indonesia*, 5 (1).
- Bain Company. (2020). *e-Conomy Sea 2020: At full velocity: Resilient and racing ahead*.
- Bauer, M. (2018). *Digital Companies and Their Fair Share of Taxes: Myths and Misconceptions*.
- Beebeejaun, A. (2020). VAT on foreign digital services in Mauritius; a comparative study with South Africa. *International Journal of Law and Management*, 63(2), 239–250. <https://doi.org/10.1108/IJLMA-09-2020-0244>
- Feige, E. L. (n.d.). *Taxation for the 21st century: the automated payment transaction (APT) tax*.
- Hafidh Nadhor Tsaqib, P. (2020). Mencari Solusi Keterbatasan AEoI dalam PPN Digital. DDTc News. <https://news.ddtc.co.id/mencari-solusi-keterbatasan-aeoi-dalam-ppn-digital-25287>
- Handoyo. (n.d.). *Setoran PPN perusahaan digital tembus Rp 2,01 triliun*. <https://nasional.kontan.co.id/news/setoran-ppn-perusahaan-digital-tembus-rp-201-triliun>
- Haula Rosdiana & Edi Slamet Irianto. (2012). *Pengantar Ilmu*

- Pajak.
https://perpustakaan.mahkamahagung.go.id/slims/pusat/index.php?p=show_detail&id=1146&keywords=
- Haula Rosdiana, R. T. (n.d.). *Perpajakan Teori dan Aplikasi*.
- Kim, J. G. (2020). *The Digital Economy in Southeast and South Asia : Towards Mutually Beneficial Cooperation with Korea*. 2018–2021.
- Kusuma, H. (n.d.). *Catat, Jenis Produk Digital yang Kena Pajak 10% Mulai 1 Juli*. <https://finance.detik.com/berita-ekonomi-bisnis/d-5032739/catat-jenis-produk-digital-yang-kena-pajak-10-mulai-1-juli>
- Liam Ebrill, Michael Keen, Jean-Paul Bodin, and V. S. (n.d.). *The Modern VAT*. *International Monetary Fund* 2001, 15–24.
- Liana, D. R. P. dan D. (n.d.). *OPTIMALISASI PENERAPAN PAJAK PERTAMBAHAN NILAI (PPN) PADA KEGIATAN PERDAGANGAN MELALUI SISTEM ELEKTRONIK (PMSE)*.
- OECD. (n.d.). *Mechanisms for the Effective Collection of VAT/GST When the Supplier Is Not Located In the Jurisdiction of Taxation*.
- Paris, R. (2003). *The Globalization of Taxation ? Electronic Commerce and the Transformation of the State*. 47(2), 153–182.
- Pasquale Pistone, Jennifer Roeleveld, J. H., & João Félix Pinto Nogueira, C. W. (2019). *Fundamentals of Taxation: An Introduction to Tax Policy, Tax Law and Tax Administration*.
- PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA NOMOR 48 /PMK.03/2020 TENTANG TATA CARA PENUNJUKAN PEMUNGUT, PEMUNGUTAN, DAN PENYETORAN, SERTA PELAPORAN PAJAK PERTAMBAHAN NILAI ATAS PEMANFAATAN BARANG KENA PAJAK TIDAK BERWUJUD DAN/ATAU JASA KENA PAJAK DARI . (n.d.).
- PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA NOMOR 210/PMK. 010/2018 TENTANG PERLAKUAN PERPAJAKAN ATAS TRANSAKSI PERDAGANGAN MELALUI SISTEM ELEKTRONIK (E-COMMERCE). (n.d.).
- Pramesti, I. A. (2019). *Pengumuman: Sri Mulyani Tarik Aturan E-Commerce, Batal Semua!*
<https://www.cnbcindonesia.com/tech/20190329160155-37-63738/pengumuman-sri-mulyani-tarik-aturan-e-commerce-batal-semua>
- Raul, K. (International T. U. (2015). *The impact of Taxation on the digital economy*.
- Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan Re&D*. Alfabeta, CV.
- Thuronyi, V. (n.d.). *Tax Law Design and Drafting Editor*.
- Zidková, H., & Štátná, A. (2019). VAT collection methods. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 67(3), 883–895. <https://doi.org/10.11118/actaun201906730883>