

THE LEGAL REFORM OF DIGITAL TAXATION IN INDONESIA

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The Indonesian government decided to enact Law Number 2/2020 to support financial stability for handling the Covid-19 pandemic. Among other things, it aims to enforce income taxes on electronic systems transactions by foreign service providers. Moreover, the Indonesian government also levied a Value Added Tax (VAT) for trading through electronic systems that set the rate at 10%, effective on 1 July 2020, based on Ministry of Finance Regulation Number 48/2020 and Director General of Taxes Regulation Number 12/2020. Overseas traders or platforms who have transactions with consumers in Indonesia with an amount exceeding IDR 600 million in 1 year or IDR 50 million in 1 month and/or having several traffic/accessors exceeding 12,000 in 1 year or 1,000 in 1 month, can be appointed as VAT collectors. This paper will examine the new regulation of digital taxation that only addressed foreign intangible goods and services with an approach of justice and equality in tax collection. Besides, this study will discuss the obstacles and challenges for law enforcement. Finally, this policy creates injustice and inequality between domestic and foreign merchants. In addition, Indonesian taxation policy generally preserves a conventional tax dispute mechanism that is tough to adjust. Law Number 2/2020 regulates punishment for non-compliant VAT collectors, but there are no further regulations regarding the execution of these provisions by the Ministry of Finance. The legal certainty for the involved parties is still questionable.

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