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THE IMPACT OF THE DIGITAL ECONOMY ON TAX POLICY IN INDONESIA

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Abstract
The development of the digital economy has had a significant impact on taxation policy in Indonesia. Changes in business models, especially through e-commerce and digital financial transactions, pose new challenges for traditional taxation systems, which tend to be less relevant. To deal with these changes, the Indonesian government needs to develop effective regulations to accommodate the dynamics of the digital economy and ensure tax compliance from domestic and international businesses. Initiatives such as the imposition of Value Added Tax (VAT) on digital products and services from foreign companies are one of the concrete steps that are expected to increase state revenue and create tax justice. In addition, strengthening information technology infrastructure and a transparent and efficient tax administration system, as well as educating the public about tax compliance, are important factors that support taxation policies in a sustainable digital economy.
Keywords: Impact, Digital Economy, Tax Policy, Indonesia.

Introduction

The rapid development of information and communication technology in recent decades has driven significant transformation in the global economy, including in Indonesia. This phenomenon is often referred to as the digital economy, which includes various economic activities that utilise digital technology, including e-commerce, digital services, fintech, and the sharing economy (Kartika & Rahma, 2019).

The digital economy is a concept that includes economic activities made possible by digital technology. This includes the use of the internet and information technology to conduct trade, business, services, and other economic interactions online (Isnaeni & Kurniawan, 2022). The digital economy not only involves the e-commerce or electronic commerce sector, but also includes various digital services such as fintech (financial technology), edutech (education technology), healthtech (health technology), to technology-based transportation and logistics applications. All of this aims to improve the efficiency, accessibility, and quality of services while creating new economic opportunities that were previously unthinkable (Sudaryanto & Setyaningsih, 2018).

The importance of the digital economy lies in its potential to drive more inclusive and sustainable economic growth. With the adoption of digital technology, economic opportunities can be spread more evenly, reaching areas previously isolated from mainstream economic activity. In addition, the digital economy can drive innovation, improve the operational efficiency of businesses, and create new jobs relevant to the times (Purnomo & Hardiyanto, 2020). In the future, countries that successfully adopt effective digital economic strategies will have a significant competitive advantage in the global economy. Therefore, understanding and utilising the potential of the digital economy is crucial for future economic growth and stability (Hidayat & Prasetya, 2020).

Indonesia, as a country with rapid internet growth and a high level of technology adoption, is undergoing a substantial economic transformation due to the development of the digital economy. Reports from various institutions show that the digital economy sector in Indonesia has great potential to drive national economic growth. This can be seen from the increase in the value of e-commerce transactions, the growing number of technology startups, and the increasing use of digital services in various sectors (Surya & Pratiwi, 2020).

On the other hand, the development of the digital economy introduces new challenges in the aspect of taxation policy. Digital business models often know no geographical boundaries, which makes tax jurisdiction more complex. The existence of digital entities that can operate without a physical presence in a country raises problems in determining taxing rights. In addition, the characteristics of digital transactions, which tend to be invisible, make tax management and collection difficult (Mulyana & Setiawan, 2018).

The Indonesian government has tried to adapt to this phenomenon through various new taxation policies and regulations. This policy aims to capture the potential tax revenue from the digital economy while maintaining the competitiveness of the national economy. The implementation of taxes for digital services, e-commerce, and digital platforms are some examples of the efforts that have been made. However, the policy also needs to be confronted with effectiveness and technical challenges in the field (Wijaya & Raflesia, 2019).

With this background, this study aims to analyse the impact of the digital economy on taxation policy in Indonesia. This study will conduct an in-depth review of how the growth of the digital economy affects the tax base, the challenges faced in managing digital taxes, and best practices that can be adopted from other countries. Through this study, it is hoped that comprehensive recommendations can be provided for the government and stakeholders in improving the effectiveness of taxation policy in the digital era.

Research Methods

The study in this research uses the literature method. The literature research method is an approach that is carried out by collecting, analysing, and interpreting information that has been published related to a particular research topic. This method involves searching for literature sources such as scientific journals, books, articles, reports, and other relevant documents. The main purpose of literature research is to understand the development of previous research, identify gaps or deficiencies in existing knowledge, and build a strong theoretical foundation for further research (Fink, 2019); (Alvesson & Sandberg, 2013). In the process, researchers must be critical in evaluating the quality and validity of the sources used, and be able to combine various views or findings to develop a conceptual framework that can answer research questions. In addition, this method also helps researchers plan a better research methodology based on documented findings (Knopf, 2006).

Results and Discussion

The Impact of the Digital Economy on the Tax Base

The digital economy has brought significant changes to the way the global economy works, and one of the most affected aspects is the tax base. In the digital economy, transactions and economic activities can be carried out across borders very easily, which makes tracking and taxation more complex. Many large digital companies can operate in various countries without the need for a significant physical presence (Santoso & Maharani, 2020). This creates a major challenge for tax authorities in determining where the income should be taxed. Without clear rules, many companies can shift their income to lower-tax jurisdictions, reducing the tax base in countries with higher tax rates (Mardiana & Susanto, 2022).

The economic transformation driven by digitalisation has also created new business models that are difficult for traditional tax systems to accommodate. For example, companies such as e-commerce platforms, streaming services, and shared workspace providers generate large amounts of income from online activities that may not be adequately taxed if they rely solely on existing tax rules. As a result, there is a high possibility that countries are not getting a fair share of tax revenue from economic activities that occur within their borders (Susanto & Dewi, 2019).

On the other hand, the digital economy also opens up opportunities for countries to expand their tax base by introducing new taxes in line with technological developments. Some countries have started to introduce the concept of a digital services tax levied on companies that earn income from digital services provided to the country's residents. This type of tax aims to bridge the gap in the traditional taxation system and ensure that digital companies contribute fairly to state revenues (Syafrie & Trisno, 2020).

However, efforts to introduce a digital services tax also face challenges. One of them is the risk of double taxation, where income from the same digital activity is taxed in different jurisdictions. Differences in approach in formulating and implementing digital taxes by various countries can also cause uncertainty and a heavy administrative burden for companies. Therefore, it is important for countries to work together to formulate a widely accepted international digital tax framework and prevent tax conflicts (Rini & Setiyawan, 2021).

Economically, expanding the tax base through the digital economy can also be a significant source of government revenue. Additional funds from digital taxes can be reinvested in digital infrastructure, education, and various programs that support the sustainability of digital transformation. However, countries also need to ensure that new tax rules do not stifle innovation or burden digital startups, which are often the main drivers of the digital economy.

Overall, the impact of the digital economy on the tax base is twofold: on the one hand, it creates new challenges for the traditional tax system, and on the other hand, it provides opportunities to formulate a more modern taxation approach in line with current economic dynamics. International cooperation and wise adaptation are essential to ensure that the digital economy can provide optimal benefits for all parties involved, including the government, companies, and the community at large.

Adaptation of Taxation Policies in Indonesia

Tax policy is one of the main tools used by the government to regulate the economy, fund state spending, and distribute income. In Indonesia, tax policy plays a crucial role in transforming the national economy. As times change, changes in tax policy are needed to face economic challenges both domestically and globally. The policy update also aims to improve tax compliance and reduce leakage of state revenue (Yulianto & Wijaya, 2021).

Globalisation and global economic volatility demand adaptation of taxation policies in Indonesia. Global economic crises, such as the 2008 financial crisis and the COVID-19 pandemic, show that the government must adapt quickly to protect the national economy. For example, the Indonesian government introduced various tax incentives for sectors affected by the pandemic, such as tax rate reductions and tax relaxation for small and medium enterprises (SMEs). These measures aim to maintain economic stability and support recovery (Rahman & Nabila, 2019).

Digital transformation is also driving changes in the taxation system. The Indonesian government has implemented information technology-based taxation systems to improve efficiency and transparency, such as e-filing and e-payment. In addition, with the rise of the digital economy, tax policies also need to be adapted to accommodate digital trade and cross-border transactions. The government is starting to implement taxes on digital transactions to ensure that all economic actors, including global technology companies, contribute fairly (Alwi & Hartono, 2018).

Recently, the Indonesian government introduced the Taxation Regulation Harmonisation Law (HPP) in 2021. This law aims to harmonise various taxation regulations, expand the tax base, and improve tax compliance. Through HPP, the government has also introduced new regulations such as carbon taxes and an increase in the Value Added Tax (VAT) rate. These new regulations are expected to optimise state revenues and support environmental sustainability (Kusumaningrum & Soedarsono, 2021).

In addition to regulatory changes, tax administration reform is also a major focus. The Director General of Taxes (DGT) continues to strive to improve performance by developing human resource capacity and updating infrastructure and technology. Increasing human resource capacity through training and competency development is necessary to address increasingly complex taxation challenges. In addition, many efforts are being made to strengthen supervision and law enforcement to reduce tax evasion and increase taxpayer compliance (Aulia & Farizal, 2020).

Effective taxation policies require cooperation between the government and various stakeholders, including the private sector and the international community. Collaboration with international organisations such as the OECD (Organisation for Economic Co-operation and Development) helps Indonesia implement international taxation standards such as Base Erosion and Profit Shifting (BEPS). In addition, the government also continues to communicate with the business sector to obtain input to improve existing tax regulations, thus creating a conducive and fair investment climate (Nugroho & Rafika, 2021).

With various policy adaptations and reform efforts being made, it is hoped that the taxation system in Indonesia can be more responsive, efficient, and equitable, and capable of supporting sustainable economic growth.

Comparison of Digital Taxation with Other Countries

The imposition of digital taxes has become a hot topic of discussion along with the rapid development of the digital economy. In various countries, the rules and amounts of digital taxes vary greatly. For example, European countries tend to have a more solid stance and a more mature digital tax structure compared to countries in Asia or Latin America. This digital tax is generally imposed on large technology companies such as Google, Amazon, and Facebook, which are considered to derive significant profits from local markets without paying commensurate taxes (Yudhistira & Adriana, 2018).

In the European Union, a number of countries such as France, Spain, and Italy have implemented a digital services tax (DST) of around 3% to 5% of the income of technology companies. France became a pioneer by implementing the first digital tax in 2019, which was later followed by other European countries. This tax aims to ensure that income from digital services generated in their jurisdictions is taxed fairly (Susilowati & Handayani, 2022).

Meanwhile, the United States has a different approach to digital taxes. The US government tends to oppose digital service taxes imposed by other countries and considers it as discrimination against American technology companies. In some cases, the US has even threatened to impose import tariffs in retaliation against countries that impose DST on their technology companies. To date, the US does not have specific regulations regarding digital taxes at the federal level (Aditya & Pramudya, 2021).

In Asia, countries such as India have implemented a 2% Equalisation Levy on digital advertising revenue earned in India by overseas companies. India introduced this tax in 2016 and expanded its scope in 2020 to include more types of digital services. This move signalled the Indian government's commitment to obtaining a fair tax share from digital economic activities occurring domestically (Wibisono & Mahardhika, 2019).

In Latin America, countries such as Mexico and Brazil are beginning to introduce regulations related to digital taxes, although their implementation is still in the early stages. Mexico, for example, began to impose value-added tax (VAT) on foreign digital services in 2020. This aims to create new revenue opportunities for the government amid the unstoppable increase in the use of digital services (Laksono & Purwanto, 2019).

Indonesia is not lagging behind in implementing digital tax. Starting from 1 July 2020, the Indonesian government has imposed a 10% VAT on foreign digital services. This policy covers various digital services such as streaming, applications, and other digital content. The purpose of implementing this digital VAT is to create fiscal justice between foreign and local technology companies, as well as to increase state revenue from the growing digital economy sector (Utami & Kurniawan, 2019).

Overall, the implementation of digital taxes in various countries shows a global effort to overcome taxation challenges in the technological era. Despite the diverse approaches, the main impetus is to ensure that technology companies operating across borders contribute fairly to the economies of the countries where they earn their income. Countries still need to engage in many discussions and negotiations to reach a comprehensive international agreement on digital taxes.

Conclusion

The impact of the digital economy on taxation policy in Indonesia shows that the development of digital technology has brought significant changes to the economy, especially in the taxation sector. The digital economy includes various economic activities based on information and communication technology, such as e-commerce, digital logistics services, and digital financial transactions. With this transformation, new challenges arise in ensuring a fair and effective tax base. The traditional taxation system that has been applied tends to no longer be relevant to new business models that are often cross-border and difficult to trace.

In addition, the implementation of adaptive taxation policies for the digital economy is important to increase state revenue. The Indonesian government needs to develop regulations that are able to accommodate these changes and ensure tax compliance from digital economic actors, both operating domestically and internationally. One concrete step that has been taken is the imposition of Value Added Tax (VAT) on digital products and services provided by foreign companies. This policy is expected to create fairness between local and international businesses, as well as increase state revenue from the rapidly growing digital sector.

Finally, the effectiveness of taxation policies in the digital economy depends heavily on the government's ability to improve information technology infrastructure, as well as a transparent and efficient tax administration system. The use of advanced technology, such as big data and artificial intelligence, can assist in data collection and more accurate analysis of taxpayers. Education and socialisation to the public about the importance of tax compliance must also be improved. Thus, adaptive and responsive taxation policies can encourage sustainable digital economic growth and provide maximum benefits for national development.

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