THE IMPOSITION OF VALUE ADDED TAX
ON ELECTRONIC BOOK TRANSACTION

SKRIPSI

Presented in partial fulfillment of the requirements for
The Bachelor’s Degree in Accounting

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ABSTRACT

The tax potential from online transaction such as online marketplace, e-commerce, and digital distribution is considered as big. This research is about to be disclosed a tax potential from electronic commerce transaction, especially for electronic book or more popular known as e-book. This research would like to find about imposition analysis of value added tax from electronic book transaction and its taxable event. This research is using a qualitative research method with in-depth interview and literature review data gathering method. The research result shows that the online transaction and conventional transaction are treated equally. But, with no specific regulations regarding the electronic book transaction, there will be a possibility that the taxpayer are conducting the tax avoidance.

Keyword: electronic book, value added tax, e-commerce, digital distribution, online transaction
INTISARI


CHAPTER I
INTRODUCTION

1.1. Background

Indonesia is the 4th biggest population country, with more than 50% of population already have accessed internet, or at least as per 2017 survey which held by Indonesian Internet Service Provider Association (APJII), which converted into number of 143.6 million people compared to 262 million people in Indonesia. With the evolution of new information technology era for at least two decades has bring rapid changes for the way of people interacting with each other. Now we are entering the globalization era which has a characteristics where the information can rapidly spread from North to South, and from East to West.

As the effect of globalization, every year there must be a new technology rising. Computer, tablet, smartphones, and any other digital products is the conclusive evidence of globalization. Besides that, in the globalization era is the presence of interconnected network or we can say the internet. Internet is a global-scale network that connecting every computer in the world and providing a large variety of information. The computer that connected to the internet is communicating each other by using the standardized communication protocol or known as Transmission Control Protocol/Internet Protocol. Ever since the
presence of the internet, there is an idiom stating that “The internet is bringing us, the people of the world closer and together”.

With the presence of internet, almost all sector of industries are affected, one of this is the economic sector. This can be seen by the trade pattern that have been shifted, from the conventional method to the online method. With the change of the trade pattern, sellers and buyers now is not obliged to attend the trade face to face each other, because the transaction can be done with their smartphones or computers. Because of this, the e-commerce is growing rapidly every year (APJII Survey, 2017).

The terms e-commerce is a derivative of the commerce word. The word commerce is the major concept to define electronic commerce, in relation to the transaction of purchasing and buying of goods, denoting an activities which intended to make a profit. While in the e-commerce like any other commercial, it deals with people, and exchanges between any goods and/or services provided (Khurana, 2014).

E-commerce is a new concept of transaction in commercial terms. It is fundamentally changed the behavior of human life in terms of selling and purchasing a goods. The E-commerce is one of the main formula in the revolution of Information Technology, and Communication for the field of business. (Nanehkaran, 2013) It is changing our old concept, and bring the commercial activity to the new environment.
Based on the data collected by DBS Bank (2018), quoted from Euromonitor, the retail selling transactions from e-commerce in Indonesia is up to US$1.1 billion in 2014, this is the highest transaction circulation in South East Asian, beating their neighbor Thailand and Singapore. But, if we compare to the total retail sales that happen in Indonesia, the e-commerce selling transaction is only take a portion of 0.07%. This means Indonesian e-commerce market has a great potential, combined with the facts that Indonesia is the 4th largest population in the world (Gov, 2019). But, based on data gathered by Indonesian Internet Service Provider Association (APJII) in 2017, 58% of the transactions occurred in Java. This means that the distribution map for internet in Indonesia is not optimized, that’s why Indonesia has so much potential to be arise. Compared to the year before, the percentage of transaction occurred in Java is 65%. That’s slightly better but not fully optimized. Based on the research published by DBS Bank “E-Commerce in Asia: Bracing for Digital Disruption” stated that the infrastructure for logistics is the main obstacle for the e-commerce to penetrate beyond Java and Bali. This problem also happened with Philippines, which has a similar geographic conditions as Indonesia (DBS Bank Survey, 2018).

Indonesian Internet Service Provider Association (APJII) held a survey in 2017 titled “Penetrasi & Perilaku Pengguna Internet Indonesia” which stated that half of the Indonesia population already have one smartphone with internet connection, and 25% of Indonesian people have access to the internet by their computer. People is tend to browsing on their smartphone in based on the survey
held by APJII in 2017, that is stated by the percentage of the survey that up to 44%.

Still based on the survey from APJII, Indonesian people spend their time on the internet almost every day. 43% of the people spent their time with duration of 1 to 3 hours on the internet, while 26% people spend their time with duration more than 7 hours in the internet. In terms of economics, people using the internet mostly to compare the price of a goods. As the table below, 32.19% of Indonesia population use the internet to purchase goods online via e-commerce. Thus, Indonesia has so much potential to be developed in e-commerce field.

Figure 1.1: The Internet Usage by Indonesian People

Source: APJII Survey, 2017
The development of e-commerce also bring an impact to the goods traded, from the tangible to intangible goods. One of the intangible product is Electronic Book. Hawkins (2002) stated that e-book is a book with the form of electronics.

There are several large internet e-commerce who introduce e-book with an electronic reader to the public and it is gaining the public interests. The Amazon Kindle introduced in United States in 2007. The Amazon Kindle gadget creating an impact to the electronic reader in Europe market when the Amazon Kindle was introduced in German and French market in 2011, and in 2013 for the Dutch and Belgian market (Ballhaus, et al., 2014).

Primary sales model for e-books is continuing as a retail selling sales. The e-books that have been purchased will be downloaded to the user’s hard disk or will be saved to the user’s virtual library to be downloaded later. After that, the book is ready to be transmitted to the digital reader device such as Amazon Kindle. However, there are also different business model based on rental methods. The Amazon Company provide this type of business model. It is offered in their Amazon Prime subscription. The user can freely download any e-book they want while they are subscribing to the Amazon Prime services within a period of time. Other services that offer similar business model is the Skoobe. The platform that based in Germany, and provided by the publishing house of books. They offers unlimited access to their e-book library based on the subscription within the period (Ballhaus, et al., 2014).
The potential tax from the e-book transaction is Value Added Tax (VAT). Basically, e-book is a taxable goods. This is stated in Indonesian Law No. 42 Year 2009 regarding the third revision of Law No. 8 Year 1983 regarding Value Added Tax of taxable goods and services. Article 4A point 2 stated that e-book is not excluded from VAT, in other words e-book is still a taxable goods which imposed by VAT (Undang-Undang Republik Indonesia Nomor 42, 2009).

Until now, Indonesian government already issuing regulations regarding the e-commerce transaction which is SE/62/PJ/2013 regarding the transaction of e-commerce. If we look the detail or the regulations, there is no new tax object rising from the transaction done over the internet (e-commerce). If we took the review from the regulations, the treatment of the transactions is same with the printed books transactions (SE, 2013).

1.2. Statement of the Problem

Although the tax imposition of the e-book is equalized to the printed books, one to remember that the imposition of VAT to the e-book is harder to be taxed effectively. This is mainly due to the difficulty to determine when and where the transaction occur.

Based on the background explained before, therefore there will be question to answer:

1. How is the imposition of VAT for the electronic book?
2. How is the supervision of VAT imposed to the electronic book?
3. How is the treatment of an electronic books on the company?
1.3. Purpose of the Research

Based on the statement of the problem above, the main purpose for this research are:

1. Analyze the imposition of Value Added Tax for electronic book
2. Analyze the supervision of Value Added Tax for electronic book
3. Analyze the current treatment of an electronic books on the company
CHAPTER II

LITERATURE REVIEW

2.1. Literature Review

This research based on the previous and similar research journal by Tosun, 2014 that become supporting article for this research. The previous research that compared to this study are still similar with this research objective, regarding the VAT imposition, and the transaction of electronic book, the online marketplace, and digital distribution.

2.2. Value Added Tax

Value added tax is a tax that imposed upon receiving the goods or services in customs area that imposed progressively in every supply and distribution chain. The imposition of value added tax is influenced by the developed business transaction and also the society consumption pattern which is an object to the value added tax. A dynamic economic development that occur in the national, regional, and international level are keep creating a new business transaction pattern. For example, in services sector there is a new kind of services or a modification from the prior transaction that have not been stated in the Value Added Tax law book(Undang-Undang Republik Indonesia Nomor 42, 2009).
Tax that imposed on customs area means, within the border of Republic of Indonesian which include their land area, sea area, and air space area above it, and also included a certain zone in an Exclusive Economic Zone which entitled of customs law. Value added tax is a sales tax that collected progressively or so called a Multi Stage Levels based on added value that is likely to be appearing in every supply and distribution chain (Rosdiana, et al. 2011). Thus, the value added tax is an added value of a goods or services in every levels of supply and distribution chain. Meanwhile, according to Tait (1998) VAT is a value that producer (whether they are a manufacturer, an agent, a producer, a services provider, or an advertising agent) add to their raw material calculation or raw material purchases other than labor costs before selling a manufactured goods or product that has been improved.

By the definition from several experts above, a value added tax is a value that appear when a producer add their cost of goods or purchasing their raw material other than labor, before selling their improved products or services. The input of the production is raw material, transportation cost, advertising cost, etc.

2.2.1 Legal Character of Value Added Tax

Legal character of a taxation can be defined by its own characteristics or their nature from one type of tax. An understanding of nature from a type of tax can be defined as a way to collect the tax (Rosdiana et al, 2011). As for the legal character from sales tax are:
1. Has a General Characteristics

Sales tax is a tax of consumption that has general characteristics. Has a general characteristics means sales tax is imposed of all taxable goods and services. Because sales tax have a general characteristic, therefore sales tax is intended for all private expenditure and there should be no discrimination to the expenses that used for goods consumption and services consumption (Rosdiana et al, 2011). According to Terra (1988), sales tax are intended to all of the expenditure and basically the sales tax is not intended to differ between goods and services as the expenditure is for the consumption.

2. Indirect Tax Characteristics

Sales tax is an indirect tax, so there is a possibility that there will be a tax expense shifting. Therefore, the characteristics of an indirect tax is as follows:

a. Ignoring the situation of the taxpayer, or in other words any taxpayer could be taxed. The indirect characteristics ignoring their earnings, but will be imposed if there is any transaction or transfer of goods occur (Santoso, 1993).

b. Indirect tax is a tax where the taxpayer can shift their tax expenses completely or in part to the other taxpayer. The tax expense can be in form of forward shifting or backward shifting (Rosdiana et al, 2011).
c. In real administration implementations, the example of indirect tax are: sales tax, value added tax, and customs and excise for the alcohol and tobacco, can be owed whether at the time of import, or at the time of export of the goods, or maybe at the time we purchase the goods when the transactions occur.

3. On Consumption

Sales tax were imposed on the Sales tax is imposed on the value contained in the sale of goods or services. The definition of consumption here is more indicated as expenditure by consumers to consume goods without differentiating whether the consumption will be spent simultaneously in stages or gradually.

2.2.2 Taxable Goods

In principal, all of the tangible goods are object to the tax imposition, except for the several goods that included in exempt or regulated by the government to be classified as non-taxable goods. The definitions of goods by mean of the Indonesian tax system is tangible goods and intangible goods (Undang-Undang Republik Indonesia Nomor 42, 2009).

Judging by the characteristics of the goods, there is tangible and intangible goods. The characteristics for tangible goods is a goods that can be feel or touched by human, and the goods having an economic value even if the value is not worth of the goods, and considered as a whole. While, the intangible goods is a goods that cannot be touched or present by the human nature but can be acquisitioned by the human and
it has an economic value even if the value may not worth of the goods (Rosediana et al, 2011).

2.2.3 Taxable Services

Taxable services is a tax that imposed on every services activities based-on a contract or legal agreement that can cause a goods/facility/rights are available to be used, including a production of goods based on order with a custom order by the customer that stated in law of the value added tax. Among the taxable services are: consultant services, construction services, intermediary services, and etc (Undang-Undang Republik Indonesia Nomor 42, 2009).

Basically, all type of services is subjected to the tax, with several goods that included in exemption of taxable services stated by the law of value added tax. The types of services that exempted by value added tax are certain, among others are: medical healthcare services, public social services, registered shipping documents, financial services, insurance services, religious services, education services, broadcasting services that are not intended to be commercial broadcast, art and entertainment services, transportation services, hotel services, labor services, services provided by the government in order to run the government in general, parking services, public telephone services with coin, money transfer services with postal money orders, and catering services (Rosediana et al, 2011).
2.2.4 Place and Time when VAT are Imposed

Value added tax is imposed for the transfer of taxable goods and taxable services. The object of the tax itself is the taxable goods and services. Value added tax will be imposed at the time when the ownership of the taxable goods or service is transferred, even the transfer of goods is still in the same entity or in transfer from their headquarter office to their branch office. Based on the tax law of value added tax article 12 (1)(Undang-Undang Republik Indonesia Nomor 42, 2009), it stated that:

“Pengusaha Kena Pajak yang melakukan penyerahan sebagaimana dimaksud dalam Pasal 4 huruf a, huruf c dan huruf f terutang pajak di tempat tinggal atau tempat kedudukan dan tempat kegiatan usaha dilakukan atau tempat lain yang ditetapkan dengan Keputusan Direktur Jenderal Pajak.”

Furthermore, government regulation (Undang-Undang Republik Indonesia Nomor 42, 2009) in article 14 number 143 year 2000 regulated that:

1. The place of tax payable on the delivery of taxable goods and or taxable services in the Customs area is in the domicile area of the company or the place where the business activity is held, which means where the taxable entrepreneur confirmed as a taxable entrepreneur (Pengusaha Kena Pajak).

2. The place of tax payable for the transaction of:

   a) The import of taxable goods, tax is imposed in the customs area;
b) The utilization or consumption of intangible Taxable Goods and or Taxable Services from outside the Customs Area is in the place of residence of the individual or place of domicile in the event that the individual or entity is not a Taxpayer or in the place of the individual or entity registered as a Taxpayer.

c) Self-building activities held by Taxable Entrepreneurs that are carried out not in their business or work activities or by non-Taxable Entrepreneurs, are where the building was established

2.3. Digital Product

Digital products or intangible products or virtual products are kind of products that can be delivered or sold over the internet or without a courier services. By mean, that are products that already digitalized or it is only available in digital format (Soon-Yong Choi, 1997). That kind of products are usually can be delivered Over The Air (OTA) or through the internet (Kauffman and Walden, 2001). According to Soon-Yong Choi (1997), there are some form of example of digital products including online newspaper, digital magazine, online articles, electronic books, digital audio, video, digital research data, and any other intangible form that can be delivered through internet whether by download it or stream the products.

Virtual or digital products are all those that can be electronically sold or delivered, goods that are already in digital format or may be digitalized (Choi et al, 1997). They are usually information-based, and can be downloaded through the Internet (Kauffman and Walden, 2001). Currently, the list of products for digital
goods are only limited to the human imagination (Choi, et al, 1997), it means that the list of the products can still be vary as human keep innovating with a new kind of technology. With the digital products emerging, there is a significant product shifting from the tangible or physical products to the digital products and services that favor the information, services, and intelligence as its prominent sources for the value of creation (Jeffrey F. Rayport and Jaworski, 2001).

According to Choi & Whinston, (2000), our focus are to implement the production efficiency and reducing cost as effective as they can if it comes in terms of industrial age. But in the digital economy era, we are focusing to provide consumer a wide range of products with many choices available in the market. A new innovation of a product would require a brand new strategy in order to understand the market better and the market are explored properly.

2.4. Electronic Commerce

According to Nanehkaran (2013), the electronic commerce is a brand new and a powerful concept that changed the fundamental concept of current human life. The E-Commerce is counted as the biggest evolution that a man has made, this is the required criteria in order to be called as evolution of Technology and Information, and communication in terms of business. Another definition comes from the OECD, stated that E-Commerce is all form of transactions that is related to commercial activities such as buying and selling, with both organization and individuals involved, and based upon the digitized data not only restricted to text, sound, and images (OECD, 2018). Meanwhile, Abrams and Doernberg (1997)
describe the electronic commerce as a production, distribution, sale, and delivery of goods and services by using a computer network to facilitate the transaction. Electronic commerce is spread very rapidly because it’s major benefits for human and the main objective is the convenient. The term e-commerce for the first time to appear, according to Nanehkaran (2013) is in the 1970s, at that time the term of e-commerce is referring to the data exchange that done electronically in order to send business documents such as electronic invoices, business documents, proof of payments, etc. At a later date, the electronic commerce is booming in the world as the first World Wide Web is launched in 1994. The very first e-commerce transaction is in 1998 in USA and some of European Country.

2.4.1. E-Commerce Framework

The electronic commerce itself has a three levels of framework that is needed to be a successful e-commerce according to Nanehkaran (2013). They are:

a. Infrastructure

The main part of the framework for e-commerce is the infrastructure to maintain the services. This is including any hardware, software, databases, and other communications. E-commerce is using Internet’s World Wide Web networks to be running.
b. Services

After the infrastructure, here coming the second part of the framework. E-commerce needed a variety of services such as the capability to seek the data and provide with a certain information, including the product search, negotiation for a product, and agreements between the buyer and the seller.

c. Products and Structures

This section of e-commerce framework is consisting of forecasts and direct provisions of goods, services, and trade-related information to customer and business partners, sharing the data and information between the outside and inside of the organization and organizing environment for electronic commerce and the supply and support chain management.

2.4.2. Advantages and Disadvantages

Still according to Nanehkaran (2013), every human innovation is bringing an advantage and disadvantage. Therefore, in electronic commerce also have their pros and cons.

2.4.2.1. Advantages

a. 24 Hours and 7 Days Buying and Selling
With the presence of the electronic commerce, we as the seller and buyers may do a transaction 24/7. We can buy in the middle of the night, and selling goods in the middle of the night. There are no time restrictions to the electronic marketplace, all over the transactions can be done anytime and anywhere as long as you have an internet connection. Even when we are resting or in a holiday, the buyer may still search our products and buy them.

b. Reduce the Transaction Costs

The electronic commerce is very reducing any unnecessary cost that may present of we buy from the local store. If we buy from the online marketplace, we don’t need to present at their local stores which has a transportation cost, a time-cost and other cost that may appear. As a seller, the cost is greatly reduced especially in the operational costs. We don’t need a building to rent, we don’t need many employee, and we don’t even need the transportation cost if the products or services is downloadable.

d. Conduct a business with ease

When you want to open a local store, you need a physical building and with complicated bureaucracy to operate a store. But, if you want to open an online business,
all you need to have is just a smartphone with internet connection. There are no need to rent a building or etc. You can open an online store from your house with comfortable, and the buyer also can buy from the online store conveniently without moving physically.

2.4.2.2 Disadvantages

a. Security of Privacy

The security of privacy is main concern in the Internet. Everyone, including the bad person and good person can easily open the Internet nowadays. If you were unfortunate, the bad people may fraud you by using a fake online store website and using your credentials data such as credit card, secret information, etc.

b. Social Relationship

Electronic commerce allow users to shop conveniently and without geographic limitations. You may purchase a goods that originated from USA, while you are sitting in Indonesia. But, there are definitely something missing from this casual transaction: a social relationship. Since the e-commerce doesn’t need you to be present at their store, therefore you losing the social relationship between buyer and seller, and loss our social contact.
c. Guarantee

Since we are shopping virtually without present at the local store, therefore there is no guarantee that we receive same goods as its looks like. The product we are seeing in their online display window may be different with the products that we are receiving one. Our orders may be different in terms of colors, or the freshness of the fruit or vegetables that we are purchasing.

d. Marketing

The raise of the information and technology has a major effects in terms of business, especially for the marketing-related field. The presence of e-commerce is reducing the operational costs, but it also increasing the marketing costs. Why would this happen? It’s because everyone can make an online store so the competition is very though. Therefore, to be able to retain our market share, we will need a massive marketing costs.

e. Finance and Accounting

Two decades ago, a major step for the humankind are forming a new chapter. The presence of internet almost changing everything, including the financial and accounting field. The relation between people, companies, government
are forming a new concept. Internet as a global network, as well as prerequisite of electronic commerce, is providing convenient, attractive, easy to use and including saving time, disinflation, increasing productivity, and reducing the money demand for the finance and accounting field.

2.4.3. Type of Electronic Commerce

Electronic commerce also classified into several classifications of e-commerce and have several different methods to analyze the characteristics of the type. Academicians form a several unique frameworks to determine the type of e-commerce, but still the main classifications are classified to Business-to-Business (B2B), Business-to-Consumer (B2C), Consumer-to-Consumer (C2C), Consumer-to-Business (C2B), and Mobile Commerce (MCommerce), Nanehkaran (2013).

a. Business to Business

B2B e-commerce type is a type of the commercial transaction that exist between business, or the transactions is mainly between one company and another. This usually includes a wholesale type of transactions, or services to other business.

b. Business to Consumer

B2C e-commerce type is a type of the commercial transaction that exist between a business, to their end-user. This commercial
type is creating its own market share, creating electronic storefront that offer information, goods, and services between a business and their customer using a retail type of transactions.

c. Consumer to Consumer

C2C e-commerce type is a type of the commercial transactions that exist between a consumer and other consumer. This transactions is involves among users and their business model is two person dealing business with each other.

d. Consumer to Business

C2B e-commerce type is a type of the commercial transactions that exist between a consumer and a business company. Usually, this can happen where the consumer or the end-user is producing goods that are being used by a company or an institution.

e. Mobile Commerce

The term of mobile commerce are appear in 1997 with an aim to make a portable transaction, this transaction is usually done via a smartphone, laptop, or other portable computers via wireless network. M-Commerce allows the users to shop conveniently using their internet connections. This type of commerce is rapidly developing, and we are approaching an era of cashless transaction with this mobile commerce type.
2.4.4. Tax on Electronic Commerce

Electronic commerce is raising a new problem to their taxation methods. Due to their transaction that seems intangible, the tax authorities is hard to determine where is the transaction occur and this may lead to the taxing jurisdictions. European Commission (2000) stated that electronic commerce is a truly global transactions without tax jurisdiction.

2.5 Electronic Book

The developing of the internet led us to the adding a lot of concept starting with “e-” to our lives. Just look at e-mails, e-shopping, e-commerce, e-banking, e-government, e-signatures, and e-learning shows us that Internet has making a major change to our lives. E-books, a digital form of a books that most of us have heard of and with growing user or the reader, recently has used a lot because of their long-standing journey history and the wide information of the technology. There are several definition to define e-books, but they are not solidified since the e-book itself is hard to define precisely. According to Carreiro (2010), E-book is a digital object of a text with or without another content, which arises as of results of joining the similar concept of an ordinary book, which has a feature that can be served in an electronic environment. Electronic books usually has in-use features to search word in the document, cross-referencing function, hypertext links, bookmarking, annotations, highlight, and any other interactive tools that have been combined in a single file of electronic book. E-books can be opened and read in a several devices that called an
electronic reader. Many of electronic reader has been sold nowadays, such as the very famous Amazon Kindle Series, Iriver E-book Reader, Oblio E-book plus, ReederLITE, as well as our personal computer and our very own smartphone. It could be said, that the increase in number of the electronic readers and the type of hardware itself, and software required to read an electronic book is indicated that there is a rise between the e-books reader and e-books released by a digital publishing company.

Reading from an e-book have several advantages for their users, rather than the ordinary printed books. For example, using of an e-book means we are paperless and thus saving our forest, then e-books taking a small space and very easy to carry. The digital size of an e-book is in average of 20 Megabyte, it means you can save more than 50 e-books in a 1 GB memory drive, so you can store as many book as you want if you have enough storage space. The feature of an e-book itself is very convenient, we can search for a certain word in easy, you can also take a note of a paragraph with easy, and you can change the font size for the e-book while an ordinary book cannot do that. Last but not least, e-books also is very easy to purchase, printed, and published to many other type of files formats (Yildrim, et al, 2011). In a several types of e-books, it can provide an interesting interaction for their readers, depending on the version of e-book technology itself.

2.6. Law Number 42, Year 2009 & SE-62/2013

Tax regulation regarding the transactions of goods that completed via internet (e-commerce) actually already regulated by the Surat Edaran (SE, 2013) from the Directorate General of Tax number SE-62/2013 stating about the stipulation of the
transaction that completed via the internet or e-commerce. If we look the details of
the Surat Edaran, we will referred to the UU No. 42 Year 2009 that still prevail
regarding the third amendment of the UU No. 08 Year 1983 regarding the value
added tax imposition on the taxable goods and/or services and sales tax on luxurious
goods.

As stated on the letter H of the Surat Edaran that explain about the value added
tax and the sales tax on luxurious goods of e-commerce transaction, that it still
following the UU No. 42 Year 2009 regarding the regulations and the implementation
of value added tax and the sales tax on luxurious goods. The contents of the UU No.
42 Year 2009 containing the subject of the tax, the taxable objects, and the taxation
procedure.

2.6.1. Tax Subject

Based on the Law number 42 Year 2009 explained that basically, the
tax subject can be broken down into two kinds of tax subject:

1. Taxable Entrepreneur (Art 4(a), 4(c), 4(f), and Article 16 (d))
   a. An entrepreneur that doing a delivery of a taxable goods
      and/or the taxable services.
   b. An entrepreneur that exporting the taxable goods.
   c. An entrepreneur that sell non-tradable equity or shares

2. Non-Taxable Entrepreneur (Art 4(b), 4(d), 4€, and Article 16 (c))
   a. Anybody that importing the taxable goods
b. Anybody that get benefit from the intangible taxable goods and/or taxable services from outside the customs area.

2.6.2. Tax Object

Basically, the tax object is defined as a consumption of taxable goods and/or services which transferred or services done by the taxable entrepreneur. As for the main activity that subjected to the value added tax which are:

a. The transfer of ownership of taxable goods and/or taxable services within the customs area that has been done by the taxable entrepreneur
b. Export and import of the taxable goods
c. Consumption of the intangible taxable goods and/or taxable services from outside of the customs area, being transferred to the customs area.

Taxable goods itself covering the intangible goods (movable or non-movable object) and the intangible goods that subjected to the tax based on Tax Law Number 42 Year 2009.

Regarding the transfer of taxable goods that subject to the value added tax, that will be happen because of an agreement, the definition of agreement may include:

a. Transfer of a taxable goods related to the rental agreement and/or leasing activity
b. Transfer of a taxable goods through an auction
c. Self-consumption or giveaway of the taxable goods
d. Taxable Goods in the form of inventories and / or assets which
   according to their original purpose are not for sale, which are still
   remaining at the time of dissolution of the company

e. Delivery of Taxable Goods from the center to the branch or vice versa
   and / or delivery of Taxable Goods between branches

f. Transfer of goods because of consignment agreement

g. Transfer of the taxable goods by the taxable entrepreneur in terms of
   financing agreements carried out based on sharia principles, and the
   delivery is deemed directly from the taxable entrepreneur to the other
   party that needed the taxable goods.

In the article 4 (Undang-Undang Republik Indonesia Nomor 42, 2009) of
the value added tax law stated that the transfer of taxable goods and/or services
will be imposed to the value added tax as long as the subject fulfill the criteria
below:

a. The taxable goods is included in the tangible and intangible taxable
   goods list

b. The transfer of goods are completed within the customs area

c. Transfer of goods completed in terms of business activity

Besides of that, the VAT Law also enforce the negative list or the
exemption of several goods as stated on the Article 4(a) from the value added
tax subject. Therefore, the goods that included in the negative list or exemption
list are not subject to the value added tax. The list of the exempted goods as found below:

a. Mining products or drilling products that taken directly from the sources that may include crude oil, natural gas, geothermal, rocks, raw coal, iron ore, etc.

b. Basic needs that are needed by many people, that may include rice, corn, grain, sago, soybeans, salt, meat, eggs, milk, fruits, vegetables.

c. Food and beverages that served in hotel, restaurant, café, stall, including dine-in and take away food and beverages.

d. Money, gold bullion, and valuable documents.

2.6.3. The Time of Tax Become Payable

The payable time of the tax is regulated on the VAT Law, which is at the transfer of the taxable goods and/or services, import activities of taxable goods, upon consumption of intangible taxable goods or services from outside the customs area, upon export of the taxable goods or services, and upon the export of the intangible taxable goods or services. If the VAT collected before the transfer of the taxable goods or services happen, then the time of payable tax is upon receiving the payment. From that, we can conclude that the payable of the VAT can be upon receiving the payment, upon the consumption of the goods or services, or when the goods or services are being transferred.
2.6.4. Taxation Procedure

As stated on the Article 7(1) VAT Law, the tariff of value added tax is 10% and can be increased up to 15% if there is special condition. Regarding the export of taxable goods and/or services, the VAT is 0%. Although the tariff is 0%, the taxpayer is obligated to:

1. Reporting the business activity and become taxable entrepreneur
2. Collect the VAT and Sales Tax on Luxurious Goods
3. Declaring the VAT and Sales Tax on Luxurious Goods that has been collected via monthly tax return.
CHAPTER III
RESEARCH METHOD

3.1. Methodology

There were two main approach for the research paper, stands for qualitative and quantitative method. In this paper, I use the qualitative research approach that looks more suitable for this research. The qualitative research method is a scientific method for data-gathering of non-numerical data. The qualitative research method is referring to the meanings, the concepts of definitions, characteristics, and descriptions of things, and all of the data that not measured by number (Moleong, 2010).

However, according to Lincoln (1998), there are several challenges for the qualitative researcher, this including the characteristics of qualitative research itself that defined by a series of contradictions, tensions, and hesitation.

3.1.1. Data Gathering

1. Literature Review (Library Research)

The method of data collection which is done by collecting and reviewing the literature related to the issues discussed to gain clarity in drafting theoretical basis used as a foothold in problem solving. The literature may include books, newspapers or
magazines, the internet and other sources which can be used as reference in this study. According to Babbie E. (2004), the literature review is used to frame the main topic or focus in the research paper. Other than that, the literature study is used as a foundation to compare the finding with the qualitative research method. In this research paper, literature review is used by gathering all of available information related to this topic which is the imposition of VAT on electronic book transaction.

2. In-depth Interview

In this research paper using an in-depth interview to obtain the primary data for this research. According to Natasha, et al. (2005), the in-depth interview is a data gathering method that designed to obtain a clear picture of a participant’s point of view from the research topic. During the in-depth interview, the interviewees are considered the expert or the professional in their industry, and the reviewer itself is a researcher who seeks a clear picture from the interviewees. Analysts draw in with members by posing inquiries in a nonpartisan way, listening mindfully to members' reactions, and asking follow-up inquiries and tests dependent on those reactions. They do not lead members according to any assumptions, nor do they urge members to give specific answers by expressing endorsement or dissatisfaction.
with what they state. In-depth interviews are typically led eye to eye and involve one interviewer and one member. At the point when security is an issue for the interviewer, the nearness of two interviewers is suitable. In these circumstances, be that as it may, care must be taken not to intimidate the member. Telephone discussions and interviews with more than one member likewise qualify as in-depth interviews.

3.1.2 Data Analysis in Qualitative Method

Data analysis is the important step with the qualitative research method. Whatever the data are, it is their analysis that, in a decisive way, forms the outcomes of the research. Sometimes, data collection is limited to recording and documenting naturally occurring phenomena, for example by recording interactions. Then qualitative research is concentrated on analysing such recordings (Flick, 2003).

Qualitative data analysis is the classification or interpretation of a material to produce a statement regarding the dimensions, whether it is implicit or explicit dimensions. Qualitative data analysis also is applied to discover and describe issues in the field or structures and processes in routines and practices. Qualitative data analysis may have several aims. The first, is to describe a phenomena in a greater details. The phenomena can be a subjective experiences happened by a specific individual or groups (Flick, 2003).
4.1. Transaction Scheme of an Electronic Book

By general, the electronic book (E-Book) is a book that available in a digital format or digital version that can be downloaded from the internet, and it can be read in various gadgets with a help of a software to read the content (Armstrong, 2008). Based on the previous explanation of an e-book, we noted that e-book can be obtained from many sources from the internet, and without the tangible or physical book, whether it’s free or paid e-books. If it is related to the paid version of e-book, then we can purchase the e-book itself from many sources for the digital distribution, such as Amazon, Google Play Books, etc. If we get the e-books from two sources above, that’s mean we are purchasing through an online digital distribution. Otherwise, you may purchase e-book from the other distribution channel such as an online marketplace. Online marketplace is an online place for business activity in the form of online mall or online store to hold a selling and buying activity. As for the transaction scheme for the online marketplace, can be found in the figures below.
Figure 4.1: Transaction Scheme for Online Transaction

Digital distribution services is the delivery of a digital content such as audiobook, video book, electronic book, software, and video games. The example of digital distribution services are like Amazon Online Services and Google Play Books. For this context, we are focusing on the Google Play Books as because the Google Play Books is a big player in Indonesian online marketplace and the content delivery network. Google Playbooks (formerly known as Google eBooks) is a digital distribution of services that run by the biggest internet company: Google. Many users may download seamlessly and conveniently from their smartphone through Google Play application, and searching for millions title of e-books according to Mr. Fuzi Septika from PT Mizan Pustaka. Users may choose the format of an e-book as PDF or as an EPUB, and they may use the service anytime and anywhere as long as you
are connected to the internet and has a Google account. The business process from this digital distribution is pretty much similar like the online marketplace, only it do not require the Google Play Books as a mediator services. The other way to obtain an e-book is from an online marketplace. The business process of an online marketplace is started when the seller register their products on the online marketplace (become a merchant). After the seller become a merchant, there are several steps to take if there are a process of transactions.

1. The merchant post their products on the online marketplace or online mall
2. If there is any buyer that interested on their product, then the buyer will make a transaction with the online marketplace
3. The agreed purchase order then will issued an invoice to be paid by the buyer
4. The buyer then will make a payment to the account of the online marketplace, with the agreed amount.
5. After the payment is received by the online marketplace, then the online marketplace will notify the merchant that the transaction is verified and the merchant can continue to send the product.
6. The merchant will issue a tax invoice and send the product.
7. At this moment, there will be no physical delivery of an e-book because e-book itself is considered as an intangible products, and the buyer can download the e-book via an online server.
4.2. Characteristics of e-book

E-book is one of a digital products that distributed through an online digital distribution system, or via online marketplace. According to Carreiro (2010), E-book is a digital object of a text with or without another content, which arises as of results of joining the similar concept of an ordinary book, which has a feature that can be served in an electronic environment. Looking to the definition stated, it appears that e-book is an intangible products that subject to value added tax. Several country in Europe consider e-book as a digital services, and the other country treated as an intangible products. In principal, all of the consumer goods are subject to the value added tax regardless it is form, whether it is an intangible goods or tangible goods except the goods that already included in the negative list of value added tax object, reference to the Law number 42 Year 2009 Article 1 Number 2.

To produce an e-book, digital publishing house must have a license from the author to reproduce their works. This can be obtained from the author by signing a contract that have a certain duration to reproduce the content. Looking by the nature of an e-book, Mr. Fuzi told me that there are two kind of nature for electronic book: first, which came with the printed version of a book and second, an e-book that come solely without the physical version of the book. By looking to it’s nature, the e-book that came with a printed version of a book may be bundled by the publisher or may be charged separately differ to the printed version of the book, while the e-book that come solely without the printed version of a book, it may sold as an ordinary electronic book, by means that there will be no printed version of the electronic book.
4.2.1 Cost of Goods Sold

Cost of Goods Sold is the direct cost that addressed by the cost to produce one product. The amount of cost of goods sold including the material cost to make the product, direct labor cost and other variable costs to produce the goods. The cost of goods sold exempt the indirect cost such as a sales cost or distribution costs.

4.2.1.1. Printed Book

To publish a book to be ready for the market, there will be several steps to take by the publishing house before the book is ready for the consumer market. The publishing house must obtain a raw script from the author. The raw script means unedited, not proofed, not designed, and the layout of the writing is not set. The biggest portion to publish a book is the printing and distribution costs of the book. This is explained by Mr. Fuzi at the time of our interview:

“The biggest portion to produce a book is the printing cost and distribution cost itself. We need the labor, paper, the ink, and transportation costs to publish one book. This usually take portion from 40% to 70% depending on the quality of material we use to produce.” (Mr Fuzi Septika, Head of Digital Developer at PT. Mizan Publishing, 11th January 2019)
This is the one reason that printed version of book is still priced at high enough price point. Besides that, there will be some organization that concern about the deforestation like World Resources Institute that stated Indonesia have lost its forest for 1.5 million hectare in pulp & papers industries and the palm oil industries (Wijaya, 2017).

4.2.1.2. Electronic Book

The pricing of e-books are significantly cheaper than the printed book. This mainly because they’re removing the main cost of printed book. The printing costs can take up to 70% of cost per book. With removing this costs, we can get a competitive pricing of an e-book according to Mr. Fuzi in a depth-interview:

“The price of an electronic book can be significantly cheaper than the printed version of a book, this because we remove the printing costs and only include proofing, editing, cover-designing, and setting the layout for the e-book.” (Mr Fuzi Septika, Head of Digital Developer at PT. Mizan Publishing, 11th January 2019)

One of the biggest online platform for electronic book in Indonesia is Google Play Books. According to Mr. Fuzi explanation, Google Play Books holds the biggest market share for the Indonesian market. It is because the Google Play Books is available on almost every Android smartphone. Until this time, there is no company that can compete with the superiority of
Google in Indonesia. Because of that, the Indonesian tax office has some concern for this kind of transaction. As Mr. Taripar Doly says in an in-depth interview:

“Yes, we all know that Google is one of the biggest internet company in the world. At this time, we don’t have enough resources and regulation to collect tax from the transaction that involving Google, because they are not a taxable entrepreneur. Because of that, they cannot collect value added tax directly.” (Mr Taripar Doly, Account Representative at South Karawang Tax Office, 30th November 2018).

4.3. Restricted Cash

Restricted cash, in contrast to cash freely available for a company to spend or invest, refers to money that is held for a specific purpose and therefore not available to the company for immediate or general business use. Restricted cash appears as a separate item from the cash and cash equivalents listing on a company's balance sheet or other financial statement, and the reason for the cash being restricted is usually disclosed in the accompanying notes to financial statements. Cash can be restricted for a number of possible reasons, such as equipment purchases, other capital investments, or loan repayment.

There are many scenarios in which a company might need to set aside a specific amount of restricted cash. Common examples of restricted cash include
refundable deposits, minimum balances on bank accounts, and funds held in escrow. Our broker center has plenty of information to get you more familiar with the stock market!

A company's balance sheet must include all assets and liabilities, including cash. Restricted cash is reported separately from cash and cash equivalents on a company's balance sheet, and the reason the cash is restricted is typically revealed in the financial statement's accompanying notes.

Restricted cash may be classified as a current or non-current asset depending on how long it's expected to remain restricted. If the cash in question is expected to be used within one year of the balance sheet date, the cash should be classified as a current asset. However, if it is anticipated that the cash will remain unavailable for use for more than a year, then it should be classified as a non-current asset.

4.4 Taxing the Electronic Book

In principal, all of the transaction that completed within the customs area of Republic of Indonesia, the transfer of taxable goods and taxable services, will be imposed by the value added tax. The delivery of goods that subject to value added tax can be distinguished by the nature of the goods, which are: the tangible and intangible products, movable and non-movable goods. In this case, the delivery of the e-book that transferred digitally should be categorized as the delivery of taxable goods. In line with the circular letter SE-62/PJ/2013 that stated the online transaction should be the same with the conventional transaction. Therefore, there is no new tax type added.
Because the purpose is to fulfill the principle of justice, the conventional transaction or offline transaction must be treated same with the online transaction via online marketplace, e-commerce, or the digital distribution. Therefore in this case, the transaction for the electronic book should be treated the same with the conventional book transaction. But, the challenge for the Indonesian tax office, this transaction is hard to be detected. The tax office are rely on the self-assessment system for the transaction. As Mr. Doly revealed in an in-depth interview:

“Yes, the major challenge for now, for the Indonesian tax office is the supervision for the online transactions. We have no Laws backup to force the online marketplace, e-commerce, and the digital distribution to collect the VAT. Therefore, we are preparing the regulations for online transactions. What will be covered in the regulation, we are both excited to see.” (Mr Taripar Doly, Account Representative at South Karawang Tax Office, 30th November 2018).

Based on the case of delivery of the electronic book, judging by its nature that simply the digital version of printed book, the electronic book should be subject to value added tax as well as the printed version, this is stated in the VAT Law Article 4A. Therefore, the electronic book is subject to value added tax, and should be collected by the taxable entrepreneur.

If we look to the regulation that issued by ministry of finance of Indonesia, in the Ministry of Finance Regulations number 122/PMK.011/2013 with the subject of delivery for general books, scripture, and textbooks are not subject to VAT.
Therefore, the electronic books that has this kind of genre should be excluded to VAT. As Mr. Taripar Doly expressed in an in-depth interview:

“Until this time, there is no different classification for the conventional and online transactions, if the conventional transaction is subject to value added tax, therefore the online transaction should be subject to value added tax. The major challenge is we (tax office) don’t have any strong regulations for that.” (Mr Taripar Doly, Account Representative at South Karawang Tax Office, 30th November 2018).

The major obstacle for the taxation of electronic transaction is the supervision from the Indonesian Tax office. The tax office simply doesn’t have enough resources to supervise all of the online transaction. This is because the anonimity level of online transaction is higher than conventional transaction, and the tax office simply doesn’t have enough resources to prevent it. The tax office probably are researching the efficient way to increase the tax revenue and compliance from the taxpayer. This is because online transaction has a huge potential revenue, as stated by Mr. Taripar Doly:

“…potential tax revenue, it must be very interesting number as the online transaction in Indonesia still increasing rapidly every year.”  
(Mr Taripar Doly, Account Representative at South Karawang Tax Office, 30th November 2018).
4.5 Google Play Books

Google Play Books holds the largest market share in Indonesia. Based on the information that Google made available to the public, Google may inform the VAT at the purchase if there is any. Actually, Google is a taxable entrepreneur in most country in Europe Union, therefore Google may collect the VAT on behalf of the authorities. In Indonesia, there is a problem that Google is not taxable entrepreneur and therefore they may not collect the value added tax. Besides that, there are three payment methods that Google Play Book use, which are Gift Cards payment method, Local Carrier Billing payment method, and Credit Card Payment method. The real problem here is with the Credit Card payment method. For the transaction using the credit card, the amount for VAT is not displayed, that means if we doing a transaction with credit card method, they are not accommodating value added tax collection method. Because there is no rules that regulate the imposition for credit card transaction, therefore the tax subject must report by themselves as regulated on Ministry of Finance regulations PMK No. 40/PMK.03/2010 date issued 22 February 2010 regarding the Procedures for Calculation, Collection, Deposit, and Reporting of Value Added Tax on the Utilization of Intangible Taxable Goods and / or Taxable Services from Outside the Customs Area. The problem arise when the tax subject is a person besides the taxable entrepreneur. Besides not in accordance with the purpose of imposition of the VAT mechanism principle, the amount that owed by a person is considered small, compared to the tax compliance burden by taxpayer, this is no in
accordance with the principal of the VAT which is convenient to be taxed. Therefore, the supervision challenge for this is very hard, although it is not impossible.

4.5.1. Gift Card Payment Method

For the transaction using gift cards for google play, the consumer must deposited the balance to their account first, after they deposited the balance to the account, if the user wants to purchase a digital products, they simply can deduct from their balance to get the digital products. To obtain the balance for their account, the user must purchase a gift card that have a physical voucher. The voucher may be available in the convenient store, super market, or mini market around the corner. Principally, the VAT that will be imposed is at the time when a buyer purchase a goods as stated in the Ministry of Finance regulations PMK No. 40/PMK.03/2010, but for the convenience the tax imposition may be taxable when the user purchase the physical voucher. With this mechanism, it can be considered as “prepaid” for the VAT that will be imposed after our purchase. With this indirect value added tax imposition mechanism, we can say this method makes the Indonesian Tax Office work easier, the physical voucher are going in and through the Directorate General of Customs. This mechanism is similar with the purchase of the taxable goods within customs area, or when we are importing the taxable goods into the customs area of Indonesia. With this method, the tax office may ask the taxable entrepreneur that importing the gift cards to collect the VAT as they are the distributors of the gift cards. This
payment method makes tax office easier to collect the VAT because they don’t have to supervise every transaction that going in and through, and they may focusing to the taxable entrepreneur that doing the distribution for the gift cards.

4.5.2. Credit Card Payment Method

The challenge that tax office face is they are struggling to determine the identity and the time when the VAT becomes payable. And because the Credit Card is included in the exemption list of the taxable services, they may not be able to collect the VAT. Other than that, the tax authority troubled by the identity regarding who is the buyer and the seller other than taxable entrepreneur in Indonesia, because Google itself is not a taxable entrepreneur in Indonesia to collect value added tax. This is because there is no information available regarding the consumption of digital products, whether it is from domestic source or foreign sources. Within the domestic area, end-user except the taxable entrepreneur cannot be determined, because to supervise the non-taxable entrepreneur are quite hard and almost impossible to take. On the other side, the Indonesian tax authority are struggling to obtain information because they are not capable to get information needed, and because the subject is outside the customs area of Indonesia. Actually there is the chance to get the taxpayer information, but this is limited to the Tax Treaty between Indonesia and the destination country.
4.5.3 Local Carrier Billing

The last method that used by Google to pay for their product is collaboration with the local carrier. The local carrier billing joining with google to make a payment method that user can use their cellphone credit to make payments for products in Google Play. There are several operator carrier that make this payment available, one of them is Telkomsel. With this method, the operator use the cellphone credit available to the user before they pay to Google. In this method, the local carrier billing appointed to collect the VAT from the user. In this case, the operator billing only act as a bridge to the google and collecting the tax before they deposited the VAT to the state treasury. The user that use local carrier billing method may receive a SMS that also can be the invoice for the purchase, the message is containing about the product that we bought, date of purchase, total amount paid, VAT, and the service fee. In the invoice that sent by SMS, usually they stated that the purchase is included with VAT 10%, and service fee that usually rated at 2% to 5%. For the calculation example, we want to purchase a digital product that priced at Rp 10,000.00, so the cellphone credit that will be deducted is around Rp. 11,200.00, with assumption of 2% service fee, 10% VAT. Next, the billing carrier will make payment Rp 10,000.00 to the Google, and the 10% (Rp. 1,000.00) will be deposited to the state treasury as VAT. From all of the three above, this payment method probably is the most convenient way for both taxpayer and the tax office. The tax office only need to supervise the
local carrier, and the taxpayer not be confused with the payments of the VAT.

With this method, the mechanism is similar to the multi stage levy mechanism for value added tax, or chain collection for the transaction that completed within the customs area.

4.6. Ministry of Finance Regulations PMK 210/PMK.010/2018

On the 11th January 2019, finance minister of the Republic of Indonesia, Ms. Sri Mulyani Indrawati, S.E., M.Sc., Ph.D announced to the public that there were new regulation regarding the taxation treatment for electronic commerce transaction. The PMK 210/PMK.010/2018 itself issued on 31st December 2018, and yet announced two weeks later by the finance minister of the Republic of Indonesia.

The PMK 210/PMK.010/2018 stated that the transaction is going and through an online marketplace, e-commerce, and online platform should be taxed by the service provider or the platform provider. Thus, the online marketplace provider or e-commerce must be a taxable entrepreneur and they are the party that responsible to collect VAT from the buyer. Part of the regulation itself said that the seller that use their online platform should be giving their taxpayer information such as their tax ID and the ID number. For the taxable entrepreneur that use online marketplace platform, they should fulfill the taxation obligation as usual and the tax subject that is not taxable entrepreneur, they should disclose their Tax ID and ID number to the platform where they use to selling.

By the issuance of this regulation, several of my suggestion felt it was accommodated by this regulation. The major suggestion which would I suggest that the
online transaction going on and through online marketplace or e-commerce, that the tax obligation should be collected by the service provider itself. Thus, this will make the Directorate General of Tax easier to collect the tax payable. In the future, the tax office only need to supervise the marketplace provider to carry out it’s obligations.
CHAPTER V

CONCLUSION

5.1 Conclusion

Based on the analysis conducted on the chapter 4, we came to conclusion that the Directorate General of Tax has already issued a Ministry of Finance Regulations Number PMK 210/PMK.010/2018 regarding The Tax Treatment for Electronic Transaction. To be said, by the issuance of this regulation, it should make the tax office job easier. The Directorate General of Tax only have to supervise the platform provider to make sure they are doing their tax obligations. This regulation has accommodate the taxpayer to fulfill their VAT obligations by making the platform provider as a taxable entrepreneur and the collector of the VAT.

But, the specific regulation has not been made for the electronic or other digital products characteristics. Otherwise, the tax office still follow the rules for conventional transaction as stated on the Law Number 42 Year 2009, with assertions of circular letter No. SE-62/PJ/2013. With the circular letter, the tax office consider the transaction is the same with the conventional transaction, and also the tax office consider the electronic book as the tangible taxable goods. Because this draw a lot of debate in among the people of Indonesia and the tax officer itself regarding the characteristics of electronic book.
5.2 Suggestion

Based on the conclusion above, we can see that Tax Office have tried to maximize the tax potential from electronic commerce transaction by issuing a Ministry of Finance Regulation, which is PMK 210/PMK.010/2018. Furthermore, I would love to suggest that the tax office should issue a regulations regarding the characteristics of the electronics books, and other digital products. The regulation itself should contain the characteristic regarding the digital products specifically for the electronic book to classify whether it is considered as tangible or intangible product or even as a taxable services.

Besides of that, a clear regulation for the tax subject, taxable person, and the taxable event of the transaction is should be arisen. This is mainly because to prevent the people to avoid the tax.
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Interview with Mr Taripar Doly, Account Representative at South Karawang Tax Office, 30th November 2018:

**Question:** How do we collect and supervise the transaction from online marketplace?

**Answer:**

Yes, we all know that Google is one of the biggest internet company in the world. At this time, we don’t have enough resources and regulation to collect tax from the transaction that involving Google, because they are not a taxable entrepreneur. Because of that, they cannot collect value added tax directly.

**Question:** How you increase the compliance for the tax reporting? How is the potential tax from the online transaction?

**Answer:**

Yes, the major challenge for now, for the Indonesian tax office is the supervision for the online transactions. We have no Laws backup to force the online marketplace, e-commerce, and the digital distribution to collect the VAT. Therefore, we are preparing the regulations for online transactions. What will be covered in the regulation, we are both excited to see. For the potential tax revenue, it must be very interesting number as the online transaction in Indonesia still increasing rapidly every year.
Question: How Tax Office determine the transaction for online marketplace?

Answer:

Until this time, there is no different classification for the conventional and online transactions, if the conventional transaction is subject to value added tax, therefore the online transaction should be subject to value added tax. The major challenge is we (tax office) don’t have any strong regulations for that.
Interview with Mr. Fuzi Septika, Head of Digital Developer at PT. Mizan Publishing, 11th January 2019:

**Question:** How you determine the Cost of Goods Sold for the electronic book and printed book?

**Answer:**

The biggest portion to produce a book is the printing cost and distribution cost itself. We need the labor, paper, the ink, and transportation costs to publish one book. This usually take portion from 40% to 70% depending on the quality of material we use to produce.

**Question:** Why the price of e-book is significantly cheaper than the printed book?

**Answer:**

The price of an electronic book can be significantly cheaper than the printed version of a book, this because we remove the printing costs and only include proofing, editing, cover-designing, and setting the layout for the e-book.

**Question:** How is the mechanism to publish an e-book?

**Answer:** To publish an e-book, we must have a license from the writer of the book. The license is based on a contract duration, the duration itself is depend by the writer, if they want as long as possible it’s okay, or they only want one or two years it’s not a problem.
Question: How your company treat the e-book? Is it inventory or not?
Answer: Basically, we are also treating an electronic book like an inventory, and the COGS is the cost for e-book and the contract fee.

Question: How your company report its revenue from the electronic book transaction?
Answer: We just report the transaction from our marketplace and the digital distribution like Google Play and we attach it on the revenue report.

Question: What is the objective proof of an e-book transaction?
Answer: Maybe, the objective proof for an e-book transaction is an invoice and an email account. The user can only open the purchased e-book with the associated email that purchased the e-book (if the purchase is through Google Play). Otherwise, if the buyer purchase from another online marketplace, then we sent the download link to the email that associated with the purchase of the electronic book.
Wawancara mendalam dengan Bapak Taripar Doly, Account Representative dari Kantor Pelayanan Pajak Karawang Selatan, 30 November 2018.

**Pertanyaan:** Bagaimana caranya kita mendapatkan informasi dan mengawasi transaksi dari *marketplace* online?

**Jawaban:**


**Pertanyaan:** Bagaimana caranya DJP meningkatkan kepatuhan terhadap pelaporan pajak? Bagaimana potensi pajak dari transaksi *online* seperti ini?

**Jawaban:**

Ya, hambatan terbesar yang ada saat ini adalah pengawasan yang belum maksimal dari DJP unutk transaksi online tersebut. Untuk saat ini kita belum memiliki regulasi yang membantu kita untuk memungut pajak dari e-commerce, marketplace, dan digital distribution lainnya untuk memungut PPN. Maka dari itu, pihak DJP sudah
mempersiapkan regulasi untuk transaksi online. Apa saja yang akan dipayungi oleh regulasi ini nantinya? Kita lihat kedepannya saja. Untuk pendapatan pajak nya, ini merupakan hal yang menarik karena pastinya pasar e-commerce ini memiliki potensi yang sangat luar biasa, karena pasar di Indonesia juga masih terus berkembang setiap tahunnya.

**Pertanyaan:** Bagaimana DJP melihat transaksi dari online marketplace ini?

**Jawaban:**

Sampai saat ini, tidak ada klasifikasi khusus untuk pasar e-commerce dan pasar konvensional, jika pada pasar konvensional barang tersebut dikenakan pajak pertambahan nilai, maka pada pasar e-commerce juga seharusnya dikenakan pajak pertambahan nilai. Seperti yang telah dikatakan tadi, hambatan yang cukup besar adalah belum adanya regulasi untuk pasar e-commerce ini.


**Pertanyaan:** Bagaimana caranya menentukan Harga Pokok Penjualan untuk electronic book dan buku konvensional?

**Jawaban:**

Porsi terbesar untuk membuat sebuah buku adalah biaya cetak dan biaya distribusi dari buku itu sendiri. Kita membutuhkan banyak sumberdaya untuk membuat buku cetak, seperti para pekerja nya, kertas untuk mencetak, tinta untuk mencetak, dan biaya transportasi untuk memindahkan produksi buku tersebut. Dari situlah porsi
terbesar sekitar 40% - 70% dari sebuah buku, tergantung jenis bahan dan kualitas bahan tersebut.

**Pertanyaan:** Mengapa harga dari e-book ini lebih murah dibandingkan dengan buku cetak?

**Jawaban:**


**Pertanyaan:** Bagaimana mekanisme untuk menerbitkan sebuah e-book?

**Jawaban:** Untuk menerbitkan sebuah e-book, pada awalnya kita harus mempunyai lisensi dari penulis buku tersebut. Lisensi nya berdasarkan durasi kontrak yang akan dijalin antara kita sebagai penerbit dan penulis buku tersebut. Durasi kontraknya jura bervariasi tergantung penulis buku yang ingin bekerja sama dengan kita, itu bisa satu tahun, dua tahun, atau lebih tidak menjadi masalah.

**Pertanyaan:** Bagaimana perusahaan bapak memperlakukan e-book itu sendiri?

**Apakah sebagai inventory atau bukam?**

**Jawaban:** Pada dasarnya, kita juga memperlakukan e-book ini seperti inventory, untuk harga pokok penjualannya adalah ongkos produksi e-book itu sendiri dan durasi kontraknya.
Pertanyaan: Bagaimana perusahaan bapak melaporkan pendapatan dari transaksi e-book?

Jawaban: Ya sebenarnya kita hanya melaporkan saja ke pihak berwenang, semua transaksi yang terjadi dari platform kita sendiri, dan dari pihak lain seperti Google Play kita akan melampirkannya.

Pertanyaan: Apa bukti otentik dari transaksi e-book itu sendiri?

Jawaban: Mungkin, bukti objektif dari transaksi e-book ini berupa faktur yang diterbitkan dari publisher dan pihak ketiga, serta akun e-mail dari penggunanya. Pengguna nya hanya bisa membuka e-book yang telah dibeli melalui akun mereka yang dipakai untuk membeli e-book tersebut (jika membelinya lewat Google Play). Selain itu, jika pembeli sudah membeli e-book dari platform yang lain seperti yang kita punya, maka kita akan mengirimkan link download yang hanya bisa diakses oleh pengguna e-mail tersebut.
Figure 1, post-interview picture with Mr. Fuzi from PT MizanPustaka

Figure 2, post-interview picture with Mr. TariparDoly from DGT