

CHAPTER I

INTRODUCTION

A. Background

Nowadays, finance and business have a deep role in taxation patterns, developing countries are heavily dependent on trade tax is the main source of countries including in Indonesia. It is because the taxes are biggest sources of income providing the income for the country. The tax contribution in recent years has increased because taxes on online businesses have been implemented and online businesses have also grown rapidly. As a result, the number of taxpayers from year to year will increase and awareness of taxpayer compliance will be immediately effective. Tax included an important role as a source of state revenue, and also as a tool that regulates state economic activities whose function is to optimize funds into the state treasury. Likewise, taxes that apply to E-commerce namely VAT and PPh, as described under SE - 62/ PJ/2013 regarding e-commerce transactions on the affirmation of tax provisions.

From the types of taxes above the Centre for tax policy and administration (2006), defines that Value added taxes (VAT) are also neutral towards international trade according to international norms since they are destination based (even if the rule might be different for transactions made within federations or economically integrated areas). This means that exports are zero rated and imports are taxed on the same basis and with the same rate as local production. Therefore most of the rules currently in place aim therefore at

taxing consumption of goods and services within the jurisdiction where consumption takes place. Practical means implemented to this end are nevertheless diverse across countries, which can, in some instances, lead to double or involuntary non-taxation, and uncertainties for both business and tax administrations. While the PPh (Tax revenue) according to Law No. 17 of 2000 Article 1 is the amount of tax on net income received by country. The tax year in the Income Tax Law No. 17 of 2000 becomes a calendar year, but taxpayers can use books that are not the same as the tax year throughout the financial year period of 12 (twelve) months.

The development of information technology has made various changes in people's lives and many people have made their activities easier. One example is a transaction that has become a trend and is already popular among the public, including in Indonesia. This form of trading is known as an online business whose its online business transactions are facilitated by an electronic system known as the internet, Wirdasari (2009). Currently, in Medan City online business transactions are becoming a topic of discussion among the public because taxpayers often use them in conducting their business activities. This is because the advancement of technology is now also a profitable means for individual taxpayers in conducting business activities. For example selling goods are done through e-commerce platforms such as Shopee, Tokopedia, Lazada, Zalora and others. Over time, technology and information, now sharing trade transactions for all goods or services can be done online. The development of online trading is based on online shop owners who promote their wares online

through advertisements on platforms available on e-commerce and do not require the need for a physical store (offline store). The increasing number of e-commerce users in this era has caused many of the Indonesian people are using their transaction activities in e-commerce platform especially conventional traders who have expanded trade connections from e-commerce.

E-commerce is not disruptive innovation, but successful way to do business in this era. And if a small company takes the advantages of what technology and market demands and offers. That can be solution for promote that needs of the target of market, many more efficient and effective, enabling to performance and become more competitive in the market from this e-commerce (Vargas-Hernández et al., 2019)

The social media according to (Kholid et al., 2015) Social media is modern product of communication and information technology that develops rapidly. Nowadays social media is popular in Medan city such as Facebook, WhatsApp, Twitter, Instagram etc.

Increases the number of internet users in Indonesia rapidly that has an impact on increasing trading electronic turnover, but in fact raises some problem of finance at this country, one of example is internet sales tax and e-commerce taxation. This is because the existence of business on e-commerce that is almost over also raises the question about how the taxation rules about the e-commerce transaction.(Munthe & Syauqi, 2020)

The problem is online business transactions are difficult to be taxed because the taxation system in Indonesia which gives trust to taxpayers puts

more emphasis on the taxpayer itself to pay taxes on the income earned for their business. This is because online business transactions are only accompanied by transfer receipt and shows the transfer of money from the buyer's account to the seller and does not show evidence of taxable transactions. Therefore, it is very important to do a tax examination than tax sanctions and tax revenue that have effect on e-commerce transactions.

Based on Al-Qur'an in surah An-Nisa: 58 said:

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا

The meaning: Indeed, Allah instructs you to convey the message to those who are entitled to receive it, and (instructs you) when establishing laws among humans so that you determine it fairly. Indeed, Allah gives the best teaching to you. Allah is All-hearing, All-seeing (Q.S An-Nisa' :58)

The main reason with collecting taxes is allowed is for the interest of people or government funds are not sufficient to pay for various expenses in which there will be danger when the expenditure is not financed. Meanwhile, preventing this danger from occurring is an obligation, because of that, taxes may not be levied by force, but must be subject to an obligation that everyone must pay to the country. Taxes are also an obligation for citizens who are obliged to fulfill two conditions, as follows:

- a. Tax revenue must be spent efficiently and viewed in a trust worthy and honest manner for the realization of tax objectives.
- b. The government must divide evenly for people who are obliged to pay taxes in order to distribute the tax burden.

The ulama who support taxes collection emphasize that the tax system must be in line and fair with Islamic teachings. According to them, the tax system is fair if it meets the following 3 criteria:

- a. The tax that is issued to realize aims shariah that is a really needed tax.
- b. Tax burden that should not be too rigid in order to shared equally between all taxpayers who can afford it.
- c. The purpose of collecting tax funds can be collected honestly and wisely.

At this situation, many people use e-commerce transaction, so it is important to know about the tax examination that is a very important step to avoid violating tax regulations. The starting point for research and tax examination is a tax notification made by the taxpayer in the tax return (income tax & value added tax). This tax return is submitted by taxpayers at the end of each tax year. At the time of receiving this annual SPT, the tax officer will conduct a formal examination and write in the columns contained in the SPT. If the submitted SPT submitted is complete, the annual tax return (SPT) receipt will be given to the taxpayer and then the SPT will be recorded. However, if the SPT is incomplete and/or there is an error in writing, the SPT will be returned to the taxpayer to be completed and/or corrected. Thus, tax examination can be used as a means of determining tax determination systems and procedures, taxpayers who have been audited by tax officials, for example in terms of the amount of tax owed, and other policies that are in accordance with tax regulations.

Tax examination is one of the strict law enforcement efforts by third tax officials (Herryanto & Toly 2013). Examination is carried out in order to test compliance and supervise potential fraud committed by taxpayers. In addition, the tax examination also aims to encourage taxpayers to make honest tax payments in accordance with applicable regulations. The more frequently an inspection is performed by Direktorat General of Taxes (DGT), the more taxpayers encouraged to be more obedient and aware in making honest payments. In addition, to avoid fraudulent practices to increase tax revenue, tax obligations must be fulfilled. Based on 12 edition of book 1 in Indonesian taxation book, there are sanctions as stipulated in article 39 of Law 28 of 2007 that for taxpayers who are deliberately not registering themselves or abusing or exercising their right without NPWP, and affirming PKP that it can be harm revenue states, they will get the shortest criminal sentence maximal 6 years and minimal 6 month added with a minimum fine which is twice compared to the tax amount unpaid or underpaid taxes.

Indicators of tax sanctions according to Jannah (2017) are: (1) in the form of clear sanctions, and (2) the sanction given will provide a deterrent effect. Based on several definitions of the tax sanctions above, it can be concluded that a penalty received by taxpayers when they are unable to carry out their tax obligations. Moreover, the tax sanction must have a sanctions so that taxpayers do not repeat the same mistakes giving them certain effect, so they will not repeat it (Waluyo, 2013).

Instructions that must be given for tax sanctions are needed, so tax sanctions are very influential. With such statement, taxpayers are expected to always comply with the tax regulations that have been applied. According to Jatmiko (2006), Sanctions are negative punishments for people who break the rules, so it can be said that tax sanction are negative punishments for who break the rules by paying money. Laws and regulations in outline contain rights, obligations and actions that are allowed and not permitted by the community. In order for these laws and regulations to be obeyed, there must be sanctions for violators, as well as for tax law. In the tax law, there are two kinds of sanctions, namely administrative sanctions and criminal sanctions. Administrative sanctions can be in the form of interest, fines, and increases the amount of tax payments. By fulfilling their tax obligations, taxpayers will assume that tax sanctions would be harmful. Regarding to sanctions against the taxpayers who is hired by an individual who running in business online activities showing the results of tax sanctions which have a significant effect to taxpayer compliance who conducts online business (Nelsi arsandy, 2017) However, nowadays, many of citizen not aware about the tax and consider that taxation not very important, so they do not pay the tax for their business where there must be sanctions and punishment given as set in this country. That's why the tax examination and sanctions will have effect to tax revenue.

In this pandemic era, many people make their business online via e-commerce which generates a relatively higher income. Hutagaol et al., (2007) defines tax revenue as something that can be developed in accordance with the

condition of a country and the obedience of its people. Moreover, both the community and the government must optimize the source of state revenue as the tax revenue. Especially the government in Indonesia has been trying to maximize tax revenue better than before. It been started since many years ago, with managing tax reform and changing the tax system in Indonesia (Handayani, 2014).

This research is a replication of Bagus and Angga's research (2020) which equally studies the impact of business on e-commerce on tax examination and tax revenue. The differences in this study with the research of Bagus and Angga (2020) include:

- 1) Previous research did not discuss tax sanctions, while in this study tax sanctions are discussed as independent variable.
- 2) There are difference in year between previous research and this research.
- 3) The sample used in the previous period was specifically the case study of taxpayers in Kelapa Gading, while in this study the samples used are the taxpayers and tax sanctions on e-commerce throughout Medan City. Then in this research used business on e-commerce, tax examination and tax sanctions as independent variable and tax revenue as dependent variable in this research.

Based on the description above, the researcher would like to continue investigating the problems compiled under the title **“The Effects Of E-Commerce Business In Tax Examination, Tax Sanctions Toward Tax Revenue “Empirical Study on Online Business in Medan City””**

B. Research Question

Based on the background above, the research question of this research are:

1. Does business on e-commerce have a positive effect on tax revenue?
2. Does tax examination have a positive effect on tax revenue?
3. Does tax sanction have a positive effect on tax revenue?

C. Research Purposes

Based on the research question above, the objective of this research are:

1. To determine business on e-commerce which have a positive effect on tax revenue.
2. To determine tax examination which have a positive effect on tax revenue.
3. To determine tax sanction which have a positive effect on tax revenue.

D. Research Benefits

In this study, there are benefits that can be taken, namely:

1. Theoretical Benefits

It is hoped that it can increase insight and knowledge about the effect of business on e-commerce in the examination and tax sanctions of tax revenues.

2. Practical Benefits

- a. For tax service office

It is hoped to provide useful understanding and input regarding how the effect of business on e-commerce in the examination and tax sanctions of tax revenues in actual reporting.

b. For e-commerce users

It is hoped to provide information for those who have business on e-commerce about taxation in Indonesia through this research, to improve compliance in paying taxes and to increase the revenue of this country, also to avoid the sanctions applied in Indonesia tax law.

c. For readers

It is hoped that it can increase insight and knowledge as well as become a source of information about tax examinations, sanctions and tax revenue. Therefore, it can be a reference for future researchers.