

# **CHAPTER I**

## **INTRODUCTION**

### **A. BACKGROUND**

Tax holds the most important part of a country's economy. With tax collection, the state can prosper the people, carry out development and be able to finance the country's own household. However, the obstacles so far are that taxes still rely on the country's revenue with the most presentations. In Indonesia, almost 70% of the State Revenue and Expenditure Budget (APBN) is supported by taxes and the rest from non-tax state revenues. Value-Added Tax and Income Tax are the largest sources of domestic tax revenues collected by the state.

Tax has several functions. The first is the function of the budget (budgetary) is used to finance state expenditures, for example carrying out national development, opening employment, paying civil servant salaries, as well as routine expenses. Second, the function of regulating (regulatory), tax policies taken by the government can be used to regulate economic growth. Third, the function of stability, with this tax means the government has funds and can implement policies related to the price stability so they can control the inflation rate. Fourth, the function of income redistribution, development carried out in various fields and evenly distributed can create employment so that it can provide income for the community (Sitorus, 2018).

Allah SWT instructs us to help those in need, especially if the state is in a state of emergency then all the people must help. According to Q.S. Al Baqarah: 177, the tax is allowed to be collected for the sake of national security. This act also includes jihad with the property.

لَيْسَ الْبِرَّ أَنْ تُوَلُّوا وُجُوهَكُمْ قِبَلَ الْمَشْرِقِ وَالْمَغْرِبِ وَلَكِنَّ الْبِرَّ مَنْ ءَامَنَ  
 بِاللَّهِ وَالْيَوْمِ الْآخِرِ وَالْمَلَائِكَةِ وَالْكِتَابِ وَالنَّبِيِّينَ وَءَاتَى الْمَالَ عَلَى  
 حُبِّهِ ذَوِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَأَبْنَ السَّبِيلِ وَالسَّائِلِينَ  
 وَفِي الرِّقَابِ وَأَقَامَ الصَّلَاةَ وَءَاتَى الزَّكَاةَ وَالْمُؤْتُونَ بِعَهْدِهِمْ إِذَا  
 عَاهَدُوا وَالصَّابِرِينَ فِي الْبَأْسَاءِ وَالضَّرَّاءِ وَحِينَ الْبَأْسِ أُولَئِكَ الَّذِينَ  
 صَدَقُوا وَأُولَئِكَ هُمُ الْمُتَّقُونَ

“Righteousness does not consist in turning your faces towards the east or towards the west; true righteousness consists in believing in Allah and the Last Day, the angels, the Book and the Prophets, and in giving away one’s property in love of Him to one’s kinsmen, the orphans, the poor and the wayfarer, and to those who ask for help, and in freeing the necks of slaves, and in establishing Prayer and dispensing the Zakah. True righteousness is attained by those who are faithful to their promise once they have made it and by those who remain steadfast in adversity and affliction and at the time of battle (between Truth and falsehood). Such are the truthful ones; such are the God-fearing.” (Q.S. Al Baqarah: 177).

The obligation exists because, according to them we live in a country. So, we have an obligation to meet the country's needs, for example, reducing poverty, building various public facilities, and other unmet needs. Abdurrahman Al-Maliki in *As-Siyasatu al-Iqtishadiyah al-Mutsala* (Politics of Islamic Economics) also argues the obligation of the state is to protect the benefit of the people through various means, such as security, education, and

health. However, according to him, if the state treasury is insufficient, the tax becomes mandatory.

The development of information technology goes along with the development of e-commerce. The number of Indonesian internet users shows a positive correlation with the number of Indonesian online shoppers. The Indonesian government is now seriously exploring in-depth the proposed tax imposition for e-commerce as e-commerce now is seen as one of the powerful tools to boost the nation's economic growth. The government tries to accelerate the development of e-commerce in Indonesia as it has a large potential revenue (Suntoro & Tjen, 2017).

E-commerce is an activity of selling or purchasing held over the internet by particular methods with the intention of receiving and delivering orders. In addition, it enables goods or services to be ordered and delivered by conventional procedures (indirect or offline e-commerce) or through entirely electronic delivery systems (direct or on-line e-commerce). E-commerce makes transactions between one place and another possibly done without having physical interactions. This is how e-commerce is currently becoming one of the most preferable ways to shop.

There are many types of e-commerce that are developing in the world, but there are only a few types of e-commerce that are developing in Indonesia. One type of e-commerce that is currently growing rapidly in Indonesia is marketplace. Marketplace is an online place (in a network) where sellers can create accounts and describe their product. One of the advantages of selling in

a marketplace is that sellers do not need to create a personal website or online store. The seller only needs to provide a photo of the product and upload it with the description of the product. Furthermore, if there are buyers who want to buy the offered product, the seller will be notified by the e-commerce system.

Based on the survey done in Indonesia by iPrice, Tokopedia is the most visited e-commerce marketplace. Tokopedia managed to rank first among the other online marketplaces in Indonesia from Q2 2018 to Q2 2019. Their site has 137 million visitors every month. Along with that, Jakarta is found to be one of the cities in Indonesia with the most active online shoppers from 2015 to 2018.

According to the survey held by PayPal as the payment pioneer of digital transactions, 42% of sellers who practice e-commerce transactions are in the range of 21-30 years old. This age is the largest compared to other groups. Furthermore, online sellers aged 31-40 years have a portion of 38%, and sellers aged 41 years and above take 11% of the proportion. In addition, as the fourth world's biggest population, Indonesia is expected to keep increasing the number of e-commerce in the future. These facts have led business players to shift their brick and mortar stores into the electronic ones in order to survive in the business and reap the potential market share (Suntoro & Tjen, 2017).

Economic Policy Package XIV becomes the basis for the real economy to expand the scope of e-commerce as a form of the Indonesian economy in the future. Through this economic policy package, Indonesia wants to organize its

economy and commercial ecosystem based on electronics. From this policy, the government provides incentives and protections against adverse impacts due to digital economic applications that are influenced by domestic and foreign market economies. To maintain the balance of the digital economy and the conventional economy, the government finally tried to issue a tax policy for e-commerce entrepreneurs (Korniawan, 2019).

Korniawan (2019) also added the idea of enacting tax rates for e-commerce players which were pioneered since 2016. The government wanted to form a fair economic system. The government saw many conventional business actors whose businesses are experiencing unhealthy conditions. However, they still pay their obligations, which is paying taxes. Whereas many unsupervised e-commerce businesses have not been identified as taxpayers. They also have quite a lot of sales and profit. For this reason, the government is trying to create a fair business climate in which taxes as an obligation must be applied to all business actors, both conventional business actors and e-commerce entrepreneurs.

In order to provide certainty related to taxation aspects for business players which carrying out trading activities through the electronic system, the Government through the Ministry of Finance has issued Regulation of Ministry of Finance Number 210/PMK.010/2018 concerning Tax Treatment of Trading Transactions through Electronic Systems. It is important to know that the Government does not set new tax rates or types for e-commerce players. The regulation contained in PMK-210 is solely related to taxation

procedures, which are intended to provide administrative ease and encourage tax compliance of e-commerce players in order to create an equal treatment with conventional business players (Saksama, 2019).

Creating equal treatment between conventional business players and e-commerce players is believed as one of the steps in making Indonesia a high-income tax system country as well as comprehensive, efficient, and transparent. Indonesia's Ministry of Finance has confirmed that online marketplaces and sellers must comply with VAT and income tax obligations started from April 2019. However, the rules were retracted on the day in which it was supposed to take effect. The Ministry of Finance stated that putting the regulation on hold will ensure better coordination between related parties so that the taxation is targeted, fair, efficient, and can boost the growth of the digital economy in Indonesia. It shows that the execution of tax imposition on e-commerce transactions is not as simple as it is (Ng, 2019).

The various conveniences offered by e-commerce may become a drawback faced by tax authorities. Furthermore, the government and officials are still in their way to spread out the information about e-commerce tax policy in order to fix the confusion among people. It will be an issue if people are still uninformed and confuse with the e-commerce tax system and become worst when people ignore and choose to avoid paying the tax (Shaari, et al., 2015).

According to the Statement of Standard Accounting Practice in Kumar and Sarkar (2016), Value Added Tax (VAT) is charged to the final consumer for

the goods and services supply even though it is collected at each stage of the production and distribution chain. Hence, it is important to know the perspective of the online consumers on the e-commerce tax policy. This research will identify online consumer's awareness and knowledge on e-commerce tax imposition and the level of tax socialization they have received about the issue. However, research regarding the perspective of consumers' tax awareness, tax knowledge, and tax socialization in implementing tax on e-commerce transactions in Indonesia is still limited.

Based on the background above, the researcher is interested in conducting research on the issue with the title: **“The Perspective of Consumers’ Awareness, Knowledge, and Tax Socialization on E-Commerce Tax Policy”** a case study on the online consumer of marketplace located in Jakarta.

This research is a replication from previous research conducted by Shaari, et al., (2015) with the title “Student’s Awareness and Knowledge on the Implementation of Goods and Services Tax (GST) in Malaysia” and research by Kumar and Sarkar (2016) entitled “Consumers Perception Towards the Value Added Tax (VAT) in Uttar Pradesh”. The difference between this research and the previous research is that this research will focus on the e-commerce tax policy and the effect of consumer’s perception. The research will be conducted in Indonesia using a population of university students in Jakarta.

Previous research used awareness and knowledge as independent variables. Referring to Andreas and Savitri’s (2015) study “The Effect of Tax

Socialization, Tax Knowledge, Expediency of Tax ID Number and Service Quality on Taxpayers Compliance With Taxpayers Awareness as Mediating Variables”, researcher wants to add one independent variable in the study of Shaari, et al., (2015) by adding research’s variable from Andreas and Savitri’s (2015), namely Tax Socialization.

## **B. RESEARCH QUESTIONS**

1. Does consumer’s awareness positively affect e-commerce tax policy?
2. Does consumer’s knowledge positively affect e-commerce tax policy?
3. Does tax socialization positively affect e-commerce tax policy?

## **C. RESEARCH OBJECTIVES**

1. To investigate the effect of consumer’s awareness on e-commerce tax policy.
2. To investigate the effect of consumer’s knowledge on e-commerce tax policy.
3. To investigate the effect of tax socialization on e-commerce tax policy.

## **D. RESEARCH BENEFITS**

### **1. Academician**

This research is expected to gain knowledge and insights regarding tax imposition on e-commerce transactions in Indonesia, which later can be used for further relevant research. Moreover, the evidence found in this research is aimed to be a reference for learning material and consideration to conduct identical research topics in the future.



## **2. Government**

This research is aimed to be a deliberation for the Indonesian government to develop tax policy and regulation on e-commerce in order to gain the potential tax revenue and minimize losses and to pay attention on the readiness of the society at the e-commerce tax imposition.

## **3. Tax Authorities**

This research is expected to be an evaluation for Indonesian tax authorities regarding their performance in dealing with e-commerce. Further, it is expected to be a reference for the responsible parties in the Directorate General of Taxes to address what policies need to be improved and continued.