

CHAPTER I

INTRODUCTION

1.1 Background

In the era of globalization, the development of information and communication technology is increasing. According to data from Internet World Stats per-year 2018, total Internet users reached 7.634 billion people. (Internet World Stats, 2019).

Likewise with Indonesia being the country with Internet users number six in the world by market research agency e-Marketer. With the largest Internet users in Southeast Asia totaled 150 million users in 2018, Indonesia has the largest Internet economy with the fastest growth among other Southeast Asian countries. Internet has so much benefits especially in the economic field. Because of the development of technology, the Internet can change the process of buying and selling from conventional sales transactions to online sales. Indonesian Internet economy in 2017 is estimated at \$ 27 billion, while the compound annual growth rate (CAGR) reached 49 percent in the period 2015-2018. With the huge growth potential in all sectors, Indonesian internet economy will grow to \$ 100 billion in 2025, taking \$ 4 of every \$ 10 expenditure in the region. (e-Marketer, 2018)

E-commerce business in Indonesia has entered a new stage. Technological advances in the field of e-commerce trade not only grew very rapidly in Indonesia, but also the accompanying of ecosystems will increase rapidly. Running a business on the Internet is believed to be easier and less costly compared to perform

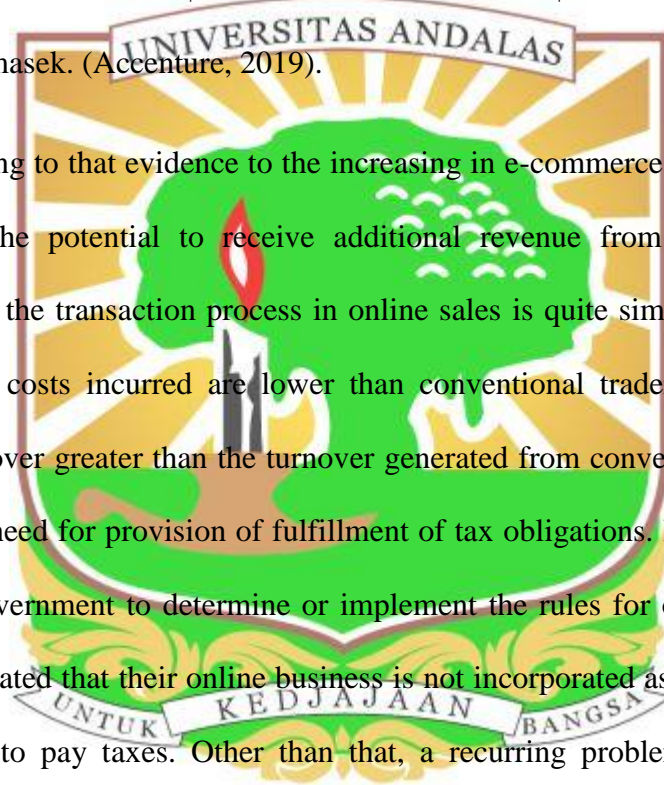
conventional operations. Because of those developments what makes e-commerce crowded in Indonesia, start from selling goods to sell services. Based on research of Wearesosial Hootsuite that was released in January 2019 users of social media in Indonesia reached 150 million or approximately 56% of the total population. The amount is up 20% from the previous survey. While users of mobile social media (gadgets) to reach 130 million or about 48% of the population. Which social media number seventh most widely used in the world's was instagram. Total users Instagram in the world reached 1 billion in June 2018, the largest Instagram active users are from the United States totaled 110 million. Followed by Brazil with 57 million active users and the third is Indonesia with 53 million. In Indonesia, Instagram is a social media most frequently used number four after Youtube, Facebook and Whatsapp. (Wearesosial Hootsuite, 2019). In Indonesia, the most widely used platform for business one of them also Intagram, because of so many users of instagram in Indonesia so that will facilitate the seller to do the marketing of their products. So even the default application of instagram providing business features that allow users to use it in business activities.



Based on reports from Google and Temasek, Indonesia in the sector of e-commerce led to the huge market reached \$ 12.2 billion in 2018. With a large total e-commerce market in Southeast Asia reached \$ 23 billion in 2018, it means Indonesia taking about more than \$ 1 of every \$ 2 expenditure in this area. The report also predicts that e-commerce industry in 2025 will reach \$ 102 billion, the highest

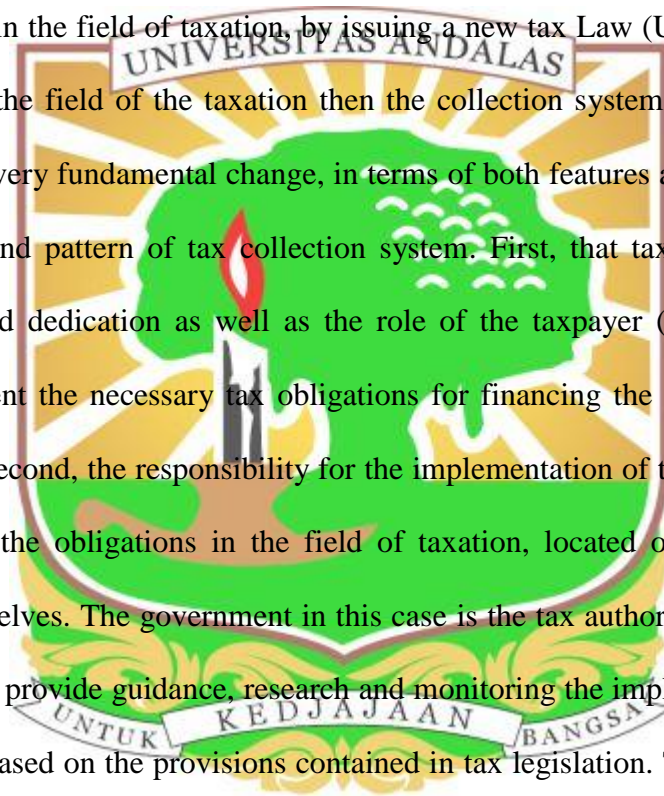
compared to other sectors. Online travel industry while it is predicted to reach \$ 78 billion, \$ 28 billion hailing ride and online media (online advertising, gaming, video and music subscription services reached \$ 32 billion.). (Google and Temasek, 2018). Accenture, a business consulting firm, and even give an estimate that is more "daring" that the market size of e-commerce industry of Indonesia is able to evolve from \$ 27 billion in 2018 to \$ 300 billion in 2025 from \$ 240 billion predicted by Google and Temasek. (Accenture, 2019).

According to that evidence to the increasing in e-commerce transactions, then the state has the potential to receive additional revenue from the e-commerce business. Then, the transaction process in online sales is quite simple. Supported by the operational costs incurred are lower than conventional traders in general and generate a turnover greater than the turnover generated from conventional merchants resulted in the need for provision of fulfillment of tax obligations. However, it is not easy for the government to determine or implement the rules for online businesses. Most of them stated that their online business is not incorporated as limited company so they refuse to pay taxes. Other than that, a recurring problem is the level of compliance of society in implementing tax obligations. Problems taxpayer compliance is an important issue in almost all countries, especially developing countries. In Indonesia, an individual taxpayer compliance is still quite low. Director General of Taxes, Ministry of Finance revealed some levies lower taxes than the previous year. For example, the Personal Income Tax (OP), which only grew 20.53



percent. In fact, in 2017 reached 41.67 percent. Similarly, the receipt of this type of Domestic VAT grew only 6.57 percent from the previous 15.14 percent. In Indonesia, an individual taxpayer compliance is still quite low. (Dirjen Pajak, 2019)

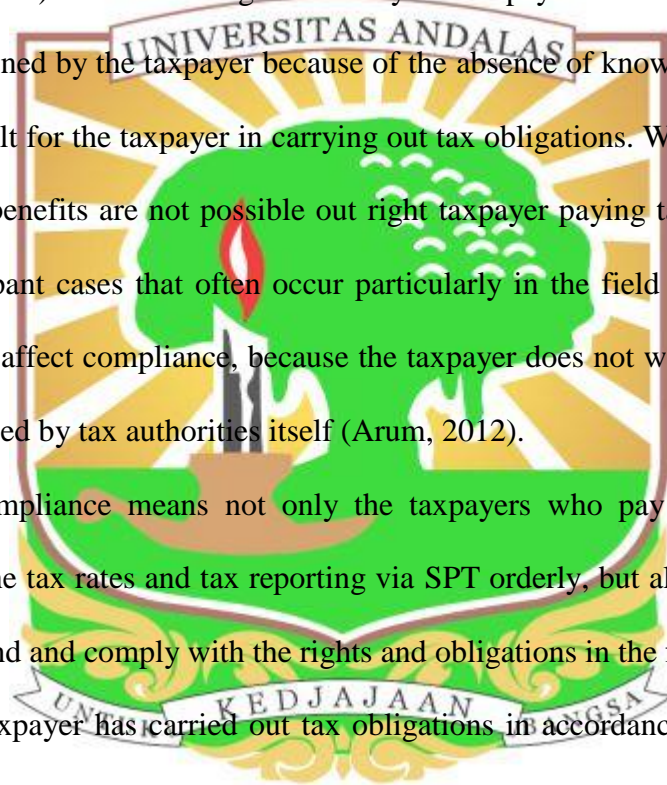
Various policies related to tax compliance issues have been attempted since the government started the new order. Starting in 1983 the government has held a renewal policy in the field of taxation, by issuing a new tax Law (UU). According to the renewal in the field of the taxation then the collection system in our country is experiencing a very fundamental change, in terms of both features and tone. Changes on the nature and pattern of tax collection system. First, that tax collection is the embodiment and dedication as well as the role of the taxpayer (WP) directly and jointly implement the necessary tax obligations for financing the state and national development. Second, the responsibility for the implementation of the tax liability, as a reflection of the obligations in the field of taxation, located on the community members themselves. The government in this case is the tax authorities, according to its obligation to provide guidance, research and monitoring the implementation of the tax obligation based on the provisions contained in tax legislation. Third, community members are given the confidence to carry out mutual cooperation nationwide through the system calculate, account for and pay their own taxes payable (self-assessment), so that through this system the implementation of tax administration is expected to be implemented more cleanly, restrained, simple and easy to understand members of the public in this case is the taxpayer. Implementation of this renewal is



considered very hard, this is not only due to the low awareness of the public to pay taxes but also by the level of public knowledge about the taxes relatively low. Public awareness to pay taxes really depends on the public's knowledge regarding taxation. Knowledge of the taxpayer is still lacking because there are many taxpayers who are not yet aware and concerned about taxes, so the tax compliance to tax laws to be low (Fermatasari, 2014). Tax knowledge owned by the taxpayer is the most basic things that must be owned by the taxpayer because of the absence of knowledge about taxes then it is difficult for the taxpayer in carrying out tax obligations. Without knowledge of the tax and benefits are not possible out right taxpayer paying taxes. Fears of the tax due to rampant cases that often occur particularly in the field of taxation. Such conditions may affect compliance, because the taxpayer does not want to tax that has been paid misused by tax authorities itself (Arum, 2012).

Tax compliance means not only the taxpayers who pay taxes in a large percentage of the tax rates and tax reporting via SPT orderly, but also taxpayers who know, understand and comply with the rights and obligations in the field of taxation.

If the taxpayer has carried out tax obligations in accordance with applicable regulations correctly and complete, the theoretical tax obligations have been met. In fact, it could not be realized due to limited knowledge of the tax system are, therefore, in order to test the compliance of taxpayers who have earned the trust count, deposit and report themselves relevant taxes owed, the supervisory function carried out by the Directorate General Taxes should be continuously implemented.

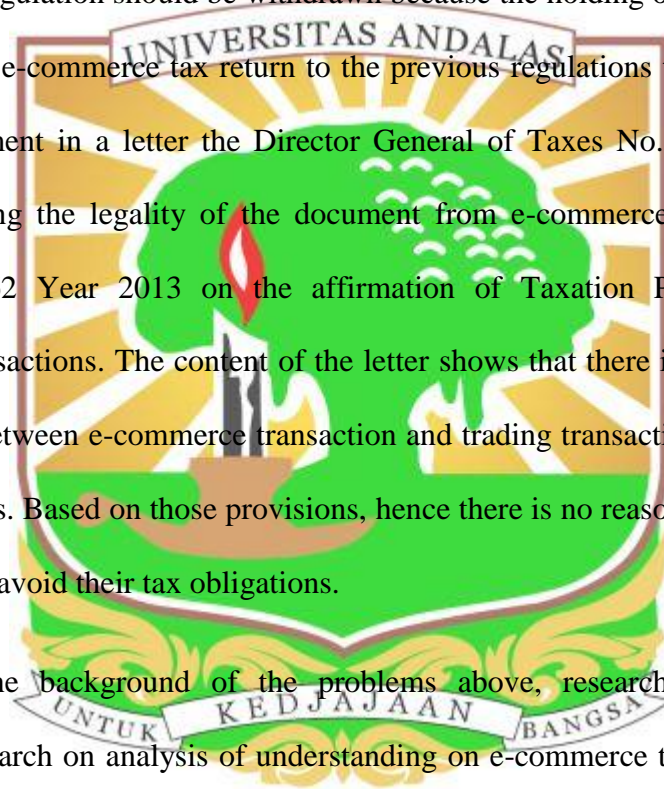


Many factors can affect the taxpayer in reporting and paying the tax due, among them is the knowledge of tax laws. (Hendarsyah, 2009 : 2).

Thus the government has attempted to regulate taxation of e-commerce transactions as in 2018 the government has issued the PMK (Regulation of the Minister of Finance) No. 210 year 2018 which will take effect on April 1, 2019. However, the regulation should be withdrawn because the holding of further research.

So the rules on e-commerce tax return to the previous regulations that have been set by the government in a letter the Director General of Taxes No. S-702 / PJ.332 / 2006, concerning the legality of the document from e-commerce transactions and Circular No. 62 Year 2013 on the affirmation of Taxation Provisions Up E-Commerce transactions. The content of the letter shows that there is no difference in tax treatment between e-commerce transaction and trading transaction of goods and / or other services. Based on those provisions, hence there is no reason for e-commerce entrepreneur to avoid their tax obligations.

From the background of the problems above, researchers interested in conducting research on analysis of understanding on e-commerce transactions tax of e-commerce entrepreneur who sell their own product on instagram and domiciled in Padang with annual income not more than 4.8 billion. This study entitled "Analysis of Understanding toward Tax on E-commerce Transactions (case study on instagram based online shop in Padang).



1.2 Problem Statement

The problem statement is obtained from the background above is as follows:

1. Does e-commerce entrepreneur in Padang have a good understanding of the tax regulation on e-commerce transactions?
2. May the understanding on e-commerce transactions tax affect the improvement of taxpayer in paying tax?

1.3 Research Objectives

Based on the problem statement above, the objectives of the implementation of this study are as follows:

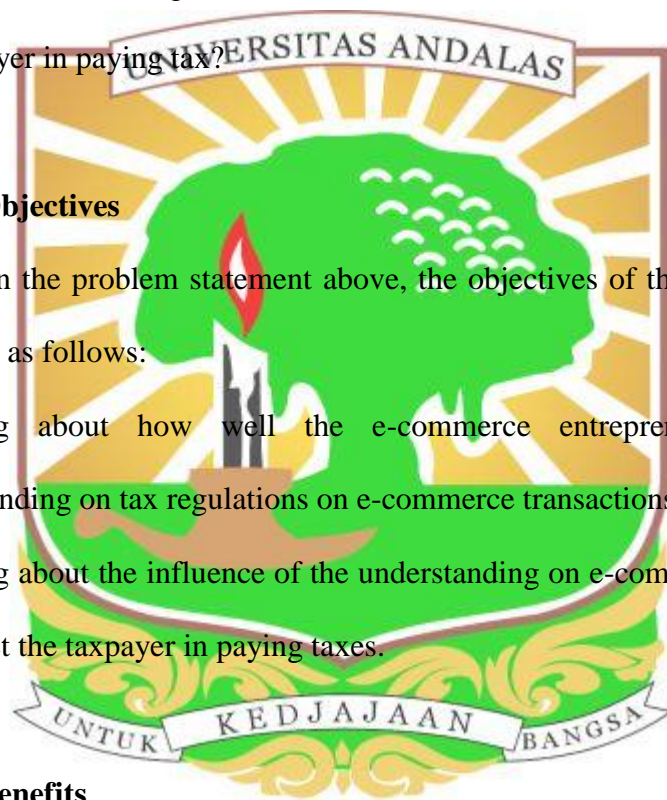
1. Knowing about how well the e-commerce entrepreneur in Padang understanding on tax regulations on e-commerce transactions.
2. Knowing about the influence of the understanding on e-commerce transaction tax affect the taxpayer in paying taxes.

1.4 Research Benefits

1. For Researchers

Scientifically is the application of theory and is expected to expand knowledge in the field of taxation in particular concerning tax regulations on e-commerce transactions in Padang.

2. For Taxpayers



Is expected to improve the knowledge and interest of taxpayers about the importance of paying taxes in an effort to increase state revenue which will be used for financing government spending and reduce its budget deficit.

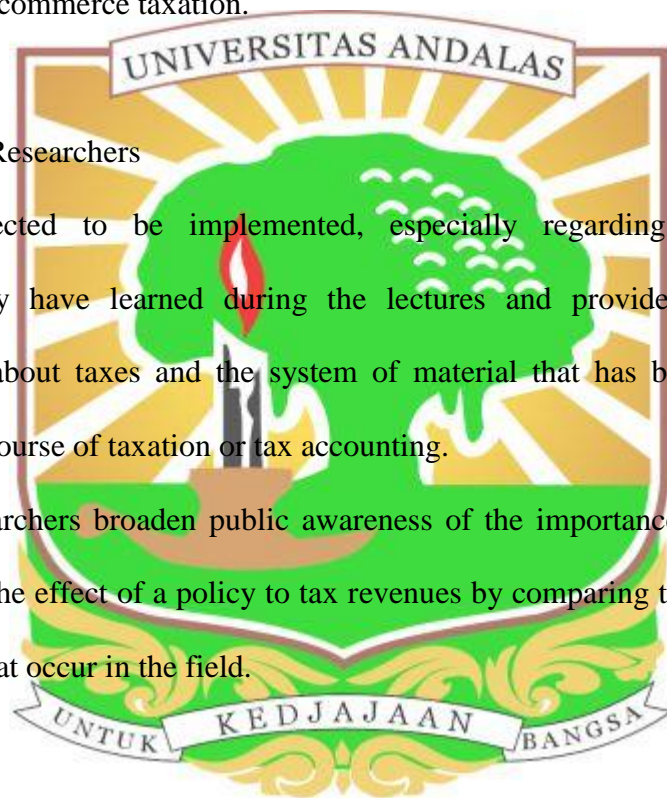
3. For Government

As an input for decision makers to formulate strategic policies to improve the realization of e-commerce taxation.

3. Benefits for Researchers

a. Expected to be implemented, especially regarding tax accounting knowledge they have learned during the lectures and provide direct and real understanding about taxes and the system of material that has been given by the lecturer of the course of taxation or tax accounting.

b. Researchers broaden public awareness of the importance of paying taxes and determine the effect of a policy to tax revenues by comparing theory with reality or conditions that occur in the field.



1.5 Writing Systematics

CHAPTER I INTRODUCTION

The sequences of the writing consisted of background, the problem statement, research objectives, the benefits of research and writing systematic.

CHAPTER II LITERATURE REVIEW

In this chapter explains the theories and general concepts underlying the preparation of this paper consists of an explanation of tax philosophy, the understanding of tax, e-commerce transaction tax in general as well as previous studies related to this research.

CHAPTER III RESEARCH METHOD

Explaining about the kind and type of research, the source of the data obtained, the method of data collection and analysis methods.

CHAPTER IV RESULTS AND DISCUSSION

This chapter describes the results and discussion of research based on questionnaire answer, observation, and literature study has been done so that the writer can make conclusions and suggestions.

CHAPTER V CONCLUSION

This chapter contains an explanation of the conclusions and suggestions of this research for the Government, as well as the community and the parties concerned.

