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Toward Seamless Taxation Through a Split Payment Mechanism on the Marketplace and Quick Response (QR) Payment System

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ABSTRACT

The rapid development in Indonesia's digital economy offers both challenges and prospects for the Directorate General of Taxes (DGT) in tax collection. Despite the intricacy of monitoring digital transactions, their electronic data can be efficiently collated. Through a desk review, the author discusses government strategies to boost tax revenue from the digital economy and suggests a split payment mechanism for marketplace transactions and Quick Response (QR) Payment Systems. This mechanism benefits both taxpayers and the DGT by simplifying tax obligations, increasing revenue, and streamlining cash flow for the latter, all at reduced supervision costs.

Keywords: split payment, e-commerce, marketplace, fintech, QR payment

1. INTRODUCTION

1.1 Background

The development of information and technology in recent years has changed how people do their activities and how entrepreneurs run their businesses. With a smartphone's help, everyone can quickly shop for various needs and make multiple payments through bank transfers or other payment applications. Likewise, entrepreneurs no longer need to depend on a network of distributors or large showrooms to be able to sell their products. The development of e-commerce and payments through financial technology (fintech) has made all this possible. Based on data presented by Katadata (2021), the growth of e-commerce in Indonesia has grown almost fourfold in the last three years. In addition, electronic money use in Indonesia increased by 344% in the same period (Bank Indonesia, 2022).

This rapid growth of the digital economy must receive serious attention from the government, especially the Directorate General of Taxes (DGT), as the tax authority in Indonesia. With such rapid growth, DGT must be able to ensure that these digital economy actors have fulfilled their tax obligations correctly. Since the repeal of Minister of Finance Regulation Number 210/PMK.010/2018 concerning Tax Treatment of Trade Transactions Through Electronic Systems (e-commerce), which had not even been implemented in 2019, there has not been a significant breakthrough made by DGT to optimize tax revenue from perpetrators business through electronic systems.

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Several countries have made various breakthroughs so that no tax potential from their countries is lost due to the development of the digital economy. The European Union has introduced a Mini One-Stop Shop (MOSS) scheme. Australia has required online trading companies (including marketplaces) with a particular income value to register with the Australian Tax Office. In addition, several countries, such as Italy, Poland, and Romania, have implemented a split payment mechanism to ensure that the VAT payments are carried out correctly. The split payment mechanism is a tax collection method that separates customer payments into the taxpayer's account in the amount of income/transaction value and the state account in the amount of the tax payable.

The growth of the digital economy, including e-commerce and fintech, not only presents challenges in tax collection but also offers opportunities to boost tax revenues. The digital economy provides access to electronic data from various transactions. This data aids taxpayers in fulfilling their tax duties and allows the Directorate General of Taxes (DGT) to monitor compliance. Armed with this information, taxpayers can seamlessly meet their tax obligations without feeling overwhelmed, and tax authorities can ensure optimal compliance with minimal intervention. As a result, advancements in technology and information are anticipated to transform how individuals conduct business and meet their tax responsibilities. In the long run, these conveniences will likely enhance taxpayer compliance and increase Indonesia's tax revenue.

1.2 Problem Statement

The digital economy has proliferated in recent years. In Southeast Asia, the digital economy's Gross Merchandise Value (GMV) in 2015 stood at US$ 32 billion, representing 1.5% of GDP. This value nearly doubled over the subsequent three years, reaching US$ 72 billion or 2.8% of GDP in 2018. Projections indicate that this figure could rise to US$ 240 billion, equivalent to 8% of GDP, by 2025 (katadata, 2018). The development of the digital economy has resulted in a new way of payment through fintech and one of the new business models, including e-commerce.

In line with the growth of the digital economy in the Southeast Asia region, in Indonesia, the use of electronic money has grown by 344% over the past three years and has surged by over 1,100% in the last five years, as shown in the Graph of the Number of Electronic Money Instruments. There are two types of electronic money in Indonesia: e-money and e-wallet. E-money refers to electronic money as a physical card issued by banks. Examples of e-money are e-toll cards, flazz cards, Brizzi, and many more from various banks. Those cards can be used for offline payments, such as paying toll road fees, and can also be used as a ticket for TransJakarta or a commuter line ticket. Meanwhile, an e-wallet is electronic money stored in a digital format within an application. Gopay and OVO are some examples of e-wallet.

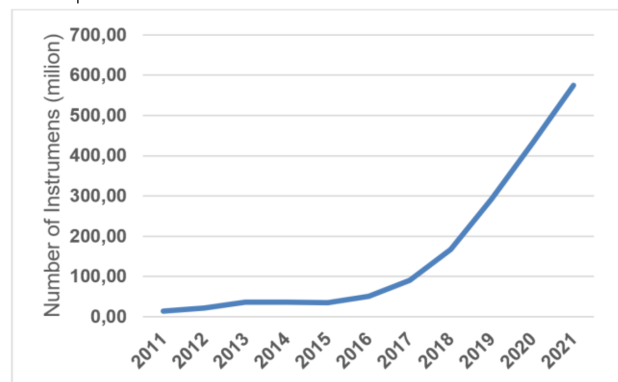

Figure 1 Graph of The Number of Electronic Money Instruments
Source: Bank Indonesia

Electronic money is snowballing because it offers convenience and simplicity in conducting transactions. Anyone making a transaction no longer needs to carry physical money (paper or coins) to make payments. They only need to bring e-money or a smartphone to buy the goods or services they want. Sellers or service providers also benefit as they don't have to deal with giving change in transactions. Moreover, currently many Micro, Small, and Medium Enterprises (MSMEs)

and many business places have accepted payments using electronic money. This transactional convenience has allowed electronic money to rapidly penetrate the informal economy, a sector that has traditionally been challenging for tax authorities in Indonesia to access.

Among the various new business models that are developing, electronic commerce (e-commerce) is one that we can easily find, and its development is massive. OECD (2002, p.89) defines e-commerce as buying and selling goods or services through computer networks with explicit methods for ordering/buying or receiving orders/purchases. People can order goods or services via computer, but payment and delivery can be made offline. E-commerce transactions can be carried out between companies, households, individuals, governments, or others. Interaction between sellers and buyers in e-commerce transactions can be carried out through websites owned by sellers or third parties that provide online markets (marketplaces). An example of websites sellers directly own is www.samsung.com, and examples of marketplaces are Tokopedia and Bukalapak. Based on the 2021 Bank Indonesia Annual Meeting Report as quoted in Katadata (2021), among other things, it is stated that e-commerce transactions in Indonesia in 2021 are predicted to grow by 51.6% and are projected to continue to increase in 2022 with a value reaching IDR 530 trillion or growing by 31.4%.

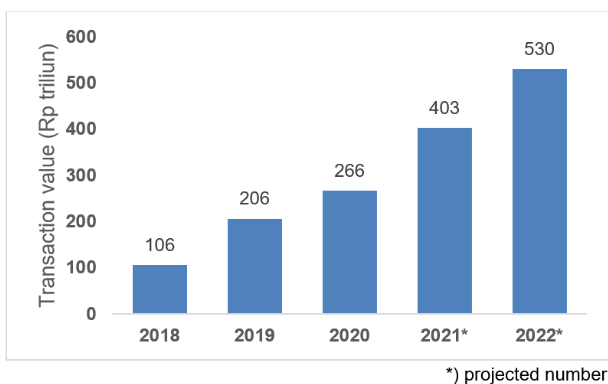

Figure 2 Graph of E-Commerce Transactions in Indonesia
Source: Katadata (2021)

The rapid development of the digital economy, primarily e-commerce, has at least three direct impacts on tax revenues. First, e-commerce can cut several distribution chains from producers to consumers. With online trading, producers can directly sell their products to users. Therefore, this has an impact on the income that distributors receive. Second, online trading is just a change in the way of doing transactions that don't create a new market. In other words, e-commerce consumers are mainstream-market consumers who move to online markets (Simkin, Bartlett, & Shim, 2011). Therefore, income from taxpayers routinely supervised by the tax authorities shifts to taxpayers who may need to be entirely handled properly. Third, online trading poses a challenge to the tax authorities in their supervision efforts, primarily due to the intangible nature of these businesses. Thus, possession of sufficient data by the tax authorities is an absolute requirement to support optimal supervision.

The limited accessibility to both the informal and digital economies in Indonesia represents a challenge that the Indonesian government must judiciously address to enhance the tax ratio. Indonesia has a reasonably low tax ratio compared to other countries. According to the International Monetary Fund (2011, p.60), the average tax ratio for lower-middle-income countries, which includes Indonesia, is 16.5%. Notably, Indonesia's tax ratio is below the average tax ratio of low-income countries (lower income), which equals 13.9%. In continuing efforts to increase the tax ratio, Indonesia is faced with the fact that there has been a decrease in the tax ratio in the last ten years.

With the Industrial Revolution 4.0 taking place, where the internet becoming an inseparable part of the life of the world community, the government must start thinking about turning all the challenges resulting from technological developments into opportunities to increase tax revenues. By using the desk review approach based on secondary data sourced from journals, government publications, and other relevant

sources, the author will convey ideas about the efforts that the government can take to increase tax revenues by utilizing digital economic developments.

2. ANALYSIS

The Indonesian government remains proactive in addressing the rapid development of the current digital economy. The government has issued Presidential Regulation Number 74 of 2017 concerning the 2017-2019 Road Map for the National Electronic Trading System (E-Commerce Road Map) as the primary guide for all elements of the government in formulating policies related to e-commerce. Furthermore, the Minister of Finance stipulated Minister of Finance Regulation Number 210/PMK.010/2018, as the provisions for fulfilling tax obligations for e-commerce. The Minister of Finance Regulation was formulated to ensure parity between electronic system-based trading and traditional commercial methods. Regarding the taxation aspect, there is nothing new regulated in PMK 210/PMK.010/2018. This regulation specifically delineates a mechanism requiring marketplace platform providers to submit a monthly recapitulation of trading transactions conducted by merchants or service providers to the DGT. However, PMK 210/PMK.010/2018 was revoked before it took effect, which was planned to start on April 1st, 2019.

To deal with economic challenges amid the coronavirus disease 2019 (COVID-19) pandemic, the government issued a Government Regulation in Lieu of Law Number 1 of 2020 regarding state financial policy and financial system stability, which was subsequently stipulated in Law Number 2 of 2020. Through these provisions, the government stipulates policies in the field of taxation which, among other things, regulate the imposition of Value Added Tax (VAT) on the utilization of Intangible Taxable Goods or Taxable Services from outside the customs area within the customs area as well as the imposition of income tax on Transaction Through the Electronic System (TTES). This scheme was a breakthrough in handling digital economy taxation at the time. Although Law Number 2 of 2020 establishes a legal foundation for levying VAT and income tax on TTES activities, so far, it has only been implemented regarding VAT collection. Thus, the government still requires specific steps to impose the income tax on TTES.

The presence of the government in regulating tax treatment for e-commerce is essential. Forst (1999, p.711) emphasized that provisions regarding e-commerce taxation are needed to deter taxpayers from attempting tax evasion. Furthermore, Simkin, Bartlett, & Shim (2011, p.68) also conveyed the importance of taxation for e-commerce to ensure equality of treatment with conventional business. The e-commerce business represents a substantial enterprise with considerable revenue potential, particularly, internet users possess the financial capacity to fulfill tax obligations.

Several countries have even made various breakthroughs so that no tax potential from their countries is lost due to the development of the digital economy. Since 2015, the European Union has introduced a Mini One-Stop Shop (MOSS)

Table 1 Comparison of E-Commerce Taxation in the European Union and Australia
Source: Author, summary from various sources

No	Criteria	European Union	Australia
1	Tax type	VAT	Goods and Services Tax
2	Tariff	According to the buyer's country	10%
3	Threshold	According to the buyer's country	AUD 10.000
4	Deposit	€ 8.000 for each country	-
5	Taxpayer registration	Yes	Yes, with omzet more than AUD 75.000 per year
6	Mechanism	MOSS	Collected by *marketplace*

scheme. MOSS is an online service created to make it easier for companies to manage tax collection from consumers. Its objective is to assist companies in adhering to tax regulations, thereby alleviating burdens from intricate administrative procedures. In Australia, since July 1st, 2018, the Australian government mandated that online trading entities (including marketplaces) exceeding a specified income threshold must register with the Australian Tax Office. These entities are also required to collect tax from consumers in accordance with Australian tax regulations. Table 1 shows a comparison of e-commerce taxation in the two countries.

Efforts to tax the digital economy are still being studied and discussed by practitioners and academics. Various countries are still trying to find the best alternative for their respective countries not to lose their tax revenues. Through HM Revenue & Customs (HMRC), the British government is also conducting a study to find the best alternative for collecting taxes, especially regarding VAT collection in the digital economy. HMRC (2018) believes that a long-term tax collection solution must rely on more than just the marketplace.

Tax authorities must be vigilant regarding the evolving economic landscape, characterized by diverse channels for purchasing goods and the utilization of various alternative payment methods by consumers. Therefore, HMRC developed a tax collection mechanism by considering the payment cycle. This mechanism is known as the split payment mechanism. In this framework, banks are systemically expected to be able to separate the portion of tax payable that must be deposited to the state during transaction payments made by buyers. Through collaboration between HMRC and banking institutions that facilitate e-commerce payments, taxes can be collected without depending on the presence of taxpayers who may be outside the territory of the UK, for transactions conducted online.

While the UK is currently in the exploratory phase regarding the adoption of the split payment mechanism, several nations have already instituted this approach. Notably, Italy, Poland, and Romania are among the countries that have implemented a split payment mechanism. Italy has implemented this mechanism since January 1st, 2015, although it is limited to business-to-government (B2G) transactions. Suppliers will charge VAT on goods or services delivered to specific agencies in this mechanism. Furthermore, the customer will divide the payment of bills received from suppliers in the amount of the price of the goods and deposit the VAT payable to the state account. This mechanism is similar to the VAT collection carried out by the Treasurer of the Government or SOE in Indonesia.

The split payment mechanism in Poland has been implemented since July 1st, 2018, with a broader range of transactions compared to the implementation in Italy. The split payment mechanism in Poland does not require customers to separate payments. Poland mandates banks to separate payments for transactions into business bank accounts and VAT special accounts (VAT bank accounts) belonging to providers of goods or services.

In Romania, the split payment mechanism has been implemented since January 1st, 2018, for taxpayers with the specific VAT payable threshold. Companies that are mandated to make split payments are required to open a separate account (VAT bank account) dedicated to the collection and payment of VAT. Taxpayers are restricted to utilizing the VAT bank account exclusively for input and output VAT settlements. In the split payment mechanism in Romania, the goods and services provider charges VAT, and then the customer transfers the VAT directly to the VAT bank account belonging to the goods and services provider.

3. POLICY RECOMMENDATION

"Insanity is doing the same thing over and over and expecting different results" (Albert Einstein). This well-known phrase from Einstein can be used as a philosophy for DGT to increase Indonesia's tax ratio. To improve the tax ratio, DGT must move

beyond traditional approaches. Given these rapid changes, innovation within the DGT is essential.

It is common practice to secure tax revenue from the digital economy by only expecting data to be submitted to the DGT as previously stipulated in PMK 210/PMK.010/2018. In recent years, DGT has been inundated with data from diverse sources. While this data is invaluable to the DGT's operations, transforming it into tangible tax revenue presents intricate challenges. Undertaking tasks such as data analysis, engaging with taxpayers, executing audits, and managing billing demands significant resources, both in terms of effort and financial outlay, for the DGT.

The challenge of supervising tax compliance in Indonesia is closely related to the self-assessment system. Under this system, taxpayers autonomously manage their tax responsibilities, which encompass registration, computation of payable tax, its deposition, and subsequent reporting. Consequently, tax officials undertake a comparative analysis between the data held by the DGT and that reported by taxpayers.

However, the effectiveness of the self-assessment mechanism is occasionally compromised due to varied reasons. Taxpayers may lack a clear understanding of their duties, perceive them as cumbersome, or, in some instances, deliberately neglect their responsibilities. Thus, the government should prioritize simplifying tax-related responsibilities and enhancing the robustness of compliance monitoring mechanisms.

The development of digital-based tax services in Indonesia has been widely utilized by taxpayers, for example, e-filing, e-invoices, e-forms, and many more. The government developed these services intending to facilitate taxpayers in carrying out their tax duties, which in turn still rely on voluntary compliance. Relying on voluntary compliance for tax supervision ultimately empowers taxpayers with decision-making autonomy concerning tax reporting, computation, and payment. The choices available to taxpayers extend beyond mere compliance or non-compliance. Taxpayers encompass efforts towards achieving compliance, such as documenting transactions, preparing financial statements, completing tax returns, adhering to reporting and payment timelines, and actively seeking clarity on tax regulations (OECD, 2020, p.11). Fulfilling tax obligations that place too much emphasis on voluntary compliance can trigger injustice between compliant and non-compliant taxpayers (OECD, 2022, p.12).

As mentioned in the OECD Report (2020), two out of the six essential elements that the tax authorities must pay attention to in developing Tax Administration 3.0 to deal with digital transformation are “embedded within taxpayer natural systems” and “part of a resilient system of systems" (p.12). Based on these two aspects, tax collection should be part of the Taxpayer's business process so that it is carried out seamlessly by the Taxpayer. Collaboration between tax institutions and taxpayers is needed in developing tax services so that they can reduce administrative burden, increase data security, and be transparent and reliable. This approach can potentially reduce the reliance on voluntary compliance for tax collection, thanks to the integration of the system into the taxpayers' business operations. In addition to the inclusion of tax administration in the business processes of taxpayers, the taxation system possessed by tax authorities is no longer the sole nexus for processing tax-related data. Like the Taxable Entrepreneurs' role in VAT collection or employers' responsibility in deducting Article 21 of Income Tax, digital platforms can also act as "agents" for tax institutions, executing tax administrative processes within their own systems.

Concerning the various problems, challenges, and opportunities faced by the Indonesian Government in increasing the tax ratio as described above, extraordinary solutions are needed by utilizing existing technology and information developments. Given the rising trend of individuals utilizing fintech for payments and frequenting marketplaces for shopping, the authors suggest that the Indonesian government

consider introducing a split payment mechanism, specifically targeting these two digital services. The split payment mechanism in Indonesia can be implemented by giving a role to fintech and marketplace service providers to make split payments between the taxpayer's income and the tax obligations they bear. Thus, taxpayers who earn income through these two instruments will no longer be preoccupied with the duty to calculate and deposit taxes (seamless). On the other hand, the government can also quickly and accurately collect taxes without relying solely on taxpayers' voluntary compliance.

Split payment mechanisms through fintech and marketplaces can be implemented for calculating and paying the final 0.5% Income Tax for MSMEs or VAT for Taxable Entrepreneurs. In general, fintech or marketplace will calculate, and deposit taxes owed by sellers or service providers who receive payments through fintech or marketplaces. Thus, DGT can monitor tax payments in real-time, and taxpayers will receive a recapitulation of tax payments that they can use for reporting through a tax return. This mechanism will also assist taxpayers who struggle with fulfilling their tax responsibilities.

3.1 Implementation of Split Payment Mechanism on Marketplace

One of the e-commerce trading media is the marketplace. Through the marketplace, everyone can easily sell the goods or services they offer to potential buyers via the Internet. The seller, buyer, and all transaction data are entirely recorded in the marketplace database. In addition, the marketplace also provides peace of mind to buyers with the joint account system offered, where the seller only processes sales after the marketplace receives payment from the buyer. Then the money is only transferred to the seller after the buyer states that he has received the goods according to what he wants.

The transaction process through the marketplace is relatively simple and easy. Before participating in the bidding process, sellers must register within the marketplace's application system, providing necessary details. Once registered, they can then list their goods or services for sale. Prospective buyers can browse and select from an array of products within the marketplace. Once a buyer completes a payment, the seller dispatches the ordered items. Upon confirmation of receipt by the buyer, the payment is then transferred to the seller's account.

Based on the description above, DGT can implement a split payment mechanism by intercepting the process in the marketplace. Equipped with the seller data held by the marketplace, the platform provider can separate the seller's tax (income tax article 4 (2) or VAT) and the seller's transaction value during the transfer process to the seller. So, the marketplace can systematically generate billing codes and simultaneously deposit taxes into the state treasury for each transaction. By utilizing existing records on the marketplace, taxpayers can easily monitor their transactions and use them in preparing periodic or annual tax returns. In addition, tax officers can also easily monitor if there are sellers who should have been confirmed as Taxable Entrepreneurs based on tax payment data that has been made.

3.2 Implementation of Split Payment Mechanism on Fintech

The range of financial technology (fintech) services presently evolving in Indonesia is vast and varied. An e-wallet service that can be used for digital payments via a quick response code (QR code) is growing rapidly. We can see this with the rise of the financial services industry and conventional banks currently developing digital payment technology. As QR payments in Indonesia, transition to an open system, where a single merchant QR code is universally accessible by all e-wallet service providers, the proliferation of cashless transactions is set to accelerate and expand more broadly.

Through QR payments, transactions at physical outlets or e-commerce platforms can be effortlessly completed using a smartphone to scan the QR code. True to its name, QR code payments

offer swift and convenient transactions, eliminating the need for card swipes on EDC machines. To get a QR code as an identity for payment at the outlet, merchants/service providers (taxpayers) must register with e-wallet service providers. Additionally, the acquired QR code is displayed at the outlet or website where the taxpayer offers their goods or services. Generally, e-wallet service providers make transfers (settlements) of all payments received by taxpayers via QR payments into their accounts every day (as the accumulation of transactions made on that day) or based on a disbursement request by the account owner.

Based on the description above, DGT can implement a split payment mechanism for fintech service providers. Fintech service providers can be mandated to segregate tax from the taxpayers' income during the transfer of payments collected via QR transactions. With the data held during registration, the fintech service provider creates a billing code on behalf of the taxpayer and, at the same time, deposits taxes into the state treasury for each transfer (settlement) made. As with the split payment mechanism in the marketplace, taxpayers and DGT can monitor tax payments created.

3.3 Optimization of Split Payment Mechanism

By implementing the split payment mechanism, there's an anticipated reduction in the tax gap between potential earnings and actual tax revenue, thereby enhancing the tax ratio. The split payment mechanism has several advantages, including the following:

a. Increased tax revenue because it will be increasingly difficult for taxpayers to do tax evasion.
b. Tax revenues are quickly collected by the state treasury so that they can help the government's cash flow.
c. Low monitoring costs because DGT does not only receive transaction data from the marketplace but also in the form of tax revenue received.
d. Taxpayers are no longer bothered with the obligation to calculate and deposit taxes.
e. Taxpayers obtain complete transaction data recording of the transactions they make.
f. DGT can focus on exploring potential tax revenue by supervising based on consumer transaction data.

Apart from the advantages described above, several potential problems can arise from implementing the split payment mechanism. By understanding the benefits and challenges of implementing the split payment mechanism, it is hoped that the government will also prepare other steps that must be taken to optimize the results achieved and reduce the negative impacts that arise. The following are potential problems and efforts the government must prepare regarding implementing the split payment mechanism.

a. The split payment mechanism might strain taxpayers' cash flow, as while they typically compute taxes owed at month-end, this method mandates tax deposits with each transaction.

   Burden taxpayers’ cash flow will be widely felt in implementing split payments for VAT payments. In the standard procedure for calculating and paying VAT, taxpayers can deduct all input taxes against their output taxes, thereby only remitting the net difference. In the split payment mechanism, all output taxes must be paid in advance when the transaction occurs without being able to deduct the input tax taxpayers have. Thus, it has the potential to burden the cash flow of taxpayers. This was also confirmed by Kowal (2019, p.43) who states that the split payment mechanism has a negative impact on the financial liquidity of enterprises.

   As a solution to these problems, DGT must guarantee a quick and easy tax refund mechanism. With a reliable tax return, taxpayers have guaranteed certainty in doing business.
b. Differences in treatment between taxpayers who operate conventionally (not included in the split payment mechanism) and those who are in the split payment mechanism.

Taxpayers outside the split payment framework still fulfill their tax obligations in accordance with the once generally accepted tax provisions. Thus, more effort is needed to ensure tax payments are made following the requirements. With the various advantages of the split payment mechanism, the government will likely encourage taxpayers to enter the existing split payment scheme voluntarily.

The government's initiative to encourage taxpayers to move to digital transactions aligns with the financial inclusion program promoted since 2013. Establishing a more inclusive financial ecosystem yields manifold benefits for diverse stakeholders. Consequently, the introduction of the split payment mechanism in the taxation realm could serve as a catalyst for expediting financial inclusion in Indonesia.

The government can provide tax facilities to motivate taxpayers further to enter the split payment mechanism and offer incentives to taxpayers already in the split payment scheme. For example, tax facilities that can be provided are a tax deduction of 5% - 10% of the tax payable, which is paid through a split payment mechanism.

c. The marketplace and fintech providers must bear the emergence of tax collection costs.

   In carrying out the role as a party in charge of depositing tax payments from taxpayers, marketplace and fintech providers act as Collecting Agents as stipulated in Minister of Finance Regulation Number 32/PMK.05/2014 concerning Electronic State Revenue Systems as amended by Minister of Finance Regulation Number 202/PMK.05/2018. Based on these provisions, Collecting Agents may be given compensation or state revenue services for each successful transaction of Billing Codes. Thus, this clause can be used as a reward for marketplace and fintech providers so that their business will continue to grow, and they are expected to become reliable government partners.

4. CONCLUSION AND RECOMMENDATION

The tax ratio is commonly used to measure the general description of a country's tax conditions. Indonesia's tax ratio is relatively low compared to other developing countries. When Indonesia is eager to increase its tax ratio, data for 2013-2020 shows that Indonesia's tax ratio has decreased. According to the International Monetary Fund (2011, p.60), the average tax ratio for lower-middle-income countries, which includes Indonesia, is 16.5%. To be able to increase the tax ratio, DGT is required to be able to follow various economic developments and optimize available technological developments.

The rapid growth of the digital economy in Indonesia in recent years has made it a priority for the government to continue to increase the tax ratio. Apart from the increasing proportion of the digital economy in Indonesia, digital economic growth also promises data integration and ease of transaction processes. With electronic data that is increasingly easy to obtain, a collaboration between tax institutions and taxpayers will be able to reduce administrative burdens and increase data security, transparency, and reliability. Tax administration is expected to become part of the business processes of taxpayers, and tax institutions are no longer the only point for processing tax data. Thus, taxpayers can fulfill their tax obligations without feeling burdened or even without feeling that they have implemented it (seamlessly), and the tax authorities can achieve optimal compliance without much intervention.

E-commerce and fintech represent the increasing digital economy in Indonesia, yet they still need to be fully addressed by the nation's tax authorities. By tapping into the operations of e-commerce platforms and the emerging QR payment systems of fintech, the DGT can introduce a split payment mechanism to collect taxes and ensure that taxes are calculated and paid correctly. The split payment mechanism is a tax collection method that separates payments made by customers into the taxpayer's account in the amount of income/transaction value and the state account in the amount of the tax payable. The split

payment mechanism can be implemented in collecting income tax article 4 (2) and VAT by involving third parties, namely marketplace providers and fintech providers, to split the proportion of the tax and the balance of the transaction value the right of the taxpayer.

Implementation of the split payment mechanism provides benefits to taxpayers and the DGT. From the perspective of taxpayers, the implementation of the split payment mechanism will aid them in executing the self-assessment system, facilitating accurate tax computation, timely deposits, and maintaining organized records for streamlined reporting. By integrating the split payment mechanism into taxpayers' business processes, compliance becomes easy, minimizing the weight of administrative burdens on the taxpayer. Conversely, this mechanism's implementation can enhance tax revenue collection, streamline government cash flow, and reduce oversight expenses. This mechanism simultaneously creates structured compliance by reducing excess dependence on voluntary compliance. However, the government must also be aware of the potential burden on taxpayers' cash flow, costs incurred for marketplace and fintech providers, and the potential for unequal treatment between taxpayers.

The split payment mechanism that the author describes in this article differs from the one already implemented in Italy, Poland, and Romania, and the mechanism that is planned to be implemented in the UK. The government should not merely adopt or rely wholly on these countries' models but must meticulously plan and prepare prior to implementing the split payment mechanism. The author is also fully aware that this paper has many limitations. Therefore, further studies and the government's active role are needed to realize the implementation of the split payment mechanism. Some aspects that need to be considered by the government include the following:

a. Increased tax revenue because it will be increasingly difficult for taxpayers to do tax evasion.

   Tax collection by the government must be based on applicable legal provisions. Likewise, The enactment of the split payment mechanism necessitates well-defined, encompassing criteria. Given the evolving landscape, it is imperative for the government to reconsider and reshape the regulations overseeing taxation in the digital economy sector, especially in light of PMK 210/PMK.010/2018, which was rescinded prior to its implementation. Learning from experience, The introduction of a split payment mechanism has significant implications for the business community, necessitating comprehensive communication and active public engagement.

b. Amend Minister of Finance Regulation Number 184/PMK.03/2007

   Article 4 of the Minister of Finance Regulation Number 184/PMK.03/2007 concerning the Determination of Due Dates for Payment and Deposit of Taxes, Determination of Places for Payment of Taxes, and Procedures for Payment, Deposit, and Reporting of Taxes, as well as Procedures for Installment and Postponement of Tax Payments as amended by the Minister of Finance Regulation Number 80/PMK.03/2010, stipulates that tax payments and deposits are made at the post office or bank appointed by the Minister of Finance. Regarding these regulations, there's a need for revisions that encompass additional payment locations (beyond post offices or banks) as viable venues for tax payments and deposits.

c. Mandating marketplace and fintech providers who provide QR payments to become Collecting Agents

   Minister of Finance Regulation Number 32/PMK.05/2014 concerning the Electronic State Revenue System as amended by the Minister of Finance Regulation Number 202/PMK.05/2018 regulates, among other things, the mechanism for appointing Other Collecting Agents, implementing user acceptance tests (UAT), administering state revenues, etc. Given that receiving tax payments is a fundamental requirement for marketplaces and fintech entities, they must adhere to all stipulated protocols. To enhance and accelerate the program's efficiency, the

government should consider revisiting these regulations with the aim of further simplification.

d. Prepare a study on providing tax facilities to create a digital financial ecosystem.
In line with the financial inclusion program and increasing tax revenue, the government is expected to provide incentives for taxpayers entering the split payment scheme. The nature and scope of the facilities available to taxpayers warrant detailed analysis for optimal utilization. Consequently, comprehensive research is essential concerning the provision of these amenities.

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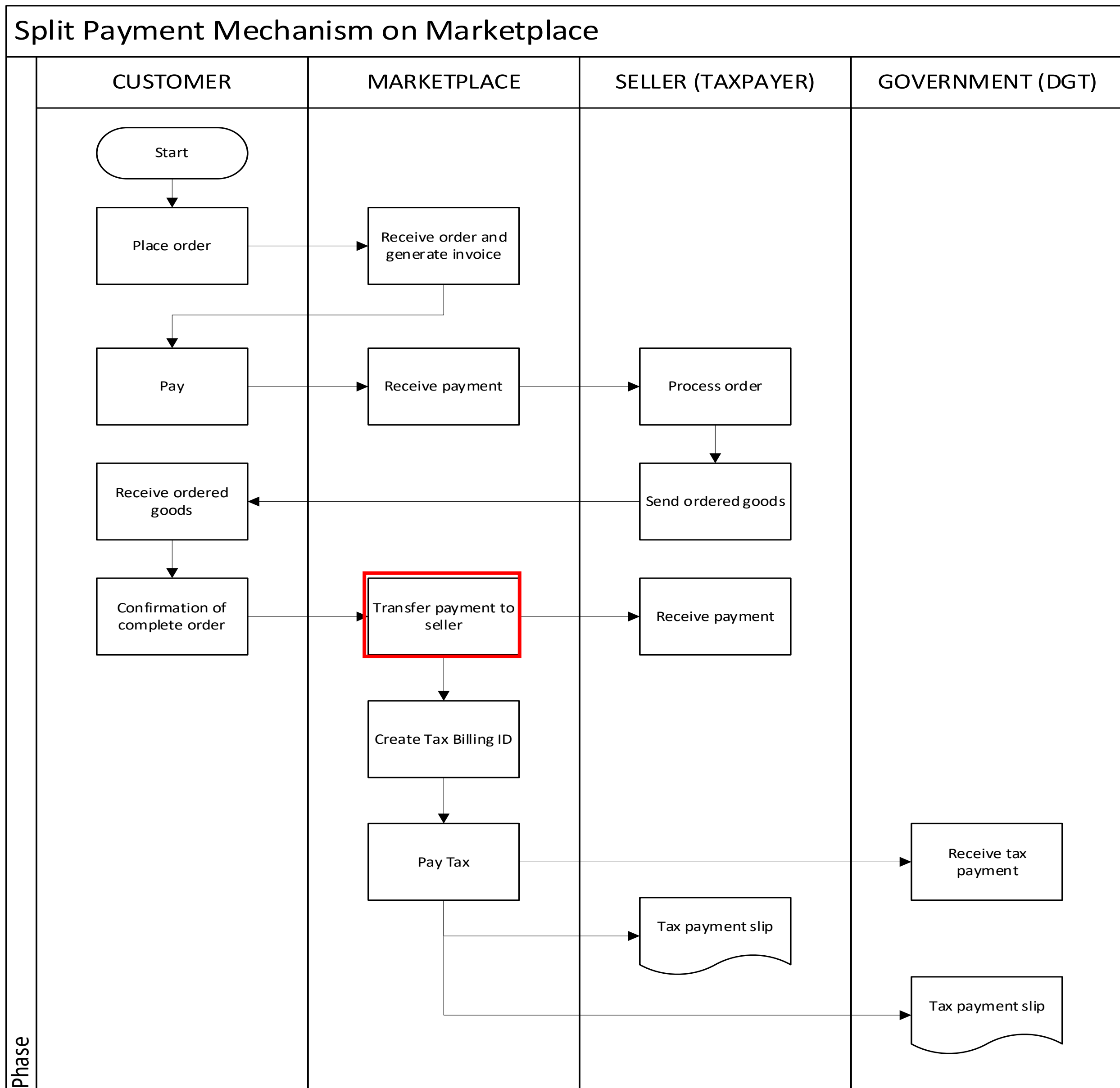
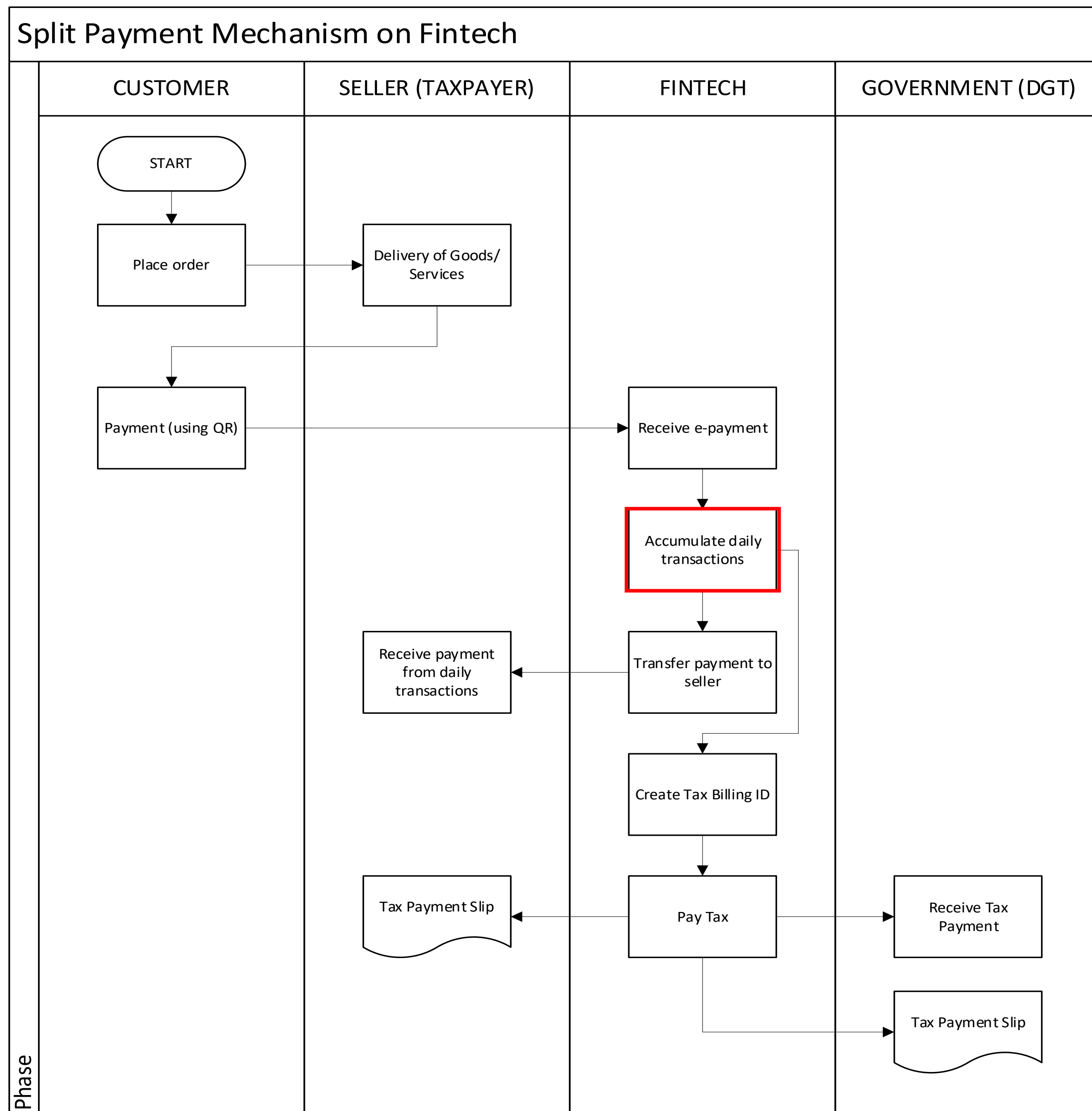
APPENDICE

Appendix 1 Flowchart of Split Payment Mechanism on Marketplace
Source: Author's analysis



Note: where the split payment mechanism occurs

Appendix 2 Flowchart of Split Payment Mechanism on Fintech
Source: Author's analysis



Note ▭ : where the split payment mechanism occurs