Digital Taxation of Platform-Based Companies in Indonesian Positive Law and Fiscal Justice for Conventional Businesses

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ARTICLE INFO

Article history:
Received 19 March 2024
Revised 05 March 2024
Accepted 13 April 2024

Key words:
Digital tax,
Platform-based companies,
Fiscal justice,
VAT on digital products,
BEPS,
Indonesian tax law.

ABSTRACT

This study discusses digital taxation regulations for platform-based companies in Indonesian positive law and how these regulations reflect fiscal justice for conventional businesses and digital businesses that earn income from Indonesia. The method used is normative legal research supported by qualitative literature studies on legislation, doctrine, and international reports related to the digital economy and Base Erosion and Profit Shifting (BEPS). The results show that Indonesia has taken significant steps by imposing Value Added Tax (VAT) on cross-border digital products, appointing foreign providers as VAT collectors, and strengthening the legal basis in Law No. 7 of 2021 concerning Taxation Harmonization (HPP). This policy reduces the gap in treatment between conventional businesses and global platform companies, bringing the system closer to the principles of horizontal and vertical fairness. However, limitations in the regulation of income tax on the profits of multinational digital companies, adherence to the concept of permanent establishment, and challenges in tax administration capacity indicate that the expected fiscal justice has not been fully achieved. Indonesia's participation in the OECD/G20 Inclusive Framework on BEPS, particularly discussions on Pillar One and Pillar Two, provides an opportunity to strengthen Indonesia's taxation rights over the profits of digital companies that are highly dependent on the domestic market. This study recommends regulatory harmonization, simplification of digital tax administration, enhancement of tax authority capacity, and development of further empirical research to assess the effectiveness of digital tax regulations on fiscal justice and the business climate in Indonesia.

INTRODUCTION

The development of platform-based economies over the past two decades has transformed the structure of business activities and patterns of interaction among economic actors across countries. Companies operating through digital marketplaces, content-sharing applications, cloud services, and application-based intermediary service providers are able to reach consumers in various jurisdictions without a conventional physical presence. This change challenges the classic concept of tax sovereignty, which has been based on the existence of a permanent establishment and physical nexus as the basis for taxation (Cahyadini et al., 2023). This phenomenon is in line with the findings of Ali and Darmawan (2023), which emphasize the importance of big data management for strategic decision-making in cross-border digital businesses. International organizations and many countries are faced with a gap between the high profit-generating capacity in a country and that country's ability to legally tax profits derived from highly mobile digital activities (OECD, 2015).

Moreover, the rapid expansion of digital platforms has highlighted the necessity for tax administrations to adopt innovative technological solutions and robust data analytics. By leveraging electronic reporting, automated VAT collection systems, and digital audit tools, authorities can more effectively monitor compliance and ensure that taxation reflects the economic reality of digital transactions. Such measures not only address the issue of revenue leakage but also enhance perceptions of fairness among domestic and

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international business actors operating within the platform economy

In the realm of tax law, the development of the digital economy raises questions about the adequacy of traditional principles such as the source principle and residence principle in capturing the added value created through the processing of user data, algorithms, and platform networks. Platform-based companies often rely on intangible assets that are very difficult to localize geographically. This business model encourages the transfer of profits to jurisdictions with low tax rates, while market countries face tax base erosion. The international taxation literature highlights that systems designed for economies based on physical goods and conventional branch presence are becoming inadequate to address the value structure of digital companies that rely on user participation and data analytics (Olbert & Spengel, 2017). In line with this, Darmawan et al. (2023) show that digital transformation affects labor relations and management in multinational companies, which also has implications for fiscal regulation.

Indonesia, as a country with a large number of internet users and rapid digital economic growth, faces similar challenges. The government is striving to maintain tax fairness between conventional businesses and platform-based businesses that operate across jurisdictions but derive significant income from users in Indonesia. This is reflected in various policies that have emerged, including the imposition of Value Added Tax (VAT) on the use of Intangible Taxable Goods and/or Taxable Services from outside the customs area through Electronic Trading (PMSE), strengthening the concept of significant economic presence, and the development of legal instruments for the taxation of digital transactions (Mahpudin, 2024). These efforts touch on the areas of norm design, taxation authority, and collection instruments that must be aligned with the positive laws of Indonesia that are still in force (Judijanto, 2024). It is important to note that consumer protection in online transactions is also part of digital economy governance, as described by Ali et al. (2024) in relation to online fraud cases in Indonesia.

From a business law perspective, digital tax regulations on platform-based companies are not only related to the effectiveness of state revenue collection, but also concern legal certainty, equal treatment of business actors, and the competitiveness of the investment climate. A legal analysis is needed to assess the extent to which the regulations that have been issued are in line with the principles of legality, fairness, and non-discrimination in taxation, as well as how these regulations interact with double taxation avoidance agreements and other international standards. International taxation literature emphasizes the importance of designing norms that are consistent with the principles of horizontal and vertical fairness, namely that taxpayers in comparable economic conditions should bear a comparable tax burden, while taxpayers with greater economic capacity can be subject to a relatively higher burden (Darussalam et al., 2013). On the other hand, the quality of interaction between sellers and digital platforms also influences consumer behavior and economic decisions (Darmawan, 2022).

The first issue concerns the compatibility of the national legal framework with the characteristics of platform-based businesses that operate across borders. Tax norms that require a physical presence, such as a branch office or permanent establishment, are confronted with the reality of digital entities that can penetrate markets through servers located overseas, applications downloaded by users, and electronic contracts agreed upon online. This situation raises the question of whether a physical location-based taxation system can still provide legitimacy for the fair collection of taxes on income earned from users in Indonesia (OECD, 2015). This issue is similar to the challenges faced by digital businesses in relation to consumer protection and product returns (Anugroh et al., 2023). Furthermore, Hardyansah and Putra (2023) emphasize that effective legal protection for businesses plays a crucial role in maintaining regional economic stability, including in the digital era.

The second issue relates to fiscal justice, both between types of businesses and between jurisdictions. Conventional businesses operating through physical outlets are generally bound by clear tax administration obligations and are directly supervised by domestic tax authorities. In contrast, platform-based companies based overseas have the potential to enjoy a broad user base and significant revenues from Indonesia with tax obligations that are more difficult to enforce (Cahyadini et al., 2023). The literature states that this situation raises concerns about unequal treatment between local and global businesses, which ultimately has the potential to disrupt tax fairness and suppress the competitiveness of domestic businesses (Olbert & Spengel, 2017). Darmawan (2022) emphasizes companies' ethical responsibility for environmental and social accountability, which is also related to

the principles of fairness and responsibility in digital business. On the business law side, Indarto et al. (2023) emphasize the need for a clear legal framework to prevent monopolistic practices that harm businesses, so that the digital market remains fair and competitive.

The third issue relates to legal certainty and potential conflicts of norms, both at the national and international levels. At the national level, regulations scattered across various laws, government regulations, and ministerial regulations can lead to overlapping interpretations. At the international level, the enforcement of taxation on digital companies must take into account double taxation avoidance agreements, standards developed by international organizations, and the possibility of disputes between the company's country of origin and the market country. Tax experts emphasize that without clear, balanced regulatory design that is consistent with the principles of tax law, the imposition of digital taxes has the potential to cause prolonged disputes and uncertainty for taxpayers and tax authorities (Darussalam et al., 2013). This is also in line with the findings of Infante and Mardikaningsih (2022), which show that social media can be a means of promoting online businesses, so that unclear regulations can affect market dynamics. In addition, Irfansyah et al. (2024) highlight the importance of the principle of good faith in the implementation of contracts, which is relevant to cross-jurisdictional digital transactions and legal certainty for related parties.

Studies on digital tax regulations for platform-based companies are currently highly relevant because the digital economy has transformed from a complementary sector into one of the backbones of the economy. State revenue from this sector has the potential to increase rapidly if it is regulated by clear and fair legal instruments. At the same time, various global initiatives on taxation of the digital economy show that countries that are slow to adapt may face serious erosion of their tax base. Indonesia, through a number of new regulations, has begun to respond to these developments, but a systematic legal analysis is needed to assess whether these measures are in line with recognized taxation principles and what their implications are for fiscal justice at the national level. Mardikaningsih et al. (2022) emphasize the importance of business competence in facing the challenges of survival in the digital era, which is in line with the need for adaptive regulations. Meanwhile, Kemarauwana and Darmawan (2020) emphasize the contribution of perceived ease of use to behavioral intentions in digital payments, which also affects fiscal compliance and online transaction management.

In addition, rapid changes in platform business models, digital product innovations, and consumption patterns require an analysis that places digital tax regulations within a comprehensive and consistent business legal framework. This analysis is important as a consideration for policymakers, legal practitioners, and academics in formulating further regulations, both at the legislative and regulatory levels. Normative legal research on the compatibility of digital tax regulations with Indonesian positive law and the principle of fiscal justice is expected to help identify the potential strengths and weaknesses of the existing regime, as well as avoid overlapping norms and uncertainty for platform-based businesses. This is in line with the study by Fared et al. (2021), which emphasizes the quality of digital services as an important factor in customer decisions, which is also relevant to fiscal treatment and digital market justice.

The research questions in this study are as follows: 1) How does digital taxation apply to platform-based companies under Indonesian positive law and to what extent is it in line with applicable tax law principles? 2) How does digital taxation reflect fiscal justice for conventional businesses and platform-based businesses that earn income from Indonesia?

This study aims to legally analyses digital tax regulations on platform-based companies in the Indonesian tax law system and assess their compatibility with tax law principles and fiscal justice. Theoretically, this study is expected to contribute to the development of business tax law literature, particularly regarding the taxation of the digital economy and the reconstruction of the basis of taxation based on significant economic presence. In practical terms, the results of this study are expected to provide input for policymakers in drafting or refining digital tax regulations to ensure they are in line with the principle of legality, provide legal certainty, and encourage a more balanced tax burden between conventional businesses and platform-based businesses operating in Indonesia.

RESEARCH METHOD

This study uses a normative juridical method supported by qualitative literature studies. The normative juridical approach focuses on law as written norms contained in legislation, court

decisions, and doctrines, so that the analysis is directed at the content, structure, and coherence of the legal system governing digital taxation of platform-based companies. Marzuki explains that normative legal research relies on the interpretation of legislation, legal principles, and rules that exist in practice to address issues regarding the appropriateness of norms and the construction of logical legal arguments (Marzuki, 2005). Within this framework, digital tax regulations in Indonesia are analyzed as part of the overall structure of tax and business law, with regulations related to VAT, income tax, and specific provisions on trading through electronic systems as the main objects of study.

A qualitative literature study approach was used to organize and synthesize various relevant primary and secondary legal materials. Primary legal materials include tax laws, implementing regulations, and international agreements related to double taxation avoidance and the digital economy. Secondary legal materials include doctrines and academic studies on digital taxation, fiscal justice, and international taxation theory. Bowen states that document analysis is an appropriate technique for examining policy and regulatory texts, as it allows researchers to identify themes, patterns, and inconsistencies among various sources (Bowen, 2009). The literature search was conducted through scientific journal databases and library catalogues to find sources published in the last 20 years, with inclusion criteria of direct relevance to digital taxation, international tax law, fiscal justice, and legal research methodology.

The data obtained from legislation and academic literature was analyzed through thematic coding. The first stage was open coding to identify initial themes, such as the basis for taxation of digital companies, significant economic presence, and the principle of fairness in taxation. The next stage was axial coding to connect these themes within the framework of digital tax regulations for platform-based companies (Miles et al., 2014). Legal interpretation was carried out using grammatical, systematic, and teleological interpretation methods of the relevant statutory provisions, as commonly applied in normative legal research in Indonesia (Asshiddiqie, 2006; Marzuki, 2005). To maintain the quality of the research, triangulation was carried out by comparing national provisions, scientific doctrines, and recognized international standards or reports, while legal reasoning was structured consistently so that the conclusions produced could be academically accountable (Creswell, 2014).

RESULT AND DISCUSSION

Digital Taxation of Platform-Based Companies in Indonesian Positive Law

In the development of modern taxation discourse, there is a need to re-examine the foundations of Indonesian tax law, which originated in the era of traditional economics. The first paragraph discusses the position of digital taxation within the Indonesian tax law framework, which was originally designed for physical-based economic activities. For many years, the Income Tax and Value Added Tax regimes were oriented towards the concept of permanent establishments and transaction locations that were relatively easy to identify through offices, warehouses, or other business premises. The emergence of platform-based companies operating across borders using digital infrastructure has shifted this pattern, as business activities can be carried out without a physical presence in Indonesia, while income from users in Indonesia remains significant. Under current legislation, multinational companies do not pay their fair share of tax to the market countries where profits are generated because market countries are only allowed to tax companies that have a physical presence there (Yonah et al., 2022). International taxation literature describes that similar situations occur in various jurisdictions, prompting many countries to adjust their taxation rules to protect their tax base from erosion due to digitalization (OECD, 2013). In such an environment, the establishment of digital tax norms in Indonesia cannot be separated from efforts to adjust positive law to the new data-based economic structure and global platform networks (Devereux & Vella, 2018). These conditions underscore the urgency of restructuring tax regulations to cover cross-border digital economic practices.

In this context, the taxation of digital consumption has become an initial issue that has received significant attention. The following discussion highlights the normative basis for VAT regulation on cross-border digital products. Prior to policy changes in recent years, the use of intangible goods and services from outside the customs area through digital means was relatively difficult to subject to VAT due to the absence of effective collection mechanisms from foreign parties. Tax literature emphasizes that VAT, designed based on the destination-based principle, should tax consumption that occurs in the end-user country, regardless of the location of the service provider (OECD, 2013). Indonesia then moved towards this model by affirming the VAT obligation on the use

of digital products from abroad and designing a legal framework that allows tax authorities to appoint foreign businesses as VAT collectors for transactions consumed in Indonesia. From a business law perspective, this regulation creates a meeting point between the principle of fiscal sovereignty and the need to maintain legal certainty for global platform operators with a user base in Indonesia (Resmi, 2019). Thus, the normative basis of digital VAT demonstrates Indonesia's efforts to align consumption tax with transactions in the digital era.

If we look further, the implementation of this policy shows structural changes in the cross-border VAT mechanism. Since July 2020, the Indonesian government has started to implement a policy of collecting VAT on digital products consumed in Indonesia by domestic consumers by appointing a number of foreign companies as VAT collectors. Global companies such as video streaming service providers, digital music providers, application providers, and online advertising service providers are mandated to collect VAT on transactions made with Indonesian users and remit it to the tax authorities. This step is in line with international recommendations that encourage the application of a simplified registration and collection mechanism for VAT on cross-border digital services (OECD, 2019). From a normative legal perspective, this policy demonstrates an effort to fill the regulatory void that previously caused cross-border transactions to escape VAT taxation, thereby creating an imbalance between domestic and foreign businesses exploiting the Indonesian market (Waluyo, 2011). Overall, the policy of appointing foreign VAT collectors demonstrates the consolidation of the state's capacity to control domestic digital consumption.

At the regulatory level, strengthening the legal basis for the digital VAT policy is an important step that needs to be taken. The role of Law No. 7 of 2021 concerning Tax Regulation Harmonization (HPP) is very important because it provides legal reinforcement for the VAT policy on digital products from abroad (Jan, 2022). The object of VAT itself is the delivery of tangible and/or intangible Taxable Goods (BKP) and Taxable Services (JKP) (Utthavi et al., 2023). Through this law, the imposition of VAT on the use of Intangible Taxable Goods and Taxable Services from outside the customs area carried out through Electronic Trading has a legal basis at the law level, not only at the implementing regulation level. From a tax law perspective, this strengthening through the law is related to the principle of legality, which requires that every tax levy must be based on law and clearly regulate the main elements of taxation (Waluyo, 2011). The HPP Law also opens up room for tariff adjustments and strengthens the authority to appoint foreign parties as VAT collectors, which has been the legal basis for practices that have been in place since 2020. The existence of the HPP Law marks the consolidation of a stronger legal basis for Indonesia's digital VAT regulations.

As part of efforts to restore fiscal justice in the digital economy, the issue of appointing foreign VAT collectors is an important element to analyses. The appointment of foreign providers as VAT collectors is an instrument aimed at creating a level playing field between conventional businesses and platform businesses. Domestic businesses selling goods and services in Indonesia have generally long been obliged to collect VAT when they meet the criteria for taxable businesses, whereas foreign digital service providers have not previously been subject to similar obligations in an effective manner. International literature on digital economy taxation emphasizes that disparities in treatment between domestic and cross-border sellers can lead to distortions in competition and incentives for regulatory arbitrage (Devereux & Vella, 2018). Based on the HPP Law, Indonesian tax authorities can recognize foreign legal entities as VAT collectors and place them in a position that is functionally comparable to domestic taxable entrepreneurs, even though technical administrative differences remain. This context shows that the state is also trying to impose fiscal obligations without ignoring the technical dynamics that accompany cross-border digital activities.

The contextualization of digital taxation practices shows that the effectiveness of a policy is not only determined by written norms, but also by its implementation in the field. In practice, the VAT policy on digital products since 2020 has sought to close the tax gap arising from the cross-border nature of electronic transactions. Before the policy was implemented, the consumption of digital services such as streaming, applications, and online advertising provided by foreign entities often fell into a grey area of taxation. A study on VAT on cross-border services shows that without a structured collection framework through the designation of foreign businesses, destination countries often find it difficult to levy taxes on domestic consumption (OECD, 2019). The imposition of 11 per cent VAT on digital services consumed in Indonesia sends a legal signal that the state views digital consumption as equivalent to

conventional consumption from a consumption tax perspective, and places global companies such as streaming service providers and application platforms within the orbit of Indonesian tax obligations (Resmi, 2019). This confirms that the collection of VAT on digital services is an important pillar in maintaining the sustainability of state revenue amid changes in people's consumption patterns.

The dynamics of the digital economy also highlight the issue of profit allocation, which is no longer in line with the traditional nexus concept. Although the digital VAT policy has been implemented, income tax regulations on the profits of platform-based digital companies still face limitations in terms of the classic nexus and profit allocation principles. The concept of permanent establishment contained in many double taxation avoidance agreements presupposes a certain physical presence as a prerequisite for business income taxation (Cahyadini et al., 2023). However, digital companies can earn large revenues from market countries through online marketing and user data processing without establishing a physical presence. The literature states that this creates a mismatch between the territory where economic value is created and the territory that has the authority to tax that profit (Devereux & Vella, 2018). Regulations in Indonesian positive law must reinterpret the source principle and domicile principle in light of digitalization, while still paying attention to the provisions of agreed international agreements. This issue requires a progressive legal approach so that the taxation of digital companies' income can be balanced with the economic realities of the digital age.

The international framework now has a significant influence on the direction of national digital tax reform. Within the international framework, Indonesia actively participates in the OECD/G20 Inclusive Framework on BEPS, particularly in relation to the development of joint solutions for the taxation of multinational digital companies. The preliminary report on Base Erosion and Profit Shifting describes how profit shifting and tax base erosion occur through the exploitation of differences in domestic rules and loopholes in tax treaties (OECD, 2013). The next stage involves the development of policy pillars aimed at redistributing the right to tax the profits of multinational companies that significantly utilize markets in various countries. Indonesia's involvement in this forum has implications for the design of domestic digital tax regulations, as the steps taken need to be in line with global consensus solutions to avoid cross-border tax disputes. The link between domestic policy and the direction of international consensus emphasizes that regulation is an unavoidable necessity.

The discussion on Pillar One shows how market countries are attempting to correct the imbalance in the distribution of taxation rights. Pillar One of the OECD/G20 framework seeks to formulate a new allocation of taxation rights for market countries over the profits of multinational companies that have high profitability and close links with users in many countries. The report on the Pillar One blueprint explains that a portion of the residual profits of global business groups will be allocated to market jurisdictions based on a specific formula, without regard to traditional physical presence (OECD, 2020). For Indonesia, this concept is related to efforts to obtain a fair share of the profits of digital giants that earn large revenues from Indonesian users. At the national legal level, the principle of significant economic presence that was introduced in the amendment to the taxation law demonstrates efforts to anticipate this change, although its implementation remains dependent on alignment with tax agreements and the results of international negotiations. This policy direction indicates that new taxation mechanisms are key to closing the tax treatment gap for global digital companies.

Pillar Two offers a different approach that emphasizes preventing the erosion of the tax base through a global minimum rate. Meanwhile, Pillar Two introduces the idea of a global minimum tax on the profits of multinational companies to prevent a race to the bottom in tax rates and the practice of shifting profits to very low-tax jurisdictions. The Pillar Two blueprint report emphasizes that the implementation of a global minimum tax aims to ensure that the profits of multinational companies are taxed at an adequate rate, wherever those profits are reported (OECD, 2020). For Indonesia, involvement in the Pillar Two discussions has an impact on the national policy space in setting tax rates and incentives, including those that may be related to the digital sector (Surono & Apriliasari, 2022). This agreement represents an important step towards reaching an agreement on digital tax reform at the international level and addressing some of the key challenges associated with the taxation of the digital economy (Igbinenikaro & Adewusi, 2024). Although this study focuses on digital tax regulations in national law, the international framework cannot be ignored as it influences how

Indonesia designs tax instruments targeting platform-based companies with global business group structures. Through these developments, Indonesia's tax policy direction is expected to balance fiscal interests and investment attractiveness.

In modern taxation studies, the discourse on digital taxation shows a significant shift in the structuring of fiscal obligations across jurisdictions. From a taxation theory perspective, the structuring of digital taxation regulations in Indonesian law is related to the principles of fairness and neutrality. The principle of fairness requires that taxpayers whose income is sourced from the Indonesian market, whether through physical outlets or digital platforms, should make a commensurate contribution to state financing. The principle of neutrality requires that the tax system does not give artificial advantages to certain business models simply because they utilize digital channels (Waluyo, 2011). The imposition of VAT on digital products, the appointment of foreign providers as collectors, and participation in the BEPS framework are elements that lead to the reinforcement of these two principles, although there are still implementation challenges and a need to refine income tax norms (Cahyadini et al., 2023). Understanding this provides a basis for evaluating the sustainability of digital tax regulations in Indonesia.

In the context of business practice, the dynamics of digital tax regulations shape tax compliance and stability for business actors. At the level of business law, the clarity and coherence of digital tax regulations influence business actors' perceptions of legal certainty and compliance risks. The literature shows that business actors tend to be more cooperative when tax authorities provide a clear regulatory framework, affordable administrative procedures, and consistent enforcement mechanisms (OECD, 2019). With the HPP Law and implementing regulations governing digital VAT, platform-based companies have a legal basis for assessing their obligations in Indonesia, including the criteria for designation as a VAT collector, reporting obligations, and the consequences of non-compliance. The clarity of the rules and the ability of the tax authorities to explain the objectives of the policy will influence the extent to which digital companies are willing to adjust their systems to meet their tax obligations in Indonesia. This condition shows that the quality of regulation has a direct influence on the response and compliance strategies of digital businesses.

In the course of implementation in the field, digital taxation issues often intersect with various technical problems. Despite significant normative progress, the regulation of digital taxation in Indonesian positive law still faces various challenges of interpretation and coordination, both between domestic institutions and with tax authorities in other countries. In practice, determining whether a digital entity meets the criteria for designation as a VAT collector, how to monitor the compliance of foreign legal entities, and how to manage cross-border transaction data requires technical regulations and ongoing cooperation. The challenges arising in the digital era in Indonesia have resulted in a significant loss of state revenue from taxes, both through tax avoidance (reducing tax obligations by exploiting loopholes or incentives in the taxation system) and tax evasion (by committing unlawful acts and undermining the principle of fairness in the taxation system) (Sinaga & Sa'adah, 2024). This phenomenon is in line with Anjanarko (2022) findings, which show that taxpayer awareness and the application of sanctions play an important role in tax satisfaction and compliance, albeit in the context of PBB. The complexity of this issue emphasizes the need for regulatory updates that are more responsive to transaction patterns in the digital era.

In the realm of global regulation, Indonesia's position in responding to international tax developments shows that harmonization efforts are not straightforward. In addition, the adaptation of national regulations to the results of international negotiations on Pillar One and Pillar Two requires careful legal adjustments so as not to cause conflicts between domestic laws, tax treaties, and multilateral commitments. Darmawan (2021) emphasizes that taxpayers' response to penalty relief programmers can affect the effectiveness of fiscal policy, which is relevant to efforts to improve digital tax compliance. In such circumstances, normative legal analysis plays a role in assessing the consistency, adequacy, and potential for improvement of digital tax regulations for platform-based companies in Indonesia. This effort reflects Indonesia's aspiration to place its digital tax framework within global standards without neglecting national fiscal interests.

Overall regulatory developments and the direction of digital tax policy in Indonesia show a pattern of increasingly mature evolution. Ultimately, digital tax regulations in Indonesia show an evolutionary shift from a regime that

initially did not cover cross-border digital transactions to a more explicit and comprehensive framework. The use of information technology has also proven to be an important factor in improving tax compliance, as Lestari and Sinambela (2022) emphasize the role of technology in supporting taxpayers to fulfil their obligations effectively. The imposition of VAT on digital products, the strengthening of the principle of legality through the HPP Law, and involvement in the international framework on BEPS mark the country's commitment to adapting to the new economic structure. However, these normative regulations can only be considered successful when they are able to provide legal certainty for business actors, maintain fairness in the tax burden for domestic and foreign taxpayers, and secure the tax base without creating disproportionate barriers to innovation and digital economic development (Jan, 2022). Continuous evaluation of implementation practices and possible improvements to digital company income tax provisions will determine the extent to which these objectives can be achieved. In addition, Mardikaningsih et al. (2022) highlight that the use of e-filing and information technology readiness influence the compliance behavior of individual taxpayers, which can be analogous to the compliance of digital companies. Through this evaluation, it can be seen that the success of digital tax regulations is greatly influenced by the state's ability to continuously read changes in the digital economic landscape. Masithoh and Mardikaningsih (2022) also emphasize that taxpayer awareness, the application of sanctions, and the quality of taxation services collectively play a role in increasing compliance, which is relevant to the digital VAT monitoring mechanism.

Fiscal Fairness in the Imposition of Digital Taxes on Platform-Based Companies

The discussion on digital tax fairness requires a solid conceptual starting point before moving on to normative analysis. The interpretation of fiscal fairness in the imposition of digital taxes on platform-based companies requires a distinction between horizontal fairness and vertical fairness. Horizontal fairness requires that businesses in comparable economic conditions bear comparable tax burdens, while vertical fairness allows for greater tax burdens on entities with higher economic capacity (Musgrave & Musgrave, 2002). In the digital economy, imbalances arise when global platform companies can access the Indonesian market extensively with different compliance burdens compared to conventional businesses, such as physical retailers and local service providers. Tax literature emphasizes that this gap has the potential to reduce the legitimacy of the tax system because taxpayers who feel they are being treated unfairly tend to view the system as biased (Bird & Zolt, 2005). In addition, business actors' understanding of cost behavior and categorization also influences how tax policies are accepted and implemented in the field (Sinambela & Djaelani, 2022). Therefore, digital tax regulations in Indonesia need to be examined to determine the extent to which they can reduce the unreasonable tax burden gap between these two groups of business actors. This framework then becomes the basis for assessing how successful digital tax policies are in overcoming the imbalance of burdens in the modern economic ecosystem.

The issue of equalizing the tax burden on digital transactions requires attention because it directly affects the structure of business competition. From the perspective of horizontal equity, the imposition of VAT on digital services consumed in Indonesia is a step towards equal treatment between goods and services obtained conventionally and those distributed through digital platforms. In addition, it is also important to consider how digital tax regulations can be integrated with e-commerce practices as a whole, including transparency and certainty in VAT collection procedures so that all business actors understand their obligations (Wibowo et al., 2023). Tait explains that VAT is designed as a consumption tax that is neutral towards organizational forms and production technologies, as long as final consumption occurs in the same jurisdiction (Tait, 2008). VAT on digital content and services should ideally be related to how digital content and digital services are defined. Based on the VAT Law, the definition of goods is tangible and intangible goods (Miftahudin & Irawan, 2020). Prior to the regulation of digital VAT, Indonesian consumers could consume streaming services, applications, and other digital services from abroad without being charged VAT comparable to the purchase of similar products from local providers. This placed domestic businesses that collect and pay VAT at a relative disadvantage. With the imposition of VAT on cross-border digital products, the tax burden on final consumption becomes more aligned, thereby substantially reducing the horizontal gap between conventional businesses and platform-based businesses (Ebrill et al., 2001). Through this

equalization, fairness in consumption in the digital sector gains a more concrete foothold.

The assessment of tax fairness cannot be separated from business actors' perceptions of the burden they bear. Fiscal fairness is also related to business actors' perceptions of a fair distribution of the burden between them and the state. Bird and Zolt state that perceptions of fairness greatly influence willingness to comply, especially in developing countries that face limitations in tax administration capacity (Bird & Zolt, 2008). A self-assessment system and appropriately implemented tax technology can help reduce tax avoidance practices and increase taxpayer compliance (Sinambela & Putra, 2021). In Indonesia's digital tax regulations, conventional businesses that have been VAT collectors and bound by complex administrative obligations will view the new policy as a positive step as long as global platform companies actually collect and pay VAT on consumption in Indonesia. If the implementation of this policy appears consistent and the supervision of platform companies is sufficiently effective, conventional businesses may see that they no longer bear the tax burden that has been neglected in cross-border digital transactions. Thus, digital tax regulations have the potential to increase the sense of equity in the burden between businesses. Such positive appreciation can ultimately strengthen the legitimacy of the tax system as a whole.

Studies on vertical equity broaden our understanding of how the tax burden should be allocated among entities with different economic capacities. From a vertical equity perspective, platform-based companies often belong to a group of entities with high economic power and profitability, especially global platforms that control a significant market share. Zucman points out that large multinational companies have greater ability to engage in tax planning and exploit cross-border regulatory loopholes (Zucman, 2015). In Indonesia, this condition is reflected in global technology companies that derive significant revenue from advertising, subscriptions, or sales of applications to domestic users. Digital tax regulations that stipulate VAT obligations and open up space for taxation on profits related to the Indonesian market, either through significant economic presence or international cooperation, are an effort to adjust the tax burden to the actual economic capacity of these business groups (Mahpudin, 2024). Thus, vertical fairness begins to be reflected when large entities can no longer transfer all profits to low-tax jurisdictions without adequate contributions to the market country. This effort also shows the direction of tax reform that is increasingly sensitive to the structure of global economic power.

The imbalance in treatment between domestic and foreign entities has long been the focus of criticism of digital tax regulations. Digital tax regulations also have a dimension of fairness between domestic and foreign businesses operating in the same market. Cockfield asserts that one of the main issues with taxation of the digital economy is the imbalance between domestic companies that are bound by the entire national tax regime and foreign companies that are only subject to a small portion of the obligations (Cockfield, 2006). By imposing VAT collection obligations on foreign providers and placing digital services as objects of VAT consumed in Indonesia, digital tax regulations reduce this asymmetry. Domestic businesses can assess that competition with platform companies has become more balanced because consumers are no longer driven to choose foreign services solely because of lower tax burdens. Thus, digital tax regulations reflect fiscal justice in the cross-jurisdictional dimension, as long as the provisions are applied consistently (Cahyadini et al., 2023). Consistency in implementation is key to ensuring that a sense of justice for domestic businesses is truly realized.

The clarity of regulations is often a key focus in assessing the quality of modern fiscal policy. Another aspect of fiscal justice is the transparency and legibility of regulations for business actors. The literature on good tax governance emphasizes that a fair tax system requires clarity on rights and obligations, so that taxpayers can plan their business activities without excessive uncertainty (Brooks, 2009). In Indonesia's digital tax regulations, fairness is not solely measured by the numerical burden, but also by the extent to which conventional companies and platforms understand the parameters of VAT obligations and the criteria for designation as a collector. When provisions regarding rates, taxable objects, registration procedures, and reporting procedures are clearly formulated and available in easily accessible guidelines, business actors have a rational basis for assessing the policy as a fair measure, even though they still bear the additional tax burden. Conversely, vague and changing regulations will give the impression that the tax burden is distributed arbitrarily. The existence of clear guidelines plays an important role in maintaining the stability of the perception of fairness for all business actors.

Global tax reform also influences how market countries assess the fairness of taxation on multinational digital activities. In the international arena, discussions on Pillar One and Pillar Two highlight the challenges of allocating taxing rights fairly among countries, especially for businesses earning income across borders (Surono & Apriliasari, 2022). These discussions reflect a growing recognition that traditional tax rules based on physical presence are increasingly inadequate in a digitalized economy.

Brauner and Pistone emphasize that the main objective of this international tax reform is the redistribution of taxation rights so that market countries obtain a more reasonable share of the profits of multinational companies (Brauner & Pistone, 2018). This reform aims to prevent multinational digital firms from concentrating profits in low-tax jurisdictions while generating significant economic value in other countries.

For Indonesia, the implementation of these principles means that the portion of global platform companies' profits economically tied to Indonesian consumers can serve as a taxation basis. As a result, the contribution of global business groups to state revenue becomes more aligned with the economic benefits they derive locally. Cross-border fiscal justice is achieved when developing countries like Indonesia are no longer limited to receiving minimal revenues from the operations of global digital giants within their domestic markets, moving the global taxation system toward a more inclusive paradigm.

The implementation of fiscal policy is inseparable from administrative challenges that affect the effectiveness of its enforcement. However, fiscal justice does not only depend on the design of norms, but also on the administrative capacity to consistently enforce these regulations across various categories of business actors. Keen and Slemrod argue that tax systems designed for large business groups often require adequate information technology infrastructure and monitoring resources (Keen & Slemrod, 2017). If tax authorities are able to monitor the compliance of large platform companies through data exchange, electronic reporting mechanisms, and international cooperation, the distribution of the tax burden between large companies and small and medium-sized businesses will become more balanced. Relatively smaller conventional businesses will feel that digital tax regulations truly place global companies within a reasonable scope of oversight, so that the tax burden is not focused solely on groups that are easier to monitor (Jan, 2022). When enforcement capacity strengthens, the sense of fairness tends to increase across all levels of business.

The tax compliance burden is often a determining variable in assessing the extent to which fiscal policy is considered fair. Fiscal fairness also touches on the issue of compliance costs borne by businesses. Slemrod and Venkatesh highlight that excessive tax administration burdens can reduce perceptions of fairness, especially when these burdens are disproportionate to the scale of the business (Slemrod & Venkatesh, 2002).

In addition, the adoption of self-assessment systems and digital tax technologies can play a crucial role in reducing compliance complexity and improving transparency. By integrating electronic reporting platforms and automated calculation tools, businesses are better able to plan for tax obligations, minimize errors, and reduce opportunities for inadvertent non-compliance. This approach not only supports fairness perceptions but also strengthens the overall efficiency of tax administration, particularly in contexts where cross-border digital transactions are increasingly common.

In addition, proper management of costs is an important factor for business actors in assessing the impact of digital taxes on their profitability. Break-even point (BEP) analysis can be used to understand the break-even point and optimal cost control strategies, so that new tax policies do not place an excessive burden on company cash flow (Sinambela et al., 2022). In Indonesia's digital tax regulations, the appointment of foreign providers as VAT collectors needs to be designed with efficient administrative mechanisms, such as simple electronic registration and reporting. For conventional businesses, fairness is reflected when the VAT compliance procedures they follow are not significantly more complex than the obligations borne by global platform companies. If platform companies are given a relatively easy compliance scheme, while domestic businesses are burdened with complicated reporting requirements, the perception of fairness may be disrupted again even though the tariff burden is formally equal. Balanced regulations on administrative compliance are an important element in ensuring the acceptance of policies by the business world.

An analysis of fiscal justice is incomplete without looking at how the tax burden is ultimately shifted within the economic chain. In addition, fiscal justice is related to the impact of digital tax

policies on the price structure faced by end consumers (Cahyadini et al., 2023). The literature on tax incidence reminds us that the formal tax burden borne by producers is not necessarily the same as the economic burden that occurs, because some of it can be shifted to consumers through price adjustments (Fullerton & Metcalf, 2002). The imposition of VAT on digital products can increase the price of digital services consumed in Indonesia, both from conventional businesses and global platforms. However, if prior to the new regulation consumers had been paying prices that included an extra profit component due to the absence of tax, then the addition of VAT can be seen as an adjustment that brings the distribution of economic surplus closer between producers, consumers, and the state. In other words, fiscal justice does not only concern business actors, but also the distribution of the burden between business actors and platform service users. Through this perspective, the understanding of fiscal justice becomes more comprehensive because it covers all parties involved in digital transactions.

Efforts to assess digital tax fairness require a normative basis that links theoretical principles with applicable concrete regulations. Normatively, digital tax regulations in Indonesia reflect efforts to balance the tax burden between conventional businesses and platform-based companies that earn income from Indonesia through a number of instruments: equalization of VAT on consumption, strengthening of the legal basis for collection, and participation in international tax reform. These measures bring the tax burden closer to the principles of horizontal and vertical fairness recognized in taxation literature. However, the degree of fairness achieved still depends on consistent implementation, the administrative capacity to supervise global platform companies, and the development of instruments that address the profits of multinational companies that are highly dependent on the Indonesian market. Periodic evaluation of the experiences of conventional and digital businesses in fulfilling their tax obligations will greatly determine the final assessment of the extent to which existing regulations reflect the expected fiscal fairness. Through continuous evaluation, the effectiveness of digital tax policies can be directed towards an increasingly optimal level of fairness.

The position of digital taxation policy as a balancing instrument demonstrates its significance for the national economic structure. In a broader observation, digital taxation regulations also test the state's commitment to the principle of equal treatment before tax law. Conventional businesses have long operated within a clear legal framework, although not always to their advantage, while platform companies operate in an increasingly narrow grey area. When new regulations limit this space and place both groups of businesses in a more balanced obligation scheme, the legitimacy of the tax system can increase. However, this increase in legitimacy will only last if the implementation of the rules takes into account the limitations of smaller businesses and does not result in a heavy additional burden on one side. Thus, fiscal justice as reflected in digital tax regulations is not a static condition, but rather a continuous balancing process between the interests of state revenue, the need for a healthy business climate, and the rights of taxpayers to receive equal treatment. This perspective emphasizes that the success of digital tax policy is not only measured by regulation, but also by the continuity of its implementation.

CONCLUSION

Digital tax regulations for platform-based companies in Indonesian positive law mark a shift from a tax regime based on physical presence to recognition of cross-border economic activities based on technology. Through the expansion of VAT objects on the use of Intangible Taxable Goods and Taxable Services from outside the customs area, the designation of foreign providers as VAT collectors, and the strengthening of the legal basis in Law Number 7 of 2021 concerning Taxation Regulation Harmonization (HPP), the state is attempting to close the regulatory gap on cross-border digital transactions. However, in the area of income tax, adherence to the concept of permanent establishment and the source principle still limits Indonesia's ability to optimally tax the profits of multinational digital companies, so synchronization with developments in international standards within the framework of the OECD/G20 Inclusive Framework on BEPS remains an important agenda.

From a fiscal justice perspective, these measures reflect efforts to equalize the burden between conventional businesses and platform-based businesses that both earn income from Indonesia. Horizontal justice is evident when the consumption of goods and services, whether through conventional or digital channels, is subject to a more comparable VAT so that domestic businesses are no longer disadvantaged by digital transactions that were previously difficult to reach.

At the same time, the dimension of vertical fairness comes to the fore when countries seek to ensure that global platform companies with large economic capacity do not continue to exploit regulatory loopholes to minimize their tax contributions. The degree of fairness achieved ultimately depends heavily on the consistency of implementation, the capacity of the tax administration to monitor platform companies, and the design of obligations that do not impose excessive compliance burdens on smaller businesses.

In practical terms, the established digital tax regulations provide a foundation for the development of clearer technical guidelines, the strengthening of tax information technology infrastructure, and the deepening of international cooperation to monitor cross-border digital transactions. To avoid becoming a barrier to innovation, digital tax regulations need to be accompanied by simplified procedures, especially for small and medium-sized businesses and conventional businesses that are transforming to digital or omnichannel business models. Further empirical research on the impact of these regulations on compliance, state revenue, and the business climate is still needed to assess the effectiveness of the policy and design more targeted improvements.

Furthermore, the perception of fairness among business actors plays a critical role in achieving compliance and legitimacy. When domestic and foreign companies perceive that obligations are applied equitably and consistently, the willingness to comply increases, reducing opportunities for tax avoidance and fostering trust in the regulatory system. Tools such as electronic reporting, self-assessment systems, and cost monitoring mechanisms can support this process by providing transparency and predictability, allowing businesses to plan and manage their financial obligations without undue uncertainty.

Finally, the evolution of digital tax regulations highlights the need for continuous adaptation to technological and market developments. As platform-based business models evolve rapidly, tax authorities must ensure that their policies remain relevant and effective without stifling innovation. This includes ongoing evaluation of compliance costs, the economic incidence of taxes, and the integration of emerging digital payment and transaction systems. By maintaining this adaptive approach, Indonesia can strengthen fiscal justice, enhance state revenue, and promote a balanced and competitive business environment for both conventional and platform-based companies.

Overall, digital tax regulations in Indonesia can be viewed as an evolutionary process towards a more adaptive taxation system that is more sensitive to the demands of fiscal justice. The imposition of VAT on cross-border digital products, the strengthening of the principle of legality through the HPP Law, and active involvement in the BEPS framework demonstrate a commitment to reshaping the relationship between the state, conventional businesses, and platform-based companies. Fiscal justice in this context is not a final state, but rather a continuous balancing process between the state's revenue needs, protection of the tax base, healthy business competition, and the rights of taxpayers to receive equal treatment before tax law.

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