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POTENTIAL REVENUE OF VALUE ADDED TAX FROM TRADE TRANSACTIONS THROUGH THE ELECTRONIC SYSTEM

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ABSTRACT

This study aims to estimate the potential revenue of taxing the digital commerce transaction in Indonesia by implementing Value Added Tax on e-Commerce. The estimation is calculated from Indonesia's electronic commerce projection from Statista in three scenarios: optimistic, moderate, and pessimistic. The estimated VAT on e-Commerce revenues from these three scenarios is compared with the VAT revenue in State Budget 2020. The estimates show that imposing VAT on e-commerce can raise the 3.02-5.35% VAT revenue target in 2020.
Keywords: digital commerce, Value Added Tax, VAT Revenue

BACKGROUNDS

Digital economic activities have become an essential part of the lives of Indonesian people, especially among urban communities. Not only that, suburban and rural communities are also included in the group that enjoys economic activities based on internet networks and applications/web. In addition, the development of the digital world creates new job opportunities that might not have been considered in the past five or ten years.

According to a Temasek publication in 2018, the internet-based economy in Indonesia has the fastest growth in the ASEAN Region. In 2018, the gross value of goods and services traded (GMV) in Indonesia reached US$27 million, or around 2.9% of Indonesia's gross domestic product (Google Temasek, 2018). This means that the Compound Annual Growth Rate of the internet-based economy in Indonesia has grown by 49%. This value is much higher when compared to Vietnam and Thailand as Indonesia's main competitors in the ASEAN Region. This considerable growth is also the contribution of Indonesian unicorns such as Tokopedia (2009), Gojek (2010), Bukalapak (2012), Traveloka (2010), and OVO (2017).

The development of new economic activities always creates market distortions. This sector has succeeded in dominating the market with various products and services to displace the old traders. In the United States, many large merchants, such as Forever 21 and Payless, have declared bankruptcy because consumers have switched to online stores (Vox, 2019).

One of the factors that cause online (online/online) store traders to be able to sell their goods and services at lower prices is the absence of the imposition of VAT on these goods and services. All delivery of goods and services in the customs area is subject to VAT unless otherwise regulated by the Law on Value Added Tax. However, there is no VAT levied on the price component that consumers pay in their online purchases. This results in an unequal competitive part between conventional and online traders.

Until the end of 2019, there is no global consensus regarding the treatment of income tax for the digital-based economy, considering that the character of this activity can be very different from conventional business activities. The OECD, as an organization that is the center of tax policy for most countries in the world, has indeed issued recommendations for handling tax base erosion and profit shifting, known as BEPS Action 1, concerning the Digital Economy. However, this report still cannot answer how to impose income tax on digital-based economic activities.

While waiting for a joint consensus on Income Tax, several countries are implementing interim measures or temporary arrangements so that these digital companies continue to pay taxes. For example, the European Union is proposing to apply a tax levy of 3% for certain services. Several other countries impose VAT on delivering goods and services—based on electronics, like India, Australia, Italy, New Zealand, and the European Union. VAT is set based on the destination principle, where the Value Added Tax or Sales Tax is charged to the final consumer who consumes the goods.

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At the end of 2018, Indonesia also attempted to impose VAT on the sale of goods/delivery of digital services by issuing Minister of Finance Regulation Number 210/PMK.010/2018 concerning Tax Treatment of Trade Transactions Through Electronic Systems (E-Commerce). This regulation is planned to take effect from 1 April 2019. However, this regulation was revoked on 28 March 2019 due to pressure from journalists and trade associations members of the Indonesian Chamber of Commerce. These parties argue that this regulation only regulates domestic platform providers and creates discrimination against multinational companies that also provide goods and services to consumers in Indonesia (Ministry of Finance, 2019). In addition, there is an assumption that this regulation creates a new tax imposition that is not in Indonesia's applicable tax laws and rules.

VAT collection with the WITHVAT system can be effective because it provides incentives for consumers to provide information about their country of origin so that consumers get input taxes/tax credits. There are no incentives for sellers to avoid taxes and no distortion of sectoral allocation efficiency (Stehn, 2003).

The transfer pricing rules that apply until 2019 can be adapted to the data mining business model (Olbert & Spengel, 2019). This study shows that policymakers and past studies have ruled out the implementation of indirect taxes and that the transfer of profits can be a problem in the digital economy, even if uncertain. Policymakers are advised to focus on collecting taxes on consumption and enforcing the destination principle through VAT. A new tax nexus should not be an objective for policymakers unless data collection via the Internet is considered value creation.

A study on VAT and the Digital Economy in Canada in 2017 also stated that there is equal treatment (level playing field) between domestic and foreign traders of digital products and services in Canada. This can be done by requiring foreign merchants to register, collect and report taxes on the sale of digital goods and services in the end consumer's country of residence. Until the end of 2019, around 65 countries have imposed VAT for similar reasons.

The European Union is proposed to reform its VAT system to facilitate the development of digital economic activities in the European Union (Juanpere, 2019). Making the European Union an integrated territory for VAT purposes can help reduce the costs involved in bureaucracy. This is believed to provide convenience for taxpayers and assist tax officials in exchanging information.

Several publications and research from international organizations predict that Indonesia's digital economic activity market will continue to grow and make a significant contribution to GDP. However, the distortions created by digital economic activities in business activities also cannot be ignored. One way to develop balanced competition is to provide equal tax treatment between digital and conventional businesses. Because there is no consensus regarding Income Tax, this article will focus on discussing the imposition of VAT on digital transactions by domestic and international traders.

Based on the problems and conditions previously described, the issues raised concern about the potential for VAT receipts from digital goods and services from domestic and international traders. For this reason, an analysis of Potential Value Added Tax Revenue from Trade Transactions through Electronic Systems (TTES) is carried out. This paper attempts to answer two questions, (1) How much is the potential for Value Added Tax (VAT) from trade transactions through electronic channels? (2) What policy design mechanisms can Indonesia apply to charge VAT on Electronic Systems transactions from domestic and international traders?

LITERATURE REVIEW

Value-added tax (VAT)

VAT is a tax imposed on any added value of goods or services in circulation from producers to consumers. VAT is a type of indirect tax because the tax is paid by other parties (traders) who are not tax bearers. As a tax bearer, the final consumer does not deposit or report directly the taxes he bears.

The entrepreneur in question whose one-year turnover exceeds the threshold of IDR 4.8 billion as stipulated in the Minister of Finance Regulation Number: 197/PMK.03/2013. Taxable Entrepreneurs must report and pay taxes collected from their sales. PKP can also credit the input tax he spent on purchasing raw materials as a tax deduction that must still be paid to the state treasury.

In the imposition of VAT, the Basis for Imposition of Tax is the amount of the Selling Price, Replacement, Import Value, Export Value, or Other Value determined by the Decree of the Minister of Finance, which is used as the basis for calculating the tax payable. The VAT payable is calculated by multiplying the the Basis for Imposition of Tax by the VAT rate, which is 10%. Through the Minister of Finance Regulation, the Minister of Finance can determine the Basis for the Imposition of Other Value Taxes for a sense of justice.

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VAT payable = the Base for the Imposition of Tax x 10%

Principles of Imposition of Value-Added Tax

In 2011, the OECD, an organization that has become a center for countries in the world in tax policy and administration, published the OECD International VAT/GST Guidelines Guidelines on Neutrality. In this publication, the Committee on Fiscal Affairs explains the principles of imposing a VAT. First, VAT is a tax on consumption paid by the final consumer and collected by the seller. Second, taxes are imposed broadly (instead of excises covering specific products). Third, companies are not supposed to bear the VAT burden independently, so there is a mechanism for refunds or tax credits imposed between companies (input and output tax agents). Fourth, the Value Added Tax crediting system is based on a gradual process, with each company deducting input tax on purchases and recording output tax. Fifth, the imposition of VAT in international trade is based on the objective or destination principle. This means that exports are exempt from VAT, and imports are taxed on the same basis and rates as local products. This principle was confirmed as a rule by the WTO.

Ottawa Taxation Framework

The principles that must be met in imposing taxes on digital economic activities (OECD, 1998) include the principles of neutrality, efficiency, certainty and simplicity, effectiveness and fairness, and flexibility/flexibility.

1. Neutrality. Taxation must be neutral and equal between digital and conventional transactions taxation. Business decisions should be driven by economic reasons, not by the imposition of taxes. Taxpayers who carry out similar transactions should be subject to the same tax provisions regardless of how they carry out their business.
2. Efficiency. Compliance costs for taxpayers and administrative expenses for tax authorities must be minimal.
3. Certainty and Simplicity. Tax rules must be clear and straightforward to understand so taxpayers can anticipate the consequences of transactions in advance, including knowing when, where, and how to calculate their tax obligations.
4. Effectiveness and Fairness. The tax system should produce the amount owed at the right time. The potential for tax avoidance and evasion needs to be minimized while at the same time carrying out risk prevention measures.
5. Flexibility/Dexterity. The tax system must be sufficiently flexible and dynamic to ensure that it can adapt to technological and economic developments.

OECD recommendations

Tax authorities can impose entire VAT liability on digital platforms conducting online sales where digital media perform a role or introduce various simple VAT systems (OECD, 2019). Other aspects that also need attention are the exchange of information between sellers and tax authorities, education for sellers, and formal cooperation between platforms and tax authorities. It is necessary to take supporting steps to ensure efficient and effective VAT collection on online sales in addition to targeting digital media, such as online sellers who do not carry out their business activities through digital platforms (direct sellers) and the importance of cooperation between tax authorities and import duties at the domestic level, and internationally, as well as support for increasing compliance through risk analysis.

Policy Framework

After examining various VAT imposition practices on trade transactions through electronic

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systems in other countries, the matrix is obtained in Table 1. The components generally present in the VAT imposition of digital transactions in these countries are simple registration, simple reports, tariffs, more extended reporting periods of regular VAT reporting, and registration thresholds. Countries may introduce different VAT Taxable Company registration points in the digital economy with the turnover threshold for fully Taxable Company registration.

Table 1 The practice of imposing VAT on TTES in countries

Country	Simple Registration	Simple Tax Report	Tax invoice	Rates	Reporting period	Turnover limits for collecting VAT
Australia[a]	Yes	Yes	No	10%	3 months	AU$75,000
New Zealand[b]	Yes	Yes	No	15%	6 months	NZ$60.000
Singapore[c]	Yes	Yes	Only for B2B.	7%	accounting period (generally 3 months)	S$1 million
European Union Mini-one-stop-shop (“MOSS”)[d]	Yes, the shape is different in each country	Yes	Depends on each country	Depends on each country	3 months	EUR10.000
India[e]	Yes		compulsory	1%	Three months and yearly	Rp20 lakhs
South Africa[f]	Yes			14%	Every one or two months	R1 million

Source: [a](Australian tax Office, 2017), [b] (Inland Revenue, n.d.), [c] (Inland Revenue Authority of Singapore, 2019), [d] (European Commission, 2019), [e](Cleartax, 2019), [f] (South Africa Revenue Services).

Calculation Method

To obtain an estimate of VAT receipts for trade transactions through electronic systems, a calculation is performed by multiplying the trade transactions through electronic systems amount as the Basis for the Imposition of Tax with the VAT rate and the level of compliance for each scenario.

VAT receipts = the Basis for Imposition of Tax x 10% x % compliance

This paper calculates the estimated VAT receipts from trade transactions through electronic systems by simulating three scenarios, namely optimistic, moderate, and pessimistic scenarios. The data used is trade transactions through electronic systems Indonesia turnover projection data from Statista. The trade transactions through electronic systems data from Statista is then multiplied by the Indonesian VAT rate of 10% to get the tax revenue figure.

This simulation assumes that there are no changes in behavior or other changes after tax imposition (ceteris paribus).

1. Optimistic scenario. The taxpayer compliance rate is assumed to reach 100% in this scenario. This means that all domestic and international taxpayers who meet the requirements to register as VAT collectors fulfill their tax obligations accordingly.
2. Moderate scenario. The taxpayer compliance rate is assumed to reach 80% in this scenario. This means that there are a small number of

taxpayers who fulfill their tax obligations, such as by not registering to collect VAT from trade transactions through electronic systems, not reporting and depositing the amount of VAT that has been collected in the correct amount, or not collecting and reporting VAT as it should.

3. Pessimistic scenario. The taxpayer compliance rate is assumed to reach 60% in this scenario, which means that a large proportion of taxpayers do not fulfill their tax obligations correctly.

Estimated VAT receipts from PMSE transactions

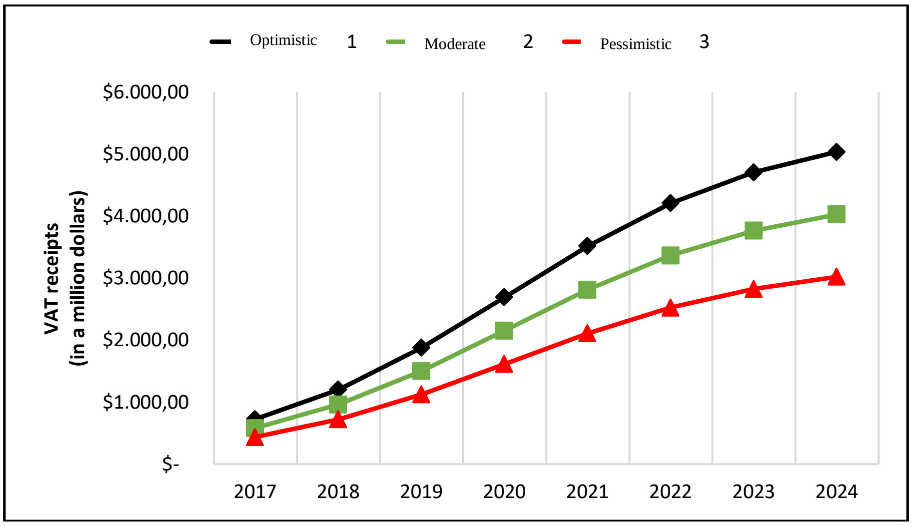
In estimating Value Added Tax revenue from trade transactions through electronic systems, data on the projected size of trade transactions through electronic systems transactions is used from Statista as of December 2019.

Table 2 Trade Transactions through Electronic systems Projection (in a million dollars)

Year	2017	2018	2019	2020	2021	2022	2023	2024
PMSE transactions	$7.262	$12.025	$18.764	$26.922	$35.161	$42.075	$47.067	$50.361

Source: Processed data

The total PMSE transaction figures in Table 2 are then multiplied by the VAT rate in Indonesia, which is 10%. To see variations in revenue estimates based on compliance levels, three scenarios were made assuming compliance rates of 100% (Optimistic Scenario), 80% (Moderate Scenario), and 60% (Pessimistic Scenario) to obtain estimated revenues, as shown in Figure 2.



Source: Processed data

Figure 1 Estimated VAT Receipts from PMSE Transactions

In the Optimist Scenario, VAT receipts from TTES in 2024 will reach $5,036.10 million or around IDR68 trillion. VAT receipts from TTES transactions in 2024 for the Moderate Scenario are $4,028.88 million or about IDR54 trillion. For the Pessimistic Scenario, the estimated VAT receipts from TTES transactions are $3,021.66 million or about IDR41 trillion.

The estimated VAT receipts from TTES transactions for 2020 obtained in Table 2 are compared to the target for VAT receipts in 2020, which is IDR 685.9 trillion. This is done to show how significant the increase in VAT revenue would be if Indonesia had imposed a tax on TTES transactions in 2020.

In Table 3, the estimated VAT receipts from TTES transactions in 2020 are converted into rupiah to show a more precise comparison. When compared with the three compliance level scenarios, VAT receipts can at least contribute IDR 22,001,611,440,000 or 3.02% of VAT receipts. If using a sensible plan, the contribution of VAT

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revenue from TTES transactions is IDR 29,335,481,920,000 or 4.2769% of the total VAT receipts. As for the optimistic scenario, the imposition of this tax will increase revenue by IDR 36,669,352,400,000 or around 5.3462% of the total VAT revenue target.

Table 3 Estimated VAT Receipts from TTES transactions (in IDR million)

Year	Optimistic scenario	Conversions in IDR	Moderate scenario	Conversions in IDR	Pessimistic scenario	Conversions in IDR
2017	$ 726.20	IDR 9,891,272.46	$ 580.96	IDR 7,913,017.97	$ 435.72	IDR 5,934,763.47
2018	$ 1,202.50	IDR 16,378,759.48	$ 962.00	IDR 13,103,007.58	$ 721.50	IDR 9,827,255.69
2019	$ 1,876.40	IDR 25,557,675.08	$ 1,501.12	IDR 20,446,140.06	$ 1,125.84	IDR 15,334,605.05
2020	$ 2,692.20	IDR 36,669,352.40	$ 2,153.76	IDR 29,335,481.92	$ 1,615.32	IDR 22,001,611.44
2021	$ 3,516.10	IDR 47,891,356.50	$ 2,812.88	IDR 38,313,085.20	$ 2,109.66	IDR 28,734,813.90
2022	$ 4,207.50	IDR 57,308,632.43	$ 3,366.00	IDR 45,846,905.94	$ 2,524.50	IDR 34,385,179.46
2023	$ 4,706.70	IDR 64,108,030.95	$ 3,765.36	IDR 51,286,424.76	$ 2,824.02	IDR 38,464,818.57
2024	$ 5,036.10	IDR 68,594,653.30	$ 4,028.88	IDR 54,875,722.64	$ 3,021.66	IDR 41,156,791.98

Source: Processed data

The imposition of VAT on TTES transactions in 2020 can provide an additional 3-5% of VAT receipts 2020. This is a significant increase, especially with relatively small fees, since all registration, reporting, and payment processes are online. High costs may be required at the start of introducing new regulations for the imposition of VAT from this VAT transaction, such as for socialization and dissemination of policies, as well as adding features to the current tax system owned by the Directorate General of Taxes.

To look further into the past, estimates of VAT receipts from TTES transactions can be compared with actual VAT receipts from 2017 to 2019, as shown in Table 4. If Indonesia has imposed VAT on TTES transactions, Indonesia will receive an additional 1-2% of the target VAT receipts in 2017. From 2017 to 2020, estimates of VAT receipts from TTES transactions continue to increase in line with the increasing volume of TTES transactions in Indonesia. This figure is expected to continue to grow in line with the increase in internet users and technological developments.

Table 4 Percentage of VAT Receipts from TTES Transactions compared to Realization or VAT Receipt Targets

Year	2017	2018	2019	2020
Realization/Target	IDR475,5T[R]	IDR541,8T[R]	IDR655,39T[R]	IDR685,9T[T]
Optimistic scenario	2.08%	3.02%	3.90%	5.35%
Moderate scenario	1.66%	2.42%	3.12%	4.28%
Pessimistic scenario	1.25%	1.81%	2.34%	3.21%

Note: [R]Realization of VAT receipts for the relevant year, [T]Target for VAT receipts for the relevant year.
Source: Processed data

Table 4 shows additional VAT receipts from TTES transactions that Indonesia should receive. In 2019, VAT revenue only reached 81.31% of the target, IDR 532.91 trillion. An additional IDR15-25 trillion from TTES transactions is a significant increase. The estimated percentage of VAT receipts from TTES transactions which continues

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to increase yearly makes this policy even more urgent to implement immediately.

Policy design

A policy design ensures that the policy is implemented according to tax principles, as shown in Table 5. Unlike the draft for imposing VAT on TTES transactions proposed by the Ministry of Finance in the Draft Omnibus Law on Taxation, which focuses on intangible goods and digital services, this paper suggests that Tax Value Added on TTES transactions is imposed on all goods and services, both tangible and intangible.

Table 5 Draft VAT Imposition in Indonesia

Policy Aspects	Policy Choices
Object	Goods, services, digital services, and digital products
Taxpayer	Platform operators, electronic market operators, sellers, service providers
Scope	Domestic and international
Registration	Simple
Reporting	Simple
Rates	10%
Turnover threshold for PKP – digital	IDR 4.8 billion
Taxpayer Obligations	Collect, deposit, and report taxes
Reporting period	Three months
Registration data	Company name, physical address, type of business, country of origin, tax identification number in the land of birth, contact person to contact
Reporting data	The amount of sales in Indonesia, the amount of tax collected, the number of transactions
Obligation to issue tax invoices	There aren't any

Source: Author

Tax collection is carried out by the Indonesian tax system, a self-assessment system in which the taxpayer is obliged to calculate, deposit, and report his tax payable. Registration, deposit, and reporting of VAT from TTES transactions must be made as simple as possible to make it easier for taxpayers to fulfill their obligations and reduce compliance costs for taxpayers and tax officials.

The mechanism for registering, depositing, and reporting VAT from TTES transactions must be as easy as those for digital economic activities. Currently, buyers only need the internet and a smartphone to buy goods. The imposition of VAT on TTES transactions should be as easy as shopping online, just with a smartphone and the internet. There are no physical documents to submit to the tax collector, and transferring to the state treasury without a local bank account also makes payments.

The policy aspects of imposing VAT on trade transactions through the electronic system are as follows.

1. VAT objects from TTES transactions. VAT objects include goods, services, and digital products. The imposition of VAT on goods and services is the basic principle in the consumption tax. The addition of digital products as VAT objects has been accepted internationally, both from the tax administration and industry perspectives. The international world agreement to charge VAT for the purchase or use of digital products is inseparable from the nature of the use of consumer goods. These digital products can be streaming subscriptions such as Netflix or Spotify, software purchases, webinars, online classes, etc.
2. Value Added Tax Rates for TTES transactions use the standard VAT rate of 10% to guarantee equal tax treatment between online and conventional sellers. Government Regulation can change this rate in the range of 5% to 15%.
3. Turnover limit. All entrepreneurs who deliver taxable goods and services in Indonesia must

register themselves as Taxable Entrepreneurs. However, the Law on Value Added Tax provides an exception for small entrepreneurs through a Minister of Finance Regulation. This proposal proposes that the turnover used to separate small entrepreneurs for VAT purposes from TTES transactions is the same as the standard VAT registration turnover limit, IDR4.8 billion.

4. Collectors and reporters. The government can appoint online platform/market operator entrepreneurs, sellers, and providers to collect, report, and deposit VAT payable on TTES transactions. Platform operators/online market operators, sellers, and service providers are appointed to manage taxes at the source to ease the burden of tax collection for tax officials as well as customs and excise officers guarding the borders.
5. Proxies. The proxy determines that the consumer of digital goods/services/products is a resident of Indonesia. The seller/electronic market operator must collect VAT and deposit it to the Indonesian tax authorities depending on the choice of platform or the seller himself. The following are proxies that are commonly used in determining the country of the purchaser/user of goods, services, digital products, and digital services: (a) IP address during registration and usage; (b) billing address/credit card address; (c) delivery address; and (d) country telephone code.

Simplified Registration and Reporting for VAT purposes

Registration for VAT from TTES transactions needs to be as simple as possible to encourage voluntary compliance from sellers. For this simple registration process, taxpayers only need to report core data, including company name, physical address, type of business, country of origin, tax identification number in the land of birth, and contact person to contact. Suppose the tax official requires further information, such as, for example, to conduct an audit or tax audit. In that case, the tax officer can use the tax identification number in the country where the seller is domiciled to request an Exchange of Information on Request.

Reporting also needs to be made simple and easy. The points that need to be reported are the number of sales in Indonesia, the amount of tax collected, and the number of transactions from Indonesian buyers to these sellers.

Building a Taxpayer Profile

In introducing new regulations, the government must conduct outreach so taxpayers can understand their tax rights and obligations. Since many VAT taxpayers from TTES transactions are outside Indonesia, a direct approach is complex and requires a lot of money. The tax officer needs to set priorities for outreach so that later tax imposition costs do not exceed VAT receipts from this TTES transaction. Even though the taxation system in Indonesia uses a self-assessment system, tax officers can still conduct inspections to check the correctness of taxpayers' deposits and reports.

As a risk management strategy, several things can be used to build taxpayer profiles and determine priorities both in introducing this new rule and conducting future audits, including:

1. Internet profiling. This data is obtained by surfing the internet to estimate the platform's users and the price range of goods and services offered.
2. Paid data from private parties like Orbis, Statista, and Quantium.
3. Data from the Center for Financial Transaction Reports and Analysis (PPATK).
4. Exchange of information for tax purposes.
5. Company financial statements.
6. List of platforms that have registered in other countries. Several countries, such as Japan (http://www.nta.go.jp/publication/pamph/shohi/cross/touroku.pdf) or Russia (https://lkioreg.nalog.ru/en/registry), announced the list of platforms that have registered themselves as VAT collectors and depositors from TTES transactions.
7. Data on packages entering Indonesia through the border owned by DGCE. DJBC has records.
8. Data regarding digital/internet activities accessed by Indonesian internet users from the Ministry of Communication and Information.

Transition period/Grace period

The relatively long transition or introduction period allows e-market sellers/operators to fulfill their tax obligations. During this introduction period, tax officers also communicate intensely with sellers/electronic market operators to provide an adequate understanding of their tax obligations. This period can range from 6 months to two years.

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Communication strategy

Communication is essential in imposing VAT from TTES transactions because most taxpayers required to register to collect, deposit, and report VAT are outside Indonesia. DGT has formed a special team on the imposition of VAT from TTES transactions to focus on handling this issue starting from the formulation of policies, preparation of implementation instruments, and their imposition. The team will also be responsible for communicating with potential VAT taxpayers from TTES transactions. Communication steps can be carried out in stages: (1) Public dissemination through policy dissemination and broadcasting through official government social media accounts so that this new regulation can be known to the broader community. (2) Direct contact with taxpayers potentially affected by this new rule. (3) Appointment of Account Representatives responsible for overseeing the fulfillment of their tax obligations and are available to provide consultations for taxpayers.

CONCLUSION

Based on the qualitative analysis and estimation of VAT receipts from TTES transactions, several conclusions can be drawn: (1) Transactions for delivering goods and services in any form and method are subject to VAT in the country where the goods and services are consumed. (2) Indonesia has the right to tax on transactions of goods and services, both physical and digital, that are sold to Indonesian consumers. (3) Estimated VAT receipts from TTES transactions with three scenarios show that the imposition of VAT from TTES transactions will provide an additional 3.02-5.35% of the 2020 VAT revenue target. (4) The government must provide a legal basis and system for foreign companies selling goods, services, and digital products to become VAT collectors to fulfill their tax obligations by registering, depositing tax payable, and reporting.

With the imposition of VAT from TTES transactions, the price paid by consumers will increase by 10% compared to usual. The imposition of VAT from TTES transactions makes the fees consumers pay through conventional and online sellers more competitive. Because of rising prices, consumers will delay or reduce their purchases in the early stages. If the demand for goods is relatively inelastic, the standard burden incurred due to taxation will be small because the change in direction is not significant. But if the demand for goods is elastic, the shift in the market made by consumers will be pretty substantial and cause a standard load loss that is also quite large. Most consumers will probably still buy goods from online shops and markets because there are other conveniences of online shopping, including product delivery to the destination address, ease of payment, and time savings. After all, purchases can be made without visiting a store.

The imposition of VAT on TTES transactions can provide significant revenue for the Indonesian government. Still, several things might become room for optimizing policies: (1) The government's proposal for imposing VAT on TTES transactions in the Tax Omnibus Bill only covers intangible goods. In contrast, the collection of VAT for tangible goods will be carried out by Directorate General of Customs at the border. Including real interests in the scope of VAT imposition of TTES transactions will provide convenience for Directorate General of Customs and reduce compliance costs for both the government and consumers. (2) Directorate General of Taxation, as the tax administration, must cooperate with other related institutions and business players to obtain the necessary data to analyze the risk of taxpayers doing business in the e-commerce sector.

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