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THE VALUE-ADDED TAX (VAT) MODEL FOR DIGITAL CRYPTOCURRENCY TRANSACTIONS IN INDONESIA

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Abstract

This research aims to understand the model of value-added tax collection on digital cryptocurrency transactions in Indonesia. The type of research conducted in this study is a qualitative approach, which is a research procedure that produces descriptive data in the form of written or spoken words from people and observed behaviors. The data collection techniques used are observation, interviews, and documentation. Observation involves systematic observation and recording of visible phenomena on the research object, interviews involve a meeting of two people to exchange information and ideas through questioning and answering to construct meaning in a specific topic, and documentation method is a data collection method through records, books, newspapers, magazines, inscriptions, minutes, agendas, or even pictures. The data analysis method used in this study is descriptive analysis, a process of analyzing data to describe an overall analysis of the presented data without using statistical formulas or measurements. The data analysis in this study uses an inductive thinking pattern. The results of this research show that the VAT registration procedures for crypto companies in Indonesia are generally the same as other companies; when meeting the requirements to have a Taxpayer Identification Number (NPWP), registration is mandatory. The VAT collection process for crypto companies in Indonesia has been well regulated, including the collection of taxes on the sale and purchase of crypto assets, the exchange of crypto assets, and the exchange of crypto assets for goods or services. The VAT collection determines the amount to be paid when conducting crypto asset transactions.

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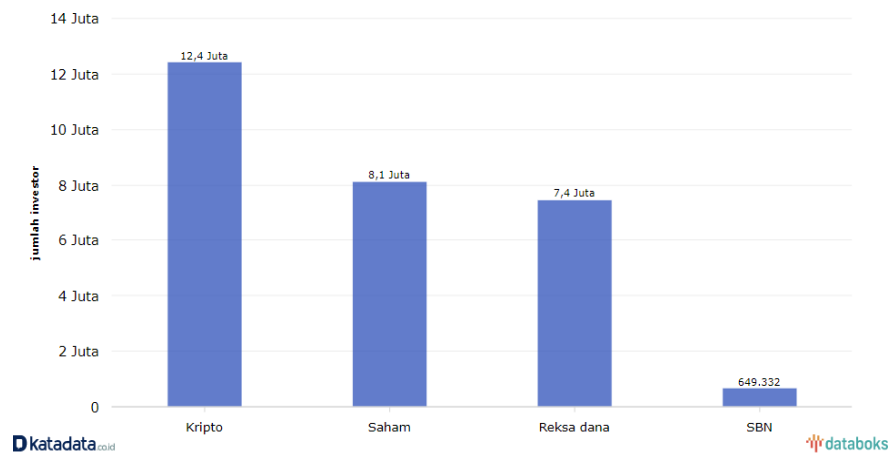
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INTRODUCTION

Technological and informational advancements drive developments in other fields such as payment instruments and investments. Cryptocurrency has been used as a payment tool in several countries and as a profitable investment instrument. This is increasingly recognized by the Indonesian public and globally with various types such as BTC, ETH, BNB, XRP, USDT, and many more (Maciel, 2021). In Indonesia, cryptocurrency is regulated as a digital asset governed by the Minister of Trade Regulation Number 99 of 2018 concerning General Policies for the Implementation of Crypto Asset Futures Trading, and the Commodity Futures Trading Supervisory. Agency Regulation Number 2 of 2019 concerning the Implementation of Commodity Futures Trading.

According to a report from the Commodity Futures Trading Regulatory Agency (BAPPEBTI), there were 12.4 million cryptocurrency asset investors in Indonesia as of February 2022. Compared to 2021, the number of investors increased by 532,102 (Asset et al., n.d.). This number exceeds the population of investors in the stock market, mutual funds, and also government securities. Meanwhile, according to records from PT Kustodian Sentral Efek Indonesia, the number of stock market investors as of February 2022 reached 8.1 million. Mutual fund investors in February 2022 totaled 7.44 million, while government securities investors were 649.3 thousand.



Sources: Rahman (2022)

Until now, there has been no research analyzing the methods of collecting value-added tax (VAT) on digital cryptocurrency transactions in Indonesia (Hairudin et al., 2022). Therefore, this study will discuss the overview/scheme of imposing value-added tax (VAT) on digital cryptocurrency transactions in Indonesia. It will also discuss the implementation of value-added tax (VAT) on crypto asset transactions from the perspective of tax collection principles (Cachanosky, 2019).

ANALYTICAL METHOD

Based on the issues researched, the research approach used in this study is a qualitative approach, which is a research procedure that produces descriptive data in the form of written or spoken words from people and observed behaviors. The qualitative research approach provides an objective description of a problem in the study.

This research was conducted in January 2023 at the North Makassar Pratama Tax Service Office, located at Jl. Urip Sumoharjo No. KM.04, Karuwisi Utara, Kec. Panakukkang, Kota Makassar, Sulawesi Selatan 90232. The data collected by the author in this study are primary data. Primary data is the source of data obtained directly from the original source (not through intermediary media). Primary data is data that can be directly obtained and presented as a source of research and direct observation on the object or company where the author conducts research. This is done through field research by interviewing parties directly related to the research conducted. The primary data sources in this study were obtained from interviews with informants at the Makassar City Tax Service Office. The researcher used data collection techniques of observation, interviews, and documentation. Based on the research specifications, the researcher will use descriptive analysis methods to analyze the data qualitatively, which is the process of data analysis with the intention of describing the overall analysis of the data presented without using statistical formulas or measurements. Data analysis in this study uses an inductive thinking pattern. Inductive thinking means the data obtained will be analyzed through qualitative descriptive analysis, which describes the data systematically to reach a conclusion.

RESULTS AND DISCUSSION

Research Findings

1. General Overview of Tax Imposition on Cryptocurrency Trading Transactions in Indonesia

According to PMK 68/PMK.03/2022, starting from May 1, 2022, cryptocurrency trading transactions are subject to tax. There are three categories of cryptocurrency trading transactions that are taxed: (1) buying and selling cryptocurrency using fiat currency, (2) exchanging cryptocurrency with cryptocurrency (swap), and (3) exchanging cryptocurrency with other goods. PMK 68/PMK.03/2022 also regulates the taxation on services provided by electronic facilities by exchangers/e-wallets and mining services (Maulani, 2021).

a. General Overview of Value Added Tax Imposition

Value-added tax (VAT) is imposed on the delivery activities in cryptocurrency trading transactions, while the income is subject to income tax (PPh). The tax on cryptocurrency trading transactions is collected by Electronic System Trade Providers (Penyelenggara Perdagangan Melalui Sistem Elektronik or PPMSE), including exchangers and e-wallets. PPMSE here refers not only to domestic PPMSE but also to foreign PPMSE as stipulated in PMK 60/PMK.03/2022. The tax on transactions must be collected by PPMSE as long as the seller and/or buyer are within the customs area. VAT is imposed at a certain rate on the buyer/recipient of the cryptocurrency asset. VAT at a rate of 0.11% of the transaction value is imposed if the exchanger is registered with Bappebti. A higher VAT rate of 0.22% is imposed on transactions conducted through an exchanger registered with Bappebti. The input tax related to the delivery of these cryptocurrency assets cannot be credited by the seller. The provision of electronic facilities services (exchanger) is also subject to tax because these services are considered taxable services like other general services (Elsayed et al., 2022). However, PMK 68/PMK.03/2022 only emphasizes that the VAT imposition mechanism on exchanger services follows the general VAT mechanism, such as:

registration as a taxable entrepreneur (PKP), VAT collection, VAT payment to the state treasury, and VAT reporting with VAT Periodic Tax Returns (SPT Masa PPN). Some of these exchanger services include: a) Provision of electronic facilities for cryptocurrency transactions; b) Withdrawal services; c) Deposit services; d) Transfer services of cryptocurrency between e-wallets; e) E-wallet services; f) Other services.

b. Qualification of Crypto Companies as VAT Collectors

Regarding the qualification of crypto companies as VAT collectors, an Account Representative (North Makassar Pratama Tax Service Office) stated: “In this interview, the informant mentioned that there is no standard regulation for being designated as a VAT collector as long as the entity performs its duties and functions as an exchanger, it is indirectly appointed as a VAT collector.” Based on the explanation from the Account Representative (North Makassar Pratama Tax Service Office), the qualification for tax imposition on crypto companies does not have standard regulations to be confirmed as VAT collectors (Mahdi Sahi et al., 2022).

c. Information on Crypto Company Profits

Regarding the difficulty in obtaining information on the profits of crypto companies, the informant stated: “In this interview, the informant mentioned that the Corporate and Foreign Individual Tax Office obtains information about the income of companies based on digital production, for which the Directorate General of Taxes (DJP) has built a very complex system. All information can be accessed through the DJP, and the DJP cooperates with several parties such as banks and BAPPEBTI to obtain information related to digital products, in this case, Cryptocurrency.” Based on the explanation from the Account Representative (North Makassar Pratama Tax Service Office), the information system used by the DJP is highly capable.

d. Internal Challenges at the Tax Office in Implementing PMK-68

There are challenges in implementing the mandate of PMK-68, as indicated by the informant's response: “Tax imposition on digital cryptocurrency transactions is a new matter, especially regarding VAT on cryptocurrencies. There has been no socialization to users regarding the tax imposition on cryptocurrency transactions, and there is a need for socialization to sellers and buyers so they can understand the rules that tax has been imposed on crypto assets.” This response emphasizes that there is still a lack of socialization among crypto asset sellers and buyers, resulting in many people not understanding the flow or scheme of tax imposition on cryptocurrency transactions (Uddin et al., 2020).

e. DJP Administrative System for Imposing VAT on Digital-Based Companies

The administrative system is not yet adequate for the process of imposing VAT on exchanger companies, as the informant responded: “A system is needed that can meet the

existing needs, such as no delay in transactions, so that it can directly target the specified tax subjects and objects.” This response emphasizes that administrative system development is still needed to resolve all existing challenges effectively.

f. PMK-68 Policy to Address Conflicting Regulations

Regarding the PMK-68 policy in addressing differences in perception between domestic and foreign policies, the Account Representative (North Makassar Pratama Tax Service Office) stated: “There are no conflicting regulations between domestic and foreign policies yet. Here, we have a tax supervisory body where, if there are conflicting regulations, research will be conducted to review and amend those regulations.”

The Value Added Tax (VAT) collection process for crypto companies in Indonesia follows the general VAT collection cycle. Here is the applicable cycle or process:

1. **NPWP Registration (Taxpayer Identification Number):**
 - Crypto companies are required to register themselves as taxpayers and obtain an NPWP from the Directorate General of Taxes (DGT).
2. **Determining VAT Objects:**
 - The VAT objects for crypto companies include the sale of goods and services subject to VAT based on applicable regulations.
3. **VAT Collection:**
 - Crypto companies must charge VAT on the sale of goods and services offered to customers or clients. The current VAT rate is 10%.
4. **VAT Withholding (Withholding Tax):**
 - There are specific provisions in VAT that govern VAT withholding for certain types of transactions involving crypto companies.
5. **VAT Collection:**
 - Crypto companies must collect VAT from their customers or consumers on each VAT-liable transaction.
6. **VAT Reporting and Payment:**
 - Crypto companies are required to report the collected VAT in the VAT Return and pay the VAT to the DGT according to the prescribed schedule.
7. **Inspection and Law Enforcement:**
 - The DGT may conduct inspections of VAT compliance by crypto companies and enforce applicable tax laws if violations or non-compliance are found.

DISCUSSION

In this section, the researcher will describe and discuss information obtained through observations and interviews with research informants related to the Value-Added Tax (VAT) collection model on digital cryptocurrency transactions (Maciel, 2021). Cryptocurrency is a form of digital currency that utilizes blockchain technology and cryptography to secure information on transactions and exchanges conducted in digital markets (Cachanosky, 2019). The researcher selected one informant, an Account Representative from KPP Pratama Makassar Utara. Through interviews

with this informant, insights were gathered regarding the VAT collection model on digital cryptocurrency transactions in Indonesia. The aim was to understand the implementation model and gather information about cryptocurrency taxes.

In this study, the researcher employed three key components: Innovation, Communication Channels, and Time Frame, to achieve the intended goals regarding the success or failure of the VAT collection model on digital cryptocurrency transactions in Indonesia.

1. Qualification of Crypto Companies as VAT Collectors and Information on Crypto Company Profits

Based on interview results and observations regarding the appointment of crypto companies as VAT collectors, the qualification for taxation of crypto companies lacks standardized rules to establish them as VAT collectors. According to PMK-68, domestic crypto asset traders do not require specific mechanisms to be designated as tax collectors; once registered in the SE Digital Trading System (PPMSE), they are obligated to collect VAT. Electronic System Trading Organizers are business entities providing electronic communication facilities used for cryptocurrency asset trading transactions, including Physical Crypto Asset Traders (PMK-68). This regulation emphasizes the mandatory VAT collection obligation for registered traders within the SE Digital Trading System (PPMSE), which simplifies the process for domestic crypto asset traders to fulfill their tax obligations.

2. Policy PMK-68

PMK-68 is a regulation issued by the Minister of Finance of the Republic of Indonesia under number 68/PMK.03/2022 concerning Value-Added Tax and Income Tax on cryptocurrency trading transactions. During the interview conducted by the writer, the dissemination of information related to PMK-68 was still relatively unknown to the public, indicating a need for increased socialization efforts, especially among sellers and buyers of crypto assets, regarding the taxation rules for crypto assets. Utilizing information technology, the government needs to maximize the role of media to ensure clear communication of the applicable tax regulations for crypto assets.

Regarding differing perceptions of PMK-68 rules based on interviews with informants, such discrepancies have not been reported. However, it is crucial to anticipate and manage such scenarios effectively to prevent any rules or policies related to PMK-68 from conflicting with existing regulations.

3. DJP Digital-Based VAT Administration System

A well-functioning administrative system is crucial for handling various aspects effectively, thereby maximizing tax collection. According to interviews, the current administrative system still faces challenges and requires development to resolve all issues comprehensively. This development is necessary to optimize tax revenue, especially from VAT on crypto assets.

4. VAT Collection Process for Crypto Companies in Indonesia

- a. Electronic Trading System Organizer (PPMSE) collects VAT and Article 22 Income Tax at the time of receipt of payment from the buyer.
- b. Electronic Trading System Organizer (PPMSE) prints the seller's transaction proof as evidence of VAT collection and proof.

- c. Other parties collect Article 22 Income Tax as evidence of withholding.
- d. Electronic Trading System Organizer (PPMSE) issues an invoice (FP) for intermediary service delivery.
- e. Electronic Trading System Organizer (PPMSE) reports VAT collection in 2 Tax Returns (Regular VAT Tax Return & Periodic VAT Return 1107).
- f. Electronic Trading System Organizer (PPMSE) Platform submits 2 Periodic Income Tax Returns (Article 25 Periodic Income Tax Return and Unified Periodic Income Tax Return).

CONCLUSION

Based on the research findings presented above regarding the Value Added Tax (VAT) collection scheme on digital cryptocurrency transactions in Indonesia, the following conclusions can be drawn: 1. **Registration Procedure:** The VAT registration procedure for crypto companies in Indonesia follows the same general principles as other businesses. Once they meet the requirements for having an NPWP (Taxpayer Identification Number), registration becomes mandatory. 2. **VAT Collection Process:** The VAT collection process for crypto companies in Indonesia is well-regulated, covering the taxation of crypto asset purchases, exchanges between cryptocurrencies, and exchanges of cryptocurrencies for goods or services. The VAT amount to be paid is clearly specified for each transaction involving crypto assets. Overall, the VAT framework for digital cryptocurrency transactions in Indonesia ensures clarity and compliance with tax obligations, contributing to a structured approach in integrating digital currencies into the national tax system.

Based on the conclusions outlined above, the researcher would like to propose several recommendations regarding VAT collection for crypto companies. These include: There should be regulations regarding the qualification of crypto companies to be confirmed as tax collectors, to prevent tax evasion. And there needs to be socialization of PMK-68 regulations to the public to educate and provide evidence of VAT for cryptocurrency transactions.

Conflicts of Interest

The writers have disclosed no conflicts of interest.

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