



Juridical Analysis of the Imposition of Value Added Tax (VAT) on Foreign Digital Products

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Info Articles	Abstract
Article History Received: 2025-11-23 Revised: 2025-12-02 Published: 2025-12-30	The development of digital technology has opened up new economic opportunities, including in terms of the use of foreign digital products by the Indonesian people. Products such as streaming services, digital applications, and software are now part of daily needs, but often come from overseas providers who do not have a physical presence in Indonesia. This poses challenges for the national tax system, especially in the imposition of Value Added Tax (VAT). This study aims to analyze the legal basis for the imposition of VAT on foreign digital products based on the prevailing laws and regulations in Indonesia. The research method used is normative juridical with a legislative and literature study approach. The results of the study show that the imposition of VAT on foreign digital products has been regulated in Law Number 42 of 2009 and strengthened by derivative regulations such as the Regulation of the Minister of Finance. The implementation of this policy is important to create fiscal justice between domestic and foreign business actors. However, the effectiveness of this policy still requires improvement in technical aspects and supervision. This study concludes that the legal approach to digital taxes must be continuously updated to be in line with global economic dynamics.
Keywords: <i>VAT; Foreign Digital Products; Tax Law</i>	

I. INTRODUCTION

The development of digital technology has brought fundamental changes in global economic transaction patterns, including in Indonesia. Consumption activities that were once conventional have now shifted to the digital space. People are increasingly familiar with various forms of digital products such as applications, software, e-books, music and video streaming services, and cloud storage which are widely provided by foreign companies. Even though transactions are carried out online and without the physical presence of sellers in Indonesia, consumption activities still take place domestically and involve enormous economic value. The transformation of the digital economy poses new challenges in the national tax system, especially in the imposition of Value Added Tax (VAT) on digital goods and services from abroad. VAT is a consumption tax on goods and services that is imposed indirectly, where the end consumer is the party who bears the tax burden. In the Indonesian tax law system, the basic

principle used in the imposition of VAT is the destination principle, which is a tax imposed in the country where the goods or services are consumed (Yuliana, 2020). Thus, even though the digital service provider does not have a permanent business in Indonesia, as long as the consumption occurs domestically, the transaction should be subject to VAT. This condition encourages the Indonesian government to respond through policy adjustments. The imposition of VAT on foreign digital products officially began since the enactment of the Minister of Finance Regulation (PMK) Number 48/PMK.03/2020 which is a derivative of Law Number 2 of 2020 concerning State Financial Policy and Financial System Stability. The regulation gives the authority to the Directorate General of Taxes (DGT) to appoint foreign digital business actors as VAT collectors for digital transactions made with consumers in Indonesia (Siregar & Putri, 2021). This policy is also strengthened in the Law on Harmonization of Tax

Regulations (HPP Law) as part of the reform of the national tax system.

However, the implementation of this policy faces juridical and technical challenges. From the juridical side, there are questions about the legal basis for taxation of foreign entities that do not have offices or legal entities in Indonesia. Is the appointment of tax collectors by the DGT in accordance with the principles of tax legality and the principle of legal clarity? In addition, the implementation of this rule must also answer jurisdictional issues, because the foreign entity is outside the national jurisdiction (Pramana, 2021). Meanwhile, from the technical side, the challenge lies in how the DGT ensures compliance, supervision, and reporting from appointed foreign digital business actors. Nonetheless, the policy of imposing VAT on foreign digital products is an important step towards creating fiscal justice. In the previous condition, domestic business actors who provide digital services were required to collect and deposit VAT, while foreign providers did not have similar obligations. This creates an inequality in tax treatment that has the potential to harm domestic business actors. With the enactment of this new policy, it is hoped that a level playing field will be created between domestic and foreign service providers in the national digital ecosystem (Kurniawan, 2022). Furthermore, the imposition of VAT on foreign digital products also aims to expand the tax base amid increasing digital consumption. According to data from the Directorate General of State Assets, until the end of 2023, there have been more than 150 foreign digital business actors appointed as VAT collectors, and the value of their tax payments reaches trillions of rupiah (DJKN, 2023). Even so, the potential for taxation in this sector is believed to be much greater considering the number of cross-border transactions that have not been optimally recorded. In the legal context, an analysis of the imposition of VAT on foreign digital products is important to assess the extent to which this policy is in line with principles in tax law, such as the principles of legal certainty, fairness, and efficiency. Therefore, this study aims to examine the juridical aspects of the policy of imposing VAT on foreign digital products,

including examining its legal basis, its implementation effectiveness, and the challenges faced at the practical level. The scope of this study includes an understanding of the applicable legal framework, the approach of fiscal jurisdiction in cross-border digital transactions, and an analysis of the implementing regulations and digital tax administration policies that have been implemented. Through a normative juridical approach, this paper is expected to contribute to the development of digital tax legal thinking that is adaptive to technological changes and at the same time maintains fiscal justice in the national legal order.

II. RESEARCH METHODS

This study uses a normative juridical method with an approach to laws and regulations, legal literature, and relevant official documents. The research stages include: identification of legal issues, literature studies on laws and regulations such as the HPP Law, PMK No. 48/PMK.03/2020, as well as scientific articles and tax journals, normative analysis of tax law principles, and preparation of juridical conclusions on foreign digital product VAT policies. The type of data used is secondary data consisting of primary legal materials (laws and derivative regulations) and secondary legal materials (journals, books, and reports of official institutions such as DGT and DJKN). The location of the research is not limited geographically because the data source is obtained from online libraries and documents. This research aims to provide a comprehensive legal study that can be used as a reference for policy makers and academics.

III. RESULTS AND DISCUSSION

A. Foreign Digital Products and Their Characteristics in Digital Economy Transactions

The development of information technology has changed the pattern of economic transactions from a conventional system to a digital system that transcends national borders. One of the important phenomena in this context is the emergence of foreign digital products that are widely circulated in Indonesia. Foreign digital products refer to

digital-based goods or services provided by business actors abroad and consumed by domestic users through the internet network. Some tangible examples of these products are streaming services such as Netflix and Spotify, software such as Microsoft Office 365 and Adobe Creative Cloud, cloud storage services such as Google Drive and Dropbox, and subscription-based applications available on the App Store or Google Play (Pramana, 2021).

Unlike conventional goods that are physical and can be seen or touched, digital products do not have a real physical form. These products are shipped, consumed, and stored electronically without the involvement of logistics processes or physical delivery. Digital products can also be consumed instantly after payment is made, without having to wait for the distribution process as in the sale of physical products (Yuliana, 2020). For example, users only need to subscribe to a service through a website or app, and then the content or service can be accessed directly from the user's device without actual delivery of goods.

This ease of access makes digital products increasingly popular among consumers, especially in the era of high mobility and fast information needs. In the context of taxation, foreign digital products pose their own challenges because their transactions are cross-border and involve entities that do not always have a physical presence in the consumer's country. In many cases, digital service providers do not have offices, employees, or permanent business (BUT) in Indonesia. Nevertheless, they still benefit from Indonesian consumers who pay directly through credit cards, digital wallets, or other online payment methods.

Therefore, even though the entity is located abroad, its economic activities still contribute to the Indonesian economy and should be within the scope of the tax object (Siregar & Putri, 2021). The main characteristics of cross-border digital transactions can be seen from three aspects, namely the virtual nature of the product, the form of transaction, and consumption patterns. First, digital products do not have a physical form (intangibility), so they cannot be subject to import duties or fiscal treatment like conventional goods. This requires a different approach to taxation,

which is to focus on consumption and the value of transactions that occur.

Second, digital transactions are carried out automatically through electronic systems, where contracts, payments, and product distribution are carried out in one platform without human intermediaries. Third, consumption patterns are immediate and sustainable, such as in the case of monthly or annual subscriptions for access to certain services (Yulianti, 2022). Another characteristic of digital transactions is flexibility in location and time. Consumers can access digital products from anywhere and anytime, as long as they are connected to the internet. This causes digital transactions to be not limited by geographical jurisdictional boundaries, thus creating a major challenge for tax authorities in determining the place of supply.

In the framework of tax law, this concept is very important because it will determine which country has the right to tax the transaction. In Indonesia, the principle used in the imposition of Value Added Tax (VAT) is the destination principle, which is a tax imposed on the place where goods or services are consumed. So, if a digital product is used by consumers in Indonesia, the transaction should be subject to VAT, even if the seller is abroad (Kurniawan, 2022).

In addition, foreign digital products often operate through the platform's business model. In this model, foreign companies such as Google, Apple, or Amazon act as intermediaries between digital content creators and end consumers. The platform not only facilitates transactions, but also handles the payment system, subscription management, and product distribution. This model makes tax authorities face challenges in identifying the parties who should be responsible for the collection and payment of VAT.

Therefore, the Directorate General of Taxes (DGT) through Ministerial Regulation 48/PMK.03/2020 Finance stipulates that foreign digital platforms that meet certain criteria must be appointed as VAT collectors for digital products or services that they sell to Indonesian consumers (Djkn, 2023). However, even though there are regulations, not all foreign digital business actors have fulfilled their tax obligations. Some of the

reasons that are often obstacles include lack of understanding of the applicable rules, differences in the tax system between countries, and the inability of tax authorities to carry out cross-border supervision.

Therefore, the policy of imposing VAT on foreign digital products must be supported by international cooperation and strengthening digital infrastructure in the tax administration system (Yuliana, 2020). This overall dynamic shows that foreign digital products are not only modern products that make consumers' lives easier, but also economic entities that have significant fiscal potential for the country. Its unique transaction characteristics demand responsive legal and fiscal policy arrangements and are able to respond to the challenges of the digital era in a fair and efficient manner. With a complete understanding of foreign digital products and their cross-border transactions, the formulation and implementation of tax policies can be more targeted and have a positive impact on state revenue.

B. Provisions of VAT on Indonesian Taxation Supplementary Tax

Value Added Tax (VAT) is one of the largest sources of state revenue in the Indonesian tax system. VAT is a tax on the consumption of goods and/or services within the Customs Region that is imposed in stages on each production and distribution line. Although the levy is carried out at every stage, the tax burden is borne only by the end consumer. This mechanism makes VAT categorized as an indirect tax, where the party making the payment is not the party who bears the actual burden (Hafidz, 2020).

The main legal basis for the imposition of VAT in Indonesia is regulated in Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, most recently by Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law). This law comprehensively regulates tax objects, tax subjects, tariffs, and VAT collection and reporting mechanisms (Kusumawardani, 2021).

In addition to the Law, there are also implementing regulations such as Government Regulations (PP), Minister of Finance Regulations (PMK), and Regulation of the Director General of Taxes (PER) that provide technical details regarding the implementation of VAT rules. In this system, the parties who are obliged to collect, deposit, and report VAT are referred to as Taxable Entrepreneurs (PKP).

Meanwhile, the tax objects are Taxable Goods (BKP) and Taxable Services (JKP), both from within the country and from abroad. Taxable Goods includes all tangible and intangible goods, except those explicitly excluded by law. Meanwhile, Taxable Services include all forms of services, including digital services which are now a concern in the context of cross-border transactions (Santoso, 2022). The VAT rate is generally set at 11% as stated in Article 7 of the HPP Law, and can be increased to 15% by government regulation if fiscal conditions require it. This tax is imposed on the submission of BKP/JKP by PKP, import of goods, the use of BKP/JKP from abroad in the country, the export of tangible/intangible goods, and the export of taxable services (Ministry of Finance, 2022).

In the digital context, the imposition of VAT on the use of foreign products in Indonesia is included in the category of "the use of intangible BKP and/or JKP from abroad in the country." The VAT collection mechanism is carried out through the input tax crediting system for output taxes. PKPs who buy goods or services are subject to input tax, and when they resell them, they impose output tax on consumers. The difference between output tax and input tax is the tax obligation that must be paid into the state treasury.

With this system, VAT becomes neutral because it does not burden business actors in the production and distribution chain (Yulianti, 2022). Such a collection system also makes it easier for tax authorities to track and supervise, as well as create transparency in economic activities. In addition to these technical arrangements, Indonesia's VAT system is also based on an important principle in international consumption tax, namely the destination principle. This principle states that the right to impose

consumption tax is in the hands of the country where the goods or services are consumed, not in the place where the goods or services originate.

Therefore, in the Indonesian VAT system, digital transactions involving foreign products as long as they are consumed by domestic parties remain the object of taxation (Kurniawan, 2022). In other words, even if a foreign entity does not have an office in Indonesia, they still have to collect VAT if their services or digital goods are used by Indonesian consumers. The application of this destination principle has been widely adopted in various VAT systems around the world. For example, the European Union has implemented a VAT collection system on foreign digital services since 2015 through the VAT on e-services policy.

Australia and Japan have also implemented similar rules to ensure that domestic consumption of digital services remains a tax object in their respective countries (Pramana, 2021). Indonesia follows in this footsteps by appointing foreign digital business actors as VAT collectors, as stipulated in PMK No. 48/PMK.03/2020 and various other accompanying implementing regulations. In its implementation, the DGT determines certain criteria for foreign business actors to be appointed as VAT collectors. These criteria include transaction values exceeding IDR 600 million in 12 months or the amount of traffic to Indonesia exceeding 12,000 per year. If this criterion is met, then foreign entities are required to register as VAT collectors and deposit their taxes quarterly into the state treasury (Siregar & Putri, 2021). This appointment does not require business actors to open an office in Indonesia, but simply through electronic registration provided by the DGT. This is a form of adaptation of the Indonesian tax system to the dynamics of global digital economy transactions. However, it is undeniable that the implementation of VAT on foreign digital transactions still faces a number of obstacles. One of them is the lack of awareness from consumers that the price of digital services includes VAT.

In addition, not all foreign business actors have an accounting system that is compatible with tax reporting provisions in Indonesia. Therefore, there needs to be efforts to improve education for

consumers and business actors, as well as strengthen the reporting and supervision system by tax authorities (Yuliana, 2020). Thus, the VAT provisions in the Indonesian tax system not only reflect the state's commitment to securing revenue from the consumption sector, but also show the adaptability of the legal system to technological changes and economic globalization. The application of the destination principle in consumption tax, the regulation of tax subjects and objects, as well as structured collection mechanisms, are important foundations in facing the challenges of digital taxation today and in the future.

C. Regulation on the Imposition of VAT on Foreign Digital Products

The rapid development of digital technology and the increasing consumption of digital services from abroad have encouraged the Indonesian government to reform its tax policy, especially in the aspect of Value Added Tax (VAT). In the context of the globalization of the digital economy, transactions between foreign business actors and domestic consumers occur massively, without the involvement of permanent business forms or physical presence in the country. This creates a fairly significant fiscal gap, where economic activity generates added value, but is not fully affordable by the national tax system. Therefore, a new approach is needed in digital taxation regulations, including the imposition of VAT on foreign digital products (Yuliana, 2020).

The government's concrete response to this condition began with the issuance of Minister of Finance Regulation (PMK) Number 48/PMK.03/2020 concerning Procedures for the Appointment of Collectors, Deposits, and Collections, Reporting of Value Added Tax on the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Territory within the Customs Territory through Trade Through Electronic Systems. This PMK is the legal basis for the implementation of VAT on cross-border digital transactions. This regulation was born as a derivative of Law Number 2 of 2020 and Government Regulation in Lieu of Law (Perppu) Number 1 of 2020 which was issued in

the context of handling the impact of the pandemic and strengthening the state financial system (Ministry of Finance, 2020).

PMK No. 48/2020 gives authority to the Directorate General of Taxes (DGT) to appoint foreign digital business actors as VAT collectors. In this provision, the business actors in question are foreign parties who provide intangible goods or services digitally to Indonesian consumers through electronic platforms. This appointment is based on two main criteria: first, the value of transactions with Indonesian consumers in the last 12 months is at least Rp600 million; and second, the number of digital traffic or users from Indonesia is at least 12,000 in one year.

If one of these criteria is met, the DGT is authorized to designate the party as a VAT collector (Pramana, 2021). This regulation is an important breakthrough because it changes the paradigm of tax imposition from a physical presence approach to an approach based on significant economic presence. This means that even if business actors are not physically located in Indonesia, as long as they derive significant profits from Indonesian consumers, they are considered to have tax obligations in Indonesia (Siregar & Putri, 2021). The move is also in line with international trends, where many countries are starting to enforce similar rules to avoid tax evasion practices by multinational digital companies. After being appointed by the DGT, foreign business actors are required to register as VAT collectors through an electronic system provided by the tax authorities.

This registration does not require them to have an NPWP or permanent business form, just fill out an online form and obtain the identity of an overseas VAT collector. After that, business actors are required to collect VAT of 11% on every transaction with consumers in Indonesia, then deposit and report it periodically (Kurniawan, 2022). VAT reporting and remittances are done on a quarterly basis in United States dollars (USD), given that most digital transactions are conducted in USD or through international payment systems.

Foreign business actors can make deposits through the international banking system that has collaborated with the DGT. Reporting is carried

out through an e-reporting portal managed by the DGT, and they are given the convenience of submitting reports in English and in a simple format that has been determined (Kusumawardani, 2021). One of the advantages of this system is the administrative flexibility given to foreign business actors. The absence of the obligation to have a permanent business form or NPWP allows for a more efficient and practical compliance process, without causing heavy administrative burdens for foreign digital business actors. However, this system still guarantees that the state obtains its fiscal rights for consumption that occurs in the country (Hafidz, 2020).

In terms of supervision, the DGT monitors the compliance of designated business actors. If business actors do not carry out their tax obligations as they should, they may be subject to administrative sanctions, including revocation of collector status or restriction of access to their platform in Indonesia. However, considering the different jurisdictions, the implementation of sanctions against foreign business actors is a challenge in itself.

Therefore, international cooperation, including information exchange and coordination between tax authorities, is the key to the success of this policy (Santoso, 2022). Until the end of 2023, based on official data from the DGT, there have been more than 160 foreign digital business actors appointed as VAT collectors. Some of them are big companies like Google, Facebook, Netflix, Amazon, and Apple. Total VAT revenue from the digital sector reached more than IDR 10 trillion within three years since this policy was implemented (Djkn, 2023). This achievement shows that this regulation is effective in expanding the tax base and answering the challenges of taxation in the digital era.

Nevertheless, challenges still remain, especially in terms of socialization to business actors and consumers, integration of cross-border reporting systems, and the development of legal instruments that are able to adapt to the development of digital technology. Therefore, it is important for the government to continue to update existing regulations and maintain an active

dialogue with digital industry players. In addition, support from international institutions such as the OECD and the G20 is also important in encouraging the standardization of cross-border digital tax rules. Overall, PMK No. 48/PMK.03/2020 and its derivative regulations have become an initial milestone in the formation of a digital tax regime in Indonesia. This regulation not only provides a clear legal basis, but also demonstrates the government's commitment to ensuring fiscal fairness and the responsiveness of the tax system to the dynamics of the digital economy. In the future, strengthening the surveillance system and cross-border cooperation will be an important element in maintaining the effectiveness of this policy.

D. Juridical Analysis of VAT Provisions on Foreign Digital Products

The policy of imposing Value Added Tax (VAT) on foreign digital products is a response to the development of cross-border digital transactions that are increasingly widespread. Juridically, this policy needs to be analyzed from the perspective of its conformity with the principles of tax law, its compatibility with the principles of international tax law, and its effectiveness in the context of cross-jurisdictional tax regulation and withdrawal. All three are the main measures to assess whether this policy is legitimate, fair, and can be implemented efficiently in the Indonesian tax law system. The principles of tax law are the basic principles that are the basis for the formation and implementation of tax law norms in various countries, including Indonesia.

Some of the commonly used principles include the principle of legality, the principle of legal certainty, the principle of justice, the principle of utility, and the principle of economics. In the context of the imposition of VAT on foreign digital products, the fundamental question is whether this policy is formed based on legal rules and meets these principles (Hafidz, 2020). First, in terms of legality, the imposition of VAT on foreign digital products has a clear legal basis. This provision is contained in Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law) and is further regulated in PMK No.

48/PMK.03/2020. This means that this policy is not arbitrary and meets the principle of *nullum tributum sine lege* (no tax without law).

The principle of legality in the context of tax law is very important because it determines the validity of the imposition of taxes by the state. As long as the state does not violate positive legal limits in determining tax obligations, the imposition of VAT on foreign digital products can be said to be legally legal (Kusumawardani, 2021). Second, this policy also needs to be analyzed within the framework of the principle of justice. In taxation, fairness means that all proportionate tax subjects are treated according to their economic capacity.

Before this policy took effect, there was an inequality between domestic and foreign digital business actors. Domestic business actors are obliged to collect and deposit VAT, while foreign business actors are not subject to the same obligations, even though they enjoy the benefits of the Indonesian market. With the enactment of this new policy, there is a fairer equalization of tax treatment between domestic and foreign business actors (Pramana, 2021). Therefore, this policy can be considered in line with the principle of fairness in tax law. Third, in the context of the principle of legal certainty, regulations regarding the collection of VAT by foreign business actors have been prepared in detail, including the requirements for appointment, methods of collection, reporting, and technical implementation.

The criteria for appointing collectors, for example, have been explained concretely, namely based on the transaction value or the amount of user traffic from Indonesia. This provides certainty for foreign business actors regarding when they are bound by tax obligations in Indonesia. However, some parties still highlight the need for more technical implementation guidelines so that business actors do not experience administrative confusion (Ministry of Finance, 2022). Fourth, in terms of compliance with international tax law, Indonesia's digital VAT policy is generally in line with international principles, especially the destination principle. This principle states that consumption taxes

should be imposed in the country where consumption occurs.

Therefore, Indonesia has the right to impose VAT on digital products consumed by Indonesian people, even if the service provider is located abroad. Many other countries such as Australia, Japan, and the European Union also use the same principle in taxing foreign digital services (Kurniawan, 2022). This shows that Indonesia's policies are in an internationally recognized corridor and support global efforts in strengthening the digital tax base.

However, in its implementation, several challenges arise related to the effectiveness of cross-jurisdictional VAT withdrawals. One of the main challenges is the limited tax authorities in enforcing the law against foreign entities that do not have a physical presence in Indonesia. Although Indonesia has set the provisions for the appointment of collectors, not all foreign business actors are willing or able to fulfill these obligations. In addition, the state does not have a direct enforcement mechanism against entities that are outside its jurisdiction without a tax cooperation agreement (Santoso, 2022).

As a solution, Indonesia has adopted a self-assessment-based approach and voluntary registration for foreign digital business actors. This approach is seen as more realistic and reduces conflicts between countries. In addition, international cooperation efforts through the OECD and G20 forums in developing a global digital taxation framework are also important steps to strengthen Indonesia's position in attracting tax revenues from the digital sector. Harmonization of global rules will help reduce tax avoidance practices and strengthen the state's capacity to reach business actors operating across borders (Djkn, 2023).

Furthermore, the effectiveness of this policy can also be seen in terms of state revenue. Based on a report by the Directorate General of Taxes, revenue from digital VAT has increased every year since 2020. The number of foreign business actors appointed as collectors also continues to grow. This achievement shows that this policy has succeeded in expanding the tax base and

increasing state revenue from the digital sector (Siregar & Putri, 2021).

However, effectiveness is not only seen in terms of fiscal revenue. It is also necessary to analyze whether this policy is able to increase tax awareness and voluntary compliance of foreign digital business actors. In this context, it is important for tax authorities to strengthen digital reporting systems, provide clear guidance, and conduct education and open dialogue with global business actors.

Thus, policy effectiveness can be achieved comprehensively, not only in the short term but also in the long term. Overall, the juridical analysis of the policy of imposing VAT on foreign digital products shows that this policy has fulfilled the principles of legality, justice, and legal certainty. In addition, this policy is in line with international taxation principles and shows considerable effectiveness, although it still faces some implementation challenges. Therefore, in the future, strengthening legal instruments, increasing international cooperation, and updating the digital administration system are steps that need to be encouraged so that this policy is more optimal and sustainable.

E. Obstacles and Challenges of VAT Implementation in Indonesia

The imposition of Value Added Tax (VAT) on foreign digital products has become an important step in answering the challenges of taxation in the digital era. However, as with new policies in general, the implementation of this regulation is inseparable from various complex obstacles and challenges. Starting from administrative, technical, juridical aspects, to the response of global digital companies, all are factors that affect the success of this policy. Therefore, a comprehensive understanding of the obstacles faced in the implementation of digital VAT is essential to formulate strategies to increase the effectiveness of the digital taxation system in Indonesia.

One of the main challenges faced by the Indonesian government in implementing digital VAT is administrative and technical constraints. For example, the process of appointing foreign business actors as VAT collectors still relies on

data collected from users' digital interactions in Indonesia, such as the number of transactions and website traffic. Unfortunately, not all digital platforms have a system of recording user data based on accurate geographic location. This makes it difficult for the Directorate General of Taxes (DGT) to identify which business actors meet the criteria as VAT collectors (Kusumawardani, 2021).

In addition, the reporting and payment system for foreign business actors is carried out through an electronic mechanism using US dollars. Although this system is relatively flexible, there are still many business actors who find it difficult to understand the reporting procedures regulated in national regulations. This is because Indonesian regulations tend to be administrative and legalistic, while most foreign digital business actors are not used to such a rigid tax system (Yulianti, 2022).

Therefore, language barriers, differences in legal systems, and limited human resources on the part of the company are also significant administrative obstacles. In terms of law and jurisdiction, the biggest obstacle is the limited ability of the state to reach out and enforce tax obligations to foreign entities that do not have a permanent business (BUT) in Indonesia.

The current international legal system does not provide a strong instrument for states to compel foreign business actors to meet their tax obligations if they do not have a direct legal attachment to the country. Although Indonesia has adopted the principle of significant economic presence, its implementation still depends heavily on the voluntary will of business actors (Pramana, 2021).

On the other hand, monitoring and supervising foreign digital business actors is also a big challenge. The DGT does not have direct access to transaction data that occurs between Indonesian consumers and foreign companies, especially if the transaction is carried out through international or third-party payment methods. This results in low state visibility of the amount of transaction value that actually occurs. Without adequate data, the DGT has difficulty auditing or assessing business actors' compliance with applicable tax provisions (Siregar & Putri, 2021).

This condition is further complicated by the emergence of resistance from global digital companies.

Several foreign digital companies have shown a reluctance to follow Indonesia's tax rules. They argue that the complicated reporting system, the risk of administrative sanctions, and the lack of clarity of legal protection make them hesitant to register as VAT collectors. There are even some digital platforms that shift the burden of VAT to consumers by increasing service prices, thus causing complaints from the public. An example of this case can be seen in 2020, when a number of platforms increased their subscription rates to adjust to the VAT obligations set by the government (Yuliana, 2020).

Another challenge that is no less important is coordination between institutions in the implementation of this policy. Regulations on digital VAT do not only involve the DGT, but also require coordination with the Ministry of Communication and Information, Bank Indonesia, and banking institutions that facilitate international transactions. Coordination that is not optimal between these institutions makes policy implementation less efficient. For example, delays in data exchange or differences in technical standards between institutions cause the verification process of tax collectors to be slow (Kurniawan, 2022).

In addition, challenges in the form of education and socialization to consumers also need to be considered. Many consumers in Indonesia do not understand that the foreign digital services they use are already subject to VAT. As a result, when the price of a service increases due to a tax, they consider it a unilateral price increase from the company, rather than a tax obligation regulated by the state. This shows that information transparency and public education about digital taxes is still very minimal, even though good public understanding can encourage collective awareness to support state tax revenues (Djkn, 2023).

Globally, the challenges faced by Indonesia in collecting taxes from foreign digital business actors are also experienced by many other countries. Therefore, there is a need for

harmonious and binding international policy support. Indonesia, as part of the G20 and an active member of the OECD forum, has an important role in encouraging the formation of a global digital tax framework. With an international consensus on the mechanism for collecting and sharing taxation rights for cross-border digital transactions, jurisdictional and monitoring barriers can be minimized (Hafidz, 2020).

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

The imposition of Value Added Tax (VAT) on foreign digital products is a strategic step in answering the challenges of taxation in the digital economy era. Foreign digital products such as streaming services, software, and cloud storage have become part of Indonesian consumption. Without adaptive regulations, these economic activities risk not making a proportionate fiscal contribution to the country. Juridically, this policy has a strong legal basis through the HPP and PMK Law No. 48/PMK.03/2020. The policy is also in line with the principles of legality, justice, and legal certainty in the national tax system. The appointment of foreign digital business actors as VAT collectors reflects a modern approach that is in line with international practices based on the destination principle, namely taxes are imposed where consumption occurs. However, implementation in the field still faces various obstacles, ranging from limited fiscal jurisdiction, technical reporting constraints, to resistance from some global digital business actors. For this reason, strengthening the digital tax administration system, increasing international cooperation, and education for consumers and business actors are very important things to continue to do. With continuous improvement and responsive regulatory support, the digital VAT policy is expected to be able to expand the tax base, create fiscal justice, and maintain the relevance of the national tax system in the face of the dynamics of the global digital economy.

B. Suggestion

In order for the imposition of VAT on foreign digital products to run optimally, the government needs to strengthen a legal framework that is more adaptive to technological developments. One of the efforts that can be made is to simplify the tax administration and reporting process for foreign digital business actors, so that compliance can increase without sacrificing legal clarity. In addition, it is important for the Directorate General of Taxes to increase the capacity of digital-based supervision systems and expand international cooperation in terms of data exchange and harmonization of cross-border digital taxation policies. Education to consumers is also no less important so that people understand tax obligations in digital consumption. With a comprehensive and sustainable approach, this policy is expected to support state revenue while creating a fair and competitive tax system at the global level.

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