Indonesia's Tax Sovereignty Toward Digital Multinational Companies

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Abstract. In the 21st century, international trade dynamics have shifted due to the rise of digital and internet-based communication networks. Companies now leverage technology to expand their global sales without significant investments in time, labor, and capital. While this benefits companies by reducing costs, it creates legal and economic disparities. Multinational companies gain an advantage, while countries suffer as their markets are exploited without permission and digital trade often bypasses traditional licensing. The global pandemic, Covid-19, further complicated this scenario, causing many conventional businesses to shut down. In response, multinational companies increasingly turned to digital platforms, leading to a surge in digital enterprises. This shift resulted in substantial tax revenue losses for countries, prompting several to implement digital tax regulations. However, these regulations vary widely, leading to inconsistencies, potential tax evasion, and the risk of double taxation. Indonesia faces significant challenges in this context. Despite its large market potential for digital tax collection, the country approaches digital taxation cautiously. Currently, Indonesia only imposes value-added tax (VAT) on digital transactions, similar to conventional transactions, as it is an indirect tax borne by consumers. This cautious approach aims to avoid international sanctions due to the lack of global consensus on taxing digital multinational companies. This research explores Indonesia's sovereignty in shaping policies for its national interests and the opportunities and challenges in implementing digital taxes on multinational companies. The study uses normative juridical methods and incorporates statute, case study, and conceptual approaches.

Keywords: Sovereignty, International, Tax, Digital.

1 Introduction

Cross-border markets have been successfully realized through digital electronics after being present and implemented in the business world through the elasticity of internet technology networks. Companies via the internet divert their marketing lines through a website, application, or platform so they don't need a company branch office

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if they want to operate in other countries. Companies that have been successful in making such profits include Facebook, Google, Amazon, and Alibaba have been able to increase their sales by 20-50% annually for the past five years. Compared to twenty years ago, today thanks to digital technology individuals can easily buy goods and services directly from businesses in other countries, and can even easily buy shares in other countries. Small and medium enterprises can now operate internationally. Thus, although digitization provides cross-country convenience with technology in the "digital" sector, it directly raises tax problems in all economic sectors.

Digital existence has changed the order of economic activity, not only in Indonesia but also in all parts of the world. It can be said that the emergence of a new industrial era or what is called the Industrial Revolution. The large potential income from these digital companies creates an attraction for other companies to practice the same thing. This phenomenon has an impact on the presence of real or real investors in a country thereby reducing state revenue from the tax sector. The activities practiced by digital companies also present a gap from conventional companies because they have to be charged as taxpayers regarding their cross-border business activities. Considering this phenomenon, the application of taxes with conventional business concepts cannot be practiced against companies with digital characteristics, so many countries in the world have taken the initiative to charge taxpayers against multinational digital companies, namely France, Britain, Germany, India, Australia, Malaysia, and Indonesia. . However, this is still a question because of the vulnerability to tax evasion, because not all countries adapt to the imposition of multi-national digital company taxes, discriminatory nature as the United States is criticized because as the country that has the most impact on companies originating from their country they must be charged with costs. both value-added and income taxes.

When approached with the concept of state sovereignty, each country has the right to collect levies on market activities carried out in its territory with the terms and conditions regulated by the country's regulations. This taxation principle is closely related to the territorial principle, namely that a country is always given the right to impose taxes if there is a geographical relationship between the taxpayer and the sovereign territory of this country. In summary, it can be said that the allocation of tax rights for both individuals and legal entities is based on the territorial context. Taxpayer enforcement for multi- national companies is the application of the source principle (location principle), namely the imposition of taxes based on the location or location of the tax object for foreign companies that have official offices in Indonesia (Permanent Establishment) but operate in Indonesia can be treated as taxpayers. But this has problems when applied to multinational companies that control the company's operations directly in their home country. Because in principle multinational companies, in general, can be said to be tax subjects and tax objects if they are only in the territory of Indonesia.

Digital tax (Business Tax Through Electronic Systems/PMSE) has been debated because several countries have implemented it such as Australia which has paid digital taxes since 2017, the European Union since 2015, and Japan since 2014. The practice of several international countries inspired Indonesia to apply that thing in 2020 in the form of an economic crisis caused by Covid-19. Some of the contradictions that In-

donesia has penetrated from previous tax regulations are such as income tax for companies domiciled abroad or do not have a BUT (permanent establishment) in Indonesia. VAT is limited by the concept of target principles and still requires a global consensus promulgated by the Organization for Economic Cooperation and Development (OECD). Countries that have adopted digital tax currently collect VAT (Value Added Tax), PPH (Product Added Tax), and DST Digital Services Tax). But its application is still debatable because of the vulnerability of tax evasion, Double taxation, and unfair treatment related to the non-uniformity of arrangements globally It can be assumed that the international tax system has not been sufficiently able to accommodate legal certainty from the application of taxes on MNE (Multinational Electronics) presented by digitalization. From the discussion above, the formulation of the problem from this research is How is the concept of state economic sovereignty in imposing taxes on international digital companies? And what are the opportunities and challenges for Indonesia to regulate the implementation of digital taxes from multinational companies? countries in imposing taxes on international digital companies? And what are the opportunities and challenges for Indonesia to regulate the implementation of digital taxes from multinational companies? countries in imposing taxes on international digital companies? And what are the opportunities and challenges for Indonesia to regulate the implementation of digital taxes from multinational companies?

2 Methods

This study uses the Normative Juridical research method, the data displayed in the study are secondary data sourced from the library. As for the research materials used are primary, secondary and tertiary legal materials. In this study, three approaches will be used, namely the statutory approach, the case study approach, and the conceptual approach. The legal approach is taken by reviewing the relevant laws and regulations. A case study approach related to implementation in different countries in the implementation of multinational digital company taxpayers. A conceptual approach to test the existence of conceptual norms that currently apply in implementing digital tax collection for multinational companies. Processing and analysis of data in this study was carried out qualitatively. The data that the writer obtained from the literature study were described and analyzed in order to answer the problem formulation

3 Discussion

State Sovereignty Theory from the perspective of international tradeState sovereignty theory, states that a taxation is a form of implementation of jurisdiction which is an attribute (completeness) of sovereignty (sovereignty). Sovereignty is a fundamental norm in the social arena of the international community that must be respected by international actors. Sovereignty is theoretically defined as the regulatory authority possessed by the state which has developed in the social contract theory presented by JJ Rousseau. Jean Bodin with the concept of the sovereignty of the king, or Austin with the concept of the rule of law always changes from the development of science. The

influence of the global economy and multilateral agreements and habits of the international community has reduced the absolute authority of the state to regulate itself. In essence, the existence of this concept of sovereignty makes consequences for other countries not to intervene in other countries, to carry out aggression and a country has the right to determine its destiny. Respect for state sovereignty was normalized for the first time in the 1648 Westphalia peace agreement. This Westphalia peace agreement was reconstructed at an international conference held on December 26, 1933, known as the Montevideo Convention (Convention on Rights and Duties of States, 1933). The journey from the Westphalia agreement was again presented in the 1945 PNN Charter, namely article 1 paragraph (2), article 55 of the UN Charter regarding self-determination, then again regulated in UN General Assembly Resolution Number 2625 of 1970. commit aggression and a country has the right to determine its destiny. Respect for state sovereignty was normalized for the first time in the 1648 Westphalia peace agreement. This Westphalia peace agreement was reconstructed at an international conference held on December 26, 1933, known as the Montevideo Convention (Convention on Rights and Duties of States, 1933). The journey from the Westphalia agreement was again presented in the 1945 PNN Charter, namely article 1 paragraph (2), article 55 of the UN Charter regarding self- determination, then again regulated in UN General Assembly Resolution Number 2625 of 1970. commit aggression and a country has the right to determine its destiny. Respect for state sovereignty was normalized for the first time in the 1648 Westphalia peace agreement. This Westphalia peace agreement was reconstructed at an international conference held on December 26, 1933, known as the Montevideo Convention (Convention on Rights and Duties of States, 1933). The journey from the Westphalia agreement was again presented in the 1945 PNN Charter, namely article 1 paragraph (2), article 55 of the UN Charter regarding self-determination, then again regulated in UN General Assembly Resolution Number 2625 of 1970. The Westphalia peace agreement was reconstructed at an international conference held on December 26, 1933, known as the Montevideo Convention (Convention on Rights and Duties of States, 1933). The journey from the Westphalia agreement was again presented in the 1945 PNN Charter, namely article 1 paragraph (2), article 55 of the UN Charter regarding self-determination, then again regulated in UN General Assembly Resolution Number 2625 of 1970. The Westphalia peace agreement was reconstructed at an international conference held on December 26, 1933, known as the Montevideo Convention (Convention on Rights and Duties of States, 1933). The journey from the Westphalia agreement was again presented in the 1945 PNN Charter, namely article 1 paragraph (2), article 55 of the UN Charter regarding self-determination, then again regulated in UN General Assembly Resolution Number 2625 of 1970.

a. The state and its people which is also known as the principle of self- regulation. At the international level, the presence of sovereignty means that the state has status and rights as a state represented by their officials in carrying out their state duties so that the behavior of officials in determining public policies for their people is free from intervention from any actor, in the sense that there is no higher power other than the state. When approached with the concept of tax collection on digital taxes from multinational companies, it can be interpreted that normatively each

country has full authority in regulating its sources of income from taxes, especially digital taxes.

b. Rapid developments in transport and communications technology, together with the proliferation of international treaties and institutions, have renewed the concept of sovereignty. Interdependence, especially in the economic field, presents ties between countries that are applied through an agreement so that it presents a link between the participants of the agreement. As a result, the state must consider the norms agreed upon in a bilateral or multilateral agreement to be adopted in the realm of national policy. This is what happened when America filed objections regarding the implementation of digital taxes by European and Asian countries. The United States as the ruler of the main digital market in the world believes that the implementation of digital services tax has been unfair to companies originating from the United States, such as Google LLC, Facebook, Inc., and Amazon. com, Inc., etc. which violates the principles of Most Favored Nation and National Treatment in Article II and Article XVII of the GATS. The United States is conducting a series of new investigations into five countries that have adopted some form of digital services tax, one of which is Indonesia. The reasons for the United States of America refer to several principles of international trade regulated by the GATS. The principle of international tax collection for digital companies must still consider soft law sources and the customs of the international community, among others. Reasons for attachment to the general principles of international law as a consequence of digital trading activities are the development of global trade: which violates the principles of Most Favored Nation and National Treatment in Article II and Article XVII of the GATS. The United States is conducting a series of new investigations into five countries that have adopted some form of digital services tax, one of which is Indonesia. The reasons for the United States of America refer to several principles of international trade regulated by the GATS. The principle of international tax collection for digital companies must still consider soft law sources and the customs of the international community, among others. Reasons for attachment to the general principles of international law as a consequence of digital trading activities are the development of global trade: which violates the principles of Most Favored Nation and National Treatment in Article II and Article XVII of the GATS. The United States is conducting a series of new investigations into five countries that have adopted some form of digital services tax, one of which is Indonesia. The reasons for the United States of America refer to several principles of international trade regulated by the GATS. The principle of international tax collection for digital companies must still consider soft law sources and the customs of the international community, among others. Reasons for attachment to the general principles of international law as a consequence of digital trading activities which are the development of global trade: The United States is conducting a series of new investigations into five countries that have adopted some form of digital services tax, one of which is Indonesia. The reasons for the United States of America refer to several principles of international trade regulated by the GATS. The principle of international tax collection for digital companies must still consider soft law sources and the customs of the international community, among others. Reasons

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Reasons for attachment to the general principles of international law as a consequence of digital trading activities which are the development of global trade:

a. He Principle of Most Favored Nation or Non-Discrimination The principle of non-discrimination is referred to as the Most-favored-nation or MFN so that there is no preferential treatment from other countries towards a country. This principle is regulated in Article II of the GATS
b. The principle of National Treatment Prohibiting differences in treatment between foreign goods and domestic goods is regulated in Article XVII concerning National Treatment GATS
c. Principle of Tariffs as Single Instrument for Protection Recognition of protection against domestic output. However, the protection that is treated for domestic products can only be treated through tariffs or import duties imposed on imported goods, and may not be done through other restrictions.
d. The Binding Tariff Principle is a commitment that binds member countries not to increase import duties on imported goods after being included in the list of binding commitments.
e. The principle of fair competition is the principle of fair competition or fair competition. namely the prohibition of export subsidies and dumping.
f. The principle of Prohibition of Quantitative Restrictions, namely the general prohibition of quantitative restrictions, namely quotas and similar types of restrictions
g. The Principle of Waivers and Emergency Restrictions on Imports, namely permits related to exceptions in the form of waivers and other emergency measures that are force majeure in nature.

3.1 Implementation of International Digital Tax

The urgency of MNC's tax regulation a) MNC's treaty abuse and status evasion. b) Individual anti-avoidance measures. c) Align transfer pricing outcomes with value creation. The sources of international tax law Other sources of international tax law, apart from international agreements in the form of tax treaties, can be in the form of soft law and model law. The soft law in question consists of the OECD Guidelines for Multinational Enterprises and the OECD International VAT/GST Guidelines. Model laws that are known in the field of taxation are, for example, the OECD Model Tax Convention on Income and Capital, the US Model Income Tax Convention, and the UN Model Double Taxation Convention between Developed and Developing Countries.

The OECD defines a multinational digital transaction tax as a tax burden on the revenue or profit a company generates from providing certain digital services to, or is directed to, users in those jurisdictions. Currently, there is no global consensus on the digital imposition of services tax. However, several countries have taken the initiative to implement a digital service tax, such as France, the UK, including Indonesia. Multinational Digital Trade whether related to services or products is interpreted by GATS with 4 recognized application models including;

1. Model 1 – cross-border: services are supplied from one Member's territory into the territories of others. An example is software services being supplied by a supplier in one country by mail or electronic means to consumers in another country.
2. Model 2 – consumption abroad: services provided in the territory of one Member to consumers of another. An example is where consumers move, for example, consuming tourism or educational services in other countries. Also covered are activities such as overseas ship repairs, where only consumer property is engaged.
3. Model 3– commercial presence: services provided through any type of business or professional establishment of one Member in another region. An example is an insurance company owned by a citizen of one country establishing a branch in another country.
4. Model 4 – natural person presence: services provided by nationals of one Member in the territory of another Member. This mode includes independent service suppliers and employees of service suppliers of other Members. An example is a doctor from one supplying country through the service of his physical presence in another country, or a foreign employee of a foreign bank.

The international trade model has elements of the movement of goods across countries and the existence of permanent residents or territories in different countries. This concept is blurred when approached with the concept of digital trade, which provides products and services without having to have permanent residency in different countries, in fact it can carry out trading activities between countries.

The implementation of the country seen from the practice of the European Union is different from the implementation carried out by European regional organizations that impose tax collections including:

1. Tax on Digital Income
   Taxation of digital income uses the ring- fencing method, meaning that the tax is only imposed on certain digital service sectors. Article 3 paragraph (1) Council Directive 2018/0073 further specifically regulates the services referred to, namely as follows: services that are included in the arrangement of advertising computerized interfaces targeted at users of the interface; as well as services providing multifaceted digital interfaces that can be referred to as “intermediary services” that allow users to find other users and interact with them. In accordance with Article 4 paragraph (1) Council Directive 2018/0073, a business entity that meets the requirements as a taxable business actor is an entity that meets the following two thresholds:
   a. Total reported global revenue for the most recent financial year exceeded €750 million; and
   b. Total taxable income in the most recent financial year exceeds €50,000,000.
2. Tax on Digital Profits
   The proposed tax on corporate digital profits will apply to companies that have a significant digital presence or SEP in member countries. A significant digital presence exists when at least one of these three thresholds is met:
   a. Corporate revenue from digital services provided in member countries exceeds €7 million in tax terms (for one year);
   b. The number of users in member countries exceeds 100,000 at tax time; or
   c. The number of business contracts for digital services exceeds 3,000. The threshold is intended to exclude incidental small companies and digital service providers.

The practice of the European organization countries has redefined the concept of tax collection from the understanding of Phsycs presence (Permanent Business Entity/BUT, namely companies that are present in certain countries that can be subject to a tax burden) towards economic significance presence, namely the tax burden can be applied to multinational companies that have big income in a country.

3.2 Principles of Multinational Company Tax Collection

As for the principles of tax enforcement for multinational companies, adapting the OECD, these principles are as follows:

a. Neutrality: Taxes must strive to be neutral and equal between forms of business activity. There is no discrimination in tax treatment between transactions in digital economic activities and conventional business models that are similar in business processes.
b. Efficiency: The benefits of implementing a tax policy must be higher than the costs of adopting it, including the costs of transition and implementation. Evaluation of the efficiency of policy options must consider whether existing policies can still be applied, or are they unable to keep up with technological advances.
c. Certainty and simplicity: Tax regulations that are easy to understand will make it easier for taxpayers to anticipate the tax consequences of transactions and assist tax

authorities in evaluating compliance. Simple tax systems also tend to lower compliance costs and result in more efficient tax systems.

d. Effectiveness and fairness: Taxes imposed must be done at the right amount and at the right time. Taxation must also take into account the party that may bear the highest burden and the proportion.
e. Flexibility and sustainability: Policy choices are not only based on the ability of choices to address tax challenges in the current environment, but to the extent possible given the difficulty of predicting future developments. Tax policies must be flexible and dynamic enough to adapt to future developments in business and technology. f. Proportionality: Policy choices must pay attention to the impacts that may arise. Policy choices should be adjusted to the scope of the specific challenges to be faced.

3.3 Multi-national Digital Tax Subject and Object

A multinational corporation, also known as a multinational enterprise (MNE), is another name for a multinational corporation, sometimes referred to as a transnational enterprise (TNE), transnational corporation (TNC), international corporation, or corporation without a state. MNE is defined as a business or business activity carried out by companies in various countries. The reasons for enforcing tax collections are divided into 2 groups, namely based on the principle of residence/territoriality and sources/sources of income.

1. The principle of residency taxation is practiced for value added tax related to consumption activities of the exchange of goods and services (value added tax, goods and services tax, and retail sales tax). Income tax is usually incurred in respect of net profit earned over a certain period of time and usually annually. This principle emphasizes the application of income tax based on the territory or whereabouts of a person (described in the OECD Commentary as the taxpayer's personal attachment to the state) or relationship to the territory. The question regarding digital tax is where the domicile of the taxpayer is located.
2. The source principle is that the tax is imposed because of the relationship between the area where the income is obtained and the taxpayer. Regarding inward investment (countries that tax foreigners doing business in their jurisdiction). As such, source rules vary between countries. Common practice is to be taxed on a net income basis at the foreign taxpayer's marginal tax rate, other forms of passive income such as interest, royalties and dividends are taxed on a gross basis. The problem with digital international trade is the vulnerability to double taxes that must be paid by taxpayers related to their global business activities.

3.4 Enforcement of Digital Taxes on Multinational Companies in Indonesia

In civil law systems, an entity is usually subject to corporate tax if it is considered a legal entity. Taxes are levies made by the state based on law for the benefit of state financing, the implementation of which can be forced and does not get direct returns. This understanding can be seen as stated in Law no. 16 of 2009 concerning General

Provisions and Procedures for Taxation to be used for the needs of the state for the greatest prosperity of the people" provides a definition: "Taxes are mandatory contributions to the state owed by individuals or entities that are coercive under the law, with no compensation directly and those grouped on direct taxes (income tax, land tax, Indonesia has taken the initiative to implement digital tax collection for all economic actors, both domestic and multinational, prior to the global consensus. The legal basis is regulated in Government Regulation (PP) Number 80 of 2019 concerning Electronic System Trading. stipulated as Business Through Electronic System, hereinafter abbreviated as PMSE, is a business whose transactions are carried out through various electronic devices and processes. .

Every good tax object whose transaction process is carried out using a series of electronic devices and procedures. on tangible tax objects of processed or converted goods and original and intangible goods in the form of electronic or digital information including software, multimedia and/or electronic data it has been decided that they will be subject to VAT of 10% and will be explained in implementing regulations as implementing regulations the method of appointing a collector, deposit, collection and reporting of VAT on Utilization of Intangible Taxable Goods (BKP) or Taxable Services (JKP) from Outside and Within the Customs Area Through PMSE. VAT, which is a tax on consumption, is also known as Value Added Tax (VAT) or Good and Services Tax (GST). In Indonesia, VAT is a form of indirect tax because the taxpayer and VAT person in charge are on different parties. The taxpayers referred to in the VAT Law are consumers of goods or services. Entrepreneurs as sellers as well as persons in charge of VAT are obliged to pay VAT and report it to the government or the state. The author emphasizes here that VAT in principle is a tax for consumers whose burden is assigned to consumers. The application of VAT for cross-national transactions in Indonesia presents a debate in the international trade arena, especially the United States because the dominant digital companies come from America.

The problems that arise in the context of international trade are regarding which country has the authority to collect VAT; the country of origin where the goods/services are produced (jurisdiction of origin) or the country where the goods/services are consumed (jurisdiction of destination). The problem of determining taxation rights causes the emergence of two principles of VAT collection in international trade, namely the principle of the country of origin (origin principle) and the principle of destination country (destination principle). The fundamental difference between the two principles lies in the position of business actors and consumers. The destination principle places business actors in the same position, whereas the origin principle places consumers in the place of taxpayers.

Furthermore, the philosophical, sociological and juridical basis of the implementation of multi-national digital tax collection is a form of equality or equal treatment for all Taxpayers (WP), both Domestic Taxpayers and Foreign Taxpayers which in the future will be useful for maintaining a fair business competition climate and the urgency of the crisis caused by Covid-19. Digital products are intangible goods in the form of electronic or digital information consisting of converted or transformed goods or goods that are originally electronic in form, not limited to multimedia, software or electronic data. Tax objects are regulated in the form of Digital Services. use motion picture

films, films or video tapes for television broadcasts, or audio tapes for radio broadcasts.

This regulation has also updated the principle of applying taxpayers from physical presence or residence to significant economic presence/sources, as stated in Article 7 paragraph 1 PP No. 80 of 2019, overseas PMSE business actors who actively make offers to consumers in Indonesia, can be considered to have fulfilled their physical presence or are determined as a Permanent Establishment (BUT) if they meet certain criteria. It is the same as trading activities for BKP or JKP transactions which are generally carried out conventionally. Trading activities using this electronic system will be subject to VAT of 10% of the Tax Imposition Basis (DPP). The criteria for establishing PMSE as BUT are the number of delivery packages, the number of transactions, the transaction value, and the amount of traffic or access.

This article fills the legal void in Law No.42 of 2009 regarding services tax which was previously unknown in Indonesia. Services as VAT objects are taxed if they are included in the category of Taxable Services (JKP). The collection of VAT on services takes into account the type of service delivery, the party performing the service delivery, and the place where the service is utilized/consumed. When paying attention to the provisions contained in the General Agreement on Trade in Services and Law no. 7 of 2014 concerning Trade, trade in services can be carried out through 4 (four) modes, namely cross-border supply, foreign consumption, commercial presence, and movement of people. If the export of services is only interpreted as the activity of providing services outside the customs area.

According to its function, taxes are a source of state revenue in financing expenditures or state spending or also known as the budgetary function. Besides that, taxes are also used as a tool by the government in regulating people's behavior both in the economic field or also known as regular functions. Law No. 16 of 2009 added that the tax function can also be as. The function of the country's economic stability and the function of income redistribution.

Sources of tax law

a. The principles contained in international law
b. Unilateral (unilateral) regulations from each country that are not addressed to other countries. Such as "prevention of double taxation";
c. Treaties with other countries such as: (a) To avoid double taxation; (b) To regulate fiscal treatment of other countries. (c) To regulate the division of profits within a company/a person who has branches and sources in foreign countries (d) To provide mutual assistance in the imposition, collection, including efforts to eradicate tax smuggling. (e) To set douane rates.
d. Decisions of national judges or international commissions on international taxes.

Indonesia, on an economic and sociological basis, implements tax collection on digital transactions in 2020 in order to maintain the country's economic stability caused by the Global Covid-19 crisis. This digital tax withdrawal applies to all trading activities of digital service users regulated in Regulation in lieu of Law (Perpu) No. 1 of 2020 and stipulated by law no. 20 of 2020 which was amended by Law no. 7 of 2021.

Referring to the regulation in lieu of the law, Indonesia imposes income tax on digital companies and value added tax.

a. Income Tax Based on Article 6 paragraph (6) of Perppu Number 1 of 2020, income tax obligations will apply to foreign digital service providers if there is a significant profit from the economic activity, so that they are considered to have a residency or company branch in Indonesia. Related to this significant profit it is still not regulated concretely in implementing regulations so that the collection of income tax on multi-national digital companies cannot be realized.
b. Value added tax, regulated in Article 6 paragraph 13 (a) of Perppu No. 1 of 2020 which regulates procedures for collecting, paying and reporting VAT on cross-border digital transactions will be further regulated. Currently it has been running because in concept it is almost the same as conventional tax collection which charges 10% to consumers.

As for the principle of implementing tax collection that is practiced by Indonesia, it adapts it from the OECD organization, even though Indonesia is not included as a member country as stated in the article of this Law, it is organized based on the principles of: (a) justice; (b) simplicity; (c) efficiency; (d) legal certainty; (e) expediency; and added with (f) national interest as a representation of the existence of the sovereignty of the Republic of Indonesia.

Source principle namely the collection of taxes based on the location or location of the tax object. Based on this principle, the country which is the location of the tax object has the right to collect taxes on the taxpayer. For example, if a taxpayer lives abroad or comes from another country, but the company is located in Indonesia, then the person concerned can be taxed based on the principle of source or location of the tax object. In this case the method of collecting taxes depends on the country where the tax object is located. If in Indonesia a person has a source of income, the tax fiscus or tax official can collect income tax without remembering where the taxpayer resides.

In the elucidation of Article 2 paragraph (2) of Law Number 36 of 2008 concerning Income Tax which stipulates that: "Domestic corporate tax subjects become taxpayers since the time they were founded, or domiciled in Indonesia. Foreign tax subjects both individuals and entities at the same time being a Taxpayer because he receives and/or earns income sourced from Indonesia or receives and/or earns income sourced from Indonesia through a Permanent Establishment (BUT) in Indonesia" and "Domestic Taxpayers are subject to tax on income whether received or obtained from Indonesia or from outside Indonesia, while foreign taxpayers are taxed only on income originating from sources of income in Indonesia

The principle of nationality (principle of nationality), namely the imposition of taxes based on nationality status. The way that uses the basis of nationality relates tax imposition to the taxpayer's nationality. For example, the foreigner tax, which is a tax that requires everyone who is not an Indonesian nationality to pay tax. Or vice versa, taxes for Indonesian nationals, namely taxes that oblige every person with Indonesian nationality to pay taxes, even if they live abroad. This nationality principle is only intended to determine taxes that are subjective.

Territorial/domicile principle This principle is often referred to as the domicile principle. This principle of residence implies that the country where a person resides, regardless of his nationality, has the unlimited right to tax those people for all income they earn regardless of where the income is earned. In Indonesia this is practiced to implementation of the income tax regulated in article 6 of Law no. 2 of 2020 and also contained in the OECD Model Tax Convention on Income and on Capital: Condensed Version 2017. So those who have the authority to collect taxes are the country where the taxpayer is domiciled and it is imposed on all income (worldwide income), as well as all wealth wherever they are.

4 Closing

1. The practices of countries that collect digital taxes on international trade transactions are vulnerable to discriminatory treatment. thus contradicting GATS trading principles
2. Concerning the state's right to implement tax policies in the digital economy has been the subject of discussion in the international community regarding tax policies since the BEPS Action Plan began in 2013. The considerations in withdrawing international taxation are based on:
   a. significant market presence
   b. Changes in global trade behavior
   c. Taxation according to the value of user contributions
   d. Profit allocation to "marketing intangibles"

The urgency of determining the collection of multi-national digital company taxes, the authors conclude, include;

a. Reallocation of state rights to collect taxes
   In principle, the state has the right to collect contributions or taxes from every transaction within its territory, both for tax subjects and tax objects based on the principle of mutual benefits. At present there is a legal vacuum at the national level to international agreements regarding the digital MNE presence. What is the subject and object of tax? Why is the tax collected? And how to implement tax enforcement.
b. Prevent tax evasion
   The existence of company digitization allows companies to no longer need a domicile office to carry out their business activities. Maximizing digital enables the creation of domiciles that can move around or be flexible in running their business can avoid tax obligations by choosing a country that applies a lower tax rate
c. Maintain the principle of unfair trade (fair trade)
   Unequal tax rates between conventional- based companies and digital companies create inequality in implementing policies because the territorial principle does not apply to digital companies.

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