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## POTENTIAL ANALYSIS AND SUPERVISION OF VAT ON THE UTILIZATION OF DIGITAL CONTENTS (CASE STUDY: STEAM PLATFORM)

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**Abstract:** Steam is a world-class company for marketing applications and games. The imposition of VAT on steam has become an interesting thing because there has not been a Permanent Establishment in Indonesia till now. The purpose of this study is to describe the VAT funding before and after the establishment of PE on Steam, the constraints of imposing VAT on Steam, and the steps that the Government can take regarding Steam. The research method used is descriptive qualitative. The results of this study prove that when Steam does not have PE in Indonesia, Steam consumers in Indonesia are required to make their VAT for the use of digital content provided by Steam. However, if BUT already exists for Steam, Steam will become a Taxable Entrepreneur (PKP), which is obliged to collect VAT on the delivery of intangible taxable goods or services provided. This certainly makes it difficult in terms of supervision because it is very difficult for the Directorate General of Taxes to supervise anyone, what is the Taxpayer Identification Number.

**Keywords:** Value-added Tax, Self Imposition, Taxable Entrepreneurs.

### INTRODUCTION

In the era of globalization, technological development is a very influential factor for daily life. Technology is like a primary factor in carrying out activities anywhere. One of the activities that require technology as a primary factor is Trading Through Electronic Systems (PMSE, commonly referred to as *e-commerce*). Nowadays, *e-commerce* is one of the *trending* topics that are in a state of excitement because of its quite effective and efficient presence in doing business. In its application, supporting facilities such as devices and internet are needed.

As a supporting factor in technological progress, the internet has developed rapidly in Indonesia. According to survey data conducted by the Indonesian Internet Service Providers Association (APJII) on Penetration and Behavior of Indonesian Internet Users in 2017, internet users in Indonesia have reached 143.26 million of the total Indonesian population of

262 million. This indicates that more than half of Indonesia's population, which is around 54.68%, has penetrated the internet in its life. The spread of internet usage also varies depending on geographical location. Java has the largest number, namely 58.08% followed by Sumatra by 19%, Kalimantan by 7.97%, Sulawesi by 6.73%, Bali-Nusa by 5.63% and Maluku-Papua by 2.49%. Internet users by sex are also dominated by men, amounting to 51.43%. While based on the composition of internet users based on age is for ages 16-18 years at 16.68%, ages 19-34 years at 49.52%, ages 35-54 years at 29.55%, and ages over 54 years at 4, 24%. The growth of internet users also continues to grow from year to year. In 2015 to 2017, the number of internet users increased from 110.2 million to 143.26 million. This indicates a significant increase in 3 years, which is 30%.

Based on these data, *the* internet cannot be separated from the daily lives of young people today. This group endorses new professions in cyberspace, such as *Selebgram* (Instagram celebrity) and *YouTuber* (YouTube content creator). The proliferation of digital startups or *startups is more* less driven by this age group, whether they are founders or consumers.

In facing this modern era, many small-scale to multinational companies are embracing technology to get new customers. Consumers are offered products as part of the scope of marketing products made by the company itself as well as products from other companies. The goods or products offered are tangible and intangible goods or services provided.

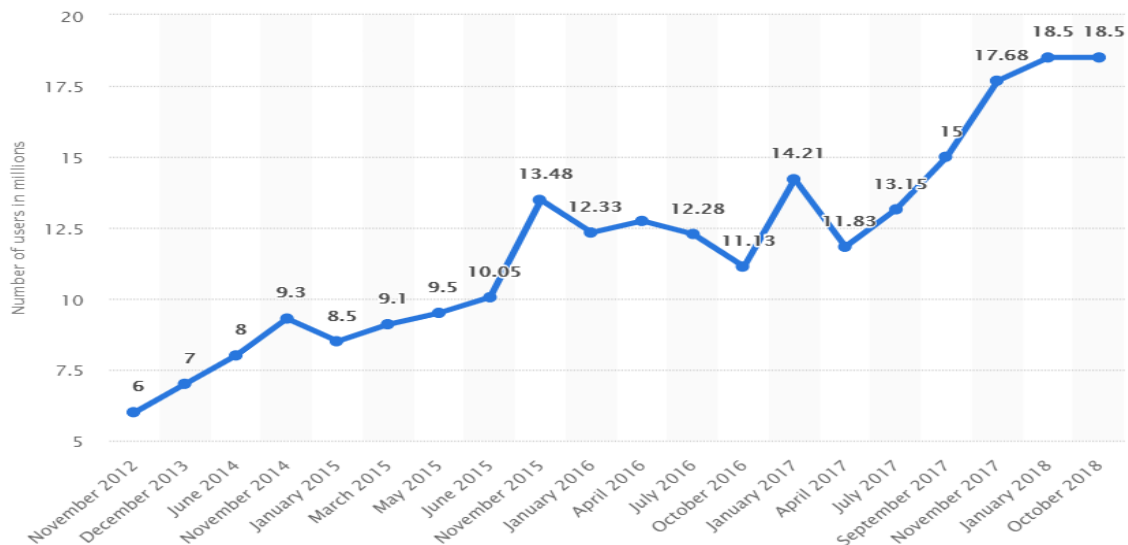
Along with the times and changes in generation patterns, Indonesian people have started to use internet technology as a means of activity. The internet in big cities has become a primary need in carrying out daily activities. Sites like Google, Facebook, Youtube, and Instagram have become daily stops. There are even *public figures* from these sites that can affect people's lifestyles. An example is the awareness of the Indonesian people in buying *original* products rather than pirated products.

With the increasing number and popularity of activities *YouTuber* Indonesian, this has become a special concern for writers because most *YouTubers*, especially *Youtubers gaming* certainly have Steam accounts in which there are games purchased from transactions on the steam platform such as PUBG, CS: GO, Elder Scroll V: Skyrim, and many more.

Regarding Steam, Steam which is owned by Valve is a form of international class company that can market its products only with digital media for international reach marketing. Therefore Steam can be classified into *e-commerce*. The company is located in the Bellevue area, Washington, USA. Steam itself has not yet established an office in Indonesia. In this case, the area of existence is not in Indonesia, so it is not subject to domestic taxes.

Steam has become the distribution store *online game* largest in the world with access to more than 1,800 titles *game* and 35 million active players since it was first launched in 2003. Users can buy, sell, play, share, modify, and build communities *game* on *games* Valve and studios *game* other registered on Steam, even *indie games* are also available on this platform. About 70 percent of *games* are computer sold via Steam. Steam is available in 237 countries and is available in 21 different languages. According to the statista website, steam users connected to the network in October 2018 reached 18.5 million worldwide. This number is up from the previous year as in November 2012 the number reached 6 million

users. The increase occurred significantly in 2017 from 11 thousand users to 17 thousand users at the end of the year.



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Source: statista.com data

**Figure 1: Peak Statistics of Active Steam Users from 2012 to 2018**

From the transaction, was there any interference by the Indonesian government to monitor the amount of money issued through the Steam platform so that it is possible to be taxed in the transaction. And who is obliged and how is the compliance of consumers who use Steam products in Indonesia. Actually this has been regulated generally according to PMK Number 40 / PMK.03 / 2010 concerning Procedures for Calculating, Collecting, Depositing and Reporting Value Added Tax on Utilization of Intangible Taxable Goods and / or Taxable Services from Outside the Customs Area, and SE-62 / PJ / 2013 concerning Affirmation of Taxation Provisions for E-commerce Transactions. But here it is still questionable about the compliance of taxpayers in matters of taxation regarding the obligation to pay Value Added Tax if Steam is a BUT and not a BUT.

The objectives to be achieved by the author in this paper are to identify Steam business processes, explain the types of Steam platform transactions, explain the transaction practices on Steam, explain the obstacles and taxation problems, and provide an overview of the steps to be taken by the government against Steam.

## LITERATURE REVIEW

### 1. Internet

Greenlaw & Hepp (2002) states that the internet is a global information system that is logically connected by unique addresses based on *Internet Protocol / IP*, and + \* hascommunication support *TCP / Transmission Control Protocol*. This causes the internet can be used, changed, and also accessed both in general, and specifically. While the originator of the *World Wide Web (WWW)*, Berners Lee, said that the internet is a network

consisting of several networks. This clearly refers to the concept where a particular compute network, or local network can also be connected to another network.

On the other hand, Onno W. Purbo (in Prihatna, 2005) explains that the Internet is basically a medium used to streamline a communication process that is connected to various applications, such as the Web, VoIP, *E-mail*. The Federal Networking Council (FNC), states that the internet refers to a global information system, which is logically linked to a unique address based on the *internet protocol* (IP). *Transmission Control Protocol / Internet Protocol* (TCP / IP) or other IP that is compatible and makes it easy for the public and individuals to access high-level communication and related to infrastructure.

## **2. Tax**

Definition of tax according to Gelfand in (Wijaya, 2017) is a levy to the state (which can be imposed) owed by payment must be regulated by the government to finance public expenditure related to national budgeting. Lefcoe (2011) further explained that taxes are the obligation of the state and the dedication of citizens to finance various public needs, both in the form of national development as stipulated in certain laws and regulations for the purpose of the welfare of the country. Taxes are also the obligation of citizens in national development in financing efforts that are imposed without compensation for their achievements (Steinmo, 1996).

## **3. Value Added Tax**

Tax is the imposition of a tax on expenditures for consumption by individuals and entities both private and government agencies in the form of goods or services expenditure which is charged to the state budget (Sukardji, 2015).

## **4. Previous Research**

Wijaya and Utamawati (2018) conducted income tax research from the digital economy on *cross-boarder* transactions. The results showed that taxation of digital economic cross-border transactions in terms of income tax is quite difficult because taxation rights are determined based on the Double Taxation Avoidance Agreement (P3B), which mostly still uses the concept of Permanent Establishment (BUT) in the form of physical presence. Because there is no global consensus yet, one of the steps that the government can take is P3B negotiations through MLI (multilateral instruments). Another step is the implementation of interim measures as recommended by the OECD (Organization for Economic Cooperation and Development) through a new tax levy (equalization levy).

## **RESEARCH METHODS**

Morsein Creswell (2014) states that this type of qualitative approach is needed because the research topic is new, the subject has never been stated with a particular sample or group of people, and the existing theory does not apply to certain samples or groups under study. Also, a qualitative approach is carried out because of the need to explore and explain phenomena in-depth, where the nature of the phenomena does not correspond to quantitative measures. Source of data used in this paper are primary data and secondary data. Primary data is data obtained from the first source, in the form of in-depth interviews. Whereas secondary data is data collected from existing sources such as books, journals, regulations,

and other related literature. Primary data obtained from interviewees with academics (lecturers), practitioners (DGT and BKF).

## FINDINGS AND DISCUSSION

In transactions *e-commerce*, there is certainly a connection with taxation aspects, namely the presence of PMK 40 / PMK.03 / 2010 and SE-62 / PJ / 2013 as a legal basis. Regarding the growth of digital transactions in Indonesia, according to the US and AT sources, both believe that the growth of *e-commerce* with taxes is still likely to be lacking. According to AT, this is based on the ability of government access that is still limited and the *potential loss* is very large with the loss of firmness in the form of rules, especially from the aspect of cancellation of the PMK-210. Meanwhile, according to AH and RGP, the growth of *e-commerce* with tax tends to be very fast, with a lot of potential in it. The resource person from BKF chose not to have an opinion because survey data still needs to be done and taxation in Indonesia adheres to *self-assessment* so that awareness of the *marketplace* is quite high in meeting their obligations.

**Table 1: Relationship of growth *E-commerce* with taxation**

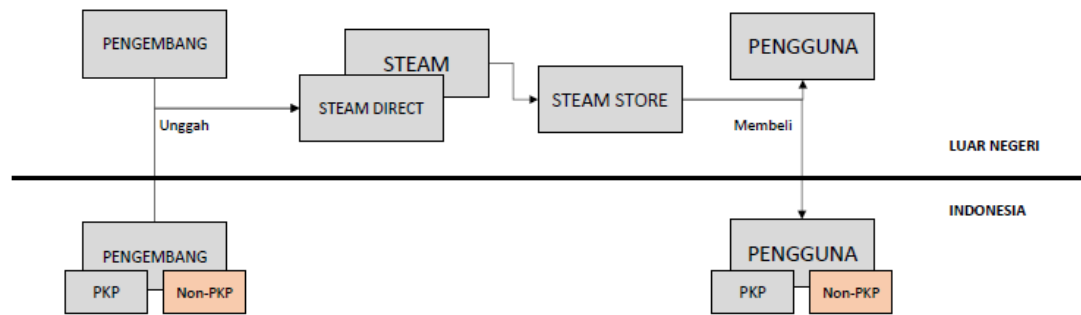
<b>DGT</b>	US	Less, lots of potential <i>loss</i>
	AH	Very fast, great potential
	RGP	Very Fast and good, there is potential for
<b>BKF</b>	anonymous	Not able to take an opinion because it adheres to <i>self-assessment</i> .
<b>Academics</b>	AT	Lack

Source: data processed

In business, several parties are directly involved, namely from the *developer*, the *user*, and the Steam management itself. While from the indirect side there is the country concerned, the bank or other parties who work with Steam (for example *Convenience Store* abroad as a payment mediator).

In terms of *supply sales*, *suppliers software* Steam comes from various groups. There is an internal parent company, namely from Valve Corporation which provides *software* and *games* such as *Counter-Strike (CS)* and *Half-Life*. Then there are companies from big companies like Bandai Namco, Capcom, Bethesda, and other well-known companies that provide *software* and *games*. The latter is a small company or commonly called an *indie* that tries to market the game via the Steam platform. To register the game, the developer must pass certain stages with the media that Steam has provided, namely *Steamworks* or *Steam Director* what was once known as *Steam Greenlight*.

To be able to use *Steam Direct*, the developer needs to fill in the *form* digital provided, pay the application deposit fee, and fill in information about the account, tax information and verify identity. After going through these stages, a new developer can open his shop page. *Steam Direct* can be used by anyone. In the context of taxation, both PKP and non-PKP can use this platform so that BKPTB export transactions take place outside the customs area. This activity should be subject to VAT of 0%.

**Figure 2: BKPTB Movement Flow-Flow Scheme in the Steam Platform**

Source: data processed

In terms of market segments, the international world is the entire Steam market segment, both users in Indonesia and overseas users are Steam content consumers. Consumers can start enjoying the features provided by Steam by first registering themselves on the official Steam page by entering an email address. Users have to wait several days to be able to use the Steam Store feature to buy *software* and games.

In the case of payment, Steam will automatically detect where the user is. Therefore, the prices listed on the Steam Store will adjust to the currency used in each country. This can also be called *Region Lock*. With this feature, users cannot arbitrarily change their location to avoid taxes in an area. This case has been sued by the European Union against Steam regarding *Tax Avoidance* and *Tax Evasion* when users use content from the Steam platform.

**Table 2: Table Subject and Object of the VAT**

Subject	Object	Event Law	Legal Basis	Rate
Developer	Software (BKPTB)	Export BKPTB outside the customs territory of	Article 4 (g) of the VAT Law 1984	0%
User		Utilization BKPTB of Foreign customs area into the Customs territory	Article 4 (d) 1984 VAT Act	10%

Source: data processed

Based on interviews, all informants gave the same answer, namely, Steam is categorized as an *Online Marketplace*. In the US's opinion, this classification is because in Steam there are *marketplace merchants*, which means simply buying and selling goods *online*. AH, sources said that there was indeed element *Classified Ads* in it, but only a small portion so that the *core* main was *Online Marketplace*. Both of these opinions were corroborated by the opinion of speakers from BKF who said that the opinion was indeed from the initial nature of the Steam platform.



As shown in the pictures discussed earlier. In conducting its business, Steam involves the developer, Steam itself, and the user using the media of computer networks. If analyzed further, the developer can be categorized as, Steam as, and as User. This is in line with the understanding of the *Online Marketplace* so Steam can be categorized as an *Online Marketplace*.

**Table 3: Types of E-commerce platforms Steam**

<b>DGP</b>	US	<i>Online Marketplace</i> , because there are <i>merchants</i>
	AH	<i>Online Marketplace</i> , although a small portion is <i>Classified Ads</i>
	RGP	<i>Online Marketplace</i>
<b>BKF</b>	S	<i>Online Marketplace</i> , seen from <i>nature</i> its
<b>Academics</b>	AT	<i>Online Marketplace</i> ,

Source: processed data

Researchers try to compare with peer transactions that are abroad. Both are listed the same thing that VAT will be collected if possible. In the examples provided, Japan and Germany have been included in the countries that collaborate with Steam on its VAT collection. On its official page, Steam states that for Japan a VAT of 8% has been included in the price and for Germany, a VAT of 19% is included in the price.

For Japan, there are various kinds of payment options. Examples are available using the combination option or commonly called a *minimarket* or *convenience store*. Paying in this way is considered easy and safe for users in Japan. In addition, it has been clear about the taxation aspects because the tax has been included in the price displayed according to what it is coupled with the cost of services from Konbini itself.

From the previous transaction, there should be a VAT calculation of 10% of the selling price of the content.

Product Price Rp39,999 = Rp39,999

VAT Rp39,999 × 10% = Rp 3,999

Total Payment = Rp43,998

If the product is sold in Indonesia which has around 4.3 Million steam users, assuming 15% of users buy Pamali games, then the potential VAT is:

Buyer 4,300,000 × 15% = 645,000

Potential VAT 645,000 × (Rp39,999 × 10%) = Rp2,579,355,000

If Steam has BUT, then VAT should be collected by the Steam and reported to the Tax Directorate General by using the VAT Period SPT. However, if Steam does not have a BUT, then the obligation to collect VAT by Steam will be lost. Value Added Tax must be paid by the person who utilizes it in Indonesia to the national treasury. For PKP, the reporting uses the VAT Period SPT while non-PKP uses the SSP.

This amount is not a small amount for one type of content. What if there is a purchase of *other* games that could be priced above *this game* Pamali. According to the interviewees, they thought that Steam could not collect VAT due to its unclear status, namely not having BUT. Unlike in Australia, which does not require permanent establishment in collecting taxes.

**Table 4: Steam Status to collective**

<b>DGT</b>	US	Must be confirmed whether or not the status of PET, P3B needs to be discussed with countries of origin
	AH	without BUT, which utilizes in Indonesia must pay its VAT using the CNS for non-PKP.
	RGP	Not BUT cannot collect VAT
<b>BKF</b>	S	From Steam to formulate its Indonesia VAT 10%
<b>Academics</b>	AT	Payment via visa or MasterCard needs to be monitored through money traffic, checking accounts.

Source: processed data

#### a. Constraint and Budget

From the US and S's narrative, if it focuses on Steam, Steam is not Indonesia's authority. Steam is not WP and does not have BUT in Indonesia. Besides, the problem of access and supporting infrastructure in the form of IT is still lacking in the spotlight of the US, AH, RGP and AT.

Regarding BKPTB transaction types that are not visible with transactions that use upload-download media, it is increasingly difficult to obtain existing sales and purchase data according to S.

**Table 5: Constraints and Problems of Tax Supervision of the Steam platform**

<b>DGT</b>	US	Steam is not WP and BUT (does not meet the requirements subjective), IT supervision must be more, unclear when owed PPN
	AH	How to find out the entry of BKPTB and Steam Wallet is not easily accessed DGT
	RGP	The obstacle because VAT type of consumption must be paid by the party that utilizes it, it is difficult to get buyer data
<b>BKF</b>	S	Steam outside our jurisdiction, there is no interest in crediting for OP (non-PKP) who make use of, the transaction is difficult to supervise
<b>Academics</b>	ATAT	There is no access, the goods traded are BKPTB so there is no visible movement, the number of <i>sales</i> is unknown.

Source: data processed



### b. Government Steps towards Steam

Several optional steps can be taken by the government by creating several ministries to work together. Among them are the Ministry of Finance, Ministry of Communication and Information and the Ministry of Trade side by side with Bank Indonesia. Thus according to S. According to the US, AH, and RGP, cooperation between ministries is very necessary. AT believes that there needs to be an IT expert to handle this problem.

**Table 6: Steps that can be taken by the Government towards Steam**

<b>DGT</b>	US	Gradually from the statement then blocking
	AH	Blocking even though it is not the DGT's authority and it will be difficult
	RGP	Open communication with Steam parties or ask Steam parties to establish BUT in Indonesia
<b>BKF</b>	S	Arrange and involve Steam in the design (Mediation)
<b>Academics</b>	AT	Blocking (Restricting Access)

Source: data processed

According to the US and RGP, Efforts that can be made to increase public awareness of the importance of taxation are with tax education. Education must be on target so that the material can be well received. How to deliver this education can be with continuous socialization, especially to the millennial group who tend to use IT more frequently in their activities. The existence of binding regulations and the existence of government power to regulate perceived AT sources is fundamental.

**Table 7: Step Increase Public Awareness will Importance of Tax**

<b>DJP</b>	US	Educational taxation
	AH	socialization continuously
	RGP	Education with the right target and appeal
<b>Academici an</b>	AT	Need for <i>Government Power</i> coercive. (Law)

Source: Data processed

## CONCLUSION AND SUGESTION

Based on the analysis and discussion described, the author draws some conclusions as follows:

1. Steam does not have BUT in Indonesia so there is no obligation to collect VAT by Steam. Therefore, it is necessary to study P3B with Steam's origin country, namely America. If later Steam has BUT, then the obligation to collect VAT is in the hands of Steam. When becoming a permanent corporation, Steam is obliged to pay the collected VAT to the state treasury and report the collection of VAT to the tax office where Steam is registered using the VAT Periodic Tax Return periodically. Because Steam does not have BUT, the VAT payment and reporting obligations for the purchase of digital content through the Steam platform must be borne by those who

use the content in Indonesia. By Regulation of the Minister of Finance Number 40 / PMK.03 / 2010, concerning Procedures for Withholding, Collection, Depositing and Reporting Value Added Tax on Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area, namely:

- a. For PKP use the VAT Period VAT
- b. For non-PKP using the SSP

No later than the 15th of the following month.

The potential for taxation of the VAT sector on the Steam platform is big if proper supervision is conducted. VAT supervision over the use of digital content on the Steam platform is still considered ineffective. Difficulties looking for consumer data in Indonesia, Steam which is outside the jurisdiction of Indonesian regulations (does not meet subjective requirements), invisible BKPTB transactions coupled with electronic media that is difficult to monitor becomes an obstacle that is faced. Steps that can be taken by the government are increasing cooperation between state ministries and increasing tax education as much as possible to the public.

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