

CHAPTER II

STARTUP POLICY IN THE ERA OF JOKOWI

E-commerce in Indonesia has entered a new stage. Technological advances in the field of e-commerce trading are not only growing very rapidly in Indonesia, but also the accompanying ecosystem will increase rapidly. The ecosystem that accompanies this e-commerce core business needs to be maintained so that it can fully support e-commerce businesses. Examples are the business of shipping goods, money transfer services, trading application creation services, and others.

The Indonesian startup does exist in the middle of 2009, and the local startup was starting the e-market with e-commerce startup. At the time, netizen of Indonesia as a consumer of the product in e-commerce startup does not see the startup as an excellent way to spend their money on buying goods that they need. In the same case of the consumers of e-commerce startup was somehow dissatisfied to the goods that they bought on startup.

The stuff that they bought is out of expectation. Meanwhile, the pictures of the product on startup and the fewer descriptions of the product from seller has been written down on the column of description. Because of this mistaken, mostly Indonesian consumer did not have the interest to spend their money on startup at that time.

Startup at the time also issued by the complex of the payment system. The difficult the payment system of startup bring Indonesian society's point of view about a thing that the goods or the stuff from the physical store, retail store and mall (department store) are reachable. This issues also related with the distrust for giving an information credit card to the payment system of startup. That is one of the factors behind

Indonesian people that have never been shopping online
caused by distrusted

Research data from Nielsen states that 60% of Indonesians are still afraid to provide their credit card information on the internet for online shopping, compare to other Southeast Asian countries except for the Philippines. Although the number is still low compared to countries with the more significant number of population, the number of credit card users in Indonesia has begun to grow. This year would be expected that credit card users in Indonesia will reach 16.5 million. Unlike credit cards, the number of debit cards in Indonesia is far superior at almost 80 million in 2013.

This is kind of a problem that must be solved by e-commerce companies from the infrastructure side and also the payment system. E-commerce companies must be able to convince their prospective customers so that they want to shop online primarily for the target market of young people who generally know very well technological development.

If an e-commerce company can provide a sense of comfort in buying online and providing a payment system that can be accepted by many people, it is hoped that more Indonesians will not hesitate to shop, either using their credit or debit card. Indonesia has various types of banks which include making it difficult to accept payment systems of e-commerce Company. To fix this, some e-commerce companies need to offer many payment systems from various kind of bank. In this way, the payment problem will be solved.

Therefore, with the issues of the startup that still exist at that time, Joko Widodo as the president of Indonesia form a new policy for the development of startup including the foreign one. The policy was made to regulate concerning the trading system of startup.

A. The Indonesian regulation for local startup

The digital economy is one of the markers of the entry of the world in a new phase of the economy. Economists call it the fourth industrial revolution. Here, the role of the government as a regulator is essential so that the country is not only able to compete in the world arena, but also able to mitigate all the challenges that arise. Responding to that, President Jokowi on 21 July 2017 signed Presidential Regulation (Perpres) Number 74 of 2017 concerning Roadmap for Electronic-Based National Trade System (SPNBE) / e-Commerce Road Map for 2017-2019. The Perpres was issued using the consideration that electronic-based economy has significant economic potential and is one of the backbones of the national economy. (Widiana, 2018)

Besides, the Perpres also mandates that in order to optimise utilisation electronic-based economic potential, the government needs to encourage acceleration and development of e-commerce-based national trade systems, startups, business development, and logistics acceleration. Some of the programs that are the objectives of the Perpres include funding programs, taxation, consumer protection, education and human resources, communication infrastructure, logistics, cyber security, and the establishment of roadmap management.

Starting with the issuance of Law No. 11 of 2008 concerning Information and Electronic Transactions (ITE Law), Law No. 7 of 2014 concerning Trade, and Presidential Regulation (Perpres) No. 74 of 2017 concerning Roadmap of Electronic-Based National Trading System for 2017-2019.

E-commerce consumer protection stated in Article 9 of the ITE Law, which states that businesses offering products through electronic systems must provide complete and correct information relating to contract terms, producers and products offered. In Law No. 7 of 2014 concerning Trade, there is Article 65 paragraph (1) which states that every business actor

that trades goods or services using an electronic system must provide complete and correct data or information. Article 66 states that further provisions regarding trade transactions through electronic systems are regulated by or based on Government Regulations.

The government regulation in question is the Presidential Regulation (Perpres) No. 74 of 2017 concerning Roadmap of Electronic-Based National Trading System (Road Map e-Commerce) for 2017-2019. This Perpres and its attachments provide direction and steps for the preparation and implementation of transactions whose transactions based on a series of electronic devices and procedures.

Another regulation regarding e-commerce is taxation. So far there are no specific tax provisions for e-commerce, other than the Director General of Taxes Circular Number SE / 62 / PJ / 2013 concerning Affirmation of Taxation Terms for e-Commerce Transactions. The circular emphasized that there were no new taxes in e-commerce transactions, so there was no difference in the application of tax laws between e-commerce and conventional transactions. Sellers and buyers can get taxed according to existing tax legislation.

However, through the Volume XIV Economic Policy Package published on November 10, 2016, the government provides incentives for e-commerce start-ups in the form of tax relief, namely: Tax reduction for local investors who invest in start-up companies. Simplification of permit for tax procedures for e-commerce start-ups that have a turnover of under Rp. 4.8 billion per year through the implementation of PP No. 44 of 2013 concerning income tax on income from businesses received or obtained by taxpayers who have sure gross circulation so that the e-commerce start-up is subject to a final tax of 1 per cent. (Advertorial, 2017)

This policy package was initiated because no national e-commerce roadmap will encourage the growth of e-

commerce in Indonesia. The following are some essential points set out in the XIV Economic Policy Package. First, in the funding sector through the People's Business Credit for tenant development platforms, Universal Service Obligation (USO) funds for digital Micro, Small and Medium Enterprises (UMKM) and start-up e-commerce platforms.

Secondly, in the taxation sector through tax reduction for local investors who invest in start-up, Simplification of permit for tax procedures for e-commerce start-ups with a turnover below Rp.4.8 billion per year through the implementation of Government Regulation No. 46 of 2013 concerning Income Tax on Income (PPh) from Businesses Received or Obtained by Taxpayers with Certain Gross Circulation. Thus, the final PPh is only 1 per cent.

Third, in the consumer protection sector through harmonisation of regulations concerning electronic certification, accreditation processes, payment mechanism policies, protection of consumers and e-commerce industry players, and dispute resolution schemes. In addition, other important points also regulate education about e-commerce awareness, support logistics systems to accelerate delivery and reduce shipping costs, build high-speed broadband networks, increase public awareness about cybercrime and develop SOPs related to consumer data storage, and the establishment of executive management to monitor e-Commerce Roadmap in Indonesia. Based on this roadmap, the Ministry of Finance coordinates with the Ministry of Industry, Ministry of Trade, and Coordinating Ministry for Economic Affairs, and e-commerce actors in Indonesia to form e-commerce tax rules.

B. The Regulation for international startup

The existence of foreign e-commerce in Indonesia inevitably has an impact on local entrepreneurs. In order to protect the local startup from the dominance of foreigners, it

could be started from taxation. According to the Chairman of Himpunan Pengusaha Muda Indonesia (Hipmi) Tax Center, Ajib Hamdami said that “Tax instruments are an effective door to safeguard the country's economic sovereignty in the e-commerce industry”.

He also encouraged the implementation of taxes for e-commerce since the breadth of people's spending patterns is increasingly shifting to online applications. However, it is expected that the e-commerce taxation system is designed for people entrepreneurs or domestic investors. He added that the e-commerce tax rules being discussed by the government must reduce the role of entrepreneurs or local investors.

Indonesia's digital market potential in 2017 is around 32.5 billion US dollars or Rp. 436 trillion. This figure grew by around 30-40 from estimated transactions in 2016 valued at US \$ 25 billion or Rp. 335 trillion. (MERDEKA, 2018)

The Ministry of Finance collaborates with several other ministries to formulate e-commerce tax regulations which will later be in the form of Minister of Finance Regulation (PMK). For example, in purchasing goods from overseas via e-commerce. The Government issued a policy, but also the treatment for the item when it enters the customs territory of Indonesia until the buyer receives the goods.

Furthermore, the e-commerce actors also hope that the policies issued will not hinder the growth of the e-commerce industry in Indonesia. Actually what the government is sure is that taxes owed through conventional transactions and taxes owed through e-commerce transactions have been collected according to the applicable rules. Hence, traders who sell conventionally or through e-commerce both have implemented their tax obligations. Also, consumers who shop through

conventional traders or e-commerce is also subject to the same tax.

In its development, the government will make arrangements related to the procedure for collecting tax payable in the e-commerce industry. There is no difference in tax rates imposed on transactions through e-commerce with transactions through conventional methods. The government only regulates that merchants selling via e-commerce deposit a small portion of the tax owed from the transaction (VAT and PPh). Thus, the tax paid can be calculated as a tax credit.

At present, according to PP No. 46 of 2013, UMKM players are subject to a final PPh rate of 1% of a year's gross income, including e-commerce players. The government is now planning a 0.5% income tax collection on e-commerce players and will be collected by the owner of the platform (online marketplace). Along with the revision of PP 46 of 2013 towards the 0.5% rate, traders must pay their income tax of 0.5%. Based on the provisions, e-commerce actors are also required to become Taxable Entrepreneurs and collect VAT on the delivery of goods or services if the annual turnover exceeds Rp 4.8 billion. (Prastowo, 2018)

For foreign e-commerce entrepreneurs, the Indonesian government also provide equality of tax treatment. Foreign business actors who provide services or content in Indonesia must fulfil all tax provisions.

