

CHAPTER FOUR

FINDING AND ANALYSIS

A. Subject and Object of Income Tax Based on Indonesian Law

In fulfilling the state treasury, all citizens can do state funding in the form of tax payments. A taxpayer is a person or legal entity that is the subject of taxation. In its implementation, tax collection is based on the type of tax being billed. One of which is billed by the state is income tax. Income tax can come from individuals or business entities that produce the object of income tax, namely income.

In the income tax system in Indonesia, there are three types of income tax subjects namely personal or legal entity and permanent establishment. Both types are considered as tax subjects because the activities carried out in the form of business and work generate income which is the object of tax. The subject of income tax is a person or legal entity that obtains profits and income from a business activity and/ or activity that generates profit to the culprit.³¹

According to article 2 sub article (1) of the Act Number 36 of 2008 on Income Tax, the subjects of income tax consists of:

- a. Individual;
- b. Undivided inheritance as a unit replaces the entitled individual (substitute subject);
- c. Legal Entity; and
- d. Permanent Establishment.

³¹ Salman, Kautsar Riza, *Op. Cit.*, 2017, p. 2

1. Individual or Personal

The first tax subject is individual. Individuals who are subject to income tax are individuals who have jobs and have income that is included in the category as taxable income. The concept of an individual is not only limited to individuals who are domiciled in Indonesia. Individuals as tax subjects can reside in Indonesia or outside Indonesia. An inheritance that has not been divided as one entity is a substitute tax subject, replacing those entitled to the heirs. The designation of an inheritance that has not been divided as a substitute tax subject is intended so that the taxation of income derived from such inheritance can still be carried out.³² In addition to income or increased economic capacity, there are exceptions to personal tax collection, namely to:

- a. Undivided inheritance as a unit replaces the entitled individual (substitute subject); and
- b. Married women who do not separate assets are represented by their husbands as subjects of income tax.

2. Legal Entity

Apart from individuals, the next tax subject is permanent establishment. Permanent establishment that is subject to tax is a business entity that has funds from a business that is run and developed and that qualifies as a tax object. Permanent establishment consists of people and/or capital which associated to conduct business in the form

³² Explanation of Article 2 Sub-article (1) letter a of Law No. 36 of 2008 concerning Income Tax.

of limited liability companies, companies limited partnership, state-owned enterprises or local-owned enterprises under the name and in any form, firm, partnership, cooperative, pension funds, partnership, association, Foundations, mass organizations, socio-political organizations, or other organizations, and institutions.³³

State-owned enterprises and regionally-owned enterprises are subject to tax without regard to their names and forms so that each particular unit of the Government body, for example institutions, entities, etc. owned by the Central Government and Regional Governments that run businesses or carry out activities to obtain income are tax subject. In the definition of association also includes leagues, unions, organizations, or ties of parties who have the same interests.³⁴

Certain units of government bodies that meet the following criteria are not included as Tax Subjects, namely:³⁵

- a. formed based on applicable laws and regulations;
- b. funded with funds sourced from the state budget or regional budget;
- c. the agency's revenue is included in the Central or Regional Government budget; and
- d. the books are checked by the state functional supervision apparatus.

³³ Explanation of Article 2 Sub-article (1) letter b of Law No. 36 of 2008 concerning Income Tax

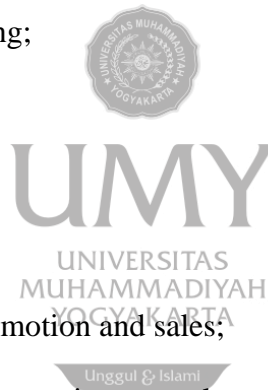
³⁴ Ibid.

³⁵ Explanation of Article 2 sub-article 1 letter b of Law No. 17 of 2000 concerning Income Tax.

3. Permanent Establishment

A permanent establishment is a form of business that is used by individuals who do not reside in Indonesia, individuals who are in Indonesia for no more than 183 (one hundred eighty-three) days within a period of 12 (twelve) months, and a body which is not established and not domiciled in Indonesia to run a business or conduct activities in Indonesia, which may be in the form of:

- a. place of management;
- b. branch company;
- c. representative office;
- d. office building;
- e. factory;
- f. workshop;
- g. warehouse;
- h. space for promotion and sales;
- i. mining and extracting natural resources;
- j. oil and gas mining working area;
- k. fisheries, animal husbandry, agriculture, plantation or forestry;
- l. construction, installation, or assembly project;
- m. providing services in any form by employees or other people, as long as they are conducted for more than 60 (sixty) days within a period of 12 (twelve) months;
- n. a person or body acting as an agent whose position is not free;



- o. agents or employees of insurance companies that are not established and are not domiciled in Indonesia who receive insurance premiums or assume risks in Indonesia; and
- p. computers, electronic agents, or automated equipment that are owned, leased, or used by electronic transaction providers to carry out business activities via the internet.

A permanent form of business implies the existence of a place of business, which is a facility that can be in the form of land and buildings, including machinery, equipment, warehouses and computers or electronic agents or automated equipment owned, leased, or used by organizers of electronic transactions to carry out business activities via the internet. The place of business is permanent and is used to run a business or carry out activities of individuals who are not resident or entities that are not established and are not domiciled in Indonesia. The definition of a permanent establishment includes an individual or body as an agent whose status is not free to act for and on behalf of individuals or entities that do not reside or are not domiciled in Indonesia. Individuals who are not resident or entities that are not established and are not domiciled in Indonesia cannot be considered to have a permanent establishment in Indonesia if individuals or entities in conducting business or conducting activities in Indonesia use agents, brokers or intermediaries who have free domicile, provided that the agent or intermediary in fact acts fully in the course of running his own company.

An insurance company established and domiciled outside Indonesia is considered to have a permanent establishment in Indonesia if the insurance company receives insurance premium payments or bears risks in Indonesia through its employees, representatives or agents in Indonesia. Bear the risk in Indonesia does not mean that events that result in these risks occur in Indonesia. Noteworthy is that the insured party lives, is located or is domiciled in Indonesia.³⁶

In addition, the Indonesian tax system also distinguishes tax subjects according to their domicile location, namely domestic tax subjects and foreign tax subjects.³⁷

1. Domestic

Domestic tax subjects are tax subjects located or domiciled in Indonesia.³⁸ Domestic tax subjects consist of:³⁹

- a. An individual residing in Indonesia, or a foreign individual residing in Indonesia for more than 183 days within a period of 12 months, or an individual who in a tax year is in Indonesia and has the intention to reside in Indonesia.
- b. Certain units of government bodies that meet the following criteria are not included as Tax Subjects, namely:⁴⁰
 - 1) formed based on applicable laws and regulations;

³⁶ Explanation of Article 2 sub-article (5) of Law No. 17 of 2000 concerning Income Tax.

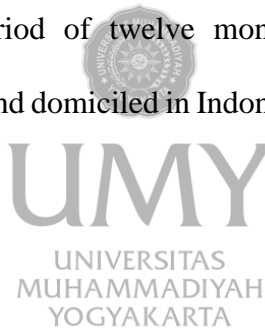
³⁷ Article 2 sub-article (2) of Law No. 36 of 2009 concerning Income Tax.

³⁸ Explanation of Article 2 sub-article 2 of Law No. 17 of 2000 concerning Income Tax.

³⁹ Article 2 sub-article (3) of Law No. 36 of 2009 concerning Income Tax.

⁴⁰ Explanation of Article 2 Sub-article 1 letter b of Law No. 17 of 2000 concerning Income Tax.

- 2) funded with funds sourced from the state budget or regional budget;
 - 3) the agency's revenue is included in the Central or Regional Government budget; and
 - 4) the books are checked by the state functional supervision apparatus.
- c. the undivided inheritance property which generates income, then that income is taxed;
- d. Permanent establishment which used by individuals not residing in Indonesia or residing in Indonesia for no more than 183 days within a period of twelve months, or a body which is not established and domiciled in Indonesia, which carries out activities in Indonesia.



2. Foreign

The income tax subject who are categorized as Foreign tax subject include:⁴¹

- a. an individual who does not reside in Indonesia, or an individual who resides in Indonesia for no more than 183 (one hundred eighty-three) days within a period of 12 (twelve) months, or a body which is not established and is not domiciled in Indonesia, which running a business or conducting activities through a permanent establishment in Indonesia; and

⁴¹ Article 2 sub-article (4) of Law No. 36 of 2009 concerning Income Tax.

- b. an individual who does not reside in Indonesia, or an individual who resides in Indonesia for no more than 183 (one hundred eighty-three) days within a period of 12 (twelve) months, or a body which is not established and not domiciled in Indonesia, which can receive or obtain income from Indonesia not from running a business or carrying out activities through a permanent establishment in Indonesia.

Not included in the tax subject as referred to in Article 2 are:

- a. foreign country representative office;
- b. diplomatic and consular representative officials or other officials from foreign countries and persons who are seconded to those who work with and reside with them on condition that they are not Indonesian citizens and in Indonesia do not receive or obtain income outside of office or the work and the country concerned provides reciprocal treatment;
- c. international organizations on condition:
 - Indonesia is a member of the organization; and
 - not doing business or other activities to obtain income from Indonesia other than providing loans to the government whose funds come from the contributions of members;
- d. officials representing international organizations as referred to in letter c, provided that they are not Indonesian citizens and do not carry out business, activities or other work to obtain income from Indonesia.

Indonesian Income tax law adheres to the principle of taxation of income in the broadest sense, namely that taxes are levied on any additional economic capability that is received or obtained by the Taxpayer from whatever origins that can be used for consumption or to add to the wealth of the Taxpayer with names and in any form which can be classified into:

- a. income from work in employment relationships and work freely as salaries, fees, income from the doctor's office, notary, actuaries, accountants, lawyers, and so on;
- b. income from business and activities;
- c. income from capital, in the form of movable or immovable property, such as interest, dividends, royalties, rent, and profit from the sale of assets or rights that are not used for business purposes; and
- d. other income, such as debt relief and gifts.

Because this Law adheres to a broad understanding of income, all types of income received or obtained in a tax year are combined to obtain a tax base. Thus, if in one tax year a business or activity suffers a loss, the loss is compensated with other income (horizontal compensation), except for losses suffered abroad. However, if a type of income is taxed at a final rate or is excluded from the taxable object, then that income may not be combined with other income that is subject to general rates.

There are also several incomes that is not including in the object of tax, in the form of:

- a. - assistance or donations, including zakat received by amil zakat bodies or amil zakat institutions established or authorized by the government and received by zakat recipients who are entitled or religious donations that are obligatory for adherents of a recognized religion in Indonesia, received by religious institutions that are formed or authorized by the government and received by the recipient of eligible donations, the terms of which are governed by or based on Government Regulations; and
- treasure grant received by the family of flesh in the direct lineage of one-degree, religious bodies, educational institutions, social agencies including foundations, cooperatives, or private persons who run micro and small enterprises, the provisions set by or under the Regulation of the Minister of Finance, to the extent not has a relationship with business, work, ownership, or control among the parties concerned;
- b. inheritance properties;
- c. assets including cash deposits received by an entity as referred to in Article 2 paragraph (1) letter b as a substitute for shares or as a substitute for equity participation;
- d. compensation or compensation in connection with work or services received or obtained in kind and / or enjoyment from the taxpayer or the government, except those provided by non-taxpayers, taxpayers who are subject to final tax or taxpayers who use special calculation norms (deemed profit) as referred to in Article 15;

- e. payments from insurance companies to private persons in connection with health insurance, accident insurance, life insurance, dual purpose insurance, and scholarship insurance;
- f. dividends or portions of profits received or obtained by a limited liability company as domestic taxpayers, cooperatives, state-owned enterprises, or regionally-owned enterprises, from equity participation in a business entity established and domiciled in Indonesia on the condition that:
 - 1) dividends originate from retained earnings reserves; and
 - 2) for limited liability companies, state-owned enterprises and regionally-owned enterprises that receive dividends, share ownership in entities that provide dividends of no less than 25% (twenty-five percent) of the total paid-up capital;
- g. contributions received or obtained by pension funds whose establishment has been approved by the Minister of Finance, both those paid by employers and employees;
- h. income from capital invested by pension funds as referred to in letter g, in certain fields determined by the Decree of the Minister of Finance;
- i. share of profits received or obtained by members of limited partnership companies whose capital is not divided into shares, partnerships, associations, firms, and joints, including unit holders of collective investment contract participation;
- j. income received or obtained by a venture capital company in the form of profit from a business partner company that is established and runs a

business or activity in Indonesia, provided that the business partner entity:

- 1) is a micro, small, medium-sized company, or that carries out activities in sectors businesses that are regulated by or based on the Minister of Finance Regulation; and 2. the shares are not traded on a stock exchange in Indonesia;
- k. scholarships that meet certain conditions whose conditions are further regulated by or based on the Minister of Finance Regulation;
- l. the remaining excess is received or obtained by a non-profit entity or institution engaged in education and / or research and development, which has been registered with the agency in charge of it, which is reinvested in the form of facilities and infrastructure of educational and / or research and development activities, within the maximum time is 4 (four) years since the acquisition of the remaining excess, the provisions of which are further regulated by or based on the Regulation of the Minister of Finance; and
- m. assistance or compensation paid by the Social Security Organizing Agency (BPJS) to certain taxpayers, the provisions of which are further regulated by or based on the Minister of Finance Regulation.

Basically, any income and additional economic capacity can be subject to income tax. Income tax rates use progressive rates, which are higher rates for greater yields, and use the ability-to-pay theory, which is to pay attention to the amount of burden or dependents of individual taxpayers.⁴² Income used

⁴² Mardiasmo, 2013, *Perpajakan*, Edisi Revisi, Yogyakarta, ANDI OFFSET, p. 169.

to bear these expenses or dependents is referred to as Non-Taxable Income. Basically, Non-Taxable Income is a reduction in net income for an individual taxpayer in determining the amount of taxable income. The amount of non-taxable income can reduce net income to calculate the taxable income of an individual Taxpayer. The amount of non-taxable income is determined by the Minister of Finance after consultation with the House of Representatives.⁴³

Started from June 1st of 2016, the non-taxable income determined by the Minister of Finance are:⁴⁴

- 1) IDR 54 million for individual taxpayer;
- 2) IDR 4.5 million as additional to married taxpayer;
- 3) IDR 54 million as additional to a wife whose income is combined with the husband's income;
- 4) IDR 4.5 million as additional to each family member with a straight line, at most 3 (three) people for each family.

Non-taxable income has a close relationship with taxable income in determining income tax. Taxable income is determined from gross income less the amount of non-taxable income. This makes the tax to be paid by a taxpayer not purely calculated with the provisions contained in Law No. 36 of 2008 concerning Income Taxes, but instead using the formula or method of calculating existing based on the principle of justice. Therefore, the calculation of income tax can be formulated as follows:⁴⁵

⁴³ Article 7 Sub-article (3) of Law No. 36 of 2008 concerning Income Tax.

⁴⁴ Article 1 of Minister of Finance Regulation No. 101/PMK.010/2016 concerning Adjustment of the Amount of Non-Taxable Income

⁴⁵ Salman, Kautsar Riza, *Op. Cit.*, 2017, p. 111-114.

Income Tax Formulation				
Income Tax	=	Net income	x	Income tax rate
Net Income Formulation				
Taxable Income	=	Gross income	-	Non-Taxable Income
Non-Taxable Income Formulation				
Non-Taxable Income	=	Individual Non-Taxable Income	+	Additional Non-Taxable Income

The income tax rate for taxpayers has been determined by Law No. 36 of 2008 concerning income tax as follows:⁴⁶

- a. 5% tariff for income up to IDR 50 million per year;
 - b. 15% tariff for income of IDR 50 million to IDR 250 million per year;
 - c. 25% tariff for income of IDR 250 million to IDR 500 million per year;
- and
- d. 30% tariff for income above IDR 500 million per year.

B. Artist and Taxation in Indonesia

The world is filled with people who have various talents in various fields. Some of them have a talent for entertaining others. These talents range from singing, dancing, drama, comedy, and others. People who usually fill entertainment programs with their talents are artists. Artists are artists who carry out activities in the field of art.⁴⁷ Currently, these activities are often

⁴⁶ Article 17 Sub-article (1) of Law No. 36 of 2008 concerning Income Tax

⁴⁷ Esther Meilany Pattipeilohy, 2016, "Citra Diri dan Popularitas Artis", *Jurnal Dakwah dan Komunikasi*, Vol. 1, No.2, p. 180.

interpreted as entertainment. Artists perform entertaining activities using their talents. The talents possessed by artists mostly come from hobbies that they often do since childhood.⁴⁸ Currently, there are hundreds of artists active in advertisements and entertainment programs.

1. Artist as a Subject of Taxation

The entertainment world has known artist terminology for quite a long time. This terminology refers to people who carry out artistic activities for entertaining purposes. These artists are people who are famous for their appearance in the entertainment world. This made them always get rewarded for their actions on the glass screen as art workers. The Indonesian government has classified artists as the subject of Indonesian taxation.⁴⁹ Because the artists have met the criteria that are the basis of the categorization.

1. Profession

In the beginning, artistic talent was a talent that someone had for his hobby or has been handed down by his parents.⁵⁰ This talent has been owned since birth because it was inherited genetically or because of his hobbies. When we look at the definition, we can see that everyone can be an artist, because the artist originally came from what they liked. The activities they do with their talents make others love and feel entertained. Because doing entertaining activities on someone's preferences, the artist is the same as

⁴⁸ *Ibid.*, p. 189.

⁴⁹ Riogi Susanto, Directorate General of Taxation, (2019, 19th July), Personal Interview.

⁵⁰ Esther Meilany Pattipeilohy, *Op. Cit.*, 2016, p. 183.

providing services. The services referred to here are entertaining. Offering services to others to do something is the basic concept of a job. Work is formed based on a work agreement.⁵¹ Initially, the artist was called an art worker. Because the definition of the artist refers to people who work using their artistic talents.⁵²

But in the classification of artists and art workers, some things are different. Artists are indeed people who use their artistic talents at work but the terminology of artists in Indonesia is defined as people who display their talents on television and become public figures.⁵³ While art workers are more often referred to as artists who have the intention of working in the field freely with their talents or more referring to conventional things.

Despite having differences, these two things are the same thing, namely, they are jobs that have the potential of taxpayers for the results of their work. Because income tax is how the imposition of tax on income or an increase in a person's economic capacity. This economic increase can come from anywhere. However, the main source of economic growth is work.

2. Income

An artist is a promising type of work. Because the income received by the artist can be said to be quite large. Every person who does work will get a reward. Artists in doing their jobs are

⁵¹ Riogi Susanto, *Op. Cit.*, Personal Interview.

⁵² *Ibid.*, Personal Interview.

⁵³ Christina Ayers, 2018, Honors Senior Theses/Projects: "The Impact of Artis Fame and Viewer Socioeconomic Status on Art Likeability", Oregon: Western Oregon University, p. 6.

also rewarded. This reward is based on a work agreement made between the artist and the employer. This work agreement is better known as a professional contract.⁵⁴

Professional contracts govern the obligations, duties, and rights of the artist himself. The rights in question include income earned based on an agreement on a professional contract.⁵⁵ The income offered at the time of making a professional contract must be agreed upon by both parties, namely between the agency as the employer and the artist as the worker.

The income earned by artists from professional contracts is not small. Because the agency's profits from displaying artist talents are also not small. An agency must have predicted their profits when they want to use the services of an artist. Therefore, they have determined the amount of money that will be paid to the artist in the offer in his professional contract. So, the amount of income earned by the artist is not small and can be categorized into the object of income tax.

The two things above have become references which state that the artist is the subject of income tax. because income is an economic ability offering whose source has never been explicitly explained. However, then we look back at the source of the increase in economic capacity, work is the most important source of economic capability for humans.

⁵⁴ Riogi Susanto, *Op. Cit.*, Personal Interview.

⁵⁵ *Ibid.*, Personal Interview.

So, categorizing an artist as a job that provides substantial profits and income is the right thing to prove that the artist has entered into one of the subjects of income earners and is a taxpayer.

2. Artist Income Tax Collection

The previous section explained that the artist is the subject of income tax. The subject of income tax or the taxpayer has an obligation in the form of paying taxes on the income he gets.⁵⁶ This tax payment is mandatory when the artist has fulfilled certain conditions. Because these conditions also determine the amount of tax that must be paid by the artist. The requirement is that the income earned has passed the Non-Taxable Income.⁵⁷ Indonesia's non-taxable income is set at Per-16 / PJ / 2016. When the income earned by an employee has exceeded the Non-Taxable Income (PTKP), the income will be calculated as taxable income whose amount is determined by the norms of tax calculation.

In practice, Indonesia uses 3 systems to impose and calculate taxation, namely Official Assessment (calculations made by the government), Self-Assessment System (calculations made by the taxpayers themselves), and Withholding System (calculations made by third parties).⁵⁸ But in practice income tax for artists only uses 2 systems, namely withholding and self-assessment.

⁵⁶ Nur Fitri Maulida, 2018, Undergraduate Thesis: "Pengaruh Kesadaran Wajib Pajak, Pelayanan Fiskus, dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi yang Melakukan Pekerjaan Bebas", Gresik: Universitas Muhammadiyah Gresik, p. 45.

⁵⁷ *Ibid.*, p. 42.

⁵⁸ Anshari Ritonga, *Op. Cit.*, 2017, p. 60.

a. Withholding System

The main artist tax calculation and deduction is through withholding assessment. Withholding is a system of calculation and deductions made by third parties.⁵⁹ The third party here is a party that is not from the government or the taxpayer itself. The third party to the artist can be interpreted as the agency that made the collaboration with the artist.⁶⁰

Agency or house production as the employer has the right to deduct tax on the income of the artist who works with them.⁶¹ This deduction will be reported to the tax office which affects the artist whose income is free of income tax. So, the income earned by the artist will no longer be deducted for tax because it has already been paid by the agency.

b. Self-Assessment

Subsequent tax calculation and deduction are through self-assessment. Self-assessment is a system of calculating the amount of tax that will be paid by the taxpayer by calculating itself and reporting to the tax office.⁶² This system is used by artists if an artist earns income from sources other than his agency such as business or business and if his agency does not deduct income tax on the income he receives.

⁵⁹ *Ibid.*, p. 61.

⁶⁰ Riogi Susanto, *Op. Cit.*, Personal Interview.

⁶¹ Nur Fitri Maulida, *Op. Cit.*, 2018, p. 48.

⁶² Anshari Ritonga, *Op. Cit.*, 2017, p. 125.

Not every professional contract contains provisions relating to income tax deducted by the agency or production house. But several production houses provide all without tax deductions and free the artist to calculate all of his tax obligations with this system.⁶³

Overall there is no difference between the calculation and tax deduction of an artist with other professions. It's just that before calculating the amount of tax to be paid by the taxpayer, it must be identified in advance regarding the source of the increase in economic capacity.

C. YouTube Content Creator as a Profession

In the digital era, we will find innovations in the world of work. The development of technology also requires the type of employment to develop. These jobs exist naturally because they are following current technological developments. One of the activities that can be said to work in this digital era is content creators. Content creators are the name for people who create content that can be enjoyed by many people in cyberspace. Currently, content creators are often referred to as jobs. Even this job is one promising job.

Content creators can be categorized as jobs, this is because this work is not tied to an employer. This job also has no provisions regarding the fixed amount of income and time work. Therefore, this work is categorized as free work. As one of the free jobs, content creators also have promising income.

⁶³ Riogi Susanto, *Op. Cit.*, Personal Interview.

Therefore, many young Indonesians want to become content creators. This is proven by more than 250 Indonesians YouTube content creators can achieve success.⁶⁴

1. YouTube Content Creators as an Artist

The job of content creators is work that not only provides financial benefits, but this work will also increase popularity for content creators.⁶⁵ Content creators are jobs that are done by uploading works in the form of videos or photos. In this case, the intended creator is a YouTube creator. YouTube content creators are people who create video content and upload it on YouTube video sharing websites.⁶⁶ The activity of the content creator is to disseminate information that is transformed into an image, video, and writing or referred to as content, which is then disseminated through social media platforms.⁶⁷

Making content is a hobby of a content creator. The content was made based on interests and hobbies to take some videos which were then edited by content creators. The captured image or photo and the result of taking the video edited into one file is a work of art. This work can be called a work of art in the digital era.⁶⁸ So by creating content called art, YouTube creators can also be called artists.

⁶⁴ SocialBlade, 2019, Most Subscribed Indonesia YouTube Content Creator 2018, <https://socialblade.com/youtube/top/country/id/mostsubscribed>, Accessed on 2nd July 2019, at 01.32 PM.

⁶⁵ Yusti Melia Sundawa & Wulan Trigartanta, 2018, "Content Creator Phenomenon in Digital Era", *Seminar Penelitian Sivitas Akademika UNISBA (SPeSIA)*, Vol. 4 No. 2, p. 431.

⁶⁶ Source: <https://creatoracademy.youtube.com/>

⁶⁷ Yusti Melia Sundawa & Wulan Trigartanta, *Op. Cit.*, 2018, p. 438.

⁶⁸ Arief Datoem, 2015, "Foto-Etnografi Dalam Proses Penciptaan Karya Seni Fotografi", *Jurnal Seni & Budaya Pangung*, Vol. 23 No. 2, p. 155.

In addition to creating art, the popularity achieved by YouTube content creators is also on par with celebrities or artists. Celebrities or artists are also often said to be artists because of the talent they have in doing things that are categorized as art such as singing, dancing, acting, and so on. Among the types of work performed by artists is also done by a YouTube creator. Things like singing, creating songs, dancing, making comedy content, etc. Then their goal in doing that is to entertain people who see and watch them. Because an artist aims to entertain others.⁶⁹

Even though they have the same goals in their work, the media used by them is quite different. The difference in media or platform they use is what makes the difference between celebrities or artists and YouTube content creators. The platform or media that the artist uses is television. The artists gained popularity through their action on television. Their good actions gave them fame and popularity. The more popular they are, the more they offer to appear and continue to work. While the platform or media used by content creators in social media in the virtual world. In this case, YouTube creators use a YouTube video-sharing website to gain their popularity. The more popular they are, the more they will work because they get morale from their fans.

Also, the artist here is only a person who is paid to do what is requested in front of the camera and then aired on television or other

⁶⁹ Jamin Purba, 2014, Master Thesis: “Pengaruh Kepemimpinan dan Motivasi Kerja Terhadap Kepuasan Kerja Seniman Studi Pada Yayasan Rara Jonggrang” Yogyakarta: Institut Seni Indonesia Yogyakarta, p. 27.

media. Artists also do not think about concepts, production costs, and how to take pictures and edit them. While content creators do all these activities independently or do it themselves or interfere in concept, retrieval, and even the editing process.

In terms of the income of a YouTube artist and content creator, they both have income from their activities, namely entertaining people. This income depends on each of them. Because this income is very dependent on craft and their popularity.⁷⁰ The more diligent and popular, the greater the chance to earn a living. Besides that, the source of their income is different. Artists will earn income by collaborating with production houses in professional contracts. While YouTube creators get income by binding themselves to make a cooperation program with Google AdSense.⁷¹ Artists will be paid by the production house where he makes professional contracts and YouTube content creators will be paid by Google as the Google AdSense service provider. Because YouTube creators are well-known and make money from cyberspace, YouTube creators are also referred to as virtual artists.

2. Income of YouTube Content Creators

Being a creator can also provide a promising income. This income is addressed to content creators who contribute a lot in the development of YouTube. This income is derived from the cooperation that has been agreed between the creator and the party that provides income. This

⁷⁰ Yusti Melia Sundawa & Wulan Trigartanta, *Op. Cit.*, 2018, p. 442.

⁷¹ Alvita Tyas Dwi Aryani, 2017, "Efektivitas Iklan Digital Google AdSense", *Jurnal Ekonomi & Bisnis (JEBI)*, Vol. 20, No. 1, p. 21.

income is also obtained because content creators who bind themselves to work agreements can be categorized as jobs. One factor that is very supportive with the statement that content creators are jobs is the income that can be obtained by content creators. In an effort to get income, there are conditions that must be fulfilled by the content creator. Terms that must be fulfilled by the content creator:⁷²

- a. Has been over 18 years old.
- b. Have a YouTube Channel
- c. Has fulfilled the requirements and has a Google AdSense Account.
- d. Does not violate the policies made by Google AdSense
- e. Active at least 6 months or already have a lot of content
- f. Has 1,000 subscribers
- g. Channels have gone through 4000 hours of viewing.

When fulfilling the requirements stated above, the content creator can earn income or passive income from YouTube. The way of earning money from YouTube is called Monetization. Mostly, content creators will earn income from two sources, namely monetization of Google AdSense and Endorsement.⁷³ These two things are very common sources of income for content creators.

⁷² Jefferly Helianthusonri, 2018, *Passive Income dari Google AdSense*, Jakarta, PT ELEX MEDIA KOMPUTINDO, p. 6.

⁷³ Jefferly Helianthusonri, *Op. Cit.*, 2018, p. 133.

a. Google AdSense

The main source of income for YouTube creators is Google AdSense monetization, the way to generate passive income by displaying ads that work with Google. Google AdSense is a program of collaboration between content owners and Google.⁷⁴ This program can be interpreted as a work agreement in the field of advertising. The collaboration is in the form of advertising from Google by content creators. These ads are inserted into the content that has been created by content creators. By connecting the content creator account and Google AdSense account, Google AdSense will provide profit that will be accumulated at the end of the month and will be passive income for content creators.

The advertisements displayed with the Google AdSense program are advertisements from companies that have collaborated with Google and made an agreement so that Google helps the company advertise the goods or services of the company.⁷⁵ These ads are transferred by Google through the Google AdSense program to content creators who have met the requirements. After the creator meets the requirements to cooperate with the Google AdSense program, the creator can display the ad in his content and earn passive income.

⁷⁴ *Ibid.*, p. 1.

⁷⁵ Dika Saputri, 2018, "Advertising Pay Per Click (PPC) dengan Google AdSense Perspektif Hukum Islam", *Jurnal Pemikiran Hukum dan Hukum Islam YUDISIA*, Vol.9, No.2, p. 259

The amount of profit is determined by the type of ads and characters of ads. From the content inserted, ads are divided into two types, namely ads in the form of pictures and ads in the form of videos.

1) Images

This type of ads will provide ads in the form of inserting an image instrument beside or below of the content. This image usually appears directly when the video viewed. This image ads do not spend duration since the image will remain in its position and will not disappear. Usually, these images are also inserted with the links from the origin of the ad. When the image tapped by users, it will be promptly linked to the origin webpage of the ad.

2) Video

This type of ads will show promotional video instruments both at the beginning, end or middle of the content. This video advertisements are arranged by content creators,⁷⁶ including the position and the timing with limited duration that will disappear after the duration of the ad has run out.

⁷⁶ *Ibid.*, p. 264.

Based on the characteristic, ads are divided into two types, namely skippable ads and unskippable ads.

a. Skippable

Skippable means that the advertisement can be discarded or not displayed based on the desire of viewers. This type of ads has been widely used by almost all advertisements displayed by Google AdSense because advertising that has these properties is relatively more economical.

b. Non-Skippable

Non-Skippable means the advertisement cannot be skipped or discarded. The ad will remain aired even though connoisseurs of content do not want to see the ad. This type of ads is only possessed by certain ads and rarely done because of the high cost in one-time show.

At the beginning of monetizing Google AdSense, content creators will not get promising income, since the income obtained will be based on the number of viewers in the content. The income obtained will be affected by two factors, namely creator's creativity and the time length of video seen.

First, the activity in question is the activity of creating content and applying it. In running the channel, the creator must upload the content continuously. This is a factor that greatly influences the income of a creator every month since the more

content published and attached to the ad, the more ads will be published and viewed. The more ads from Google AdSense that are seen by users means increasing the income.

The second factor is the time length of ads seen by the user. This factor applies to ads that have video extensions. The longer the ads seen, more expensive the payment for that ad. The additional payment is calculated every second the duration seen by the user. So, the more users do not miss the ad or let the publisher run out will be a factor that is quite influential in the number of incomes of the creators.

In providing precise calculation for each content creator, YouTube has a feature that can calculate and analyse that functioned as a monitor of each activity from the content creator channel. This feature is referred to as YouTube Analytics. This system will work based on Artificial Intelligence (AI). The indicators that are monitored and analysed by Google Analytics are the number of subscribers, likes, comments, duration of video views, number of ad impressions from Google AdSense, and estimated content creator income. The more popular they are, the more often their content will be played and all this makes them earn a lot of income.⁷⁷

The calculation will be very detailed and complete and also provide reports that can be accessed and downloaded by content

⁷⁷ Lilis Puspitasari, Dkk, 2018, “Bisnis Vlogging dalam Industri Media Digital di Indonesia”, *Jurnal Ilmu Komunikasi (JIK)*, Vol. 15, No. 1, p.67

creators using their accounts. Besides, Google has made transparency about the estimated earnings of all creators through the web page www.socialblade.com. In the webpage, Google conducts transparency regarding content creator activities, minimum and maximum estimates of content creators, increasing the number of people who subscribe, and also increasing the number of viewers each day.

The amount of revenue from content creators from Google AdSense can be calculated with a simple calculation that in one ad display in the content will produce USD 0.01.

Example: A content creator has 500,000 subscribers and in one-month content creator A has published 4 content integrated with one ad in each content. What is the income of a content creator if one ad serving is valued at 0.01 USD and one content is watched by 650,000 people with an exchange rate of USD 12,000?

$$\begin{aligned}
 \text{Total income} &= (\text{Price of content ads 1} \times \text{number of content viewers 1}) + (\text{Price of content ads 2} \times \text{number of content viewers 2}) + (\text{Price of content ads 3} \times \text{number of content viewers 3}) + (\text{Price of content ads 4} \times \text{number of content viewers 4}) \\
 &= (\text{USD } 0.01 \times 650.000) + (\text{USD } 0.01 \times 650.000) + (\text{USD } 0.01 \times 650.000) + (\text{USD } 0.01 \times 650.000) \\
 &= \text{USD } 26,000 \\
 &= \text{IDR } 312 \text{ million.}
 \end{aligned}$$

After getting the precise calculation, Google AdSense will deliver the payment by specific payment mechanism. The mechanism is related to minimum revenue targets, systems, and security in payments, and transparency with income reports.

After content creators monetize Google AdSense on their channels, content creators have minimum income targets that must be met, namely IDR 1.3 million and does not regulate maximum income. The revenue target must be met by the content creator as a condition for disbursing the income to the creators. If in one month the total income does not meet the set target, the payment will be postponed to the following month or until the total income meets the minimum conditions.

In its implementation, this payment system has security which is considered to be quite strict, because it requires certain systematics when a content creator who has met the minimum income target wants to disburse his income. Two stages must be done by a content creator when they want to withdraw their income. The first, the security system began by requiring a content creator to integrate his account number with his Google AdSense account. So that payments will be made directly into the content creator bank account. Without connecting a Google AdSense account with a creator bank account, income cannot be disbursed. After integrating the bank account number, it has been successful and the income report will be delivered to the mailing address or

the domicile of the creator. This letter contains a notification that the creator has reached the minimum income target and has the right to withdraw the money. This letter is very important because it contains PIN or special code which become key to disbursing. When the code or PIN entered, then Google will automatically withdraw the money directly to the bank account number that has been previously integrated.

After successfully withdrawing money or income from monetization of Google AdSense, the creator will receive income reports that have been sent by Google AdSense to each account. This report contains activity movements and calculations of the amount of income earned by content creators. This report is sent on the last day of each month. This report can also be downloaded and printed so that it can be used properly.

b. Endorsement

As content creators who have high popularity in online video streaming media, some of them will often get sponsors and pay them outside of Google AdSense. Later, sponsors will pay for content creators to promote their products or services on video.⁷⁸ Commonly, it is called as endorsement. Endorsements are a collaboration program between content creators and their clients.⁷⁹

⁷⁸ *Ibid.*, p. 146.

⁷⁹ Terence Shimp, 2003, *Periklanan Promosi & Aspek Tambahan Komunikasi Pemasaran*, Jakarta, Erlangga, p. 459.

The client in question is the company or party who wants the product to be advertised by the creator. The endorsement is a cooperation agreement in advertising a product or service offered by a particular party. Advertising will usually be made independently by parties who want to promote their products or services. But in this digital era, these parties choose people who have high popularity such as content creators to promote and advertise their products and services. This advertising will usually be inserted into content that will be published by the creator or inserted and published to personal social media accounts from content creators. Google in it's the provisions of paid products and endorsement open up the opportunity for the content creator for receiving payment from the sponsor, under obligation to make a content declaration.

The endorsement is carried out according to the conditions agreed upon by each party. This is done according to the offer that will be received by the content creator. Income earned by content creators is also based on agreements and agreements made. Usually, the income earned by famous content makers in one endorsement is quite large and promising. Facilities such as duration, type of advertisement, number of publications are quite influential factors in the amount of income that the content creator will get. Besides, there are two types of endorsement that are

usually carried out by content creators who provide endorsement namely Hard Selling and Soft Selling.⁸⁰

1) **Hard Selling**

Hard selling is an endorsement style in the form of creating content specifically to advertise a product or service that has been agreed upon. Content creation is only intended to advertise products or services and not for entertainment content as usual. Usually, endorsement with hard-selling has a big selling point. This big selling point is due to exclusive content created by content creators. Hard selling can be in the form of reviews, unboxing, or sponsorship of goods or services in the content.

2) **Soft Selling**

Soft selling is an endorsement style in the form of insertion of the product or service that you want to advertise. This insertion means not creating special content that discusses the goods or services advertised. Rather, it only includes instruments from products or services that are being advertised to be seen by content lovers. The form of soft selling is displaying or making a product or service as a property in the content. This is so that content lovers can see and get to know products or services that are advertised indirectly. Usually, endorsement in this type is fairly

⁸⁰ Leon G. Schiffman, Håvard Hansen & Leslie Lazar Kanuk, 2008, *Consumer Behaviour: A European Outlook*, Oslo, Prentice Hall/Financial Times, p. 243.

affordable when compared to hard selling. Although fairly affordable, this type of endorsement provides a promising income. This is because of the ease of doing this type of endorsement so that it does not require more effort in the advertising process.

D. YouTube Content Creator as a Subject of Taxation

In millennial era, becoming a YouTube content creator begin to be passion which can produce a quite big income that might replacing some in-contract job. Content creator just start making videos with numerous ideas, uploading the videos to YouTube, and waiting for money. Their creativity as the main instrument to make the video become an art that entertain peoples. In slight view, in every single video they appear as the main character and act like an artist, with the opportunity to be famous and to be awarded with quite big income. Initially, content creators which before were additional job turn to in reverse to be main job. The income generated can exceed the income earned by the main job.

In that fact, YouTube content creators until now are not obliged to pay tax for their “additional” income from YouTube and endorsement, since they do not need to report that income to their annual tax report. Income Tax Law is considered to general to cover content creator as a job that the income should be reported as the annual income accumulation. However, to assess whether YouTube content creator might be obliged to pay income tax or not,

it must be assessed with a very clear benchmark in this regulation which refers to two things, namely the subjective and objective requirements.

1. Subjective requirements

In Indonesian income tax law, it has clearly stated that there are three types subject that can be subjected to pay tax, namely individuals, entities, and permanent establishments. Every party that include in these types has the potential to be subject to income tax. In addition, the subject of income tax must meet other requirements such as income that has passed the Non-Taxable Income and has a Tax Registration Number.

YouTube creators can run their channels themselves. Many YouTube creators make content independently, as like taking videos, preparing properties, making scripts, and editing videos themselves. The income obtained is intended for as their personal income. Therefore, this income refers to YouTube content creators as the subject of personal tax. In addition, there are also YouTube channels whose content is done by several content creators. Income from the channel will be shared according to their calculations and agreements. However, they are still subject to personal income tax.

This job is a free job relationship based on Google AdSense monetization to be able to do advertising. So, with activities that have been categorized as jobs in the digital era, YouTube content creators can be classified as one of the subjects of personal tax. Related to subjective requirement, YouTube creators can be categorized as personal in

income tax since YouTube content creators have been classified as jobs that becoming source of income.

2. Income

The second benchmark is the income. Income is an increase in economic capacity that a taxpayer has for consumption or increasing the taxpayer's wealth. When any subject of income tax law has potential source of income that increasing the wealth and fulfil his life, he has become the subject of taxation.⁸¹ Definition and purpose of additional economic capabilities or income are abstract. Because income can be interpreted broadly.⁸² Therefore, in calculating and imposing an income tax, the income must be identified in advance and determine whether the income is a taxable income or non-taxable income.

To classify whether the income can be subjected to income tax and has passed the criteria of taxable and non-taxable income, the source of the income should be identified first. At this time, having more than one source of income is not a common thing. This can be seen from the number of people who have main jobs such as office employees or civil servants who have other businesses that are the source of their income.⁸³ YouTube content creators can have more than one source of income,

⁸¹ Inca Nadya Damopoli, 2017, "Pajak Penghasilan pada Kegiatan YouTuber dan Selebgram dalam Penggunaan Media Sosial Berdasarkan Undang-Undang No. 36 tahun 2008 tentang Pajak Penghasilan", *Lex Privatum*, Vol. V No. 3, p. 153.

⁸² Riogi Susanto, *Op. Cit.*, Personal Interview.

⁸³ *Ibid.*, Personal Interview.

because beside having main job as the main source of income, they do have YouTube as the income generator.

Thus, not a few YouTube content creators have a promising, huge income. A dominant part of the content creators produces only a small piece of cake. In applying the income tax to the content creator, they have to pass the term Non-Taxable Income. Non-taxable income is a burden that must be borne by the taxpayer before making tax payments. The income tax rate uses a progressive rate, which is a higher rate for a greater level of yield and uses a short-term theory that is to pay attention to the amount of burden or dependence on individual taxpayers.⁸⁴ The income used to bear this burden or dependency is referred to as Non-Taxable Income. Provisions regarding the amount of non-taxable income are determined by law.

When a taxpayer has exceeded the limit of non-taxable income, then a taxpayer should pay income tax by the provisions of the applicable law. This has implications for any YouTube content creator whose income from Google AdSense has exceeded the limit of non-taxable income, then has the obligation to make tax payments. While content creators who have not passed it are not obliged to pay income tax from the source. Until now, the Google AdSense party does not provide tax deductions and their income is still referred to as gross income. Therefore, in the tax calculation to date, YouTube content creators will be classified as subject to personal tax.

⁸⁴ Mardiasmo, *Op. Cit.*, 2013, p. 169.

E. Government Planning on Tax Collection Regulation for YouTube

Content Creator

Facing the highly developed digital era at this time, the law should adapt and change to fit the developments, including in taxation sector, since the income generation through digital technology is very easy and promising. Unfortunately, at this time, the government does not yet have regulations that can enforce income taxes from income obtained through digital specifically for YouTube content creators.

YouTube creators are the first target for taxation for digital-based jobs. Before taxing YouTube creators, we must pay attention to the target form of imposing income tax on YouTube creators. This is needed so that there is no double imposition on YouTube content creators on one source of income. then the system of calculation, imposition, and payment must be applied so that everything will go well. These two things are fundamental in the government's plan for taxation for YouTube content creators.

Based on the results of data collection conducted at the Head Office of the Directorate General of Taxes, what will be done so far is to identify the target income tax, determine the assessment system, and make new regulations on taxation. These three things are the most important basis in the application of taxation for tax subjects.

1. Target of Income Tax Collection

Before taxing YouTube content creators, the government must set and target the subject of income tax for YouTube creators. This is intended to avoid cutting income or imposing income tax on a recurring

or double tax basis. Because of the concept of YouTube content creators, we will find that there are content creators who do it independently and there are also those who do it together or in the form of a group.

a. Personal

Regarding the imposition of income tax on content creators who make content individually. Provisions for the imposition of income tax will not differ greatly from the provisions in the regulations regarding PPh 21. This is because the income obtained is indeed taxable, but it will not change how the tax is applied. It's just that there will be a change in the determination of Non-Taxable Income (PTKP).

The amount of Non-Taxable Income will still follow nationally Non-Taxable Income regulations. But in the application of the provisions, only content creators will be counted as having a Non-Taxable Income. Whereas the family or marital status of the content creator who is the owner of the channel will be ignored. This is intended to equalize the amount of Non-Taxable Income for individual content makers.

b. Channel

Regarding the imposition of income tax on content creators who create content in groups. Provisions for the imposition of income tax also will not differ greatly from the provisions in the regulations regarding PPh 21. This is because the income earned is indeed taxable, but it will not change how the tax is applied. It's

just that there will be a change in the determination of Non-Taxable Income (PTKP).

The amount of Non-Taxable Income will still follow nationally Non-Taxable Income regulations. But the application of provisions related to Non-Taxable Income will only apply to channel owners and content creators who create content within the channel. Whereas the family or marital status of all content creators in the channel will be ignored. Later the channel owner and content creator will be calculated with the amount and conditions as personal Non-Taxable Income. This is intended to be a reference in tax imposition for YouTube content creators.

Tax imposition for YouTube content creators has two targets, namely taxing individual YouTube creators and taxing YouTube channels. This is intended so that in the practice of imposition of taxes and calculations, each party obtains justice. Later, what distinguishes the final income for each creator is gross income and the number of creators in one YouTube channel.

In essence, a double tax is terminology for a taxpayer who is taxed by 2 countries. But in a digital concept like this, it will be possible for a YouTube creator to be double taxed. This can be caused by the government if it does not use the precautionary principle in making a legal product and technical practice of the product. Therefore, before

forming an imposition system, the government must look at the form of targets in income tax for YouTube content.

2. Tax Assessment System

After identifying the target of income tax, what the government will do is determine the type of assessment that can be applied to the tax subject. Until now, we know that three types of tax assessments applied in Indonesia. But in this case, the government will implement two types of assessments that apply to tax enforcement for YouTube content creators. The two types are self-assessment system and withholding system.

a. Self-Assessment System

The first tax imposition system for YouTube creators is the self-assessment system. Self-assessment is the imposition of taxes whose calculations and payments are handed over to the taxpayer. The taxpayer will calculate and report independently regarding the amount of tax payable by him. This is a provision in tax regulations that say, Every Taxpayer must pay the tax payable by the provisions of tax laws and regulations, by not relying on the existence of a tax assessment letter.⁸⁵ The role of the tax collector institution is only to oversee through a series of supervisory actions and law enforcement (inspection and tax investigation).⁸⁶

⁸⁵ Article 12 Sub-Article 1 of Law No. 28 of 2007 concerning General Provisions of Taxation

⁸⁶ Anonim, "Sistem Perpajakan", <https://www.pajak.go.id/id/sistem-perpajakan>. Accessed on 5th July 2019, at 10.34 PM.

This system implements payments made directly. Direct here means that the taxpayer must pay the full tax in the Tax Bill that he has received. So, tax payments with this system are carried out on an annual basis.

b. Withholding System

The second tax imposition system for YouTube creators is the withholding system. Withholding system is the calculation and deduction of income tax from the taxpayer by a third party. In general, third parties can be tax consultants or employers such as companies and others. But in this case, the third party that will become a withholding party is Google. This is because Google is the owner of a cooperation program that is the main source of income for YouTube creators, namely Google AdSense. Therefore, Google is a company that is very suitable to work with the Indonesian government to impose taxes on YouTube content creators in Indonesia. This system will be applied in the form of monthly instalments, not paid directly. This is considered to make it easier for content creators to make tax payments.

3. Making Legal Products

In carrying out actions that cause legal consequences, such actions must have legal certainty. Therefore, the act must be regulated in regulation or law. In the imposition of compulsory income tax, the government must regulate matters relating to taxation. In the plan to

impose income tax on YouTube creators, the government will pour the regulation into two types, namely Legalization or Act and Other Supporting Regulations.

a. Legislations / Act

The basis for the establishment of a regulation that can provide legal certainty is the formation of law. Act are regulations established by the House of Representatives with the joint agreement of the President.⁸⁷ In this case, the addition of norms by making laws is very necessary. Although there are regulations that form the basis for the income tax imposition, namely Law No. 36 of 2008 concerning Income Tax but the government feels it needs regulations that can cover income earned through digital like YouTube creators. Because if only made in regulations under the Act will be able to cause legal uncertainty in its application. Therefore, the government and parliament will make new act on income tax.

b. Other Supporting Regulations

In addition to making laws, the government will make supporting regulations. The supporting regulations referred to are the regulations made under this Law. These regulations will technically regulate matters that have been regulated in the Law. These regulations include Government Regulations, Minister of Finance Regulations, and Directorate General of Tax Regulations.

⁸⁷ Article 1 sub-article 13 of Law No 12 of 2011 concerning Formation of Legislations

1) Government Regulation

Government regulations are regulations that are only made by the government in a narrow or executive sense. This regulation contains the technical implementation of a law. At present many Government Regulations have been made. Because every law requires technical regulations in its implementation.

2) Minister of Finance Regulation

Minister of Finance Regulation is a regulation made by the Minister of Finance only. This regulation contains technical matters from an act concerning state finances. Therefore, when a new Income Tax Act has been formed, the Minister of Finance will also regulate technical matters in the form of the Minister of Finance Regulation.

3) Directorate General of Tax Regulation

The Directorate General of Tax Regulation is a regulation issued by the Directorate General of Taxes. This regulation contains more technical matters than the two regulations above. This type of regulation only deals with the provisions and application of taxes. When there is a change regarding the Income Tax Law, then almost all regulations governing income tax techniques will change.