

Income Tax on E-Commerce-Based Export Business Actors Received from Other Countries

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Abstract

The rapid expansion of cross-border electronic commerce (e-commerce) has posed complex challenges for national tax systems, particularly regarding the taxation of digital exports. Indonesia's income tax regime applies the worldwide income principle to resident taxpayers; however, its implementation remains largely grounded in traditional concepts of physical presence, which are increasingly incompatible with digital business models. This study aims to analyze the legal implications of income taxation on export activities conducted through cross-border e-commerce platforms and to examine regulatory responses within the Indonesian tax framework. Using a normative legal research method with statutory, conceptual, and comparative approaches, this study finds that although Law Number 7 of 2021 on the Harmonization of Tax Regulations has introduced the concept of significant economic presence, the absence of detailed implementing regulations limits its operational effectiveness. This condition weakens tax administration, increases the risk of tax avoidance, and creates unequal tax treatment between conventional and digital business actors. Accordingly, adaptive and technology-oriented tax regulation aligned with international standards is required to ensure legal certainty, tax equity, and sustainable state revenue.

Keywords: Income Tax; Cross-Border E-Commerce; Digital Exports; Legal Certainty; Tax Equity

1. Introduction

The development of information and communication technology has fundamentally altered global trade dynamics, especially through the increasing use of electronic commerce (e-commerce) as a principal channel for cross-border transactions. The transition is evident in the swift growth of the global digital economy, recognized in multiple international publications as a major contributor to global trade in the post-pandemic period ([Asian Development Bank, 2024](#); [OECD, 2015](#)). Indonesia is anticipated to emerge as one of the foremost digital economy markets in Southeast Asia, with the value of digital transactions consistently rising annually. This trend signifies that e-commerce has transcended its status as a mere alternative trading method and has become a fundamental component of modern international trade ([DDTC News, 2025](#)).

Cross-border e-commerce allows businesses to enter foreign markets without a physical presence in the host country, thereby blurring conventional territorial limits in commercial endeavors. This digital business model directly contests traditional taxation principles that

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depend on physical presence as the main criterion for establishing taxes rights and jurisdiction. This topic has reemerged in numerous international policy forums, coinciding with increasing apprehensions among governments about the depletion of tax bases resulting from inadequately managed cross-border digital economic activities ([ADB, 2024](#); [OECD, 2015](#)).

Global trends further illustrate that the taxation of the digital economy has reemerged as a pivotal concern in the fiscal strategies of numerous nations. Multiple jurisdictions have been reevaluating or reinstating unilateral measures, including digital services taxes, amid the sluggish progress of multilateral, consensus-driven international tax reforms. These unilateral measures indicate pervasive discontent with the current tax systems' failure to effectively capture the economic value produced by cross-border digital activity ([Ernst & Young, 2025](#)). This circumstance highlights the complexities of e-commerce taxation as a worldwide concern that requires significant focus at the national level. In Indonesia, taxation is a vital source of government revenue, as stated in Article 23A of the 1945 Constitution of the Republic of Indonesia, which mandates that taxes and other obligatory levies must be governed by law. Income Tax (Pajak Penghasilan/PPH), as a primary fiscal instrument, applies the worldwide income principle to resident taxpayers, imposing tax on all income derived from both domestic and international sources. This principle establishes a robust legal basis for the state to impose taxes on cross-border income earned by resident taxpayers ([Rosdiana & Irianto, 2012](#)).

Nonetheless, the application of the global income concept faces significant obstacles when revenue is generated through international e-commerce platforms and received via cross-border payment systems, which are challenging for national tax authorities to oversee. In Indonesia, state revenue from the digital economy primarily originates from Value Added Tax on electronic commerce transactions (VAT on PMSE), whereas the contribution of Income Tax from cross-border digital activities is comparatively minimal ([Directorate General of Taxes, 2024](#)). This circumstance highlights a disparity between the economic potential of the digital economy and the actual collection of Income Tax income.

The Indonesian government has advanced the digital economy through several regulatory initiatives, including Law Number 11 of 2008 concerning Electronic Information and Transactions, Government Regulation Number 80 of 2019 regarding Trade through Electronic Systems, and the enforcement of VAT on PMSE. These policies have effectively improved legal clarity about electronic transactions and augmented tax revenue from consumption. Nonetheless, the Income Tax regulation pertaining to digital export activities conducted via cross-border e-commerce platforms remains inadequately and incompletely addressed ([Sudarsono, 2020](#)).

The regulatory deficiency in taxing digital export income has considerable ramifications, notably heightening the risk of tax evasion and the loss of potential state revenue. Domestic business entities involved in cross-border e-commerce often generate revenue through foreign bank accounts or digital payment service providers outside Indonesia's tax jurisdiction, leading to incomplete capture of such income within the national tax administration framework ([Darussalam et al., 2021](#)). In Indonesia's self-assessment tax system, this situation directly undermines fiscal control and enforcement capabilities.

Moreover, the lack of explicit legal frameworks jeopardizes the establishment of tax fairness between traditional corporate entities and international digital firms. Traditional exporters are

typically more readily monitored and effectively liable for Income Tax obligations, while digital enterprises using international e-commerce platforms may face a reduced risk of taxation. Such differences undermine the notion of tax fairness and horizontal equity, which are foundational to contemporary tax law ([Rosdiana & Irianto, 2012](#)).

Globally, nations and international organizations have made numerous attempts to modify their tax systems to align with the attributes of the digital economy, particularly by formulating the significant economic presence concept within the OECD's Base Erosion and Profit Shifting (BEPS) framework. This approach aims to assign taxation rights to market jurisdictions regardless of physical presence, while also mitigating tax base erosion resulting from cross-border digital economic activities ([OECD, 2015](#)).

Indonesia has formally embraced the concept of significant economic presence through Law Number 7 of 2021 on the Harmonization of Tax Regulations. The lack of legislation defining specific criteria, thresholds, and processes for imposing Income Tax on digital exports via cross-border e-commerce platforms has rendered this norm largely ineffective. As a result, it has not yet established sufficient legal clarity for both taxpayers and tax officials ([Sinaga & Sa'adah, 2024](#)).

In light of global and domestic trends, a thorough legal analysis is necessary to assess the significance of the regulatory gap in the Income Tax classification of cross-border e-commerce exports. This analysis is anticipated to aid in developing suitable legal solutions to enhance legal certainty and tax equality in the context of an increasingly digital economy that governs international trade.

2. Literature Review

2.1 Digitalization and the Transformation of Income Tax Principles

The rapid expansion of the digital economy has significantly altered the structural assumptions underlying traditional income tax systems. Classical international tax rules were constructed upon the principle of physical presence, in which taxing rights are allocated based on territorial nexus and the existence of a permanent establishment. However, digital business models allow enterprises to generate substantial economic value in a jurisdiction without maintaining a fixed place of business. [Cockfield \(2019\)](#) explains that digital platforms weaken income tax systems that rely on physical presence as the primary nexus for taxation, thereby challenging the coherence of both source-based and residence-based taxation principles.

The Organisation for Economic Co-operation and Development (OECD) formally recognized these structural challenges in its Base Erosion and Profit Shifting (BEPS) Action 1 Report ([OECD, 2015](#)). The report concludes that the digital economy exacerbates base erosion risks because existing nexus rules are no longer capable of adequately capturing value creation in market jurisdictions. In particular, the report highlights the mismatch between economic participation and the legal criteria for taxation, which remain anchored to physical presence. This problem is further reinforced by the OECD Model Tax Convention ([OECD, 2017](#)), which continues to define permanent establishment primarily through physical criteria such as a fixed place of business or dependent agents. While historically effective in providing legal certainty, this model presents limitations when applied to digital transactions conducted entirely through online platforms.

The academic debate therefore emphasizes that digitalization does not merely introduce new business models but fundamentally questions the normative foundations of international income taxation. The inability of traditional nexus standards to capture digital value creation has prompted calls for reform, including the development of alternative approaches such as significant economic presence ([OECD, 2015](#)). These discussions reflect a broader concern regarding tax base erosion and the redistribution of taxing rights in the global digital economy.

2.2 Significant Economic Presence and Emerging International Responses

In response to the limitations of physical presence-based taxation, the concept of significant economic presence (SEP) has emerged as an alternative nexus standard. SEP seeks to allocate taxing rights based on sustained economic interaction with a market jurisdiction, even in the absence of physical infrastructure. The [OECD \(2015\)](#) identifies SEP as one potential solution for aligning taxation with value creation in digital markets. Although multilateral consensus remains under negotiation, the concept has influenced domestic reforms in several jurisdictions.

[Dourado \(2018\)](#) analyses the European Union's proposal for a digital services tax and demonstrates how unilateral policy measures have been adopted to address perceived gaps in digital income taxation. Such measures reflect growing dissatisfaction with the slow pace of coordinated international reform. However, unilateral responses also raise concerns regarding legal fragmentation, double taxation risks, and conflicts with existing tax treaties grounded in the OECD Model Tax Convention ([OECD, 2017](#)).

These international developments reveal a dual tension: on the one hand, the need to protect national tax bases in the digital economy; on the other hand, the importance of maintaining legal certainty and coherence within the international tax system. The literature thus illustrates that digital taxation reform must balance fiscal sovereignty with predictability and treaty compatibility.

2.3 Digital Taxation in Indonesia: Regulatory Developments and Scholarly Perspectives

Within Indonesia, income taxation is governed by the worldwide income principle, under which resident taxpayers are subject to tax on income derived from both domestic and foreign sources. [Rosdiana and Irianto \(2012\)](#) emphasize that this principle embodies the doctrine of horizontal equity, requiring taxpayers with similar economic capacity to bear proportionate tax burdens. From a normative standpoint, this framework enables the state to tax income generated by resident business actors through cross-border digital activities.

Nevertheless, the practical application of this principle in the digital context remains complex. [Surahmat and Nugraha \(2021\)](#) highlight that Indonesia's tax jurisdiction is still heavily dependent on the permanent establishment concept embedded in international tax treaties. As cross-border e-commerce transactions often do not involve a fixed place of business abroad, the permanent establishment threshold may not be triggered, limiting effective tax enforcement. This structural reliance illustrates the gap between international treaty norms and the realities of digital trade.

[Darussalam et al. \(2021\)](#) further analyze Indonesia's adoption of the significant economic presence concept under Law Number 7 of 2021. They argue that although the introduction of SEP represents a progressive normative reform, its effectiveness depends on detailed

implementing regulations specifying measurable thresholds and enforcement mechanisms. Without such operational criteria, SEP risks remaining largely declarative rather than functionally applicable.

In addition, Indonesia's digital taxation policy has predominantly focused on consumption taxation through Value Added Tax on electronic commerce (PMSE). [Kementerian Keuangan Republik Indonesia \(2020\)](#) explains that VAT on PMSE has improved revenue collection from digital consumption. However, this regulatory focus on VAT does not directly address the imposition of income tax on digital export income. Consequently, a structural imbalance persists between consumption-based and income-based digital taxation.

[Sinaga and Sa'adah \(2024\)](#) argue that the absence of explicit technical guidance regarding digital income taxation creates interpretative ambiguity within Indonesia's self-assessment system. Since taxpayers are responsible for calculating and reporting their own tax obligations, regulatory uncertainty increases the risk of underreporting and weakens enforcement capacity. These studies collectively demonstrate that Indonesia's digital tax framework is evolving but remains incomplete in addressing cross-border digital export income.

2.4 Research Gap and Theoretical Contribution

Existing scholarship on digital taxation can generally be grouped into three strands. First, studies addressing the incompatibility between digital business models and traditional nexus standards ([Cockfield, 2019](#); [OECD, 2015](#)). Second, analyses of international reform initiatives, including significant economic presence and digital services taxes ([Dourado, 2018](#); [OECD, 2017](#)). Third, national-level examinations of regulatory adaptation and policy responses, including Indonesia's SEP adoption and VAT on PMSE ([Darussalam et al., 2021](#); [Surahmat & Nugraha, 2021](#); [Sinaga & Sa'adah, 2024](#)).

However, while these studies provide valuable insights into digital tax reform and policy development, limited attention has been devoted to the specific juridical implications of income taxation on export-oriented business actors operating through cross-border e-commerce platforms within Indonesia's self-assessment framework. Prior research tends to focus either on foreign digital service providers operating in Indonesia or on general policy reform, rather than on resident business actors generating export income via digital platforms.

Furthermore, the existing literature has not comprehensively examined how national income tax norms, administrative capacity, treaty obligations, and constitutional principles of legal certainty and tax equity interact to regulate digital export income. The absence of this integrated doctrinal analysis leaves a gap in understanding the structural implications of regulatory limitations within Indonesia's income tax system.

This study seeks to fill that gap by providing a systematic, normative legal analysis of income taxation of cross-border e-commerce exports by Indonesian resident taxpayers. By integrating doctrinal evaluation with principles of legal certainty and tax equity, this research contributes to the ongoing discourse on digital taxation reform and offers a more focused examination of digital export income within Indonesia's evolving fiscal framework.

3. Research Method

This study applies a normative legal research approach, also known as juridical-normative research, to examine the legal norms and principles governing income taxation in the context

of cross-border e-commerce. Normative legal study aims to analyze law as a collection of norms governing human behavior, rather than as observable actions, thereby prioritizing doctrinal analysis grounded in authoritative legal sources ([Soekanto & Mamudji, 2001](#); [Marzuki, 2017](#)).

The study primarily relies on secondary data obtained through a comprehensive literature review. The data comprises primary legal materials, including statutory regulations on income tax, electronic commerce, and tax administration; secondary legal materials, such as legal doctrines, scholarly articles, and international tax reports; and tertiary legal materials that offer supporting explanations and conceptual clarifications. This material facilitates a systematic analysis of the legal framework regulating income taxation on export activities via cross-border e-commerce platforms.

In order to ensure that the methodological design directly reflects the research objectives, this study employs a structured analytical framework consisting of four main evaluative dimensions: (1) regulatory adequacy, (2) legal certainty, (3) tax equity, and (4) administrative effectiveness. These dimensions are derived from the theoretical discussions in the literature review and serve as doctrinal variables guiding the analysis.

(1) Regulatory Adequacy

This dimension evaluates whether existing income tax regulations sufficiently regulate cross-border e-commerce export activities. The assessment includes:

- clarity of tax subject and tax object provisions;
- availability of implementing regulations for significant economic presence;
- compatibility with international tax treaty obligations;
- coherence between income tax law and digital commerce regulations.

(2) Legal Certainty

Derived from the principle of *rechtszekerheid* ([Rosdiana & Irianto, 2012](#)), this dimension examines whether regulatory norms provide:

- clarity and predictability of tax obligations;
- consistency with constitutional principles;
- absence of interpretative ambiguity within the self-assessment system.

(3) Tax Equity

Based on horizontal equity principles, this dimension assesses whether comparable economic actors bear proportionate tax burdens. The indicators include:

- neutrality between conventional exporters and digital exporters;
- equal exposure to enforcement mechanisms;

avoidance of structural competitive advantages caused by regulatory gaps.

(4) Administrative Effectiveness

Considering Indonesia's self-assessment framework, this dimension evaluates:

- availability of cross-border transaction data;

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- integration with Automatic Exchange of Information (AEOI);
- feasibility of enforcement in digital export transactions;
- institutional capacity of tax authorities.

Through these dimensions, the normative analysis is structured systematically rather than descriptively. This framework allows the study to assess not only the existence of legal norms but also their functional adequacy in addressing cross-border digital export income.

Additionally, a statutory and a conceptual approach are employed to evaluate the compatibility and sufficiency of current tax legislation concerning digital export transactions. The statutory technique is utilized to evaluate the alignment of national tax laws with constitutional principles and international tax advancements, whereas the conceptual approach is applied to analyze fundamental legal concepts such as global income, substantial economic presence, and tax equity. This analytical framework aims to provide a comprehensive legal analysis of the issues arising from the regulation of income tax on cross-border e-commerce exports.

4. Findings and Discussion

The development of cross-border e-commerce has generated not only economic implications but also complex legal challenges, particularly in taxation. The shift in transaction patterns from conventional trade to digital commerce has fundamentally altered the legal relationship between the state and taxpayers, especially with regard to the determination of taxing jurisdiction and the enforceability of income tax obligations. In this context, national tax law faces the challenge of adapting legal norms originally designed around the concept of physical presence to the realities of a borderless, technology-driven digital economy ([Cockfield, 2019](#); [OECD, 2015](#)).

The issue of income taxation on exports conducted through cross-border e-commerce platforms cannot be separated from the structural characteristics of Indonesia's tax system, which is grounded in the principles of self-assessment and worldwide income. On the one hand, these principles provide a normative legal basis for the state to impose income tax on all income earned by resident taxpayers, including income derived from foreign sources. On the other hand, the absence of adaptive and detailed technical regulations tailored to cross-border digital transactions creates regulatory limitations that may affect legal certainty and tax equity. Accordingly, this article focuses on two central issues: first, the analysis of regulatory limitations in the imposition of income tax on exports conducted through cross-border e-commerce platforms; and second, the juridical implications of such regulatory limitations for the principles of legal certainty and tax equity within Indonesia's national tax system ([Rosdiana & Irianto, 2012](#); [Sinaga & Sa'adah, 2024](#)).

4.1 Regulatory Limitations in Income Taxation on Cross-Border E-Commerce Exports

The imposition of Income Tax on export activities conducted through cross-border e-commerce platforms in Indonesia continues to face fundamental challenges, particularly due to the absence of detailed technical regulations that explicitly govern the taxation mechanism for such transactions. Normatively, Indonesia's tax system has adopted the worldwide income principle; however, its practical implementation remains oriented toward conventional transaction models that rely heavily on physical presence and domestic administrative systems. This condition creates a gap between existing tax norms and the increasingly complex, borderless nature of cross-border digital trade ([OECD, 2015](#); [Cockfield, 2019](#)).

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Under Law Number 7 of 1983 on Income Tax, as amended most recently by Law Number 7 of 2021, the regulation of tax subjects is stipulated in Article 2, paragraph (1), letter (a), which classifies individuals or entities domiciled or established in Indonesia as resident taxpayers. The legal consequence of this status is the imposition of tax obligations on all income received or accrued, whether sourced domestically or from abroad. This provision establishes a clear normative basis for taxing income derived from cross-border activities by resident taxpayers ([Government of Indonesia, 2021](#)).

Furthermore, Article 4, paragraph (1) of the Income Tax Law defines taxable income as any increase in economic capacity received or accrued by a taxpayer, originating from Indonesia or abroad, that may be used for consumption or to increase wealth. This formulation explicitly reflects the application of the worldwide income principle. Nevertheless, the provision was drafted in the context of conventional transactions that presuppose the physical presence of business actors and traceable payment channels, assumptions increasingly incompatible with digital commerce ([Rosdiana & Irianto, 2012](#)).

In cross-border e-commerce practices, transaction characteristics have undergone a significant transformation. Domestic business actors may export goods or digital services through foreign e-commerce platforms without maintaining a physical presence in partner jurisdictions. Payments from such transactions are often received through foreign bank accounts or digital payment service providers located outside Indonesia's fiscal jurisdiction. As a result, digital export income becomes difficult for the Directorate General of Taxes to identify and monitor, thereby rendering the application of Article 4, paragraph (1), of the Income Tax Law less effective in practice ([Darussalam et al., 2021](#)).

These challenges are further exacerbated by Indonesia's self-assessment tax system as regulated under Law Number 6 of 1983 on General Provisions and Tax Procedures, as last amended by Law Number 7 of 2021. Article 3 paragraph (1) of the Law obliges taxpayers to file accurate, complete, and clear tax returns. However, in the context of cross-border e-commerce transactions, the accuracy of income tax reporting largely depends on taxpayer compliance, as effective and integrated mechanisms for verifying cross-jurisdictional digital transactions remain limited ([Soekanto & Mamudji, 2001](#)).

Regulations specifically governing trade through electronic systems, particularly Government Regulation Number 80 of 2019 on Trade through Electronic Systems, primarily address business legality, consumer protection, and administrative obligations of electronic system operators. For instance, Article 15 of the Regulation requires e-commerce business actors to obtain business licenses, yet it does not provide provisions concerning the mechanism for imposing Income Tax on export income generated through cross-border e-commerce platforms. Consequently, aspects of income taxation remain insufficiently regulated within this framework ([Sudarsono, 2020](#)).

Existing digital tax policies in Indonesia have also predominantly focused on consumption-based taxation. This approach is reflected in the imposition of Value Added Tax on electronic commerce transactions (VAT on PMSE), as regulated under Article 6 paragraph (1) letter (d) of the VAT Law. While this policy effectively targets digital consumption, it does not address Income Tax obligations arising from digital export activities. As a result, an imbalance persists between the consumption tax and income tax regimes in the digital economy ([Directorate General of Taxes, 2024](#)).

Efforts to align the national tax system with digital economic developments have been initiated through Law Number 7 of 2021 on the Harmonization of Tax Regulations. Through amendments to Article 2 of the Income Tax Law, the concept of significant economic presence was introduced as a basis for determining foreign tax subjects. This concept allows the state to impose Income Tax on entities that derive significant economic benefits from Indonesia despite lacking physical presence ([OECD, 2015](#); [Sinaga & Sa'adah, 2024](#)).

Nevertheless, the regulation of significant economic presence has not yet been supported by implementing regulations that define operational criteria, such as transaction value thresholds, the number of active users, or the volume of digital activities that would trigger Income Tax liability. The absence of such technical rules renders the provision largely declarative and limits its effectiveness in capturing income derived from cross-border e-commerce exports ([Sinaga & Sa'adah, 2024](#)).

This regulatory limitation also affects Indonesia's interaction with the international tax regime. Most of Indonesia's Double Taxation Avoidance Agreements (DTAAs) continue to rely on the concept of Permanent Establishment as articulated in Article 5 of the OECD Model Tax Convention, which emphasizes physical presence, such as branch offices or fixed places of business. In cross-border e-commerce transactions, these criteria are frequently unmet, despite substantial economic activity taking place within the market jurisdiction ([OECD, 2017](#)).

As a consequence, business actors may derive significant income from digital export activities without being classified as having a Permanent Establishment, resulting in such income potentially escaping effective taxation in both the source and residence countries. This phenomenon, commonly referred to as double non-taxation, undermines national fiscal interests and contradicts principles of international tax fairness ([Cockfield, 2019](#)).

Accordingly, the regulatory limitations surrounding Income Tax on exports conducted through cross-border e-commerce platforms should not be viewed merely as administrative shortcomings. Rather, they constitute a broader juridical issue that affects legal certainty, the effectiveness of tax collection, and fiscal sovereignty. Without comprehensive and adaptive implementing regulations that reflect the characteristics of the digital economy, the worldwide income principle enshrined in Indonesia's Income Tax Law will remain difficult to realize optimally within the framework of technology-driven global trade.

4.2 Juridical Implications for Legal Certainty and Tax Equity

The inadequate control of income tax on exports conducted through international e-commerce platforms has significant legal ramifications. These ramifications are especially crucial concerning legal clarity and tax equity. To achieve legal certainty in tax law, tax obligations must be delineated clearly and predictably. This enables taxpayers to understand their rights and obligations clearly. [Rosdiana and Irianto \(2012\)](#) assert that this principle embodies the concept of *rechtszekerheid*, a fundamental element of the rule of law, as formally recognized in Article 1, paragraph 3 of the 1945 Constitution of the Republic of Indonesia.

In the context of Income Tax, legal certainty is typically expressed through clearly defined rules concerning tax subjects, tax objects, applicable rates, and procedural obligations. Although the Income Tax Law normatively recognizes foreign-source income as taxable income for resident taxpayers under Article 4 paragraph (1), the absence of specific guidance on the taxation of digital export activities limits the practical clarity of this provision. As a result, taxpayers

engaged in cross-border e-commerce may face uncertainty about the timing of taxation, calculation methods, and reporting requirements for digital income, thereby weakening the operational effectiveness of existing legal norms ([Sinaga & Sa'adah, 2024](#)).

This condition places digital export business actors in a relatively vulnerable position, as they are expected to comply with broad tax obligations without the support of sufficiently detailed technical regulations. While taxpayers are required to report all income earned, including income from abroad, the lack of explicit regulatory guidance increases the likelihood of differing interpretations between taxpayers and tax authorities. Such divergence may lead to disputes and undermines the protective function of tax law, which is intended to balance state interests with taxpayer rights ([Darussalam et al., 2021](#)).

The implications of this regulatory limitation are further accentuated within Indonesia's self-assessment system. Under Article 12 paragraph (1) of the Law on General Provisions and Tax Procedures, taxpayers bear responsibility for calculating, paying, and reporting their own tax liabilities. This system presupposes a high level of taxpayer awareness and voluntary compliance. However, when regulatory frameworks do not adequately address the realities of cross-border digital transactions, the effectiveness of self-assessment in capturing digital export income becomes constrained ([Soekanto & Mamudji, 2001](#)).

In practice, these challenges are compounded by limited access to cross-border transaction data and the incomplete reach of international tax information exchange mechanisms. Although Indonesia participates in the Automatic Exchange of Information (AEOI) framework, the exchange of financial information has not yet fully accommodated the complexities of digital transactions conducted through foreign e-commerce platforms. Consequently, the capacity of tax authorities to verify reported income remains restricted, particularly in relation to digital export activities ([OECD, 2015](#)).

Such conditions create opportunities for tax avoidance practices that may not always constitute explicit violations of positive law, but nevertheless reduce the effectiveness of tax enforcement. Business actors may take advantage of regulatory ambiguities to underreport digital export income, while tax authorities face limitations in applying corrective measures due to the absence of clear legal benchmarks. From a juridical perspective, this situation illustrates how structural regulatory limitations can weaken law enforcement without necessarily implying intentional non-compliance ([Cockfield, 2019](#)).

Beyond issues of enforcement, regulatory limitations in this area also affect the principle of tax equity. Tax equity requires that taxpayers with comparable economic capacity bear a proportionate tax burden, a principle commonly referred to as horizontal equity. In practice, conventional exporters operating through traditional trade mechanisms tend to be more easily monitored and effectively taxed than digital business actors engaged in cross-border e-commerce. This differential treatment risks creating an uneven fiscal landscape that is difficult to justify on grounds of tax justice ([Rosdiana & Irianto, 2012](#)).

Disparities in tax treatment may translate into broader fiscal and economic consequences. Digital business actors may enjoy relative competitive advantages due to lower exposure to tax obligations, while conventional businesses continue to comply fully with domestic tax requirements. Imbalances not only affect individual taxpayers but may also distort fair competition, gradually eroding trust in the integrity of the tax system ([Sinaga & Sa'adah, 2024](#)).

In the longer term, limitations in the regulation of Income Tax on cross-border e-commerce exports may also affect national fiscal sustainability. The inability to effectively tax a rapidly expanding segment of the digital economy increases the risk of tax base erosion. International experience, as reflected in the OECD's Base Erosion and Profit Shifting (BEPS) initiative, demonstrates that failure to adapt tax systems to digital economic realities can weaken state revenue capacity and undermine fiscal resilience ([OECD, 2015](#)).

From a broader constitutional perspective, tax revenue constitutes a key instrument through which the state finances public services and fulfills its obligation to promote social welfare. When potential revenue from the digital economy remains insufficiently captured, the implications extend beyond taxation itself and touch upon the state's ability to perform its fundamental functions. Its mean, regulatory limitations in the taxation of digital exports may be understood as a structural challenge to effective fiscal governance ([Rosdiana & Irianto, 2012](#)).

Accordingly, the regulatory limitations on Income Tax for exports conducted through cross-border e-commerce platforms have systemic implications for legal certainty, tax equity, and the overall effectiveness of tax administration. Rather than reflecting a complete absence of legal norms, these limitations highlight the need for regulatory refinement that is both operationally feasible and responsive to the characteristics of the digital economy ([OECD, 2015](#)).

Without such refinement, national tax systems risk falling behind the pace of technological and commercial development. In the long run, this gap may weaken the legitimacy of tax law and reduce voluntary compliance, contrary to the fundamental objective of taxation as an instrument for achieving justice, legal certainty, and sustainable national development (Cockfield, 2019).

5. Conclusion

The expansion of cross-border e-commerce has generated significant juridical challenges for national tax systems, particularly with respect to the imposition of Income Tax on digital export activities. Although the Income Tax Law normatively adopts the worldwide income principle for resident taxpayers, this principle has not yet been applied optimally to cross-border e-commerce transactions that do not rely on physical presence. The absence of explicit technical regulations governing the taxation mechanism for digital exports renders existing norms largely declarative and insufficient to address the increasingly complex and borderless nature of digital economic transactions ([OECD, 2015](#); [Cockfield, 2019](#)).

These regulatory limitations in Income Tax treatment of cross-border e-commerce exports give rise to broad juridical implications, especially concerning legal certainty, tax equity, and the effectiveness of tax collection. Within Indonesia's self-assessment system, legal ambiguity weakens fiscal oversight and creates opportunities for tax avoidance practices that are formally difficult to address under positive law. Moreover, such conditions contribute to unequal tax treatment between conventional business actors and cross-border digital enterprises, thereby conflicting with the principles of tax justice and horizontal equity that underpin modern tax law ([Rosdiana & Irianto, 2012](#); [Sinaga & Sa'adah, 2024](#)).

Accordingly, comprehensive and adaptive tax regulatory reform is required to respond to the dynamics of the digital economy, particularly by establishing implementing regulations that clearly govern Income Tax on cross-border e-commerce exports. Strengthening the concept of

significant economic presence as a basis for taxation, supported by integrated reporting systems and cross-border data exchange mechanisms, represents a strategic approach to addressing existing legal gaps. Such reform is essential not only to enhance state revenue but also to ensure legal certainty, tax equity, and Indonesia's fiscal sovereignty in the era of a global digital economy ([OECD, 2015](#)).

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