

EXAMINING PORTRAITS OF TAX AVOIDANCE IN TRANSACTIONS AND OWNERSHIP OF CRYPTO-ASSETS IN THE POST-PANDEMIC ERA

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Abstract: This study aims to determine the public's response to applying taxes on crypto assets transactions, the factors that cause people to complain about paying taxes on crypto assets transactions, and the level of public compliance in paying taxes on crypto assets transactions. This research was conducted on crypto asset activists selected as research informants. Interview, documentation and literature study methods carried out data collection in this study. The data analysis technique begins with data collection, reduction, presentation, analysis and conclusion. The results of the study show that (1) the response of taxpayers who are crypto asset activists shows a positive response to the application of taxation in crypto asset transactions, (2) the cause of taxpayers complaining about taxes on crypto asset transactions includes an administrative system that is still difficult for taxpayers to understand, tariffs relatively high taxes and crypto asset taxes only look at the value of crypto asset trading transactions without seeing whether investors make a profit or loss, and (3) regarding taxpayer compliance in crypto asset transactions, it can be done with detailed explanations or some more intense socialization so that taxpayers especially crypto asset activists understand how to report and it is hoped that administration is not complicated.

Keywords: *Taxes, Crypto Assets, Avoidance*

1. Introduction

The Covid-19 pandemic hit the world including Indonesia which caused a weakening of several sectors such as the economy, society, education and politics. Time is running so fast that the Indonesian Government and the community, especially business actors, must restore Indonesia's economy. The Government of course issued various policies to recover the economy. The existence of the Covid-19 pandemic, balanced with the rapid development of technology, has changed the world of investment currently developing. It must be admitted that the world is amid post-pandemic economic recovery. The momentum occurred post-pandemic with digital economic transformation and a large investment role. Technological advances that influence the digital economy in economic sustainability have been introduced by Tapscott (Bukht & Heeks, 2017). Now e-commerce and financial technology (fintech) have experienced rapid growth and capable digital control sector economy.

As part of the development of information technology, a new type of financial instrument called cryptocurrency has been born and is growing rapidly. This virtual currency can be used as a means of electronic transactions. Apart from that, the owners also use crypto assets to invest—cryptocurrencies using decentralized blockchain technology, transparent, and global. Transaction use of cryptocurrencies in on blockchain network is believed to be able to be multiple solutions that problem faced system finance conventional lately. Several countries in the world also

participate in the ownership of crypto assets which are experiencing a trend of great interest to the public, especially investors.

It cannot be denied that even with the creation of cryptocurrency as an instrument to facilitate virtual transactions, of course there will be high risks as well because it is also known that cryptocurrency is decentralized so transactions from this cryptocurrency will normally tend to be difficult to control and monitor by the Government (Amboro & Christi, 2019). Apart from that, most of these cryptocurrencies have an anonymity feature where this feature has its advantages and disadvantages, namely with this feature the privacy and identity of the user can be maintained, but on the other hand this feature allows cryptocurrency users to register identities that are different from real identity so this will also have bad consequences if it is misused because by using this fake identity the Government cannot track or investigate anyone who has made transactions in this cryptocurrency, therefore, cryptocurrency is often a way to commit crimes such as not crimes money laundering, illegal trade (drug and human trafficking) and even tax evasion by investors (Chang, 2019). So with that a need for strict supervision and regulation to prevent this from happening.

This situation is very dilemmatic because the condition of all people is making a transition in the post-Covid-19 era where when choosing to invest using digital cryptocurrency, it can be done during a pandemic situation, instead there are taxes collected by the Government. Things like this sometimes make taxpayers do tax evasion by not fully reporting the income they receive. The importance of education in the field of taxation, especially regarding crypto asset taxes, which is by the Regulation of the Minister of Finance of the Republic of Indonesia Number 68/PMK.03/2022 concerning Value Added Tax and Income Tax on Crypto Asset Trading Transactions. It was explained that the delivery of crypto assets is a commodity that is an object of value-added tax and income from trading crypto assets is an additional economic capability received or obtained by taxpayers both from Indonesia and outside Indonesia who are the object of income tax.

Based on the background that has been described, the objectives of this study can be explained, including: (1) to find out the public's response to the implementation of taxes on crypto assets transactions, (2) to analyze the factors that cause people to complain about paying income tax on crypto assets transactions, and (3) to determine the level of public compliance in terms of making income tax payments on crypto assets transactions.

2. Research Method

The research design describes the research design that researchers will carry out from the beginning to the completion of the research. The research setting describes the places and research objects chosen for the study. This research was conducted on people in Denpasar Bali who transact using *crypto assets* and understand the taxation of *crypto assets transactions* which are regulated in the Tax Law regulations and Minister of Finance Regulations. Furthermore, the operational definition describes an explanation of the operating variables of the research. Data collection describes the techniques/methods implemented by researchers in collecting research data. Data collection in this study was carried out using interviews, documentation and literature study. The selected informants transact using *crypto assets* and make tax payments for their transactions. Data analysis techniques describe the methods used by researchers in analyzing the data that has been collected. Verifying the validity of the analysis results describes the process of verifying data to assess the validity of the data to be processed in research.

3. Results and Discussion

3.1. Results

Implementing taxation for crypto asset transactions will be a polemic for crypto asset investors. Of course, the response will differ from the public, especially crypto asset investors as stated by one of the crypto asset activists in Bali who said that implementing the crypto asset tax is appropriate to encourage more investment into Indonesia.

“..... It is fair and reasonable for governments to tax crypto assets at an affordable rate. Some crypto tax havens offer little or no tax at all. Therefore, I applaud the Indonesian Government's decision to categorize crypto assets as traded commodities, use Income Tax (PPh) 0.1% of the transaction value for sale, and VAT (PPN) 0.11% of the transaction value for the purchase of crypto assets. This decision has made Indonesia significantly competitive against other nations in promoting new technology for financial services offerings using Web3/Crypto technology, which will encourage more investments in Indonesia.

Based on the interview results above, taxes on crypto assets are very reasonable and fair with affordable tax rates. The interview results also explained that it was appropriate for the Indonesian Government to categorize crypto assets as traded commodities. Another response to implementing the crypto asset tax must be handled similarly to other tax implementations with the following interview results.

“ Applying the tax on crypto assets should be handled similarly to taxes on other purchases. Currently Indonesia has a great tax regime.

The results of the interview above explain that the application of taxes on crypto assets must be handled properly the same as other tax applications. Currently Indonesia has a large tax regime to increase state revenue, especially from the taxation sector in all its fields. Other informants also said that taxation of crypto assets is appropriate in Indonesia. Mrs. Naura Yumania conveys this as a crypto asset activist.

"..... that is right, the tax is relatively small. This is to support the investment climate in Indonesia.

The interviews show that implementing taxes on crypto assets is appropriate with a relatively small tax rate. Of course, this tax can be implemented to support the investment climate in Indonesia. Another informant, Mrs. Panda, conveyed the same thing with the following statement.

".... agree, because the tax from this crypto asset will become an income for the state treasury.

“..... not at all, if the reporting system is clear and not difficult.

Based on the results of an interview with one of the crypto asset activists, it can be explained that the application of taxes on crypto asset transactions has been properly implemented because the tax money will become cash income for the state which of course is expected to be used for the interests of the state which can be felt by the Indonesian people fairly. The informant stated that he has no objection to making tax payments on crypto assets and

the reporting system is also clear and not difficult, making it easier for taxpayers to report and pay income tax and value-added tax on crypto asset transactions.

Talking about tax issues, of course, what is in taxpayers' minds is that they have to spend a certain amount of money used to pay taxes. Many of them think that taxes are a burden for them and reduce the profits earned by taxpayers. In addition, tax administration which is not easy for taxpayers to understand is also a factor for taxpayers needing to be willing to fulfill their tax obligations. This is as stated by one of the crypto asset activists as follows.

“... The biggest complaint is that the process of filing taxes is complicated and the regulatory framework constantly changes.

The results of the interview explained that the biggest complaint was the complicated tax filing process and tax regulations that were constantly changing. Tax regulations, especially those related to tax administration, greatly impact the interest of taxpayers to pay taxes because the assumption of taxpayers that they have spent a certain amount of money instead has to face a complicated administrative system, which will reduce interest in fulfilling their obligations.

The same thing was conveyed by Mrs. Naura Yumania who gave the causes of taxpayer complaints about *crypto asset taxes* which can be explained as follows.

“.... it is possible that the WP is complaining about this, because the tax collected does not see whether this investor sells at a loss or profit, only looks at the value of crypto asset trading transactions.

The results of the interview above explain that complaints from taxpayers can occur because the taxes collected only look at the value of crypto asset trading transactions without looking at the situation and condition of the investor whether he is in a position to make a profit or suffer a loss. Another opinion was conveyed by Ms. Panda who gave the following statement.

“.....traders investing in cryptocurrencies are not always profitable, maybe this is one of the factors & on some exchanges there is also a fee .

Based on the interview results, investment in crypto assets does not always experience profits but is still taxed on these transactions, causing taxpayers to complain about paying taxes on crypto-asset transactions.

In improving tax compliance in Indonesia, of course many things must be done by the Government supported by the taxpayers themselves. This is as stated by one of the crypto asset activists in the interview.

“... It is important to improve online systems and simplify tax reporting in Indonesia. Promotion and socialization with investors including locals and foreigners regarding low crypto tax and ease of tax reporting for crypto transactions in Indonesia is the first step. Also, Indonesia must work harder in simplifying the process for 1) the setup of legal entities for investment holding companies, 2) applying for long-term visas for investors, and 3) compliance and tax reporting processes. These are critical to encouraging investment and also making ROI on exits from the investments that were made.

The interview results above show that it is important to improve the *online system* and simplify the way of tax reporting in Indonesia. Promotion and outreach to investors including

local and foreign regarding low crypto taxes and ease of tax reporting for crypto asset transactions. Another solution for increasing tax compliance, especially crypto asset transactions, was also presented by an informant in this study. The statement made by Ms. Panda is as follows.

".... maybe the Government should explain in more detail about this crypto tax , while crypto is peer to peer via blockchain."

Based on the results of these interviews, it can be said that the solution that can be provided to increase compliance with crypto asset transaction taxation is a detailed explanation or some more intense outreach so that taxpayers, especially crypto asset activists, understand how to report and it is hoped that administration will not be complicated.

3.2. Discussion

The Government has well considered the application of taxation on crypto asset transactions. Through the Republic of Indonesia Ministry of Finance Regulation Number 68/PMK.03/2022 concerning Value Added Tax and Income Tax on Crypto Asset Trading Transactions, it makes it easy for taxpayers to report and pay taxes from crypto asset transactions. The application of taxation will certainly get a response from the public, especially those who carry out crypto asset transactions.

Following the results of interviews with several informants, it can be seen that the public response is positive to the implementation of taxes on crypto asset transactions which states that the Government's decision to implement taxation is very appropriate with relatively small taxes and can support the investment climate in Indonesia. Other informants also said that taxes from crypto assets will become an income for the state treasury which of course can be used for the benefit of the state which can be felt by the people of Indonesia fairly.

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Reviewing the public's response regarding the implementation of taxes on crypto assets is one of the acceptance of the community, especially taxpayers, about the taxation system implemented in Indonesia. The use of systems and technology concerning taxation is something that taxpayers need to pay attention to, so that they can carry out transactions properly and adequately. The TAM theory describes users' beliefs about usability and ease of use as the main determinants of individual attitudes towards the acceptance and use of certain technologies or systems that can ultimately explain their intention to use technology.

Safri and Setiadi (2022) explain that theoretical improvements can increase the integer factor algorithm and improve computational technology assuming solutions are updated continuously. Cryptography is based on mathematical theory with computerized applications, cryptographic algorithms are designed with the assumption that computational power is very difficult for the system to solve, but it is not feasible to practically solve the scheme.

Technically, other informants also explained that the cause of taxpayer complaints was because the taxes collected only looked at the value of crypto asset trading transactions without looking at the situation and condition of the investor whether he was in a position to make a

profit or suffer a loss. Broadly speaking, it can be stated that the causes of taxpayer complaints about crypto asset transactions include administrative systems that are still difficult for taxpayers to understand, relatively high tax rates and crypto asset taxes that only look at the value of crypto asset trading transactions without looking at whether investors make a profit or loss.

Discussing taxpayer compliance, especially taxpayer compliance with crypto asset transactions, can provide solutions that can be implemented to increase tax compliance. The results of interviews with several informants in this study provide a general description of tax compliance from crypto asset transactions. The opinion of one of the informants stated that to improve the online system and simplify the way of tax reporting in Indonesia. Promotion and outreach to investors including local and foreign regarding low crypto taxes and ease of tax reporting for crypto asset transactions. Another solution in increasing tax compliance, especially crypto asset transactions, was also conveyed by an informant in this study, namely with a detailed explanation or some more intense outreach so that taxpayers, especially crypto asset activists, understand how to report and it is hoped that administration will not be complicated.

4. Conclusion

Based on the results of the research and discussion described in the previous chapter, conclusions can be drawn from this research, including:

1. The response of crypto asset activist taxpayers shows a positive response with applying taxation in crypto asset transactions. Taxpayers state that the Government's decision to implement crypto asset taxation is very appropriate to support the investment climate in Indonesia.
2. The causes of taxpayers complaining that there is a tax on crypto asset transactions include an administration system that is still difficult for taxpayers to understand, relatively high tax rates and crypto asset taxes that only look at the value of crypto asset trading transactions without looking at whether investors make a profit or loss.
3. Regarding taxpayer compliance in crypto asset transactions, it can be done with a detailed explanation or some more intense outreach so that taxpayers, especially crypto asset activists, understand how to report and it is hoped that administration will not be complicated.

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