

VAT AND DROPSHIPPING IN THE DIGITAL ECONOMY: A COMPARATIVE LEGAL PERSPECTIVE FROM INDONESIA, AUSTRALIA, AND SINGAPORE

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Abstract

The development of information technology currently enables offline community activities to occur online. The internet enhances the economy via electronic business transactions. The substantial increase in internet commerce transactions corresponds with the emergence of dropshipping, a sales model intended for individuals seeking to establish a business with minimal financial investment. Unlike electronic commerce transactions, dropshipping is also subject to tax. This study employs a descriptive qualitative approach to examine and contrast the implementation of VAT in dropshipping models in Indonesia, Australia, and Singapore. The results show that VAT collection on dropshipping complies with the legal characteristics of VAT and the concept of certainty. Nonetheless, there are no explicit regulations governing dropshipping in Indonesia, thus necessitating the examination of VAT collection practices in Australia and Singapore. The Directorate General of Taxes must establish regulations for enterprises engaged in dropshipping to ensure that those liable for VAT are acknowledged as taxable entrepreneurs under VAT legislation. This study emphasizes the need to develop specific regulations in response to the expanding scale and tax potential of dropshipping, focusing on transaction mechanisms and VAT obligations to ensure compliance and legal clarity.

Keywords: VAT, Electronic Commerce, Dropshipping, Legal Characters

Abstrak

Perkembangan teknologi informasi saat ini memungkinkan kegiatan komunitas secara luring berlangsung secara daring. Internet dapat memfasilitasi ekonomi melalui transaksi perdagangan elektronik. Pertumbuhan signifikan transaksi perdagangan elektronik sejalan dengan meningkatnya transaksi dropshipping, yang merupakan skema penjualan yang dirancang untuk individu yang ingin memulai bisnis dengan modal terbatas. Mirip dengan transaksi perdagangan elektronik pada umumnya, dropshipping juga dikenakan pajak. Studi ini menggunakan pendekatan deskriptif kualitatif untuk menganalisis dan membandingkan administrasi PPN dalam skema dropshipping di Indonesia, Australia, dan Singapura. Hasil penelitian menunjukkan bahwa pemungutan PPN pada dropshipping sesuai dengan karakteristik hukum PPN serta prinsip kepastian. Namun tidak ada ketentuan khusus yang mengatur dropshipping di Indonesia, sehingga perlu dilakukan pembelajaran dari praktik administrasi pemungutan PPN di Australia dan Singapura. Untuk mempertimbangkan penerapan PPN pada dropshipping, Direktorat Jenderal Pajak perlu membuat aturan bagi bisnis yang menggunakan model ini untuk memastikan bahwa mereka yang bertanggung jawab atas PPN diakui sebagai Pengusaha Kena Pajak sesuai dengan ketentuan PPN. Studi ini menekankan perlunya mengembangkan regulasi khusus sebagai respons terhadap skala yang semakin besar dan potensi

Sitasi

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pajak dari dropshipping, dengan fokus pada mekanisme transaksi dan kewajiban PPN untuk memastikan kepatuhan pajak dan kejelasan hukum.

Kata Kunci: Pajak Pertambahan Nilai, E-Commerce, Dropshipping, Karakteristik Hukum

INTRODUCTION

The development of information technology currently enables offline community activities to occur online. The internet enhances the economy via electronic business transactions. Economics is one of the many areas that successfully utilizes the internet's convenience. Digital transactions are progressively substituting traditional trading methods.

Indonesia's e-commerce development has established it as the largest e-commerce market in Southeast Asia, with total gross transactions amounting to USD 21 billion (Karina & Benedict, 2018). This aligns with the expansion of dropshipping (Kaluzhsky, 2014), characterized by 4.78 percent of business operators employing this sales model (Statistics Indonesia, 2019). In this arrangement, sellers act solely as intermediaries and are not obligated to hold inventories. Dropshipping suits individuals aiming to start a business with limited capital investment.

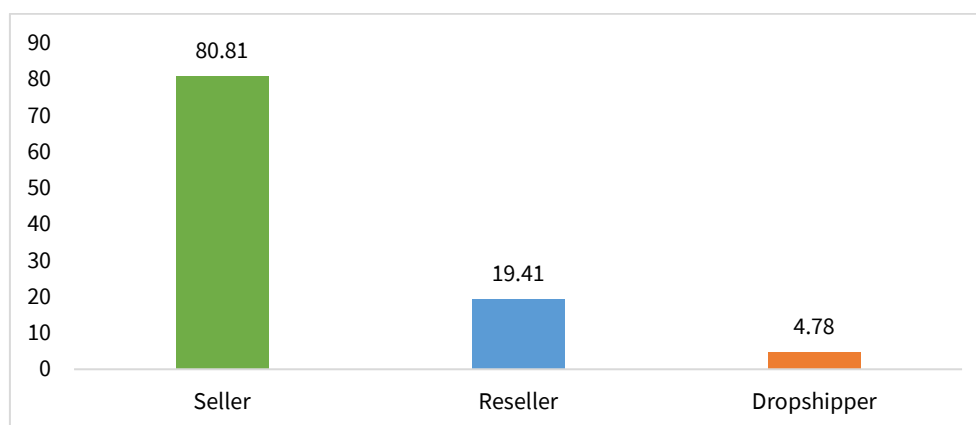


Figure 1. The Percentage of Sales Scheme in Indonesia

Source: Statistics Indonesia, 2019

In contrast to e-commerce transactions, dropshipping is subject to taxes, including Income Tax and Value Added Tax (VAT). Income Tax applies to the earnings of dropshippers, whereas VAT is levied on the transfer of goods to purchasers. The application of VAT to dropshipping is comparable to its application to e-commerce transactions. VAT is a sales tax levied multiple times on the value added at each stage of production and distribution (Rosdiana & Irianto, 2014). As Tait (1988) articulated, value-added refers to the value that producers contribute to raw materials or purchases. The value of a product or service is expected to increase through various activities, including buying and selling, leasing, franchising, and providing services (Pohan, 2016).

The tax object in dropshipping adheres to the stipulations outlined in Article 4 of Law No 42 of 2009 (hereafter referred to as the 2009 VAT Law), specifically concerning the delivery of Taxable Goods within a Customs Area by entrepreneurs and the importation of Taxable Goods. This raises the question of whether the delivery of taxable goods through the dropshipping scheme qualifies as delivery by consignment under Article 1A of the 2009 VAT Law, given that dropshippers are classified as intermediary traders. The term "delivery" in this context is referred to as "supply,"

which is categorized into "supply of goods" and "supply of services" (Rosdiana et al., 2011). VAT applies to the supply based on transferring property rights to the goods. In this context, consignment refers to a sales system utilized by a store wherein the products are sourced from a specific party (Bratiloveanu & Dogaru, 2017). Hu et al. (2017) argue that consignment can be understood as a contractual arrangement that grants retailers ownership of goods for a designated duration. Retailers own these products and promote them to consumers, securing a portion of the profits generated from sales.

Currently, the taxation of e-commerce is regulated by the Circular Letter of the Director General of Taxes Number SE/62/PJ/2013, which emphasizes the revenue potential derived from taxing e-commerce transactions. E-commerce encompasses all electronic trade transactions (Peštek et al., 2011). E-commerce development encompasses various types, including Business to Business (B2B), Business to Consumer (B2C), Consumer to Consumer (C2C), Consumer to Business (C2B), Business to Government (B2G), and Government to Business (G2B) (Nagaty, 2010). Dropshipping exemplifies a sales system within e-commerce transactions, enabling sellers to offer goods without stocking or purchasing products beforehand (Sari, 2019). According to Netessine and Rudi (2006), sellers referred to as dropshippers lack inventory. Zhao et al. (2013) indicate that drop shippers forward order details from buyers to suppliers. According to Park (2019), suppliers will prepare and ship products directly to buyers.

Dropshipping is closely associated with Trading through Electronic Systems (PMSE) and may be governed by the provisions outlined in the Regulation of the Minister of Finance of the Republic of Indonesia Number 48/PMK.03/2020. These provisions are irrelevant as references for imposing VAT on dropshipping due to non-compliance with the clause regarding Intangible Taxable Goods.

As a straightforward business model, dropshipping is anticipated to draw an increasing number of entrepreneurs in Indonesia, thereby allowing the government to implement taxation on this framework. The existing regulations in Indonesia do not provide a detailed explanation of this scheme or the relevant taxation system.

Value-added tax systems generally enhance tax compliance compared to alternative tax systems like turnover taxes. The self-enforcing nature of VAT in business-to-business (B2B) transactions encourages buyers to claim invoices, which allows them to credit their output VAT and reduce tax liabilities (Li & Wang, 2020). Firms frequently report heightened sales and expenses within VAT systems to reduce their tax liabilities, a phenomenon particularly evident in B2B transactions.

Taxation of e-commerce transactions, such as dropshipping, involves complexities in determining the location of sale and the VAT responsibilities for international sellers. Goods held in customs warehouses in the buyer's country may expose the foreign seller to VAT, with local e-commerce operators possibly acting as tax agents (Artemiev & Sidorova, 2024).

Dropshipping businesses must acknowledge their VAT obligations, especially about cross-border transactions. This entails understanding the VAT implications of storing goods in customs warehouses and the role of local tax agents (Artemiev & Sidorova, 2024). Implementing robust VAT reporting and compliance systems can alleviate administrative burdens and ensure accurate tax filing (Hameed et al., 2023).

To the author's knowledge, there is a limited number of researches addressing the application of VAT to dropshipping transactions. Applying VAT on dropshipping in Indonesia may align with practices in neighboring countries such as Australia and Singapore, which are members of the same

international organization as Indonesia and adhere to a comparable principle of state authority in tax imposition. Australia and Singapore have implemented a tax on e-commerce transactions. This study analyzes the imposition of VAT on dropshipping in Indonesia and compares its administration to that of Australia and Singapore.

The remainder of this article is structured as follows. Section 2 outlines the research method. Section 3 presents the findings. Section 4 explores the discussion including analysis, including a focus on the specific imposition of VAT on dropshipping activities within Indonesia, the VAT treatment of dropshipping when observed through the lens of electronic-based trading (PMSE), and legal analysis of VAT treatment in the context of consignment transactions and the similarities or differences with dropshipping. In addition, this section offers a comparative study of VAT imposition on dropshipping in Indonesia, Australia, and Singapore. Finally, Section 5 concludes with a summary of the main arguments and suggestions for future research.

RESEARCH METHOD

This research uses a qualitative approach to explore or explain the meaning of a phenomenon (Creswell, 2014). This study attempts to understand VAT treatment on dropshipping schemes in terms of the administration of tax collection. It also compared the imposition of VAT on dropshipping schemes in Indonesia with other countries, namely Australia and Singapore. The data were collected using qualitative techniques through literature study and in-depth interviews. Mapping was also conducted to explore VAT on the dropshipping scheme further.

Data Collection

The study employs both primary and secondary data. The researchers gathered secondary data via a literature analysis, concentrating on implementing VAT on sales transactions utilizing the dropshipping model in Indonesia and conducting comparisons with other countries. The review encompasses academic articles, tax policies, and regulations from Indonesia, Australia, and Singapore about VAT policy, e-commerce taxation, and dropshipping.

Following the analysis of the data derived from the literature study, the research proceeds with fieldwork involving in-depth interviews to collect materials that may serve as primary data for assessing the research problem. Comprehensive interviews were undertaken to investigate VAT legislation and the difficulties in executing VAT inside the dropshipping model. Thirteen in-depth interviews were performed between December 2020 and June 2021. The respondents include representatives from the Directorate General of Taxes (n=2), the Fiscal Policy Agency (n=2), an academic (n=1), a manager from an e-commerce platform (n=1), and business practitioners including suppliers (n=3), distributors, and dropshippers (n=4).

Data Analysis

This research employs qualitative data analysis techniques. The phases of data analysis encompass data preparation and organization, succeeded by data coding (Creswell, 2014). The coding phase is crucial to qualitative research analysis since it involves classifying the data into relevant themes by transforming words or sentences into segmented data (Leavy, 2017). Utilizing the transcript of the comprehensive interviews, the researchers subsequently analyzed and identified the patterns and correlations in using VAT inside the business model for descriptive

purposes. After the coding technique, the researchers examined the relationship of the issue to attain more profound knowledge and significant results.

Data Reporting

The findings from the collected and examined data are methodically presented according to qualitative data analysis. The analyzed data will be classified into various categories according to the scope and context of the analysis. Consequently, the study's results and conclusions can be derived from these categories.

FINDINGS

According to Muamarah (2017), the application of VAT on dropshipping can be analyzed through the lens of income and the value added to the transaction. The provision and acquisition of Taxable Goods or Taxable Services will incur VAT, provided that the goods and/or services fulfill the criteria outlined in the VAT Law. Value added is present in all production and distribution processes within the transaction (Rosdiana & Irianto, 2014). Dropshipping is liable for VAT, provided it meets the legal criteria for VAT compliance. The initial legal character does not distinguish between general and personal consumption (Rosdiana et al., 2011). Consequently, VAT is levied on goods and services classified as expenditures in dropshipping, encompassing consumption by other entities, including suppliers and drop shippers.

VAT is an indirect tax that differentiates between the entity responsible for tax payment and the tax burden, enabling the tax to be shifted to other parties. Schenk and Oldman, as cited in Lamensch (2015), argue that dropshipping consumers are regarded as taxpayers due to the tax levied before purchasing goods are delivered to them. Sellers are responsible for consumer tax payments, consistent with Sukardji's assertion (2008). However, given the role of intermediary sellers (the dropshippers) in dropshipping, it is essential to examine the legal implications of VAT from the perspective of the dropshippers. The tax burden may be shifted to the drop shippers.

VAT is collected uniformly, irrespective of the type of consumption. According to Rosdiana et al. (2011), consumption can occur within sales, purchases, or circulation frameworks. In dropshipping, consumption activities encompass the purchase of taxable goods by consumers and the sale of taxable goods by drop shippers.

The legal character of neutrality allows the application of VAT on goods and services transactions to result in comparable tax outcomes (McLure, 2003), encompassing both digital transactions via e-commerce with dropshipping and traditional transactions (OECD, 2014). The VAT applied to dropshipping is anticipated to reduce distortions in economic decision-making among business entities and consumers.

Dropshipping complies with the legal characteristics of VAT and, therefore, is subject to VAT. The collection of VAT relates to the principles fundamental to tax collection, specifically the principle of certainty in policy, law, and administration. Tax collection has to conform to the relevant principles. Smith suggested several principles of tax collection: justice, certainty, efficiency, and convenience (Downer, 2016), accompanied by the following explanation: (1) Justice: The government must avoid discrimination against taxpayers in tax collection (Simandjuntak, 2014); (2) Certainty: Taxes imposed must have clarity in policy and law to support tax administration, taxpayers, and compliance (Sarralde et al., 2018); (3) Efficiency: Tax collection

should occur at minimal cost, ensuring that expenses do not surpass the revenue collected; (4) Convenience: Tax collection processes should ease the burden on taxpayers.

A policy effectively supporting tax administration, taxpayers, and compliance is essential (Sarralde et al., 2018). The policy aims to enhance legal certainty, instill confidence among business actors and consumers, and reduce the arbitrary collection of VAT on dropshipping. To achieve this objective, evaluations will be implemented to develop a policy based on the principle of certainty in taxation to enhance tax stability. Demin (2020) states that prioritizing policy formulation is essential for establishing a stable tax system, which includes clear VAT collection on dropshipping.

As of today, there are no regulations particularly governing the taxation of dropshipping. Consequently, implementing and administrating VAT on dropshipping comply with the general VAT regulations outlined in the 2009 VAT Law. The business procedures and methods in dropshipping are similar, regardless of whether transactions occur on a marketplace or a non-marketplace e-commerce platform. Despite updating VAT regulations by Law No. 7 of 2021 concerning the Harmonization of Tax Regulations, no provisions have been revised to govern dropshipping scheme transactions expressly. It is argued that the dropshipping system's transactions conform to VAT's legal criteria. In contrast, the scheme remains governed by the overarching stipulations of the 2009 VAT Law.

DISCUSSION

VAT Treatment of Dropshipping in Indonesia: An Analysis of Dropshippers' Income

The drop shipping sales approach can be analyzed from the perspectives of the sellers and the products involved in the contractual agreement. This contract enables drop shippers to acknowledge that delivery to consumers or suppliers constitutes a component of the goods or services offered, thereby designating the suppliers as the sellers. Drop shippers facilitate sales for suppliers by serving as intermediary sellers in transactions, and in return, suppliers provide commissions for the services performed by the dropshippers. In this context, dropshippers function as marketplace e-commerce platforms.

VAT collection applies exclusively to transactions between dropshippers and suppliers. The transportation of goods from suppliers to consumers is exempt from VAT, as the responsibility for delivery lies solely with the suppliers. The drop shippers bear the output tax, while the suppliers are responsible for the input tax. This study by Noviastrari (2016) investigates the VAT treatment of e-commerce transactions in an online marketplace model encompassing online merchants and marketplaces. The results demonstrate that sales deposits generated via online marketplaces are classified as taxable income for the payment for intermediary services that these platforms provide to their merchants. In this transaction, consumers will remit the payments to the accounts of online marketplaces, which will then distribute them to the merchants operating within those platforms.

In dropshipping, dropshippers obtain products from suppliers and sell them to consumers, facilitating product delivery. From the viewpoint of dropshippers, revenue is synonymous with consumer sales. From the viewpoint of dropshippers, the VAT collection mechanism encompasses the sum of input and output taxes for a specific tax period. Dropshippers may include a supplier tax invoice when managing tax payments and reporting. This inclusion enables them to obtain a deduction on the sales tax for transactions conducted with consumers. This condition applies only if the dropshippers are registered as taxable entrepreneurs.

VAT Treatment of Dropshipping in Indonesia: An Analysis of Dropshippers' Business Actors

The VAT treatment of dropshipping can be approached through two methods of recording by suppliers. Initially, suppliers document sales to the drop shipper independently, thereby adhering to the mechanisms of the supply chain or reseller model. The goods are shipped directly from suppliers to customers; however, VAT is applied in two stages. The initial stage involves the transfer from suppliers to dropshippers, followed by the subsequent stage, where dropshippers deliver to the customers. Dropshippers incur Input Tax from suppliers and Output Tax from sales to consumers, as suppliers and dropshippers are registered as Taxable Entrepreneurs. Dropshippers must compute the variance between these taxes during the tax period to ascertain the tax obligation or potential refund.

In the second approach, suppliers document direct sales to customers without distinguishing them through dropshippers. Dropshippers are viewed as service providers to suppliers, earning commissions through the profit margin derived from the disparity between the supplier price and the selling price of the dropshippers. Muamarah (2017) states that the service qualifies as an intermediary service due to the role of dropshippers as intermediaries. The Directorate General of Taxes classifies this service as commissioned services. If the suppliers and the dropshippers qualify as Taxable Entrepreneurs, the services rendered by the dropshippers are liable to VAT. Taxable drop shippers are required to issue tax invoices for deliveries, which constitute Output Tax, while suppliers may claim Input Tax credits from the dropshippers. Consequently, VAT will not apply to such service if the dropshippers do not qualify as Taxable Entrepreneurs.

VAT Treatment of Dropshipping and Consignment in Indonesia

It is more precise to consider the delivery that characterizes the marketplace e-commerce platform as the dropshippers to be a consignment. In an e-commerce marketplace, merchants store their products in the marketplace warehouse, effectively designating the marketplace as drop shippers are responsible for packing and shipping the items. However, this contradicts the dropshipping mechanism, in which suppliers do not store their goods in the marketplace's warehouse but ship them directly to consumers.

Transactions in dropshipping and consignment differ in terms of intermediaries and the flow of money and goods. The intermediaries in the consignment are obligated by an agreement with the parties in the preceding transaction chain and possess ownership rights to goods originating from specific parties (Bratiloveanu & Dogaru, 2017). In the dropshipping model, dropshippers serve as intermediaries and are not obligated by any formal agreement with suppliers.

In consignment, consignors deposit goods with merchants before the merchants sell the goods to consumers. Merchants will earn commissions based on the goods they successfully sell. However, this commission is not applicable to dropshipping due to the lack of a binding contract between suppliers and dropshippers and the absence of suppliers seeking assistance from dropshippers to market their products.

The Application of VAT to Dropshipping and Consignment

The differences in VAT treatment for dropshipping and consignment can be analyzed based on the form of VAT payable delivery. Hidayat (2012) examines the distinction in tax treatment between consignment and other types of transactions in the context of VAT imposition. In dropshipping, VAT applies to the delivery of taxable goods by Article 4, paragraph (1) of the 2009 VAT Law. In

consignment, VAT is applied to the delivery of taxable goods following Article 1A paragraph (1) of the 2009 VAT Law. According to Article 11, paragraph (1) of the 2009 VAT Law, both types of delivery are liable for VAT.

Rosdiana et al. (2011) assert that the implication of tax payable constitutes the obligation of taxable entrepreneurs to issue tax invoices. The delivery of taxable goods in dropshipping, executed in stages, necessitates the issuance of tax invoices for VAT collection. A comparable duty is imposed on consignments. Tax invoices are necessary when consignors deliver taxable goods to consignees, regardless of whether the goods have been sold. This results in a tax administration burden for consignors, who are responsible for the tax.

Consequently, there is a marginal enhancement in the tax treatment regarding the delivery of taxable goods via consignment, intended to streamline the tax administration for consignors. The improvement is outlined in Law Number 11 of 2020, particularly in Article 112 paragraph (1), which addresses Article 1A of the VAT and Sales Tax on Luxury Goods Law. This amendment eliminates the provisions found in Article 1A paragraph (1) letter g of the 2009 VAT Law related to the delivery of Taxable Goods in the context of consignment. This enhancement excludes the delivery of Taxable Goods in consignment from VAT obligations. Consequently, taxable consignors must issue tax invoices exclusively for the goods sold.

The Implementation of VAT on Dropshipping in Indonesia

Dropshippers do not maintain an inventory of goods provided by suppliers. Additionally, taxable suppliers and drop shippers in Indonesia have a turnover that does not exceed IDR4.8 billion. Consequently, they are not required to collect VAT on their provisions of taxable goods and/or services. Assuming the suppliers qualify as Taxable Entrepreneurs, their provision of goods to consumers is subject to VAT. Consequently, they must collect VAT from consumers and subsequently deposit and report the VAT due.

The parties accountable for collecting VAT on the provision of taxable services in dropshipping are dropshippers. In practice, dropshippers with a turnover not exceeding IDR4.8 billion are not required to collect, deposit, or report VAT in their service deliveries to suppliers, who are responsible for the tax. Consequently, suppliers are exempt from paying VAT when providing a commission for dropshippers' services.

VAT Treatment on Dropshipping as Observed from Trading via Electronic Systems (PMSE)

The Regulation of the Minister of Finance No. 48 of 2020 governs the use of Intangible Taxable Goods and Taxable Services imported from outside the Customs Area. It establishes obligations related to VAT imposition, particularly concerning PMSE, to enhance compliance among Taxpayers engaged in digital e-commerce activities. However, the provisions related to delivery in dropshipping are not applicable as basis for VAT collection on dropshipping, as the definitions of Taxable Goods and Taxable Services in these provisions pertain specifically to digital goods and services. Dropshipping transactions typically involve deliveries of tangible taxable goods or taxable services, contingent upon the business processes employed by the participants in this scheme.

This aligns with the OECD's global consensus on transaction taxation. The necessity to regulate specific tax treatments is evident in establishing equality between conventional and digital e-commerce transactions, and domestic and foreign transactions. The Directorate General of Taxes must oversee the application of VAT on transactions from suppliers to dropshippers and from drop

shippers to consumers. Supervision may be conducted by obtaining transaction data from third parties, including the marketplace, to identify and register sellers (either as suppliers or drop shippers) with a turnover exceeding IDR 4.8 billion as Taxable Entrepreneurs.

A Comparative Analysis of VAT Implementation on Dropshipping in Indonesia, Australia, and Singapore

The tax regulations concerning dropshipping in Indonesia, Australia, and Singapore relate to the overarching tax provisions. Table 1 summarizes the differences in VAT imposition on dropshipping across Indonesia, Australia, and Singapore.

Table 1 A Comparative VAT Implementation on Dropshipping in Indonesia, Australia, and Singapore

Indicator	Indonesia	Australia	Singapore
Rates	10%	10%	7%
Tax Basis	Total Selling Price, Replacement Value, Import Value, or additional indicators utilized to calculate tax liability.	The price is calculated by multiplying by 10/11, where price refers to the monetary compensation or the comprehensive market value of the delivery.	The value at the time of delivery of goods and services is represented as monetary or open market value.
Tax Object	Provision of Taxable Goods and/or Taxable Services within the Customs Area by Entrepreneurs; Import: Use of intangible taxable goods and/or taxable services from outside the customs area to within the customs area; export by taxable entrepreneurs.	Provision of goods and services for consideration within a business context pertaining to Australia; the entity undertaking the provision already or to be registered for GST; any provision excluding those exempts from GST or Input Tax.	Taxable entrepreneurs' provision of products and services in Singapore related to their business operations, including importing commodities (except exempt imports).
Tax Subject	Entrepreneurs providing taxable goods and/or services liable for tax under the VAT Law.	Businesses or companies with a GST turnover of AUD 75,000 or greater.	A person registered or required to register under the GST Act.
Assessment of VAT liability	Taxable Goods and/or Taxable Services delivered, or payment made before delivery.	The tax period correspond ing to when the delivery value is received or when a tax invoice for the delivery is	Which comes first: the receipt of payment for the delivery or the issuance of the invoice?

Indicator	Indonesia	Australia	Singapore
		issued before the reward is received.	
The Administration of VAT Collection	VAT is levied on every transaction throughout the chain. The tax authorities can request information from third parties, including e-commerce platforms, to oversee tax collection administration.	VAT is levied on every transaction throughout the chain. The issuance of an Australian Business Number (ABN) assists the tax authority.	The e-Tax Guide states that VAT is collected based on the contractual agreement between suppliers and drop shippers.

Source: Authors own works

In Indonesia, there are no specific regulations governing the collection of VAT on dropshipping across both marketplace and non-marketplace e-commerce platforms. Tax collection administration parallels conventional trade transactions, designating suppliers and dropshippers as Taxable Entrepreneurs.

In Australia, the administration of VAT collection on dropshipping involves the responsibilities of registered suppliers and dropshippers as outlined in the GST Act, which mandates the charging of GST on traded goods. Dropshipping is a delivery method from suppliers to dropshippers and from dropshippers to consumers. Consequently, the distribution of goods to consumers, provided that the dropshippers comply with the GST Act regulations, is liable to taxation. It is applicable if the drop shippers possess a GST turnover exceeding AUD 75,000. Drop shippers meeting these criteria must possess an Australian Business Number (ABN) as the business's identifier. ABN has been integrated with governmental entities, including the Australian Taxation Office. The tax authority can oversee the tax obligations fulfilled by each business in Australia.

Singapore has established guidelines for taxation on transactions conducted via an e-commerce platform, referred to as the e-Tax Guide. Dropshippers and suppliers utilizing dropshipping models on both marketplace and non-marketplace e-commerce platforms must modify their tax obligations per these guidelines. Value Added Tax (VAT) on dropshipping is levied at each stage of the goods' delivery, from suppliers to dropshippers and from dropshippers to consumers, with dropshippers acting as agents for the suppliers' products. Consequently, VAT is applied to the commissions earned by dropshippers.

The administration of VAT collection in Indonesia, Australia, and Singapore similarly applies to dropshipping. The experience gained from the administration of VAT collection in Australia highlights the importance of the ABN issuance, which has been integrated with government agencies, thereby aiding both the tax authority and taxpayers in fulfilling their tax obligations. In Singapore, a key takeaway from the administration of VAT collection is the necessity of issuing guidelines for e-commerce businesses that establish clear regulations concerning trade transactions.

Lessons learned from Australia and Singapore regarding tax administration in e-commerce transactions underscore the necessity for measures that enhance certainty in collecting VAT on

dropshipping. Chang (2011) states that these measures involve integrating business taxpayer registration via the C2C platform, which pertains to the non-marketplace e-commerce platform, per the stipulations of the 2009 VAT Law. Additional measures involve the oversight and regulation of e-commerce transactions. Zeng et al. (2012) assert that these measures are implemented through collaborative relationships among tax authorities, industries, customs agencies, banks, third-party e-commerce platforms, and third-party payment platforms. The tax administration must periodically adapt in response to technological advancements and the evolving business processes of e-commerce entities.

CONCLUSION

The administration of VAT collection on dropshipping has to conform to the legal characteristics of VAT and the principle of certainty, supported by applicable tax statutory provisions. The VAT collection for dropshipping within e-commerce platforms, whether marketplace or non-marketplace, is not explicitly outlined but is governed by general provisions. This also reflects the administrative dimension of tax collection.

The analysis of VAT collection on dropshipping in Indonesia, Australia, and Singapore indicates a standard methodology: all three countries apply VAT to these transactions. These three countries continue to regulate the dropshipping scheme under general provisions. Indonesia can draw insights from the VAT collection administration on dropshipping in Australia and Singapore, which have evolved in response to advancements in technology and the business processes of e-commerce. The government must enhance its supervision of businesses engaged in dropshipping by obtaining transaction data from third parties, including marketplaces.

The significant potential for taxation on dropshipping necessitates the implementation of appropriate provisions to regulate the transactions and address the aspects of VAT imposition involved. While the tax treatment has conformed to general provisions by aligning with the business processes of entrepreneurs classified as Taxable Entrepreneurs, it is still crucial to establish specific regulations governing dropshipping. The increasing diversity of business must be addressed to enhance the nation's tax revenue. The supports from businesses, both physical and virtual, can ensure the compliance with government regulations within the industry.

This study addresses the regulatory gap in the VAT treatment of dropshipping, a business model becoming increasingly prevalent in the digital economy. This research conducts a comparative legal and administrative analysis of Indonesia, Australia, and Singapore, emphasizing the operationalization of VAT principles, particularly the principle of legal certainty, across jurisdictions in the context of modern, non-traditional transactions.

This study contributes to the literature on VAT policy in digital commerce by highlighting the limitations of general VAT provisions regarding complex, technology-driven business models such as dropshipping. Practically, the study provides significant insights for tax authorities, particularly the Directorate General of Taxes in Indonesia, in developing targeted regulatory frameworks for emerging digital business models. This highlights the need for targeted VAT regulations to oversee dropshipping operations, especially since these transactions frequently evade thorough examinations under existing general provisions.

Future research may investigate the legal and economic ramifications of taxing emerging digital business models, extending beyond drop shipping to affiliate marketing, social commerce, and

decentralized platforms. Cross-jurisdictional studies assessing the impact of tailored tax regulations on digital SMEs may inform the development of more inclusive tax policies in the ASEAN region.

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