

The Impact of Digital Tax Policy on Technology Company Compliance from a Business Contract Law Perspective

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Abstract: The dynamics of the global economy, which now relies on the digital ecosystem, have triggered serious challenges to the country's fiscal weaknesses, particularly in determining tax revenues. Indonesia faces a major dilemma: the conventional, geographically rigid concept of a Permanent Establishment (PE) has proven ineffective in reaching technology giants that generate profits without a physical presence. This regulatory inadequacy creates a wide loophole for Base Erosion and Profit Shifting (BEPS) practices that harm the state treasury. This article examines how Indonesia's digital tax policy affects the behavior of technology companies, by examining loopholes in business contract law that often go unnoticed. The study reveals a harsh reality: technology companies' compliance with VAT on PMSE (E-Commerce) in Indonesia is merely a superficial or pragmatic approach. They comply not out of legal awareness, but rather to avoid "digital execution" sanctions in the form of access blocking. Ironically, contractually, global platforms are actually executing clever maneuvers by unilaterally amending their Terms of Service (ToS) clauses. This tax shifting practice systematically shifts the tax burden onto local consumers, thus violating the principle of parity of arms, or the balance of bargaining power in contracts. This paper concludes that Indonesia's unilateral measures must be immediately benchmarked in the global context through Pillars 1 and 2 of the OECD, coupled with strict protection of digital contract pricing structures to prevent consumers' economic rights from being continuously eroded by the dominance of transnational corporations.

Keywords: Fiscal Sovereignty, Digital Tax, Tax Shifting, Parity of Arms, OECD Consensus.

I. INTRODUCTION

1.1 Background

The contemporary world is witnessing a tectonic shift in the global economic landscape. The transformation from traditional brick-and-mortar business models to digital ecosystems driven by data and virtual connectivity is not simply a change in trading instruments, but a paradigm shift.¹ In the classical economic model, physical presence is a key pillar in determining tax jurisdiction. A business entity is considered legally bound to a country if it has an office, factory, or physical representative office in that territory.² However, digitalization has destroyed these geographical barriers through borderless cross-border transactions.³

¹ Endang Mahpudin, "Digital Tax Reform in Indonesia: Perspective on Tax Policy Development," *Journal of Infrastructure Policy and Development* 8, no. 8 (2024): 7032, <https://doi.org/10.24294/jipd.v8i8.7032>.

² Amelia Cahyadani et al., "The Urgency of Reforming Indonesia's Tax Law in the Face of Economic Digitalization," *Cogent Social Sciences* 9, no. 2 (2023): 2285242, <https://doi.org/10.1080/23311886.2023.2285242>.

³ Amelia Cahyadani et al., "Direct Tax for Digital Platforms During the COVID-19 Pandemic: Study in Indonesia," *Journal of Southwest Jiaotong University* 56, no. 2 (2021): 271–80, <https://doi.org/10.35741/issn.0258-2724.56.2.22>.

Fundamentally, digital tax policy cannot be separated from the true nature of tax law itself. In fiscal law discourse, taxes serve two crucial functions: budgetary (revenue source) and regulatory (regulation).⁴In the context of the digital economy, the budgetary function urges the state to capture potential revenue from virtual transactions worth trillions of rupiah to prevent leakage of state funds. Equally important, however, is the regulatory function, where tax policy must be able to act as an instrument to create a level playing field between conventional and digital businesses.⁵ Without firm regulations, this regulatory function will fail, and the law will only be a passive spectator in global economic inequality.

This urgency is reinforced by data on the exponential growth of the digital economy in Indonesia. According to the e-Economy SEA report released by Google, Temasek, and Bain & Company, Indonesia's digital economy is projected to reach US\$130 billion to US\$150 billion by 2025.⁶In line with this, Bank Indonesia data shows that e-commerce transaction values continue to show a double-digit annual increase. This high figure indicates a massive shift in the tax base. If the government fails to integrate this potential into the national tax system, the country will lose momentum in capitalizing on economic growth for public welfare through equitable tax distribution.⁷

As a concrete illustration, this challenge is clearly visible in the dynamics of the streaming and cloud computing services industry in Indonesia before the implementation of the PMSE VAT regulation.⁸For years, global digital content providers have been able to reap significant economic benefits from millions of customers in Indonesia without being bound by the obligation to collect value-added tax, because legally they are not considered domestic tax subjects.⁹The fiscal authorities' inability to address these transactions creates a legal anomaly: on the one hand, smaller local service providers are required to collect 11% VAT, while global tech giants enjoy tax-free access.¹⁰

This situation not only creates a competitive imbalance that undermines business fairness, but also demonstrates the vulnerability of national fiscal sovereignty when dealing with intangible digital contracts. Therefore, the existence of legal instruments capable of addressing these intangible economic activities is urgently needed to restore the balance between technological innovation and state responsibility.

1.2 Problem Identification

A fundamental problem emerging in the digital tax law discourse is the inability of the conventional Permanent Establishment (PE) concept to capture the essence of the digital economy. The classic PE concept requires a fixed place of business (a permanent physical presence). Meanwhile, giant technology companies (Big Tech Groups) operate through a "significant digital presence" without the need for a single office in a market country.

The unpreparedness of domestic regulations in dealing with this Virtual Permanent Establishment business model raises several crucial legal issues: (i) Erosion of the tax base and profit shifting (BEPS), where technology companies can easily shift profits to jurisdictions with low tax rates (tax havens); (ii) Legal uncertainty in business contracts, where the appointment of technology companies as tax collectors (such as VAT PMSE in Indonesia) changes the burden structure in digital contracts, which raises questions about who legally bears the tax burden (tax incidence) in the contract clause; and (iii) Impact on state revenue where the failure to capture digital taxes results in fiscal imbalances that hamper national infrastructure development.

⁴ Naufal Rizqiyanto et al., "Tax Regulation Challenges in the Digital Economy Era: Legal Analysis and Implications in Indonesia," *Trunojoyo Law Review* 7, no. 1 (2025): 65–102, <https://doi.org/10.21107/tlr.v7i1.28540>.

⁵ Saman Saman, "The Future of Taxation in the Digital Era: Challenges and Strategies of Indonesia's Tax Policy," *Harmoni Economics: International Journal of Economics and Accounting* 2, no. 2 (2025): 65–74, <https://doi.org/10.70062/harmonieconomics.v2i2.218>.

⁶ Esi Sekar Rini and Murwendah, "Taxing the Smart Retail: Value Added Tax Policy Analysis on Digital Transactions in Indonesia," *2020 International Conference on ICT for Smart Society (ICISS)*, November 19, 2020, 1–7, <https://doi.org/10.1109/ICISS50791.2020.9307601>.

⁷ Putri Andreana and Inayati Inayati, "Principles of Tax Collection in Value Added Tax (VAT) on Digital Services in Indonesia," *Journal of Public Policy* 8, no. 1 (2022): 29, <https://doi.org/10.35308/jpp.v8i1.4692>.

⁸ Agrevinna Beatrice and Sri Yani Kusumastuti, "Potential Revenue of Value Added Tax from Trade Transactions Through the Electronic System," *Jurnal Apresiasi Ekonomi* 11, no. 2 (2023): 312–21, <https://doi.org/10.31846/jae.v11i2.634>.

⁹ A. Dwi Nugroho, "Aligning Taxation on Peer-to-Peer-Lending Business with Taxation on Digital Economy in Indonesia," *Asia-Pacific Tax Bulletin* 27, no. 4 (2021), <https://doi.org/10.59403/3pa1ksr>.

¹⁰ Marcela Marcela et al., "Legal Analysis of Crypto Transaction Tax Policy in Indonesia Regarding Compliance with Taxation Principles and Its Implications for the Digital Asset Industry," *Democracy: Journal of Legal, Social and Political Science Research* 2, no. 2 (2025): 28–39, <https://doi.org/10.62383/demokrasi.v2i2.849>.

The challenge of virtual permanent establishments is not merely a domestic issue, but rather a global crisis that has sparked an international consensus under the auspices of the OECD/G20 through the BEPS framework. Pillar One was designed to reform market countries' taxation rights without requiring a physical presence, directly targeting large technology companies. Meanwhile, Pillar Two introduced a global minimum corporate tax rate of 15% to end the race to the bottom.^{11,12} Adopting this principle in domestic policy is a crucial step for Indonesia to align national laws with global standards while maintaining fiscal sovereignty amidst the complexity of cross-border transactions.¹³

Furthermore, the world of international law is facing a legal vacuum regarding customs instruments for intangible goods. The classical customs legal paradigm, which has historically relied on physical attributes of goods, such as weight, volume, and dimensions, has become irrelevant when dealing with technological products such as software, film transmissions, music, and digital applications.¹⁴ These products enter a country's jurisdiction through electronic transmission without passing through conventional customs gates, thus avoiding import duties.

This issue has become even more crucial following international ministerial meetings (including the finance ministers' meeting in Cameroon and the WTO forum), which are still debating the extension of the moratorium on import duties on electronic transmissions. For developing countries like Indonesia, the loss of potential import duties from digital products is not only a loss of state revenue but also a form of legal inequality.¹⁵ The lack of a standard measurement for calculating the customs value of digital data and information has resulted in countries relying solely on domestic tax instruments such as VAT on PMSE, while customs instruments, which should serve as a "bulwark" for international trade, remain empty. This situation demands a redefinition of the concept of "goods" in the Customs Law to align with the realities of today's digital trade.

1.3 Purpose of Writing

This paper aims to provide a comprehensive and multidimensional analysis of the impact of digital tax policies on the compliance behavior of global technology companies. Specifically, the objectives of this paper are:

1. Evaluating whether policy instruments such as VAT on Electronic Trading (VAT PMSE) have been able to create an efficient and legally certain collection system.
2. Examining how technology companies are making structural and contractual adaptations to new tax policies.
3. Developing critical thinking regarding the synchronization between fiscal policy and the principles of international business contract law to create fair business certainty in the digital era.

II. THEORETICAL STUDY

2.1 The Relevance of Taxation Principles in the Digital Economy

Taxation of the digital economy requires a reinterpretation of classical tax principles to maintain their relevance to the intangible and borderless nature of transactions. In this study, two main principles are used as analytical tools.

The principle of economic allegiance states that a country's taxation rights arise from the economic ties between the taxpayer and the country where the income is earned. In the context of digital tax, this principle shifts from physical presence to

¹¹ Chenlin Li, "Tax Avoidance on Intangible Assets by Multinational Corporations in the Context of the Two-Pillar Solution and China's Response Proposal," *Lecture Notes in Educational Psychology and Public Media* 66, no. 1 (2024): 76–82, <https://doi.org/10.54254/2753-7048/66/2024MU0022>.

¹² Chenlin Li, "Tax Avoidance on Intangible Assets by Multinational Corporations in the Context of the Two-Pillar Solution and China's Response Proposal," *Lecture Notes in Educational Psychology and Public Media* 66, no. 1 (2024): 76–82, <https://doi.org/10.54254/2753-7048/66/2024MU0022>.

¹³ Firman Muttaqien and Ani Purwati, "Law Enforcement Strategy for Corporate Tax Evasion Through Offshore Finance and Tax Havens," *SENTRI: Jurnal Riset Ilmiah* 4, no. 8 (2025): 1361–75, <https://doi.org/10.55681/sentri.v4i8.4449>.

¹⁴ Martijn L. Schippers, "Software and Customs Valuation," *Global Trade and Customs Journal* 16, no. Issue 6 (2021): 222–28, <https://doi.org/10.54648/GTCJ2021025>.

¹⁵ *Moratorium on Electronic Transmissions: Fiscal Implications and Way Forward: UNCTAD Research Paper No. 47, United Nations Conference on Trade and Development (UNCTAD) Research Papers 47, vol. 47, United Nations Conference on Trade and Development (UNCTAD) Research Papers (2020)*, <https://doi.org/10.18356/4b3f5e75-en>.

market presence.¹⁶ Global technology companies derive economic value from user data and market activity in Indonesia, so morally and legally, they have an economic obligation to contribute to the country's revenue even without a physical presence.¹⁷

The principle of efficiency emphasizes that tax collection administrative costs (compliance costs and collection costs) must be minimized. Indonesia's PMSE VAT policy implements this principle by directly appointing digital platforms as tax collectors (withholding mechanism).¹⁸ This is considered efficient because the government does not need to chase millions of individual consumers, but rather only needs to monitor a few large platforms that serve as entry points for transactions.

2.2 Legal Compliance Theory in the Digital Ecosystem

To understand the behavior of technology companies, we need to dissect the theory of legal compliance from two main perspectives.

(i) First, the macroeconomic perspective (Economic Deterrence Model). This theory assumes that corporations are rational actors calculating costs and benefits. Compliance will occur if the risk of fines and sanctions (the cost of non-compliance) outweighs the benefits of tax avoidance. Technology companies tend to comply with VAT regulations on PMSE in Indonesia because reputational risks and the risk of market access (traffic) being blocked by regulators pose serious threats to their business continuity.¹⁹

In the practical dimension of contract law, this compliance phenomenon is not only an administrative one between corporations and the state, but also transforms into a civil relationship stipulated in digital contract clauses or Terms of Service (ToS). Compliance strategies adopted by technology companies often involve tax shifting mechanisms, where the tax burden is automatically shifted to end users or consumers through unilateral service price adjustments (unilateral contract modification).²⁰

This has given rise to a new discourse in business contract law regarding contractual fairness. Technology companies leverage their dominant bargaining position to insert tax liability clauses into electronic contracts (e-contracts), ensuring that companies comply de jure with state regulations, but de facto bear the full financial burden on consumers. This analysis demonstrates that digital tax policy has a direct impact on the anatomical structure of international business contracts, with tax compliance becoming a new variable dictating the formulation of agreements between platform providers and global users.²¹

(ii) Sociological Perspective of Law (Social-Psychological Model)

Compliance arises not only from fear of sanctions, but also from perceptions of procedural justice in the legal system. If digital tax regulations are perceived as transparent and non-discriminatory, companies are more likely to demonstrate voluntary compliance. Conversely, if regulations are perceived as overlapping or creating an impossible administrative burden, companies will seek tax avoidance loopholes through complex contractual schemes to shift their tax obligations.²²

2.3 Digital Tax Transformation in Indonesia

Indonesia is a relatively progressive country in responding to the digital economy through systematic unilateral policies. The primary legal instrument of focus is Law No. 2 of 2020, which provides a strong foundation for the government to

¹⁶ Khodani Sengwane (Nee Tshidzumba), "SOUTH AFRICA'S RESPONSE TO THE DIGITAL ECONOMY'S DIRECT TAX CHALLENGES – PART 1," *Obiter* 44, no. 2 (2023), <https://doi.org/10.17159/obiter.v44i2.14461>.

¹⁷ Putri Andreana and Inayati Inayati, "Principles of Tax Collection in Value Added Tax (VAT) on Digital Services in Indonesia," *Journal of Public Policy* 8, no. 1 (2022): 29, <https://doi.org/10.35308/jpp.v8i1.4692>.

¹⁸ Andreana and Inayati, "Principles of Tax Collection in Value Added Tax (VAT) on Digital Services in Indonesia," 2022.

¹⁹ André Folloni and Victoria Baldani-Miranda, "An Economic Analysis of Tax Evasion," *Beijing Law Review* 15, no. 02 (2024): 928–44, <https://doi.org/10.4236/blr.2024.152057>.

²⁰ VM Vovk, "User Agreement (Terms of Service, ToS) in the Context of the «age of Surveillance Capitalism», " *Analytical and Comparative Jurisprudence* 1, no. 4 (2025): 313–16, <https://doi.org/10.24144/2788-6018.2025.04.1.49>.

²¹ Margarita Gelepathis and Martin Hearson, "The Politics of Taxing Multinational Firms in a Digital Age," *Journal of European Public Policy* 29, no. 5 (2022): 708–27, <https://doi.org/10.1080/13501763.2021.1992488>.

²² Marius Van Dijke et al., "Make Me Want to Pay. A Three-Way Interaction Between Procedural Justice, Distributive Justice, and Power on Voluntary Tax Compliance," *Frontiers in Psychology* 10 (July 2019): 1632, <https://doi.org/10.3389/fpsyg.2019.01632>.

designate foreign taxpayers as tax collectors for digital transactions in Indonesia.²³In addition, there is also a Minister of Finance Regulation (PMK) regarding PMSE, both PMK No. 48/PMK.03/2020 and its amendments (such as PMK No. 60/PMK.03/2022), this regulation regulates the mechanism for designating, collecting, and depositing VAT on the use of intangible Taxable Goods (BKP) and Taxable Services (JKP) from outside the customs area.²⁴

III. ANALYSIS AND DISCUSSION

3.1 Adaptation of Technology Companies to PMSE VAT Policy

The implementation of VAT policy on Electronic Commerce (PMSE) in Indonesia marks a new era in the relationship between market states and global corporations. Analysis of technology company behavior reveals a pragmatic-administrative compliance pattern. Large tech companies tend to comply not solely out of fiscal moral awareness, but rather out of calculated risks to market access.²⁵

From a business contract law perspective, this compliance is realized through massive modifications to Terms of Service (ToS) clauses. Technology companies act as legal enforcers, integrating the Indonesian tax system directly into their payment gateways. Humanizingly, this phenomenon demonstrates that although the intended tax subjects are corporations, the financial burden is automatically shifted to the wider community. This creates a paradox: companies appear compliant in the eyes of the state, but on the other hand, they maintain profitability by shifting the tax burden entirely onto consumers through price adjustment mechanisms.

When examined more deeply through the lens of legal sociology, the behavior of global technology companies in responding to the PMSE VAT policy can be categorized as Pragmatic-Administrative Compliance. This term refers to a stance in which corporations make regulatory adjustments not based on internalized values of fiscal justice, but purely as a technical calculation to maintain operational continuity.²⁶In the Indonesian context, the threat of traffic blocking by the Ministry of Communication and Information Technology is a determining factor forcing large companies to comply. This compliance is the "price" they pay to retain access to Indonesia's vast digital market, not a voluntary contribution to national development.²⁷

This pragmatic approach is evident in the widespread phenomenon of tax shifting. From a business contract law perspective, this poses a serious issue of distributive justice. Technology companies, instead of absorbing the tax burden into their profit margins, shift it directly to end consumers.

As empirical evidence, we can look at the digital footprints of streaming service providers like Netflix and Spotify, which were officially appointed as PMSE VAT collectors by the Directorate General of Taxes. Almost immediately, customers received notifications regarding subscription rate adjustments. This presents a legal irony: companies receive the government's "compliant" status, yet they leverage their dominant bargaining position in e-contracts to ensure their balance sheets remain intact.²⁸

This phenomenon demonstrates that without oversight of digital contract clauses, tax policy has the potential to become a legally legitimized instrument for extracting public wealth. Consumers are placed in a subordinate position, lacking the

²³ Eka Prasetya Afandi and Elis Rismawati, "The Potential Taxation Of The Digital Sector In Indonesia That Comes From Digital Products From Abroad," *International Journal of Scientific and Research Publications (IJSRP)* 11, no. 7 (2021): 541–44, <https://doi.org/10.29322/IJSRP.11.07.2021.p11571>.

²⁴ Ronald Marbun and Ning Rahayu, "Review of Value Added Tax Collection on Trade Through Domestic and Foreign Electronic Systems," *Owner* 7, no. 2 (2023): 932–44, <https://doi.org/10.33395/owner.v7i2.1419>.

²⁵ Arif Kurniawan and . Dandis, "Implementation of PMSE VAT in Indonesia: Implementation and Challenges," *International Journal of Scientific and Research Publications (IJSRP)* 11, no. 7 (2021): 545–48, <https://doi.org/10.29322/IJSRP.11.07.2021.p11572>.

²⁶ Fayyad Habibullah, "LAW AND SOCIAL CHANGE: A LEGAL SOCIOLOGY STUDY ON THE ROLE OF GENERATION Z IN PUBLIC POLICY REFORM," *Jurnal Res Justitia: Jurnal Ilmu Hukum* 5, no. 1 (2025): 428–426, <https://doi.org/10.46306/rj.v5i1.249>.

²⁷ Mirna Rahmadina Gumati, "Digital Sovereignty and State Power: Indonesia's Approach to Digital Platforms Regulation," *JISPO Journal of Social and Political Sciences* 14, no. 1 (2024): 99–126, <https://doi.org/10.15575/jispo.v14i1.39500>.

²⁸ Arif Kurniawan and . Dandis, "Implementation of PMSE VAT in Indonesia: Implementation and Challenges," *International Journal of Scientific and Research Publications (IJSRP)* 11, no. 7 (2021): 545–48, <https://doi.org/10.29322/IJSRP.11.07.2021.p11572>.

bargaining power to renegotiate these tax clauses, creating an unequal contractual relationship and violating the principle of parity of arms.²⁹This analysis emphasizes that digital tax policy should not only be seen as an administrative success of the state, but must also be monitored so that it does not become a new burden on citizens' economic justice.

3.2 The Phenomenon of Contractual Engineering

While PMSE VAT compliance appears high, a more rigorous analysis reveals attempts at contractual engineering to evade more substantial income tax (PPh). Because Indonesia remains bound by the definition of a physical permanent establishment (PE) in many tax treaties, technology companies often structure their business contracts so that transactions are deemed to occur outside Indonesian jurisdiction (offshore).³⁰Companies separate their business functions, such as marketing in Indonesia, but manage billing and key contracts in Singapore or Ireland. By establishing foreign laws in their digital contracts, tech companies create a legal shield that makes it difficult for domestic tax authorities to conduct in-depth audits of the actual cash flow generated by Indonesian users.

Humanly, this violates the sense of fairness. Local MSMEs, struggling with domestic taxes, must compete with digital giants that can afford to hire international legal consultants to navigate regulatory loopholes. Their compliance with VAT (paid by consumers) often serves as a smokescreen to mask their minimal income tax contributions to the countries where they generate their profits.

Exploiting legal loopholes through contract engineering often involves complex schemes, such as separating ownership of intellectual assets from operational entities. In many global cases, technology companies exploit differences in tax rates between countries by shifting royalty payments to low-tax jurisdictions. Although they comply with VAT on PMSE (E-Commerce) due to its inherent nature in consumer transactions, companies often argue that they lack a physical presence and therefore cannot be subject to domestic tax.³¹

This creates a significant imbalance in the business contracting landscape. To clarify the differences in legal treatment, the following table compares pragmatic VAT compliance mechanisms for PMSE (electronic goods and services) with contract-engineered income tax mitigation strategies.

Table 1: Comparison of Digital Tax Compliance Characteristics

Comparative Dimensions	PMSE VAT (Consumption Tax)	Corporate Income Tax (PPh Badan)
Compliance Nature	Pragmatic-Administrative	Aggressive-Mitigative
Financial Burden	Tax Shifting	Corporate Covered (Avoided)
Legal basis	Minister of Finance Regulation No. 60/PMK.03/2022	Conventional BUT Concept (Tax Treaty)
Business Risk	Blocking of access by Kominfo	International Tax Disputes
Contract Strategy	Modification of ToS (Terms & Conditions)	Corporate Shell Engineering

Source: Compilation results from various sources^{32;33}

²⁹ Aldryn Amaral De Souza et al., "Contratos Eletrônicos Sob a Ótica Da Vulnerabilidade Do Consumidor: Electronic Contracts from the Perspective of Consumer Vulnerability," *RCMOS - Revista Científica Multidisciplinar O Saber* 1, no. 1 (2025), <https://doi.org/10.51473/rcmos.v1i1.2025.962>.

³⁰ R. Ravichandran, Dr. Laxman Rao G, "Taxation Of Permanent Establishments In Large Contracts, Epc Contracts-Emerging Global Practices In Taxation, Tax Planning, And Way Forward In Digital World-A Perspective," *Tuijin Jishu/Journal of Propulsion Technology* 44, no. 4 (2023): 5743–55, <https://doi.org/10.52783/tjjpt.v44.i4.1978>.

³¹ Ana Maria Santacreu, "International Technology Licensing, Intellectual Property Rights, and Tax Havens," *Review of Economics and Statistics* 108, no. 1 (2026): 210–24, https://doi.org/10.1162/rest_a_01382.

³² Roida Roida et al., "The Implementation of Tax Administration Digitalization Policy on Tax Compliance in Manufacturing Industry Companies," *Social Dynamics : International Journal of Social Sciences and Communication* 1, no. 3 (2025): 45–54, <https://doi.org/10.70062/dynamicsocial.v1i3.231>.

³³ Alief Ramdan et al., "Analysis of the Implementation of VAT Collection Policy on Trade Transactions Through Electronic Systems at Tax Offices for Foreign Bodies and Individuals," *AKUA: Journal of Accounting and Finance* 4, no. 4 (2025): 617–23, <https://doi.org/10.54259/akua.v4i4.4586>.

The table above illustrates the irony of digital business contracts: technology companies are highly efficient at collecting taxes from Indonesian citizens (VAT), yet highly adept at shielding their own profits from domestic taxation (PPH). This strategy ensures that companies maintain their profit margins while maintaining a compliant image. This poses a significant challenge for future business contract law: ensuring that digital agreements do not simply serve as a legal shield for the transfer of corporate fiscal responsibility.

3.3 Impact on the Digital Business Ecosystem and Consumer Protection

Analysis of the impact of digital tax policies must also address the humanitarian aspect, namely the protection of citizens' economic rights. Tax policies that are not accompanied by oversight of digital contract pricing structures have the potential to trigger digital inflation. This pass-through compliance by technology companies results in an erosion of purchasing power. Educational services, entertainment, and work-supporting software become more expensive.³⁴

Consumers have no room to negotiate (take it or leave it) when technology companies amend digital contract clauses to include new tax components. Therefore, digital tax policy in Indonesia must not focus solely on revenue figures for the state treasury. There must be synchronization between Tax Law, Consumer Protection Law, and Competition Law.³⁵ The goal is for technology companies to not only be compliant tax collectors, but also become socially responsible business entities (Corporate Social Responsibility) by not exploiting their dominant position in digital business contracts.

IV. CONCLUSIONS AND SUGGESTIONS

4.1. Conclusion

Based on the in-depth analysis presented in the previous chapters, this study produces several crucial conclusions regarding the influence of digital tax policies on technology company compliance:

1. The PMSE VAT policy has indeed succeeded in increasing the administrative compliance rate of global technology companies in Indonesia. However, this compliance is pragmatic, driven by fear of administrative sanctions in the form of internet access cuts (traffic blocking), rather than a sense of fiscal morality. Technology companies tend to comply with regulations whose burden can be shifted to consumers (tax shifting), but remain aggressive in contractual engineering to minimize taxes that cut into their profit margins (PPH).
2. Digital tax policies have forced a redefinition of the anatomy of digital business contracts. Technology companies are exploiting their dominant bargaining position to unilaterally change Terms of Service (ToS) clauses. This creates a legal imbalance, losing parity of arms to consumers and automatically bearing the tax burden that should be the responsibility of both service providers and users.
3. A legal vacuum remains regarding customs instruments for intangible goods and challenges in defining virtual permanent establishments (PEs). While Indonesia has made progress with unilateral policies, their long-term effectiveness depends heavily on synchronization with the global consensus (OECD Pillars 1 and 2) to prevent protracted international tax disputes.

4.2. Suggestions

In order to improve policy implementation and create a fair digital business ecosystem, the author proposes several strategic suggestions:

1. The government, through the Directorate General of Taxes, needs to collaborate with the KPPU (Business Competition Supervisory Commission) and consumer protection agencies to monitor reckless tax shifting practices. Regulations are needed to ensure that tax imposition does not automatically become an excuse for global corporations to exploit prices through unilateral contract modifications.

³⁴ Henny Noviany et al., "Balancing Revenue and Retention: The Impact of VAT Based Digital Taxation on Platform Strategy and Consumer Behavior in Indonesia," *Summa: Journal of Accounting and Tax* 3, no. 4 (2025): 248–59, <https://doi.org/10.61978/summa.v3i4.878>.

³⁵ Lastika Dewi Anggoro Ratih and Putri Anggia, "Tax Implications of E-Commerce Transactions: An Indonesian Legal Approach," *JATISWARA* 39, no. 3 (2024): 388–99, <https://doi.org/10.29303/jtsw.v39i3.1147>.

2. Indonesia must immediately strengthen the concept of "Significant Economic Presence" into a higher positive legal norm to capture Income Tax (PPh) from digital giants without having to wait for a global consensus that is often slow.
3. An in-depth study is needed to formulate a customs value for electronic transmissions. The government is advised to begin developing a legal framework capable of measuring the economic value of data and digital transmissions so that Indonesia becomes not only a market for foreign technology products but also fiscally sovereign over every bit of data that crosses its borders.

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