

REFORMATION OF TAX IN DIGITAL ERA: TAX IMPOSITION FOR YOUTUBE CONTENT CREATOR IN INDONESIA

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Abstract

In this digital era the use of internet and cyberspace such as social media is becoming an inevitable thing. With the development of the digitalization era, it sparked the development of the concepts of work and income. One of the concepts of work in the digital era is content creators especially YouTube Content Creator. YouTube content creator is a type of activity that can provide a large income. Based on socialblade.com, the owner of Indonesia YouTube Channel JessNoLimit get income in the range of IDR 137.2 million to IDR 569.4 million in a month. This income is very potential as object of income tax. However Indonesian tax law does not regulate the income tax for YouTube content creators. This research analyzed so far whether YouTube content creators can be subject to income tax under income tax law and the government's plan in applying income tax to YouTube content creators. This research is an empirical normative research that collects and analyzed primary data from interviews at the Headquarters of Directorate General of Taxes and secondary data from existing Laws and regulations, journal, books, and other trusted sources. The results of this study are categorizing YouTube creators as one of the subjects of income tax using artists as benchmarks and government plan to impose taxes on YouTube creators by classifying content creators, determining assessment systems, and making regulations that are the legal basis for the government in the imposition of income tax for YouTube creators.

Keywords: Digital Era, Income Tax, YouTube Content Creator

I. Introduction

Nowadays, the world has entered to digital era. In daily life, everyone utilizes technology and the internet for information sharing activities. The level of internet and social media use reach a fairly high number and increased significantly. According to research presented by We Are Social, Indonesian people spend around 23 minutes each day accessing the internet and social media.¹ The final percentage of social media and internet use in Indonesia in 2018 reached 49% or 130 million out of a total of 265.4 million Indonesians. This data shows a very high number of interests in using social media and the internet in Indonesia.

Social media is considered as very much needed in today's digital era. Social media is defined as a collection of applications based on web 2.0 and it allows the user to fill its content.² There is a lot of content in social media that can be accessed by everyone. It aims to connect one person to another even though it stretches a great distance. Mark Zuckerberg argues that “People influence people. Nothing influences people more than a recommendation from a trusted friend. A trusted referral influences people more than the best broadcast message”. This statement means that friendships on social media can influence each other significantly and make individual development faster. Examples of social media that are already in use and are used daily are Facebook, Twitter, Line, WhatsApp, Google+, YouTube, Instagram, and Tumblr.³

One of the most popular social media today is YouTube. YouTube is a video sharing website that occupies the second position as the most frequently accessed website by

¹ Wahyunanda Kusuma Pertiwi, 2018, Riset Ungkap Pola Pemakaian Medsos Orang Indonesia, <https://tekno.kompas.com/read/2018/03/01/10340027/riset-ungkap-pola-pemakaian-medsos-orang-indonesia>. Accessed on 3rd January 2019, at 07.28 PM.

² Hansel Bagus Tritama, Riswan Effendi Tarigan, 2016, The Effect of Social Media to the Brand Awareness of A Product of A Company, *International Journal of Communication & Technology (CommIT)*, Vol. 10 No.1, P. 10.

³ S. D. Kularathne, R.B. Dissanayake, N.D. Samarasinghe, L.P.G. Premalal, S. C. Premaratne, 2017, Customer Behavior Analysis for Social Media, *International Journal of Advanced Engineering, Management and Science (IJAEMS)*, Vol. 3, p. 11.

people all over the world.⁴ YouTube provides many genres of videos, ranging from videos of comedy, games and challenges, music, daily activities, educations, and common knowledges, until conspiracy theories and hoaxes.

As social media in the form of Video Sharing, YouTube utilizes a party called content creators. This party comes from anywhere since YouTube gives freedom for every user to become content creators. The benefits obtained by YouTube content creators are royalties or money for advertisements that have been displayed on every content of the content creator. According to various survey media in Indonesia, content creators in Indonesia does not only occupy a small piece of income. Some of the objects that were surveyed were channel owners with the name JessNoLimit who could generate income in the range of IDR 137.2 million to IDR 569.4 million in a month.⁵ Besides JessNoLimit, there are other content creators such as Atta Halilintar, Ria Ricis, Ericko Lim, Kemal Pahlevi, Kimi Hime, Gadgetins, and DylandPros who obtain a quite similar income. This high-income figure makes content creators continue to work and even buy luxury properties such as houses, luxury cars, and even set up businesses.

YouTube content creator income is not a small amount of income. This is because the income received by monetization is income with a large enough number. This very large income figure is actually the thing that is included in the object of income tax. Tax is one source of state revenue. Another definition of tax is also stated in other perspectives such as, taxes are compulsory citizenship contributions owed by those who are obliged to pay according to applicable regulations with no direct return that can be appointed and the point is to finance expenses general related to the duty of the state to organize the government.⁶ As

⁴ Adil Jamil Zaru, 2016, Effect of Social Media in Society, *International Journal of Technology and Research (IJNTR)*, Vol. 2, Issue-11, p. 39.

⁵ Socialblade, 2018, JessNoLimit YouTube Channel, <https://socialblade.com/youtube/channel/UCvh1at6xpV1ytYOAzxmqUsA>, Accessed on 3rd January 2019, at 07.43 PM.

⁶ R. Santoso Brotodihardjo, 1989, *Pengantar Ilmu Hukum Pajak*, Bandung: Penerbit PT Eresco, p.2.

state revenue is one of the three main functions of tax. In addition, taxes also consist of various types such as Building Land Taxes, Income Taxes, Value Added Taxes and Luxury Goods Taxes.

Law No. 36 of 2008 on Income Tax, has provided provisions regarding the object of income tax. The object of the tax is any additional economic capability received or obtained by taxpayers that can be used for consumption or increase the taxpayer's wealth.⁷ But in its implementation, the application of taxes to YouTube creators is very difficult to calculate because of various aspects. This is the reason for the government to create a tax calculation and collection system for YouTube content creators.

Even though there are some initial studies related to YouTube creator income such as “Efektivitas Iklan Digital Google AdSense” (2017) by Alvita Tyas Dwi Aryani, “Advertising Pay Per Click (PCC) dengan Google AdSense Perspektif Hukum Islam” (2018) by Dika Saputri and “Pajak Penghasilan Pada Kegiatan YouTuber dan Selebgram dalam Penggunaan Media Social Berdasarkan Undang-Undang No. 36 tahun 2008 tentang Pajak Penghasilan” (2017) by Inca Nadya Damopoli. But this research will not become repetition to prior studies. This study will focus on a tax collection system that can be applied to YouTube content creators by mixing general principles of good governance so as not to injure the rights of YouTube creators themselves. This collection will be poured into a concrete system that will be implemented in the form of legal products.

II. Statement of Problem

Can YouTube content creators be subject to income tax by Indonesian law?

III. Research Method

It is a combination research between empirical legal research and normative legal research. This method elaborates facts in the field and library studies or written information.

⁷ Kautsar Riza Salman, 2017, *Perpajakan PPh dan PPN*, Jakarta: Penerbit Indeks, p. 9.

There are two types of data used in this research, namely: Primary Data (data derived from interviews at the Headquarters of the Directorate General of Taxes) and Secondary Data (consisting of primary legal material, secondary legal material, and tertiary legal material). Which will be obtained from interviews for the primary data and library study for secondary data. These data were analyzed using qualitative descriptive methods. It means that the researcher analyzes the data by describing all collected data and relating them to the related legislation.

IV. Results and Discussion

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

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

1. Subject of Income Tax

In the income tax system in Indonesia, there are three types of income tax subjects namely personal or legal entity and permanent establishment. Both types are considered as tax subjects because the activities carried out in the form of business and work generate income which is the object of tax. The subject of income tax is a person or legal entity that obtains profits and income from a business activity and/ or activity that generates profit to the culprit.⁸

⁸ Salman, Kautsar Riza, *Op. Cit.*, 2017, p. 2

a. Individual or Personal

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

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

b. Legal Entity

Apart from individuals, the next tax subject is permanent establishment. Permanent establishment that is subject to tax is a business entity that has funds from a business that is run and developed and that qualifies as a tax object. Permanent establishment consists of people and/or capital which associated to conduct business in the form of limited liability companies, companies limited partnership, state-owned enterprises or local-owned enterprises under the name and in any form, firm, partnership, cooperative, pension funds, partnership, association, Foundations, mass organizations, socio-political organizations, or other organizations, and institutions.

c. Permanent Establishment

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

2. Object of Income Tax

Basically, any income and additional economic capacity can be subject to income tax. Income tax rates use progressive rates, which are higher rates for greater yields, and use the ability-to-pay theory, which is to pay attention to the amount of burden or dependents of individual taxpayers.⁹ Income used to bear these expenses or dependents is referred to as Non-Taxable Income. Basically, Non-Taxable Income is a reduction in net income for an individual taxpayer in determining the amount of taxable income. The amount of non-taxable income can reduce net income to calculate the taxable income of an individual Taxpayer. The amount of non-taxable income is determined by the Minister of Finance after consultation with the House of Representatives.

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

- a. IDR 54 million for individual taxpayer;
- b. IDR 4.5 million as additional to married taxpayer;
- c. IDR 54 million as additional to a wife whose income is combined with the husband's income;

⁹ Mardiasmo, 2013, *Perpajakan*, Edisi Revisi, Yogyakarta, ANDI OFFSET, p. 169.

- d. IDR 4.5 million as additional to each family member with a straight line, at most 3 (three) people for each family.

B. Artist and Taxation in Indonesia

Artists are artists who carry out activities in the field of art.¹⁰ Currently, these activities are often interpreted as entertainment. Artists perform entertaining activities using their talents. The talents possessed by artists mostly come from hobbies that they often do since childhood.¹¹ Currently, there are hundreds of artists active in advertisements and entertainment programs.

1. Artist as a Subject of Taxation

These artists are people who are famous for their appearance in the entertainment world. This made them always get rewarded for their actions on the glass screen as art workers. The Indonesian government has classified artists as the subject of Indonesian taxation.¹² Because the artists have met the criteria that are the basis of the categorization.

a. Profession

In the beginning, artistic talent was a talent that someone had for his hobby or has been handed down by his parents.¹³ This talent has been owned since birth because it was inherited genetically or because of his hobbies. When we look at the definition, we can see that everyone can be an artist, because the artist originally came from what they liked. The activities they do with their talents make others love and feel entertained. Because doing entertaining activities on someone's preferences, the artist is the same as providing services.

¹⁰ Esther Meilany Pattipeilohy, 2016, *Citra Diri dan Popularitas Artis*, *Jurnal Dakwah dan Komunikasi*, Vol. 1, No.2, p. 180.

¹¹ *Ibid.*, p. 189.

¹² Riogi Susanto, Directorate General of Taxation, (2019, 19th July), Personal Interview.

¹³ Esther Meilany Pattipeilohy, *Op. Cit.*, 2016, p. 183.

The services referred to here are entertaining. Offering services to others to do something is the basic concept of a job. Work is formed based on a work agreement.¹⁴ Initially, the artist was called an art worker. Because the definition of the artist refers to people who work using their artistic talents.¹⁵

But in the classification of artists and art workers, some things are different. Artists are indeed people who use their artistic talents at work but the terminology of artists in Indonesia is defined as people who display their talents on television and become public figures.¹⁶ While art workers are more often referred to as artists who have the intention of working in the field freely with their talents or more referring to conventional things.

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

b. Income

An artist is a promising type of work. Because the income received by the artist can be said to be quite large. Every person who does work will get a reward. Artists in doing their jobs are also rewarded. This reward is based on a work agreement made between the artist and the employer. This work agreement is better known as a professional contract.¹⁷

¹⁴ Riogi Susanto, *Op. Cit.*, Personal Interview.

¹⁵ *Ibid.*, Personal Interview.

¹⁶ Christina Ayers, 2018, Honors Senior Theses/Projects: "The Impact of Artis Fame and Viewer Socioeconomic Status on Art Likeability", Oregon: Western Oregon University, p. 6.

¹⁷ Riogi Susanto, *Op. Cit.*, Personal Interview.

Professional contracts govern the obligations, duties, and rights of the artist himself. The rights in question include income earned based on an agreement on a professional contract.¹⁸ The income offered at the time of making a professional contract must be agreed upon by both parties, namely between the agency as the employer and the artist as the worker.

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

2. Artist Income Tax Collection

The subject of income tax or the taxpayer has an obligation in the form of paying taxes on the income he gets.¹⁹ This tax payment is mandatory when the artist has fulfilled certain conditions. The requirement is that the income earned has passed the Non-Taxable Income.²⁰ When the income earned by an employee has exceeded the Non-Taxable Income (PTKP), the income will be calculated as taxable income whose amount is determined by the norms of tax calculation.

In practice, Indonesia uses 3 systems to impose and calculate taxation, namely Official Assessment (calculations made by the government), Self-Assessment System (calculations made by the taxpayers themselves), and Withholding System (calculations made by third parties).²¹ But in practice income tax for artists only uses

¹⁸ *Ibid.*, Personal Interview.

¹⁹ Nur Fitri Maulida, 2018, Undergraduate Thesis: "Pengaruh Kesadaran Wajib Pajak, Pelayanan Fiskus, dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi yang Melakukan Pekerjaan Bebas", Gresik: Universitas Muhammadiyah Gresik, p. 45.

²⁰ *Ibid.*, p. 42.

²¹ Anshari Ritonga, 2017, Pengantar Ilmu Hukum Pajak & Perpajakan Indonesia, Jakarta: Pustaka El Manar, p. 60.

2 systems, namely withholding and self-assessment.

a. Withholding System

The main artist tax calculation and deduction is through withholding assessment. Withholding is a system of calculation and deductions made by third parties.²² The third party here is a party that is not from the government or the taxpayer itself. The third party to the artist can be interpreted as the agency that made the collaboration with the artist.²³

b. Self-Assessment

Self-assessment is a system of calculating the amount of tax that will be paid by the taxpayer by calculating itself and reporting to the tax office.²⁴ This system is used by artists if an artist earns income from sources other than his agency such as business or business and if his agency does not deduct income tax on the income he receives.

Not every professional contract contains provisions relating to income tax deducted by the agency or production house. But several production houses provide all without tax deductions and free the artist to calculate all of his tax obligations with this system.²⁵

C. YouTube Content Creator as a Profession

In the digital era, we will find innovations in the world of work. The development of technology also requires the type of employment to develop. These jobs exist naturally because they are following current technological developments. One of the activities that can be said to work in this digital era is content creators. Content creators

²² *Ibid.*, p. 61.

²³ Riogi Susanto, *Op. Cit.*, Personal Interview.

²⁴ Anshari Ritonga, *Op. Cit.*, 2017, p. 125.

²⁵ Riogi Susanto, *Op. Cit.*, Personal Interview.

are the name for people who create content that can be enjoyed by many people in cyberspace. Currently, content creators are often referred to as jobs.

Content creators can be categorized as jobs, this is because this work is not tied to an employer. This job also has no provisions regarding the fixed amount of income and time work. Therefore, this work is categorized as free work. As one of the free jobs, content creators also have promising income. Therefore, many young Indonesians want to become content creators. This is proven by more than 250 Indonesians YouTube content creators can achieve success.²⁶

1. YouTube Content Creators as an Artist

The job of content creators is work that not only provides financial benefits, but this work will also increase popularity for content creators.²⁷ Content creators are jobs that are done by uploading works in the form of videos or photos. In this case, the intended creator is a YouTube creator. YouTube content creators are people who create video content and upload it on YouTube video sharing websites.²⁸ The activity of the content creator is to disseminate information that is transformed into an image, video, and writing or referred to as content, which is then disseminated through social media platforms.²⁹

Making content is a hobby of a content creator. The content was made based on interests and hobbies to take some videos which were then edited by content creators. The captured image or photo and the result of taking the video edited into one file is a work of art. This work can be called a work of art in the digital era.³⁰ So

²⁶ SocialBlade, 2019, Most Subscribed Indonesia YouTube Content Creator 2018,

<https://socialblade.com/youtube/top/country/id/mostsubscribed>, Accessed on 2nd July 2019, at 01.32 PM.

²⁷ Yusti Melia Sundawa & Wulan Trigartanta, 2018, "Content Creator Phenomenon in Digital Era", *Seminar Penelitian Sivitas Akademika UNISBA (SPeSIA)*, Vol. 4 No. 2, p. 431.

²⁸ Source: <https://creatoracademy.youtube.com/>

²⁹ Yusti Melia Sundawa & Wulan Trigartanta, *Op. Cit.*, 2018, p. 438.

³⁰ Arief Datoem, 2015, "Foto-Etnografi Dalam Proses Penciptaan Karya Seni Fotografi", *Jurnal Seni & Budaya Panggung*, Vol. 23 No. 2, p. 155.

by creating content called art, YouTube creators can also be called artists.

In addition to creating art, the popularity achieved by YouTube content creators is also on par with celebrities or artists. Celebrities or artists are also often said to be artists because of the talent they have in doing things that are categorized as art such as singing, dancing, acting, and so on. Among the types of work performed by artists is also done by a YouTube creator. Things like singing, creating songs, dancing, making comedy content, etc. Then their goal in doing that is to entertain people who see and watch them. Because an artist aims to entertain others.³¹

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

Also, the artist here is only a person who is paid to do what is requested in front of the camera and then aired on television or other media. Artists also do not think about concepts, production costs, and how to take pictures and edit them. While content creators do all these activities independently or do it themselves or interfere in concept, retrieval, and even the editing process.

³¹ Jamin Purba, 2014, Master Thesis: "Pengaruh Kepemimpinan dan Motivasi Kerja Terhadap Kepuasan Kerja Seniman Studi Pada Yayasan Rara Jonggrang" Yogyakarta: Institut Seni Indonesia Yogyakarta, p. 27.

In terms of the income of a YouTube artist and content creator, they both have income from their activities, namely entertaining people. This income depends on each of them. Because this income is very dependent on craft and their popularity.³² The more diligent and popular, the greater the chance to earn a living. Besides that, the source of their income is different. Artists will earn income by collaborating with production houses in professional contracts. While YouTube creators get income by binding themselves to make a cooperation program with Google AdSense.³³ Artists will be paid by the production house where he makes professional contracts and YouTube content creators will be paid by Google as the Google AdSense service provider. Because YouTube creators are well-known and make money from cyberspace, YouTube creators are also referred to as virtual artists.

2. Income of YouTube Content Creator

Being a creator can also provide a promising income. This income is addressed to content creators who contribute a lot in the development of YouTube. This income is derived from the cooperation that has been agreed between the creator and the party that provides income. This income is also obtained because content creators who bind themselves to work agreements can be categorized as jobs. One factor that is very supportive with the statement that content creators are jobs is the income that can be obtained by content creators.

The way of earning money from YouTube is called Monetization. Mostly, content creators will earn income from two sources, namely monetization of Google AdSense and Endorsement.³⁴ These two things are very common sources of income

³² Yusti Melia Sundawa & Wulan Trigartanta, *Op. Cit.*, 2018, p. 442.

³³ Alvita Tyas Dwi Aryani, 2017, Efektivitas Iklan Digital Google AdSense, *Jurnal Ekonomi & Bisnis (JEBI)*, Vol. 20, No. 1, p. 21.

³⁴ Jefferly Helianthusonri, 2018, *Passive Income dari Google AdSense*, Jakarta: PT ELEX MEDIA KOMPUTINDO, p. 133.

for content creators.

a. Google AdSense

The main source of income for YouTube creators is Google AdSense monetization, the way to generate passive income by displaying ads that work with Google. Google AdSense is a program of collaboration between content owners and Google.³⁵ This program can be interpreted as a work agreement in the field of advertising. The collaboration is in the form of advertising from Google by content creators. These ads are inserted into the content that has been created by content creators. By connecting the content creator account and Google AdSense account, Google AdSense will provide profit that will be accumulated at the end of the month and will be passive income for content creators.

The advertisements displayed with the Google AdSense program are advertisements from companies that have collaborated with Google and made an agreement so that Google helps the company advertise the goods or services of the company.³⁶ These ads are transferred by Google through the Google AdSense program to content creators who have met the requirements. After the creator meets the requirements to cooperate with the Google AdSense program, the creator can display the ad in his content and earn passive income.

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

³⁵ *Ibid.*, p. 1.

³⁶ Dika Saputri, 2018, Advertising Pay Per Click (PPC) dengan Google AdSense Perspektif Hukum Islam, *Jurnal Pemikiran Hukum dan Hukum Islam YUDISIA*, Vol.9, No.2, p. 259

postponed to the following month or until the total income meets the minimum conditions.

In its implementation, this payment system has security which is considered to as quite strict, because it requires certain systematics when a content creator who has met the minimum income target wants to disburse his income. Two stages must be done by a content creator when they want to withdraw their income. The first, the security system began by requiring a content creator to integrate his account number with his Google AdSense account. So that payments will be made directly into the content creator bank account. Without connecting a Google AdSense account with a creator bank account, income cannot be disbursed. After integrating the bank account number, it has been successful and the income report will be delivered to the mailing address or the domicile of the creator. This letter contains a notification that the creator has reached the minimum income target and has the right to withdraw the money. This letter is very important because it contains PIN or special code which become key to disbursing. When the code or PIN entered, then Google will automatically withdraw the money directly to the bank account number that has been previously integrated.

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

b. Endorsement

As content creators who have high popularity in online video streaming media, some of them will often get sponsors and pay them outside of Google AdSense. Later, sponsors will pay for content creators to promote their products or services on video.³⁷ Commonly, it is called as endorsement. Endorsements are a collaboration program between content creators and their clients.³⁸ The client in question is the company or party who wants the product to be advertised by the creator. The endorsement is a cooperation agreement in advertising a product or service offered by a particular party. Advertising will usually be made independently by parties who want to promote their products or services. But in this digital era, these parties choose people who have high popularity such as content creators to promote and advertise their products and services. This advertising will usually be inserted into content that will be published by the creator or inserted and published to personal social media accounts from content creators. Google in it's the provisions of paid products and endorsement open up the opportunity for the content creator for receiving payment from the sponsor, under obligation to make a content declaration.

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

³⁷ *Ibid.*, p. 146.

³⁸ Terence Shimp, 2003, *Periklanan Promosi & Aspek Tambahan Komunikasi Pemasaran*, Jakarta, Erlangga, p. 459.

of income that the content creator will get. Besides, there are two types of endorsement that are usually carried out by content creators who provide endorsement namely Hard Selling and Soft Selling.³⁹

1) Hard Selling

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

2) Soft Selling

Soft selling is an endorsement style in the form of insertion of the product or service that you want to advertise. This insertion means not creating special content that discusses the goods or services advertised. Rather, it only includes instruments from products or services that are being advertised to be seen by content lovers. The form of soft selling is displaying or making a product or service as a property in the content. This is so that content lovers can see and get to know products or services that are advertised indirectly. Usually, endorsement in this type is fairly affordable when compared to hard selling. Although fairly affordable, this type of endorsement provides a promising income. This is because of the ease of doing this type of endorsement so that it does not require more effort in the advertising process.

³⁹ Leon G. Schiffman, [Håvard Hansen](#) & [Leslie Lazar Kanuk](#), 2008, *Consumer Behaviour: A European Outlook*, Olso, Prentice Hall/Financial Times, p. 243.

D. YouTube Content Creator as a Subject of Taxation

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

In that fact, YouTube content creators until now are not obliged to pay tax for their “additional” income from YouTube and endorsement, since they do not need to report that income to their annual tax report. Income Tax Law is considered to general to cover content creator as a job that the income should be reported as the annual income accumulation. However, to assess whether YouTube content creator might be obliged to pay income tax or not, it must be assessed with a very clear benchmark in this regulation which refers to two things, namely the subjective and objective requirements.

1. Subjective Requirement

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

YouTube creators can run their channels themselves. Many YouTube creators make content independently, as like taking videos, preparing properties, making scripts, and editing videos themselves. The income obtained is intended for as their

personal income. Therefore, this income refers to YouTube content creators as the subject of personal tax. In addition, there are also YouTube channels whose content is done by several content creators. Income from the channel will be shared according to their calculations and agreements. However, they are still subject to personal income tax.

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

2. Objective Requirement

The objective requirement is the income. Income is an increase in economic capacity that a taxpayer has for consumption or increasing the taxpayer's wealth. When any subject of income tax law has potential source of income that increasing the wealth and fulfil his life, he has become the subject of taxation.⁴⁰ Definition and purpose of additional economic capabilities or income are abstract. Because income can be interpreted broadly.⁴¹ Therefore, in calculating and imposing an income tax, the income must be identified in advance and determine whether the income is a taxable income or non-taxable income.

To classify whether the income can be subjected to income tax and has passed the criteria of taxable and non-taxable income, the source of the income should be identified first. At this time, having more than one source of income is not a common

⁴⁰ Inca Nadya Damopoli, 2017, Pajak Penghasilan pada Kegiatan YouTuber dan Selebgram dalam Penggunaan Media Sosial Berdasarkan Undang-Undang No. 36 tahun 2008 tentang Pajak Penghasilan, *Lex Privatum*, Vol. V No. 3, p. 153.

⁴¹ Riogi Susanto, *Op. Cit.*, Personal Interview.

thing. This can be seen from the number of people who have main jobs such as office employees or civil servants who have other businesses that are the source of their income.⁴² YouTube content creators can have more than one source of income, because beside having main job as the main source of income, they do have YouTube as the income generator.

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

V. Conclusion and Recommendation

Conclusion

YouTube content creators are potential to become subjects of income tax to increase state income. This is because many YouTube content creators and earners are very promising. Aside from having income, YouTube creators can now be categorized as jobs. This work of arises in the digital era. In the real world, the content creator's work is analogous to that of an artist. However, the current Indonesia income tax does not provide adequate provision to accommodate the income earned by YouTube content creators as the object of income tax. Because the activities they do are entertaining through their work. Besides, the income they get also potential to be taxed. Because many YouTube creators have a large income and have passed Non-Taxable Income (PTKP). This kind of

⁴² *Ibid.*, Personal Interview.

income is a potential source of income tax. Since income tax act does not explain whether it include the income earned by YouTube Content Creator. Government plan on this issue is identifying target of taxation, determining tax assessment system, and making the legal product. These three things are important basic action that can be done by the government.

Recommendation

To make YouTube content creator are possible to become subject of income tax, the researcher recommend to the government to take certain action as follow:

First, identify income of YouTube content creator; Second, revise the Law No. 36 of 2008 concerning Income Tax; Third, making technical regulation in conducting tax imposition; fourth provide information and deadlines for make socialization of the new Law and regulation; Finally, improve compliance in making tax payments.

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