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Strategy to Increase Tax Revenue to Capture the Growth Potential of the Digital Economy in Indonesia

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Taxes are an important and strategic source of state income in financing various development and social welfare programs. It is very important to explore tax revenues in growth in the digital economy era. This research aims to analyze strategies for increasing tax revenue to capture the potential for digital economic growth in Indonesia based on a literature review. The research results show that countries experience various obstacles in implementing digital taxes, such as regulations that are not appropriate in that country. Even though the benefits of the digital economy make everything digital and feel easier, negative impacts have also been found in the form of implementing digital taxes that have not gone well. So a strategy regarding tax revenue from the digital economy is really needed, especially in Indonesia.

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1. Introduction

Taxes are an important and strategic source of state revenue in financing various developments and social welfare programs. However, so far there are various problems in tax management in Indonesia, such as low tax revenue, high levels of corruption, and low effectiveness in the use of tax funds (Doan et al., 2021). These problems can have an impact on fiscal policy, economic stability, and the country's budget balance. Therefore, a strategy is needed in an effort to increase tax revenue in Indonesia. One of the most potential sources of tax revenue for now can be sourced from the growth of the digital economy.

The digital economy shows the growth and development of the economy in the future. This is characterized by the rapid development of business or e-commerce as a means of communication and collaboration between companies or individuals. Indonesia has good opportunities and potential in facing the free market and digital economy. Various parties estimate that the rapid growth of the digital economy can provide great benefits for the economic community, ranging from transactions to investment in the digital industry in Indonesia.

However, digitalization also has a big impact on the tax aspect, where every government must build coordination to overcome the problem of profit shifting over this phenomenon, considering that the old tax pattern is not able to keep up with rapid business developments. The OECD has established a list of different types of income from digital economy activities. The OECD has also formulated various strategies by issuing 15 Base Erosion and Profit Shifting (BEPS) to overcome tax base erosion and profit shifting regarding taxation in digital economy activities (OECD, 2015).

This regulation aims to achieve an international consensus on taxation patterns that can be adjusted to the development of current business patterns, especially in the field of digital economy. The existence of digital economic activities will increase the possibility of restructuring business operations to eliminate the high tax burden in the country or optimize profits transferred to low state taxes. These business changes must be responded to equally from the tax authorities, including in Indonesia, which is one of the major markets. It is crucial to explore tax revenues in growth in the digital economy. Therefore, a strategy is needed in an effort to increase tax revenue in Indonesia. This study aims to analyze strategies to increase tax revenue to capture the growth potential of the digital economy in Indonesia based on literature review.

2. Research Method

In this study, the method used is literature analysis using the literature review method. The data collection technique uses literature studies. Literature study is a series of activities related to methods of collecting library data, reading and taking notes, and managing research materials. The process in conducting a literature review involves searching journals that cover the topic of strategies to increase tax revenue to capture the growth potential of the digital economy. Furthermore, the journals found and the results of the research in these journals are adjusted to the framework of the concept of this research, which focuses on various discussions on strategies to increase tax revenue to capture the growth potential of the digital economy. During the journal search, the researcher managed to collect ten research articles/journals from relevant sources. After going through several stages, the researcher concluded the results of the comparison from reference journals that are in accordance with the purpose of literature review research, namely to describe strategies for increasing tax revenue to capture the growth potential of the digital economy. Furthermore, conclusions and summaries are made based on the results of the literature that has been investigated.

3. Result and Discussion

The following studies that discuss strategies for increasing tax revenue to capture the growth potential of the digital economy, will be presented in brief details of each of these studies.

Regarding the implementation of digital taxes in various countries in North America, Europe, Southeast Asia, South America, the United States, and various other countries, it shows that governments in various parts of the world have begun to adjust their tax systems to accommodate the digitalization of the economy. These measures resulted in changes in tax consumption patterns and corporate taxation procedures. The effort aims to ensure a balance between digital and non-digital businesses. Many countries have taken steps to expand the scope of the Goods and Services Tax (GST) to include digital services. The majority of large digital companies have cross-border operations, generating revenue from different countries around the world. There are concerns that the current international tax system cannot fully capture this new business model, especially due to traditional tax rules that do not always match the characteristics of digital businesses. Negotiations are underway at the Organisation for Economic Co-operation and Development (OECD) involving more than 130 countries to adapt existing international tax rules. Several countries have taken unilateral tax measures targeted at digital businesses, including digital services tax, gross tax deductions, and permanent tax regulations for digital companies. However, without effective multilateral coordination, these unilateral tax policies can collide with each other or potentially lead to tax overlap, creating uncertainty and instability in the global tax system (Bunn et al., 2020).

Until now, international tax regulations have not been able to adapt to the rapid pace of technological growth, which often creates inequality in the tax burden between traditional and digital business models. At the international level and the European Union (EU), there is still no clear agreement on how to deal with fair taxation issues related to the digital economy. This has put enormous pressure on policymakers in Europe to take more active measures. Some EU countries have begun to push and implement unilateral measures to ensure that they get their fair share of tax revenues. However, it is not yet clear whether the national digital tax approach will be able to overcome the challenges arising from the increasing digitalization of the economy. Therefore, it is necessary to comprehensively examine how the national digital tax plan in Europe will affect issues such as double taxation laws, coherence with EU legal regulations, its global and regional impact on competition and competitiveness, contribution to tax revenue, and the establishment of fair tax conditions. This analysis must also be accompanied by relevant policy suggestions related to taxation both at the national and supranational levels (Geringer, 2020).

Countries in Europe, together with the European Commission, have proposed or adopted a tax on income earned by multinational corporations (MNCs) in the "digital economy" sector, which is related to user-based activities. This move, known as the "digital services tax" (DST), has been an active topic of discussion in many EU member states. These changes also come in tandem with ongoing multilateral negotiations between members and non-members of the Organization for Economic Co-operation and Development (OECD), which prompted significant changes in the international tax system. Proponents of the digital services tax claim that digital companies currently have a low tax burden because they can shift ownership of income-generating assets to lower tax jurisdictions. They also argue that taxing countries should get their fair share of the profits generated by digital multinationals, based on residents' contributions through digital interactions. However, there are criticisms of the digital services tax stating that it targets income that should not be taxed under traditional income tax principles. Digital services taxes are more similar to taxes on income (such as excise taxes) than taxes on corporate profits, which are typically levied on returns on investments in the corporate sector. Digital services taxes also have the potential to create significant economic impacts, such as increased prices for consumers and lower investment in affected sectors. In addition, there are concerns related to administrative complexity and unfair treatment between companies due to user location identification requirements and minimum income thresholds. The role of digital services tax in multilateral tax discussions, evaluates arguments for and against the policy, provides an analysis of possible economic impacts, and identifies issues that need to be considered in future policy decisions (Lowry, 2019).

The need to update international treaties on taxation to include digital taxes in accordance with international tax norms. This is due to the practice of large companies that physically operate in high-tax countries, but shift the tax burden to low-tax jurisdictions to avoid taxes and get lower tax rates for digital services in some countries. In the latest budget session for the 2022-2023 fiscal year, Parliament has set a tax of 30% on virtual digital assets. At the international level, Britain and France have also announced plans to impose taxes on big tech companies that must pay taxes to their respective governments. The concept of the "digital economy" is explained and how the tax law in India is still not fully able to keep up with these developments. India has taken unilateral steps to regulate revenues coming from the digital economy and technology sectors. However, the development of the digital economy continues to move forward at a rapid pace, exceeding the speed of adaptation of existing laws. As a result, there is a regulatory gap that needs to be resolved immediately (Sood, 2023).

Taxation considerations in the digital economy are a complex challenge due to the multifaceted nature of the digital economy itself. To design a tax regime that is appropriate for the digital economy, it is important to achieve a common understanding and measurement of the size and impact of the digital economy. The Philippines faces various obstacles and challenges in measuring and understanding the contribution of the digital economy to overall economic growth. This includes the lack of official industry data measuring digital trade and the need for a single standard definition related to digital trade. In addition, the Philippines also experiences gaps in regulatory and legal frameworks, including regulatory barriers that hinder investment in digital technology solutions. The difficulty of limited internet access and the lack of reliable digital infrastructure are also important problems. Improving affordable and reliable internet infrastructure and educating consumers about the digital economy are crucial steps in facing the challenges of the digital economy. Greater efforts are needed from the Philippine government to overcome existing barriers and gaps to reap the full benefits of the digital economy. This includes the development of domestic digital capacity, the improvement of digital infrastructure, and the development of a holistic digital economic development strategy (Cuenca, 2021).

Tax treaties for South Center Member States have provided important insights into international taxation. From three different perspectives, namely the power of current tax treaties, the feasibility of modified laws through international legal instruments, and the analysis of digital economy taxation. From the results of the study, renegotiation of tax treaties individually for South Center Member States may be a major challenge. However, the use of multilateral instruments such as the UN Multilateral Instrument, currently being developed by the UN Tax Committee, could increase the likelihood of the application of the new Article 12B. Observations of the construction of existing bilateral tax treaties show that there are gaps, even among the South Center Member States. An analysis of computer software and its taxation shows how important this issue is in an increasingly digitized economy. Countries of the future, especially digital centers, need to design tax schemes that are in line with these trends to ensure optimal tax revenues. A comprehensive view of taxation issues in the digital economy and helps towards a fairer international tax model and in accordance with the development of the increasingly digital global economy (Sose et al., 2023).

The Digital Service Tax based on Law Number 2 of 2020 is considered to be a new type of tax in Indonesia that will apply to trade activities through electronic systems (PMSE) and e-commerce platform providers (PPMSE) that face a significant economy but cannot be designated as a permanent form of business due to tax agreements between Indonesia and other countries. In other words, Digital Service Tax is an alternative to Income Tax in PMSE activities. Based on this, it is necessary to review the position of the Digital Service Tax on PMSE and PPMSE activities in Law Number 2 of 2020 based on the system taxation law in Indonesia. In the era of digitalization, Digital Service Tax is becoming increasingly important. Therefore, if the implementation of this tax is necessary, then it must be done carefully to create legal certainty for tax institutions. The implementation of cross-border taxes can cause the problem of double taxation. The position of Digital Services Tax on Micro, Small, and Medium Enterprises (PMSE) and Micro, Small, and Medium Enterprises (PPMSE) in Law

Number 2 of 2020, which is based on the tax legal system in Indonesia, is analyzed based on two main things. First, is the formulation of the provisions of the Digital Service Tax in the law. Second, it is about the distribution or classification of Digital Service Tax. The formulation of the provisions for the Digital Service Tax in Law Number 2 of 2020 is considered to not meet the principle of legal certainty because it has not fully and clearly regulated aspects of tax material such as subjects, objects, and rates at the legal level. The Digital Services Tax, if implemented, can be considered a new type of tax in Indonesia. However, until now, the distribution or classification of Digital Service Tax in Indonesia's national tax legal system has not been fully categorized because there are no comprehensive regulatory provisions (Muttaqin et al., 2021).

Digital tax reforms carried out by countries in sub-Saharan Africa have increased revenues for their economies. The formation of new businesses, the digitization of taxation, the efficiency of tax collection, and the use of e-governance as a channel for the digital economy have an impact on increasing revenue. Tax digitalization on tax revenues varies, showing positive, negative, or insignificant impacts of tax digitalization. However, the positive impact on tax revenues is the most obtained outcome. So policies to increase the effectiveness of tax digitalization reforms in sub-Saharan Africa must be carried out by the authorities (Bassongui & Houngbédji, 2021).

The international tax regime related to multinational companies (MNEs) is considered ineffective and requires a rethink. The importance of reconsidering the fundamental issue of tax treatment of intra-group transactions, especially in the context of tax avoidance. Tax avoidance motives by multinational corporations can encourage managers to place their profits in low-tax jurisdictions without changing the location of their core operations. Digital business models further complicate this problem with high-value, often highly mobile, intangible assets, allowing multinational companies to shift profits to low-tax jurisdictions. The revival of the digital economy requires a rethinking of the international tax system for multinational corporations. The proposal to tax shareholders and consumers as an alternative to taxing directly on corporate profits has significant theoretical and practical obstacles. So a new model is proposed to tax multinational corporations by using sales-based consolidated allocation of their global profits. This model aims to prevent multinational companies from shifting their profits to low-tax jurisdictions, as well as reduce the incentive for tax competition between countries. Corporate tax considerations are based on the group's worldwide profit allocation based on the proportion of sales to customers in each country, not just on profits reported by individual companies in the group. This model can reduce the ability of MNEs (Multinational Enterprises) to shift profits to low-tax jurisdictions through intra-group transactions and reduce tax competition between countries. While the sales-based allocation model can be applied multilaterally theoretically, we also suggest a variation of this model in the form of an alternative minimum tax (AMT) that can be unilaterally implemented in the existing corporate tax system in a country, which is likely to be more practical in its application (Ting & Gray, 2019).

The challenges of taxation in the digital economy are due to the rapid development of technology in Indonesia. Rapid economic evolution and growth require proportionate adaptation in terms of regulation and institutions. Various international bodies have issued guidelines and warnings regarding the importance of responding appropriately to new and dynamic patterns of economic activity, as imbalances in regulations can disrupt economic stability. Aspects of the government's viewpoint related to changes in tax regulations, the structure/institution of tax organizations, human resources who understand the patterns and developments of digital businesses and have the ability to formulate tax regulations in accordance with business patterns, and reliable information technology in transforming the business of tax organizations, the Indonesian government realizes that these changes are very crucial. In the context of regulations, there is a paradigm shift related to taxation and justice, which is reflected in regulations that continue to develop along with the transformation of tax institutions as tax supervisors. Increasing the capacity of human resources in tax institutions is urgently needed to keep up with the development of information technology that supports the optimization of their tasks. The Indonesian government has also recognized rapid economic growth and responded to it by issuing various regulations and initiatives. However, some of these regulations are still inadequate to overcome current challenges. This shows that the government still needs to improve its response to the ongoing economic dynamics in a better and proportionate manner. More comprehensive improvement efforts are needed by involving various economic stakeholders to respond to current economic conditions appropriately and in accordance with needs (Tambunan & Rosdiana, 2020).

The application of digital technology in state tax management is interconnected with the implementation of the fiscal focus of tax policy. In Russia, there is the adoption of a new model of digital-based state tax management, which is formed through the use of innovation and modern information technology, as well as through the development of electronic interaction between taxpayers and tax authorities. Digitalization can be applied unevenly in the scope of tax management. Digitalization mainly focuses on areas such as tax accounting, tax control, as well as some organizational processes and tax analysis, all of which improve the quality of tax administration. This indicates an imbalance between the progress of Russia's tax administration and current developments, with management tending to be commandal rather than managerial. Nevertheless, this situation can be considered a positive first step towards the development of a new digital model in state tax management. This shows efforts towards better modernization in tax administration in Russia (Shelomentsev et al., 2020).

It analyzes the structure of companies in the global digital economy, observes the positive impact of tax and fee cuts on Chinese digital economy companies, and compares them with similar impacts on companies in the United States and other countries. Empirical analysis of digital economy companies to examine the impact of tax and fee cutting policies from a macro and micro perspective, and examine the impact of these policies in the context of the overall digital economy. The results of the study show that the problem of tax and cost reduction as well as policies in the digital economy in China is the lack of special preferential tax policies for the digital economy; improvements in preferential tax policies are needed to encourage innovation; high marginal tax rates for personal income taxes are not attractive to talent; and the large corporate income tax burden on international competition. So China needs to play a more active role in the digital economy, such as optimizing the tax and levy policy system in accordance with the digital economy development strategy; increasing tax incentives for start-ups to encourage innovation; increasing tax incentives for high-level talent related to employment; increasing tax incentives for independent innovation based on research and development; and increasing investment to support the transformation and improvement of manufacturing (Li & Yang, 2021).

An analysis of the introduction of digital technology in the development of the fiscal system, especially in the field of taxation, as well as theoretical aspects related to the increasingly in-depth fiscal digitalization. The main focus is given on understanding the essence of digitalization and its impact on national economic growth. The results of the digitization content analysis allow the identification of the advantages of the introduction of digital technology in the tax system. This helps to show the relationship between fiscal and digital, creating a digitalized fiscal space. There is also great potential for digital technology in the development of the fiscal system and the national economy. The development and implementation of innovations in the fiscal system is an important part of ensuring the competitiveness of the tax system at the global level. The implementation of this innovation is also important in the development of the entire public financial sector and requires attention and the development of mechanisms to deal with potential threats that may arise during the process of fiscal digitalization. A promising aspect of fiscal digitalization is the development of mobile applications for businesses to make it easier to pay taxes, provide the latest information on tax regulations, and to provide advice to taxpayers. Fiscal authorities also need to consider the experience of financial institutions in improving the quality of services to taxpayers through the use of new digital technologies (Lagodiienko & Yakushko, 2021).

The income classification approach is carried out for the purposes of domestic tax legislation and double tax treaties at the level of international tax governance and at the level of Russian tax laws and practices, by testing the legal approach and criteria developed in the framework of global tax management agencies (OECD and the United Nations) against the classification of income from cross-border transactions in electronic form. The classification of income in digital transactions can be uncertain because it can fall into at least three different categories. Errors in legal classification can result in double taxation, tax evasion, and distortion of neutrality. There is ambiguity in the development of an international consensus approach to this issue, with some approaches evolving in income characterization. This is also seen in Russia's tax law which creates uncertainty regarding digital transactions. Although there are guidelines regarding the characterization of revenue from digital transactions at the OECD and UN levels, there are still legal uncertainties. Therefore, a stable legal framework is needed, including clear regulations from national authorities, and in the long term, with the harmonization of taxation between countries in terms of revenue from the provision of digital services in dealing with the problem of revenue characterization of the digital economy (Milogolov & Berberov, 2020).

Digitalization in the legal realm has greatly affected the position of the Russian economy in the increasingly digitized global market. This is related to the transformation of legal regulations in tax relations in the digital economy era to develop a comprehensive legal concept so that compliance with the country's fiscal interests is guaranteed in the context of digital transformation. This research shows the need to develop legal solutions in the field of digital economy taxation with a focus on supporting financial stability, legal certainty, and legal control over finance. An important transformation is needed in the approach to the legal regulation of the tax and levy system, tax administration, and tax control to ensure compliance with the country's fiscal interests. The importance of developing a methodological position suitable for the reform of national tax regulations and the international tax doctrine of Russia in the era of digital transformation to ensure compliance with the country's fiscal interests and requires a transformation of the essential approach to the legal regulation of tax relations, both in regulating the tax base collected in Russia in the context of the growing digital economy and in influencing international tax policy (Gracheva et al., 2021).

The European Commission's argument highlights the interference of EU state aid laws. Some of the four conditions that undermine the state aid law will definitely be fulfilled in the context of the national DST. It can connect with the country and provide benefits to other taxpayers by including only a portion of the taxpayers, which will most likely affect trade between EU countries. By covering only a subset of taxpayers, the digital services tax provides benefits to other taxpayers and has the potential to affect trade between EU member states. There is a threshold that causes taxes to only apply to some taxpayers. In addition, limited digital services tax coverage and high thresholds also create discrimination. However, if the European Commission can prove that the threshold is clearly discriminatory, the digital services tax will be considered a selective policy. However, it can be seen that the digital service tax is indeed more aimed at taxing certain companies. This can create unfair and selective benefits for some parties in the digital economy, and also has the potential to have a negative impact on the economy as a whole. Therefore, further negotiations are needed to achieve a fair tax system in the digital economy (Kaźmierczak, 2022).

Corporate tax management has great significance in daily operations. Integrating the concept of supply chain with enterprise tax management from the perspective of supply chain is in line with the development trend of enterprises in China. In the context of the views of the tax systems of various countries, China is advised to take proactive measures, including optimizing the tax system, developing labor talents, developing information infrastructure, and international cooperation to improve corporate tax compliance. These measures are expected to help improve the company's performance and compliance in terms of taxation (Chen & Liting, 2021).

The practice of imposing taxes on digital services in EU member states. The transformation of the tax system in Russia takes into account tax reform efforts in Europe which aims to create a fairer and more effective tax system in the digital era. After analyzing the financial performance and tax burden of the two largest IT companies, Yandex N.V. and Mail.Ru Group, in the period 2013-2018, the results of the study found that the trend of revenue and profit growth far exceeded the amount of taxes paid. The study also identified that most of the revenue from these companies comes from taxable digital services, as well as other factors that result in a decrease in the tax burden. So Russia has the potential to impose a tax on digital services in the not-too-distant future (Koroleva, 2019).

Today's technological developments can directly affect the tax system, so adjustments are needed to accommodate new forms of work and evolving business models. Although several concrete steps have been taken regarding robot taxes and digital taxes, both at the national and international levels, there are still some problems. Synergy between tax policies, job creation, redistribution policies, skills development, and social protection systems is needed to achieve the goal of more equitable and sustainable growth. In this context, the role of government and regulation is very important to prevent unwanted scenarios (Merola, 2022).

Taxation problems in the Eurasian Economic Union (EAEU) digital economy. In order to implement digitalization in the tax process in the EAEU countries, it is important to address various problems in terms of remote interaction with taxpayers. Through electronic document management, countries can monitor all activities, financial flows, and economic goods of business entities. This will increase honesty, transparency, and also contribute to economic growth. Based on this information, it can be concluded that digitalization, especially in the tax system, will be the main tool for the economy to recover from the recession (Tkachenko et al., 2022).

Digital services have a huge impact on the economy as most conventional services have shifted to online platforms. With rising revenues and digitalization in the region connected to the South China Sea, digital services are now an important part of the economy, with internet companies generating huge revenues from the services they offer and the use of user data. Currently, the tax approach to digital services is considered inappropriate because it tends to use a more general method than calculating the actual income of these companies (Katterbauer, 2022).

Taxation challenges in dealing with the digital economy faced by the Indonesian government, especially related to the online market which is a platform for merchants to sell their products directly. The application of taxes to merchants through online marketplace platforms has been controversial, especially since most merchants in online marketplaces are small and micro businesses that are considered not to be taxed like more established businesses. Small and micro merchants registered on online marketplaces tend to look for ways to avoid taxes by changing their marketing strategies, such as turning to social media, to earn higher profits without being detected by the government. Merchants in online marketplaces are also required to be responsible for withholding taxes and remitting taxes to the government in accordance with applicable law. As a final solution, the government decided to implement a final tax with a small percentage for small and medium enterprises (SMEs) to overcome the problem (Tambunan et al., 2020).

The change in the concept of tax objects in the Russian Tax Law, the development of the digital economy has raised several problems regarding tax categories including: 1) Difficulty in assessing the implementation of operations as a potential tax object with the completion of treating it as a new type of service; 2) Recognition in certain situations, for example in electronic money payments by settlement using Tax Code rules related to electronic money taxable transactions; 3) Determination of tax objects through the tax relationship between tax objects and subjects with the completion of the legalization of taxable transactions using digital signatures (Lyutova, 2020).

The main characteristics of the digital economy according to its development and measures, the tax optimization approach in the context of the integration of traditional industries and the digital economy include 1) Introduction of innovative tax governance concepts in the digital economy; 2) The use of digital technology to develop new methods of tax collection and management; 3) The use of big data to identify elements of the tax system; and 4) Affirmation of the basic distribution of tax imposition and profit allocation on intangible assets (Qin, 2024).

The digital economy tax literacy program is an important step to increase public awareness of the importance of paying taxes and complying with tax obligations. Legislative support is urgently needed so that this program gets strong legitimacy. The program must be aligned with national values and principles, such as enshrined in the 2010 Constitution of Kenya, such as transparency and inclusivity. Historical analysis of Kenya's financial and public revenue regimes in the postcolonial period and the colonial context shows that this approach is inconsistent with democratic principles and can be considered oppressive. Therefore, tax literacy programs in the digital economy must be specifically designed according to the audience, the place of implementation, the time, and the evaluation of its effectiveness. The material in the program must include information about the different types of taxes, the consequences of non-compliance, and the importance of paying taxes. However, in addition to discussing the importance of paying taxes, it is also necessary to emphasize that the management of public revenue must be in line with national values and principles. This is important to build public trust in the tax system. The long-term goal of this literacy program is to create a sustainable digital economy. The program must be run by the KRA (Kenya Revenue Authority) in collaboration with the Ministry of Education to achieve the desired results (Yiega & Mbithi, 2019).

The application of Value Added Tax in the digital economy. One of the steps that can be taken to improve the current VAT calculation methodology is to implement the concept of Value Added Tax, as this is in accordance with the essence of VAT. This step can improve work efficiency in the field of accounting, reduce the risk of tax calculation errors, and simplify documentation procedures for operational taxation purposes. In addition, in an effort to improve the VAT collection methodology, scientific justification is needed that supports the direction of complex program development and forecasts for improving the practice of collecting Value Added Tax. This is very important in the context of improving a more effective and efficient tax system (Musurmanovich, 2023).

Related to the collection of digital economy taxes. Taxing consumption in the digital economy poses a unique challenge for fiscal authorities. Rapid technological changes do not always keep pace with the evolution of the fiscal system. Tax institutions often struggle to adapt quickly to new technological developments, which can result in a gap between tax regulations and actual business conditions. Despite recent efforts to expand the tax base, especially in the context of the sale of services, reforms often face political and legal constraints. In theory, sales tax and Value Added Tax (VAT) have equivalent functions, but the introduction of VAT is often considered more advantageous because it is easier to apply and collect. However, the latest approach shows that VAT enforcement also has its own challenges. An impetus for changes in the sales tax system to adapt to the rapidly evolving digital economy. Overall, rapid technological change and the evolution of the tax system create a tension between technological innovation and fiscal policy adaptation. The adoption of effective and balanced policies is essential to avoid market distortions and ensure tax fairness in the ever-changing digital economy (Agrawal & Fox, 2021).

The tax system in the context of the digital economy raises a number of challenges that must be overcome, especially related to implementation and law enforcement. One of the main challenges is how to calculate and allocate taxable profits to the countries that are markets. In addition, it is also important to ensure accurate tax declarations and payments, avoid excessive compliance costs, and overcome the double taxation problem. In designing new regulations related to digital taxes, it is necessary to pay close attention to the implementation and enforcement issues. The first thing that needs to be considered is the clarity of the requirements regarding the calculation and allocation of taxable profits. Second, an effective system is needed to require company registration in market countries and to properly share information between tax authorities to ensure correct tax declaration and payment, while avoiding excessive compliance costs. Finally, an international consensus is needed to allocate benefits and design an effective multilateral dispute resolution framework (Katsufumi, 2021).

Digital taxation regulations where several legal aspects that govern the taxation of digital services across borders, especially in the context of internet advertising and digital intermediation services. The development of digitalization in the economy has opened the door for more advanced tax planning strategies, which have allowed some large tech companies to avoid almost all income tax liabilities in countries where they have made significant profits. Countries, especially those experiencing fiscal deficits in the post-global financial crisis (GFC) and also those that are feeling the great impact of the dominance of big tech companies, feel that the current international tax structure is no longer fair and sustainable. However, economic and political obstacles prevent an agreement to reform the international tax regime as a whole. Therefore, many market host countries have taken unilateral measures to increase tax revenue collection from foreign digital service providers operating in their regions. However, double taxation treaties (DTAs) limit the ability of these countries to tax income directly. In response, some countries have adopted indirect taxes or blended taxes to address this. The collection of VAT/GST on cross-border digital services has become a widely accepted practice. However, the imposition of DST on assumed Gross Income in the local market has faced challenges, especially from the United States. Efforts to expand the digital tax base need to consider non-discriminatory rules in international trade, and the threat of trade sanctions that may arise needs to be carefully considered in the context of WTO law. The debate on digital taxation has also not been fully included in the discussion of e-commerce at the WTO, which reflects the challenge of national conflicts of interest in the context of global trade. The need for a holistic approach in overcoming the challenges of taxation and international trade in today's digital era. Although efforts to reform the international tax regime have been hampered, global cooperation and coordination are still needed to achieve a mutually beneficial outcome for all parties involved, including multinational technology companies (Noonan & Plekhanova, 2020).

The digital economy occupies a growing share of the retail and retail market wholesale trade market, giving rise to new issues in its taxation. Specific challenges in the field of taxation to develop the digital economy and determine the direction of further improvement of digital economy taxation regulations in Russia. There is an urgent need to make changes to tax regulations related to the emerging field of electronic commerce. The need for urgent changes in tax regulations related to e-commerce is emerging. The advancement of the digital economy raises the need to revise many of the pre-existing tax approaches. In order to create a single, efficient digital market, the European Commission has prepared and proposed reforms to the EU corporate taxation and digital tax rules. This change will not only have an impact on tax laws, but will also affect double tax avoidance regulations and approaches to transfer pricing settings. To ensure an effective taxation system on internet resources, authorities in various countries still have many tasks to complete, both in terms of legislation and technology. This shows that adaptation and modernization in tax law are becoming increasingly important in the digital economy era. So while the development of the digital economy brings benefits, such as improving business efficiency, it also raises concerns regarding tax revenues that digital businesses that operate internationally and may pay lower taxes than local competitors that are under stricter tax jurisdictions (Nazarov et al., 2019).

Appropriate regulations to establish taxes on corporate income in the context of the digital economy, the importance of creating an efficient global environment to implement new tax regulations in the digital economy era. The global environment must provide easy access to information and support countries in tax collection. However, existing tax regulations have not fully succeeded in achieving this goal. Some views voice that the International Tax Reporting Standard (CRS) should be the main instrument in the global automatic exchange of information, or at least the CRS and Foreign Account Tax Compliance Act (FATCA) rules should be harmonized to avoid differences between the two. In addition, there is a view that every country should start providing assistance in terms of tax collection under the Organisation for Economic Co-operation and Development's (OECD MAC) Global Tax Compliance Initiative. In addition, there is also a view that the technical assistance and capacity building programs offered by the OECD must be expanded so that more countries can access them and the resources allocated for them increase in each country (Ivanov, 2022)

The general concept of digital taxes and also highlights the latest legislative efforts of the European Union and the Slovak Republic regarding digital taxes. Current legal regulations, especially in many countries, tend to be no longer in line with the development of increasingly widespread digital services. So a conceptual approach, especially at the international level, is needed to address these challenges more effectively (Hrabčák et al., 2021).

In the tax regulations in Indonesia, the Government must immediately revise tax regulations to be in line with digital businesses. The government is expected to provide solutions related to the fixed meaning of establishment, the appointment of tax collectors or withholders, the obligations of Taxpayer Identification Numbers, the regulation of the rights and obligations of Taxable Entrepreneurs, and solve the problem of supervision that is more transparent and fair. One concrete step that the government can take is to adopt a tax administration system called the "Core Tax System" to effectively address current tax challenges. These innovations must be supported by the best human resources who have competence in the fields of taxation and technology. The government also needs to immediately secure the potential for Value Added Tax (VAT) on electronic commerce, which is easier to implement than income tax (Zulma & Hizazi, 2020).

The digital economy is a new form of economic and social development that is based on a new generation of Information technology. The rapid development of cloud computing, the Internet of Things, big data, 5G and other information technologies and infrastructure has driven the rapid development of China's digital economy. Due to the digitization of goods and services and the intangible assets in this model of digital economy, this also brings opportunities and challenges to the traditional tax collection and management model. With the continued development of the digital economy, various new economic models continue to emerge. Tax management in the context of the digital economy must ensure not only fairness in taxation, but also avoid excessive tax interventions that can interfere with the normal operations of companies in the digital economy market. In addition, tax collection and management activities should be encouraged to accelerate reforms, promote joint development with the digital economy, address technical shortcomings, build information sharing platforms, strengthen national cooperation, and promote healthy growth in the digital economy and tax management in China (Zhu, 2021).

Regarding investors' responses to the European Commission's proposal regarding digital corporate tax, by examining the stock returns of companies that are potentially affected by the possible implementation of digital corporate tax. There was a significant abnormal reaction in the capital market of 20.692 percent with an absolute decline in market value, exceeding 52 billion euros, with 40 percent of the decline occurring in companies based in the United States. Investors showed a more assertive response to companies that are more likely to engage in tax avoidance practices, as well as to companies better known to the European Union. Overall, investors interpreted this proposal as a threat to the future profitability of digital companies and responded with efforts to protect tax revenues and evaluate their impact on business locations (Klein et al., 2022).

This study classifies all the articles collected based on digital tax implementation strategies in various countries. Based on these findings, we believe that the digital economy can increase tax revenues in Indonesia. However, with obstacles in the form of tax regulations that are not in accordance with the digital economy, the right solutions and strategies are needed to increase tax revenue. Proper regulations and qualified human resources are needed to solve problems related to taxes with the digital economy.

4. Conclusion

This study studies strategies for increasing tax revenues to capture the growth potential of the digital economy based on a literature review. The conclusion obtained is that various obstacles are experienced by countries in the implementation of digital taxes, such as inappropriate regulations in the country. The benefits of the digital economy make everything digital and feel easier, but there are also negative impacts in the form of the implementation of digital taxes that have not gone well. So a strategy regarding tax revenue from the existence of the digital economy is urgently needed, especially in Indonesia. By implementing the right policies, it is hoped that tax revenues from the digital economy in Indonesia can increase significantly, make a positive contribution to national economic growth, and increase fairness in the tax system in Indonesia.

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