VALUE ADDED TAX ON DONATION-BASED FINTECH CROWDFUNDING

by Ni Putu Anik Suardani Suparna Wijaya

VALUE ADDED TAX ON DONATION-BASED FINTECH CROWDFUNDING

Ni Putu Anik Suardani, Suparna Wijaya

Polytechnic of State Finance STAN, South Tangerang, Indonesia

[*)]Corresponding Author: sprnwijaya@pknstan.ac.id

Abstract *Uptrend's use of donation-based crowdfunding to raise funds digitally from year to year has not been matched by discussions from the Value Added Tax (VAT) point of view in Indonesia. This study aims to explore the business process of kitabisa.com as one of the providers of donation-based crowdfunding services in Indonesia and review its VAT imposition scheme. The research was conducted using qualitative methods through interview and documentation techniques of data collection. The results of the research show that kitabisa.com acts as an intermediary that provides platform services for online fundraising within a certain period and earns returns by deducting 5% of each fundraising collected. The delivery of the platform provides services in the donation-based crowdfunding scheme as carried out by kitabisa.com fulfills the provision of the delivery of taxable services in Article 4 paragraph (1) letter c of the VAT Law and has the potential to be established as a taxable entrepreneur so that it is obliged to collect VAT on the delivery of the platform provides services it performs.*

Keywords *Crowdfunding, Financial technology, Taxable Services*

1. Introduction

Technological developments in the digital era have brought new trends to people's lifestyles in Indonesia. Based on the survey from Association of Indonesian Internet Service Providers (APJII), in the second quarter of 2019-2020, there were 196.7 million internet users in Indonesia, or 73.3% of the average population (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019). The survey results show that technology has become an essential part of people's lives in Indonesia. Digital systems and technological advancements themselves offer various advantages that can be enjoyed in all aspects of human life. Starting from work, household matters, education, and entertainment, everything can be easily accessed through smartphones or gadgets. These technological improvements have made all work can be done quickly and easily, anytime and anywhere.

The rapid technology improvement also impacts the financial services sector, one of which is the rapid development of financial technology or often abbreviated as fintech, which is part of a large sector of the digital economy. The annual survey report released by Google, Temasek, and Bain & Company entitled e-Conomy SEA 2019 shows that Indonesia has the most extensive digital economy sector with the fastest growth compared to other countries in Southeast Asia. This survey stated that Indonesia has a value of around US$40 billion and average growth of about 49% per year. This figure shows that the growth of the digital economy has more than quadrupled since 2015. By 2025, Indonesia's digital economy sector is even projected to reach US$ 130 billion (Google et al., 2019). This condition showed that fintech within the scope of the digital economy is expected to support the Indonesian economy in the following time.

Fintech can be defined as a form of service in the financial sector based on the development of information technology innovation. Fintech is here to be a revolution in developing technology that provides financial services such as mobile payments, crowdfunding, Etc. (Nugroho & Rachmaniyah, 2019). Supporting the previous definition of innovation, Hadad (2020) stated that the innovation aims to introduce the ease of access, practicality, convenience, and more economical costs.

Various types of fintech began to grow and develop more excellent over the years and received a positive response from the Indonesian society. The General Chair of the official organization of digital financial services companies called Indonesian Fintech Association (AFTECH) Niki Luhur, in a virtual conference on September 10, 2020, stated that the number of fintech companies registered to AFTECH is rising. In 2016, AFTECH's members consisted of 24 members and grew to 275 members by the end of 2019. Meanwhile, in 2017 the total amount reached 92 members and in 2018 encountered a growth of 93% to 178 members. At the end of the second quarter of 2020, the number of AFTECH members had even reached 362 members (Walfajri, 2020). This amount shows that until the second quarter of 2020, fintech growth has increased about eleven times compared to its initial appearance in 2016. This condition certainly can be sustainable due to the dynamic development of technology and massive demand from society as users (Figure 1).

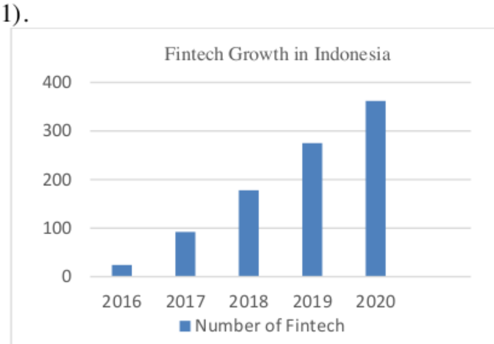

Figure 1. Fintech growth in Indonesia

Indonesia is a potential market share for fintech growth and development. Several factors that support this condition are the rapid internet invasion, the high number of productive age population, the large number of community groups whom banking services have not touched, and the existence of a conducive regulatory environment (Anastasia, 2020). In addition, the positive response from the Indonesian society as consumers can be another supporting factor in the rapid development of fintech in Indonesia. A survey conducted by dailysocial.id in December 2020 showed several reasons why respondents use fintech. The most substantial reason is the appropriateness of fintech with the respondent's needs (70.7%). Meanwhile, in the following position, around 60% of respondents stated that fintech services are reliable, user-friendly, and efficient (Lidwina, 2020). These factors are expected to continuously support the development of fintech in Indonesia in the following time.

Fintech in Indonesia is divided into several sectors according to the services offered to users. Based on data compiled by lokadata.id in 2019, Peer to Peer (P2P) Lending occupies the highest position (40%). Then followed by payment sector fintech 34%, market data analyst 9%, analytics and artificial intelligent 4%, wealth management 4%, crowdfunding 4%, insurance 3%, and others at 2% (Lokadata, 2019) (Figure 2).

Figure 2. Fintech Segmentations in Indonesia

Of the several fintech sectors in Indonesia, the one that has attracted the author's attention today is crowdfunding. In fact, crowdfunding is not a new concept, but technological advances have made crowdfunding easier and more attractive to today's society. Belleflame et al. (2010, quoted in Hariyani & Serfiyani, 2015) stated that the concept of crowdfunding comes from crowdsourcing, which is used to provide feedback and solutions in developing the activities of a startup company by utilizing "crowds" of people. The primary purpose of crowdfunding is to provide an alternative solution for entrepreneurs to obtain funding through fundraising by utilizing social media. By the existence of fintech crowdfunding, people are expected to find it easier to do mass crowdfunding.

In this study, the authors only discuss donation-based crowdfunding as one of the fintech crowdfunding sectors that is significantly used today. Hariyani & Serfiyani, (2015) simply defined donation-based crowdfunding as crowdfunding based on voluntary donations. Donation-based crowdfunding is a mass fundraising activity where people give their money for activities offered by creative businesses, the entertainment sector, or specific organizations. The main idea of donation-based crowdfunding is a voluntary, unpaid joint venture to help others. (p. 8)

The fundraising trend using donation-based crowdfunding tends to increase over the years. In 2018, Indonesia even named as the most generous country in the world according to the World Giving Index (Kitabisa Indonesia, 2018). At that time, fundraising through the online donation system grew by 119%, with 16 thousand projects being funded and involving more than one million donors. This positive trend continues and is increasing. Based on data collected up to March 2020, fundraising trend through fintech crowdfunding has quadrupled due to the high flow of donations in overcoming the COVID-19 pandemic (Evandio, 2020).

Quoted from Digital Donation Outlook (DDO) 2020, a research related to digital donations in Indonesia released by GoPay in collaboration with the research and community development organization Kopernik, digital donations in Indonesia tend to increase during the pandemic. The research show that digital donations increased at all age levels, both in frequency and nominally. The highest addition in terms of frequency occurred in the millennial generation. Meanwhile, in terms of nominal, Gen X donated the highest nominal compared to other generations. During the pandemic, the average value for each digital donation increased to 72% (Librianty, 2020).

The same source stated that there are two main reasons why the digital donation platform and application are the most widely used donation media by the public. The following reasons are the ease of payment and the guaranteed credibility of the platform. DDO research shows that Gojek is the most frequently used digital application by the public, with 52.5%. On the other hand, 71% chose Kitabisa as the most used fundraising platform. Regarding the significantly rising trend over the year, this donation method through fintech crowdfunding needs to be analyzed further from various points of view, one of which is from a tax point of view.

Before further discussion about taxation, firstly, the business processes of donation-based fintech crowdfunding service providers must be analyzed in-depth and carefully. Business process analysis aims to describe the main activities in the taxpayer's business so that potential exploration and appropriate follow-up can be carried out. In concern to taxes, business process analysis will determine the object of the tax submitted and the income earned by the service provider. Failures in business process analysis can result in tax treatment errors that can harm the state because of the potential tax loss or harm the service provider as a taxpayer.

Generally, in the donation-based fintech crowdfunding business model, a service fee with a certain percentage is charged to the party who receives the fundraising benefit. The percentage of these fees tends to differ according to the provisions and services provided to consumers. Further business process analysis is needed for donation-based fintech crowdfunding service providers to understand the tax treatment that should be applied.

According to a taxation point of view, the increasing trend of fundraising through fintech crowdfunding indicates an increasing consumption of service. This consumption relates to the imposition of Value Added Tax (VAT) imposed on the consumption of taxable goods and or services in the customs area (Indonesia). Based on Law Number 8 of 1983 as amended by Law Number 42 of 2009 concerning Value Added Tax on Goods and Services and Tax of Luxury Goods Sale, fundraising services through fintech crowdfunding are not included in non-taxable service object on Article 4A paragraph (3). Thus, it is possible to impose VAT on the delivery of fundraising services through fintech crowdfunding if the terms and conditions of taxation are met. Based on these conditions, an increase in fundraising services consumption through fintech crowdfunding can increase the state revenue potential from the VAT sector.

In terms of tax supervision in Indonesia, there has been no specific agreement regarding the taxation of donation-based fintech crowdfunding other than SE-62/PJ/2013 concerning the Affirmation of Tax Provisions on E-Commerce Transactions in general. On a global scale, there is currently the European Union as one of the regions that have an agreement on the tax treatment of donation-based fintech crowdfunding. This condition provides a general view that donation-based fintech crowdfunding is one of the sectors that has not been much highlighted, even though it has likely potential in the following time.

The topic of donation-based fintech crowdfunding has been discussed in several researches. The research generally discusses the phenomenon of the development of crowdfunding in Indonesia (Nugroho & Rachmaniyah, 2019), the legal protection of the donation-based crowdfunding system on creative industry funding in Indonesia (Hariyani & Serfiyani, 2015), as well as the implementation of taxation in financial technology (fintech) transactions in Indonesia (Kristiani, 2020). However, research on taxation aspects, especially VAT in donation-based fintech crowdfunding, is yet insignificant. Recognizing the tax potential from donation-based crowdfunding services and the little discussion in this sector, the authors are interested in examining the VAT imposition on donation-based fintech crowdfunding in Indonesia. The purpose of this study is to find out the business process of donation collection services carried out by fintech crowdfunding, describe the imposition of VAT on donation-based fintech crowdfunding in other countries, and describe the imposition of VAT on donation-based fintech crowdfunding in Indonesia.

2. Research Method

The research method in this study is divided into three parts: research design, types/sources of data, and data collection techniques. The research methods are described as follows.

This research used a qualitative method with a case study approach. Qualitative research reveals holistic-contextual indications through natural settings data collection by utilizing the researcher himself as a critical instrument, without any statistical procedures (Sugiarto, 2015). The authors use qualitative methods because this research is based on non-numeric data and data analysis procedures that use and produce non-numeric data. This research is based on documents, literature, and applicable tax regulations.

According to Saunders et al. (2009), there are two types of data sources: primary and secondary. Primary data is direct data collected by researchers from the source to fulfill research objectives. In contrast, secondary data is data that has been collected by others for any purposes other than current research purposes and is already available.

The primary data is in the form of interview data with VAT experts to obtain some opinions regarding the VAT imposition on donation-based fintech crowdfunding in Indonesia and its relation to applicable tax provisions.

The secondary data is documents in the form of journals and related studies, provisions of applicable laws and regulations, annual financial reports of related service providers, and mass media outputs and virtual outputs that support the research objectives.

Data collection techniques in this study consisted of interviews and documentation. The author conducted interviews with VAT experts as participants. Interviews were conducted in a semi-structured manner. According to Saunders et al. (2009), in semi-structured interviews, the researcher starts with a list of predetermined themes and some critical questions related to these themes to guide the direction of each interview. The interview aims to find out the participants' opinions regarding the VAT imposition on donation-based crowdfunding in Indonesia from a theoretical and practical point of view. The participants involved consist of four people who are experts in VAT. There are two lecturers at PKN STAN (codes D1 and D2), one *widyaiswara* at the Tax Education and Training Center (code W1), and one account representative at the Primary Tax Service Office (code AR1). The interviews were conducted through zoom meeting and google forms due to the pandemic situation.

Saunders et al. (2009) stated that the observational data collection method or field observation is a method that produces descriptions of activities, behaviors, actions, conversations, interpersonal interactions, organizational/community processes, or other observable aspects of human experience. There are two types of observer roles, participatory and non-participatory observers. In this study, the author acts as a non-participatory observer and observes the online donation service business process, donation-based fintech crowdfunding, and the VAT implications.

According to Hardani (2020), the data collection technique by documentation retrieves data obtained through documents. The author used documents such as journals and related studies, provisions of applicable laws and regulations, annual financial reports of related service providers, and mass media outputs and virtual outputs that can support the research objectives.

3. Result and Discussion

Based on the data collection and analysis, some research results are obtained as follows.

3.1.Business Process of kitabisa.com

Following its function as a crowdfunding medium, kitabisa.com acts as a medium to bring together two parties interests, fundraisers and donors. Generally, kitabisa.com provides two types of fundraising, medical fundraising, and non-medical fundraising. Medical fundraising aims to raise funds for medical expenses and non-medical fundraising for any category other than medication.

Medical Fundraising Procedures

Medical fundraising can be done by these following steps.

a. Log in to the account via the kitabisa.com website.
b. Select fundraising.
c. Select medical & health assistance fundraising.
d. Fill in the required information. The information consists of four parts. The first part is related to the information of the fundraising's recipient. The second part contains detailed information about fundraisings, such as fundraising headlines, fundraising links, fundraising objectives, timeframe, and fundraiser's contact information. The third part is to include the main fundraising photo. The last part is a brief description of fundraising, including the name, background, and the relationship between the fundraiser and the beneficiary. It also contains the beneficiary's condition to be assisted, explaining the purpose of using the funds, an email, contact person, and donating invitation (Kitabisa Indonesia, 2021).
e. After filling the form, confirm and agree to the terms and conditions that apply, including the administration fee.
f. Enter the six-digit verification code to complete the fundraising page.
g. The fundraising page has been successfully created. Share the link to find donors start from the closest contacts.
h. Fundraisers must immediately verify the account and complete the system's identity verification and medical verification.

Non-Medical Fundraising Procedures

Non-Medical Fundraising can be done by following these steps.

a. Log in to the account via the kitabisa.com website.
b. Select fundraising.
c. Select others fundraising.
d. Fill in the required information. The information consists of four parts. The first part is related to the information of the fundraising's recipient. The second part contains detailed information about fundraisings, such as fundraising headlines, fundraising links, fundraising objectives, timeframe, and fundraiser's contact information. The third part is to include the main fundraising photo. The last part is a brief description of fundraising, including the name, background, and the relationship between the fundraiser and the beneficiary. It also contains the beneficiary's condition to be assisted, explaining the purpose of using the funds, an email, contact person, and donating invitation (Kitabisa Indonesia, 2021).
e. After filling the form, confirm and agree to the terms and conditions that apply, including the administration fee.
f. Enter the six-digit verification code to complete the fundraising page.
g. The fundraising page has been successfully created. Share the link to find donors start from the closest contacts.

Terms and Fees

Kitabisa requires its users to agree to the applicable terms and conditions, including the service fees called administrative/administration fees. Quoted from the kitabisa.com page regarding guidelines and fees related to administrative fees during the use of the website for fundraising, several provisions applied by kitabisa.com as follows.

a. Kitabisa does not charge an administration fee when a fundraiser creates a fundraising page.
b. Kitabisa only charges an administration fee from online donations that have been collected.
c. The donation amount displayed on the fundraising page is the total amount of donations before being charged by an administration fee.
d. Administration fees charged by kitabisa.com can be categorized into two types: platform fees and payment processing fees.
   Platform fee is an administrative fee charged at 5% of online donations collected, except for *zakat* and natural disasters fundraising category. This 5% deduction is used to cover their operations expenses as social entrepreneurs.
   The payment processing fee is the donation disbursement fee charged to the fundraiser and the donations payment fee charged to donors. The payment processing fee is adjusted to the donation payment method (through a bank or e-wallet) and the destination bank that receives the donation disbursement.

Business Process

In summary, the flow of fundraising through kitabisa.com is as follows.

a. The fundraiser sign in to a Kitabisa account, fills in the required form, and selects a fundraising category. The fundraiser also determines the donations target and the campaign (fundraising) deadline in this step.
b. Kitabisa reviews and validates the incoming campaign following the applicable terms and conditions. Verification is required for medical fundraising only.
c. Kitabisa notify the validated campaigns. The result is that the campaign is accepted or rejected.
d. The fundraiser can share the accepted campaign during a predetermined range of days. They should share the campaign through various media so that the expected donation target could be achieved.
e. When the campaign period ends, fundraisers can disburse the collected donations. Disbursement can still be made even the donation does not achieve 100% of the donation target that has been set at the beginning. However, if the campaign period expires and no donations have been collected, it becomes the fundraiser's risk, and Kitabisa does not charge any administrative fees. If the donation is not collected until the campaign period ends, then the process is complete.
f. According to the donation category, when the fundraiser disburses the collected donations, Kitabisa will deduct administrative costs or maintenance costs by 5%, except for natural disasters fundraising.
g. Fundraisers carry out the projects and send reports and feedback to Kitabisa as a form of accountability and monitoring of the donations that have been successfully collected.
h. Fundraisers share fundraising success stories on the kitabisa.com page and social media to inspire other *#OrangBaik* to get involved in helping others.
i. Done

3.2. The VAT Imposition on Donation-Based Fintech Crowdfunding in Other Countries

The rapid development of financial technology makes it easier for people to carry out financial transactions. Related conditions also occur in the current development of crowdfunding in Indonesia. As stated by the founder of Kitabisa, back in 2013, crowdfunding had developed overseas before being pioneered in Indonesia. Therefore, concerning taxation, foreign tax authorities have faced the tax implication of crowdfunding earlier. These are the following results regarding the VAT imposition on donation-based fintech crowdfunding in other countries.

a. European Union

In 2015, The European Union agreed on the Value Added Tax (VAT) treatment of donation-based crowdfunding through Working Paper No. 836. The commission stated that no VAT issues arise in donation-based crowdfunding because fundraisers give no exchange to the donors. According to the commission, this type of donation-based crowdfunding is outside the scope of VAT.

Furthermore, regarding the position of the donor, donating to a donation-based crowdfunding project will not result in the status of a taxable person within the scope of VAT solely because the donor makes a donation. However, the obligation to collect VAT will still arise if a donor is a taxable person and donating goods or services because the donation is included as a taxable delivery.

From the crowdfunding media point of view, if the platform is financed from donations or subsidies, then the platform does not qualify as a taxable person. However, if the platform imposes a maintenance charge or whatsoever charge form at a certain percentage of the donation, then the platform qualifies as a taxable person and the services provided are the provision of taxable services.

b. Australia

Quoted from its official website, the Australian Taxation Office, the Australian government provides several regulations for the goods and service tax on crowdfunding through the A New Tax System (Goods and Services Tax) Act 1999 (GST Act). The imposition of Goods and Service Tax (GST) regulation depends on each crowdfunding business model. Crowdfunding is done through the internet and social media to raise funds for specific projects. Usually, a third-party function as an intermediary that connects the interests of fundraisers and donors.

In donation-based crowdfunding, the donor does not get any return from the fundraiser. Under these conditions, there is no GST obligation that the donor must carry out. In terms of the media or crowdfunding platform, the crowdfunding intermediary has provided taxable services to the fundraiser. In that scheme, the crowdfunding intermediary must fulfill the goods and service tax provisions. The obligation to register for GST arises when a company has GST (gross income from all businesses minus GST) turnover of $75,000 or more or its expected turnover to reach the GST threshold (or more) in the first year of operation. The applicable GST rate in Australia is 10%.

c. Singapore

Based on the guidelines for sharing economy actors published by the Inland Revenue Authority of Singapore, several provisions are related to donation-based crowdfunding. Donors in a donation-based crowdfunding mechanism commonly do not receive anything in return for their donations. Therefore, there will be no Goods and Service Tax (GST) implications.

For intermediaries or crowdfunding platforms operators, the income earned from operating the platform will be taxed as trade or business income if it operates in Singapore. The commission fee charged by the platform provider to users is taxed at the standard rate of 7% GST. The obligation for GST registration will arise if the platform provider commission fee is more than $1 million or intends to make taxable submissions in the next 12 months more than $1 million during the last 12 months ending in March, June, September, or December.

The summary of VAT imposition on donation-based fintech crowdfunding in other countries is presented below.

TABLE I

VAT IMPOSITION ON DONATION-BASED FINTECH CROWDFUNDING IN OTHER COUNTRIES

Country	VAT Implication	
	Donor	**Platform**
European Union	-	Include as taxable services if the platform imposes a maintenance charge or whatsoever charge form
Australia	-	Taxable service
Singapore	-	Taxable service

3.3.VAT Imposition on Donation-Based Fintech Crowdfunding in Indonesia

Based on the data collection method in the form of interviews and documentation, the following results are obtained as follows.

a. Money and Goods Collection Provisions In Indonesia

The money and goods collection provisions in Indonesia is regulated by The Law Number 9 of 1961 concerning the Collection of Money and Goods (PUB). The law states that the public collection of money and goods (donations) can only be carried out by an organization or committee that fits the requirements and has obtained prior permission from the authorized official. The requirements are that the organization has a Notary Deed/Deed of Establishment accompanied by articles of association and by-laws and has registered status with the local Social Service/Institution if the organization is engaged in Social Welfare (Republik Indonesia, 1961).

Kita Bisa Foundation already has a PUB permit from the Ministry of Social Affairs with Decree Number 365/HUK-PS/2020 for the general category and 210/HUK-UND/2020 for the natural disaster category. The permit is renewed every three months under applicable regulations.

Kita Bisa Foundation's obligation as the organizer of PUB for collecting money and goods is to distribute the collected donations following the usage plan as specified in the permit decision. Furthermore, Kitabisa must also report the fund receipt and the fund usage accompanied by evidence as responsibility. Regarding donation distribution, kitabisa.com provides transparent information to the public through a report that can be accessed in each campaign, as shown in Figure 3.

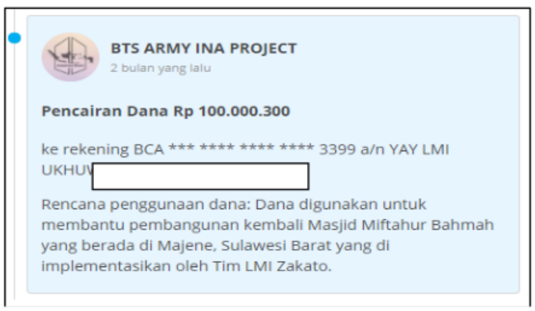

Figure 3. Donation usage report

Funding plans and reports can be seen in each of the fundraising activities carried out. In addition, following the applicable regulations, Kita Bisa Foundation also submits the fundraising reports to authorized officials. There are no other up-to-date arrangements regarding donation-based crowdfunding.

b. Platform Provision Service by Kitabisa.com

Based on its business processes analysis, kitabisa.com acts as an intermediary, the media or third parties that connect the interests of fundraisers with donors in crowdfunding mechanism. Kitabisa helps fundraisers open fundraising pages that can be shared through social media to reach donors more quickly and easily. In addition, a fundraising page that is open to the public can also make it easier for fundraisers to conduct fundraising transparently and credibly.

After the fundraising time is over, the fundraising page will be closed, and the fundraiser can withdraw the collected funds. At that time, kitabisa.com will deduct an administration fee of 5% of the total donations collected. Kitabisa.com uses the administration fee deduction of 5% from the total donation to finance its business operations as a social enterprise.

Based on the results of the interviews and business processes analysis of kitabisa.com, kitabisa.com provides services to its users called fundraisers. Then, Kita Bisa receives a commission of 5% of the total donations collected from each fundraising activity. According to interview participant W1, this service is a platform provision service for fundraisers. This platform provision service by kitabisa.com allows fundraisers to create a fundraising page and utilize it within a certain period.

c. Platform Provision Service is Taxable Service

From the taxation point of view, the four participants shared the same opinion that the platform provision service provided by kitabisa.com can be taxable. This service can be categorized as taxable services if it is not a part of the excluded object of VAT imposition as stated in Law Number 42 of 2009 concerning Value Added Tax on Goods and Services and Tax of Luxury Goods Sale Article 4A paragraph (3).

Kitabisa.com is a crowdfunding medium that is part of financial technology, a technology-based financial service. Based on article 4A paragraph (3) of the VAT Law, financial services are excluded from VAT imposition. However, based on the explanation of the VAT Law, the definition of financial services is limited to fund gathering from the public includes currents account, time deposit, certificate of deposit, saving, and or any other equal forms, placing or lending the fund to the other parties, finance services, loan distributing services, and underwriting services (Republik Indonesia, 2009).

Based on this explanation, platform provision service by crowdfunding media such as kitabisa.com does not fit the financial services definition that is excluded from the VAT imposition. Therefore, platform provision service by kitabisa.com is a taxable service.

d. Kita Bisa Foundation as an Entrepreneur

In carrying out its operational fundraising activities, kitabisa.com has a legal entity under Kita Bisa Foundation. Regarding VAT regulation, Kita Bisa Foundation is the subject that provides taxable services called platform provision service to its users. Participant W1 stated that Kita Bisa Foundation fits the definition of an entrepreneur who is performing service with a legal entity in the form of a foundation.

The VAT Law Article 4 paragraph (1) letter c stated that VAT shall be imposed on the delivery of taxable services carried out by entrepreneurs within the customs area. Furthermore, in Article 1 point 14 of the VAT Law, an entrepreneur is defined as an individual or entity in whatsoever form during its business activity or work producing, performing business trade, including performing service. As for article 1, number 13, it is emphasized that an entity is a group of people and/or capital that are unity either those who perform business or not, including a foundation (Republik Indonesia, 2009). Based on this description, from a VAT point of view, Kita Bisa Foundation fits the definition of an entrepreneur. Kita Bisa Foundation is an entity that performs platform provision service which is categorized as taxable services.

e. Transfer/Delivery of Taxable Service

The utilization of kitabisa.com as a crowdfunding medium shows that consumption activities are taking place. Fundraisers consume the platform provision service provided by kitabisa.com. The consumption of this service could potentially be a transfer of taxable services following the VAT law. Based on the interviews, the four participants expressed the same opinion. The delivery of platform provision service provided by kitabisa.com can be categorized as delivery or transfer of taxable service when the VAT Law Article 4 paragraph (1) letter c requirements are matched.

The VAT Law Article 4 paragraph (1) letter c stated that VAT is imposed on the delivery of taxable services carried out by entrepreneurs within the customs area (Republik Indonesia, 2009). Based on the description of the previous three points related to platform provision service, taxable services, and the definition of entrepreneur, it can be concluded that kitabisa.com is one of the crowdfunding media that provides platform services to raise funds within a certain period. In return for providing the platform, kitabisa.com has the right to deduct 5% of the total amount of donations collected.

The platform provision service does not match the definition of financial services, which is excluded from VAT imposition, so it is taxable services. Then, the Kita Bisa Foundation, as a legal entity that manages fundraising operations through kitabisa.com can be categorized as an entrepreneur who is performing service by delivering platform provision service. The last, the consumption of platform provision service provided by kitabisa.com occurs within the customs area, which is in Indonesia. Therefore, the provision of a fundraising platform as carried out by kitabisa.com complies with Article 4 paragraph (1) letter c, which is the delivery of taxable services subject to VAT.

f. Kita Bisa Foundation Potential to be established as Taxable Entrepreneur

As stated in Article 3A of the VAT Law, entrepreneurs who provide taxable services within the customs area are required to report their business to be established as taxable entrepreneurs, except the small entrepreneur of which limitation is stipulated by the FinanceMinister. Based on the Minister of Finance Regulation (PMK) Number 197/PMK.03/2013, the threshold for small entrepreneurs who must be established as a Taxable Entrepreneur (PKP) or become a VAT mandatory is IDR 4.8 billion in a year (Kementerian Keuangan Republik Indonesia, 2013). Meanwhile, small entrepreneurs can choose to be established as taxable entrepreneurs or not.

Based on the interviews, participants W1 and D1 stated that kitabisa.com's turnover could be calculated from the administrative fee, 5% of the total donation. Participant D1 also stated that the annual turnover could be calculated using the gross-up method to determine the minimum amount of donations that kitabisa.com must receive, so it must be established as a taxable entrepreneur. The calculation illustration can be shown below.

$$\text{Donation receipt in one year} = \text{Rp } 4.800.000.000 : 5\%$$
$$= \text{Rp } 96.000.000.000$$

This means, if Kita Bisa collects donations (other than natural disasters fundraising) of at least 96 billion a year, then the turnover derived from a 5% fee deduction from 96 billion equals 4.8 billion. This condition will exceed the threshold of small entrepreneurs, thus cause the Kita Bisa Foundation's obligation to report and be established as a Taxable Entrepreneur.

As transparency, every year kitabisa.com releases audited financial reports. In addition, kitabisa.com also releases an annual report called the Online Giving Report. Based on the annual report, the authors collect the growth of online donations information received by kitabisa.com every year until 2018, presented in Figure 4.

Based on Figure 4, the number of donations received by kitabisa.com seems quite extensive and continues to increase each year. However, this amount is not solely the turnover obtained by kitabisa.com. The revenue data in Figure 4 is the overall donation data received by kitabisa.com, which will later be transferred back to the fundraisers. It should be noted that the administration fee deduction of 5% of the total donation is not made for natural disasters fundraising.

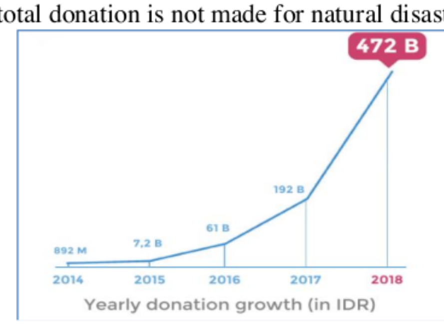

Figure 4. Donation growth

Furthermore, to estimate the platform revenue, which is calculated as turnover, the authors analyzes the financial statements of Kita Bisa Foundation. The authors accumulates the number of donations received and distributed by Kitabisa, then calculates the difference, estimating the gross revenue (turnover) of kitabisa.com. The receipts and disbursements donation information from the audited financial statements of Kita Bisa Foundation is presented in Table II.

Based on Table II, the estimate of potential turnover received by the Kitabisa Foundation has exceeded the turnover threshold for small entrepreneurs, which is IDR 4.8 billion in a year. Therefore, the Kita Bisa Foundation should report its business so that it has the potential to be established as a taxable entrepreneur.

TABLE II
DONATION DATA

Year	Annual Donation Received (Rp)	Annual Donation Distribution (Rp)	Estimated Platform's Potential Turnover (Rp)
2017	103,791,069,482	96,388,710,250	7,402,359,232
2018	241,800,824,833	227,315,507,947	14,485,316,886
2019	502,414,545,532	473,853,463,646	28,561,081,886

g. Kita Bisa Foundation Obligation as Taxable Entrepreneur

After reporting its business to be established as the Taxable Entrepreneur, Kita Bisa shall be obliged to:

(a.) Collecting VAT on the delivery of taxable services by issuing a tax invoice for each delivery. The tax payable occurs when the donation has been collected and Kita Bisa charges the administration fee. The tax imposition basis for calculating the VAT payable is the replacement value, which is the administration fee. For natural disasters fundraising, Kitabisa does not charge a fee so that the replacement value becomes zero. If so, there is no VAT payable, and no tax invoice is issued for the transaction.

(b.) Deposit the Value Added Tax payable no more than the end of next month after the end of the tax period and before the Notification Letter of Tax Period is submitted.

(c.) Submit a Notification Letter of Tax Period no more than the end of next month after tax period ended.

h. VAT Imposition on Donation-Based Crowdfunding from Social Aspect Point of View

Based on the interview, one of the participants (code D1) gave an opinion about the imposition of VAT on donation-based crowdfunding from another point of view. The participant stated that the business process carried out by kitabisa.com is almost the same as Badan Amil Zakat Nasional (BAZNAS) or other religious institutions that collect donations and then distribute them back to the community. Each of these institutions also made some deduction for the operational expense of the institution. They indeed deduct some amount of the donation for operational expense, but they do not publish the regulation as kitabisa.com did. Meanwhile, kitabisa.com clearly states a 5% administration fee deduction, so it seems as if the fee is a service fee. In fact, these deductions are certainly needed to finance the operations such as site maintenance.

Following almost the same business process flow, the participant argued that donation-based crowdfunding should be treated like BAZNAS and other religious institutions. It means there is no need to impose VAT on fundraising activities. However, unfortunately, there is no further regulation regarding donation-based crowdfunding actors from the Ministry of Social Affairs regarding the equality of treatment.

Furthermore, the participant also stated that the imposition of VAT on donation-based crowdfunding, such as kitabisa.com, does not show the government's support for crowdfunding institutions assistance that have collected funds from the community and sent them back to people in need.

In conclusion, participant D1 believed that platform provision service delivery carried out by kitabisa.com is potential to VAT imposition based on the analysis of business processes. However, the government needs to be careful and consider the impact it will have on society.

4. Conclusion

Following its function as a crowdfunding medium, Kitabisa brings together two parties' interests, the fundraisers and donors. Overall, Kitabisa facilitates two types of fundraising, which are medical fundraising and non-medical fundraising. The business process involves three parties consisting of fundraisers, donors, and kitabisa.com as the crowdfunding medium. Kitabisa.com charges an administration fee of 5% of the total donations collected as operational costs. The fee deduction is not made for natural disasters fundraising. Fee deduction is made when the fundraising period is over, and donations have been collected. If no donations have been collected until the fundraising deadline ends, kitabisa.com does not make any deductions for the use of the Kitabisa page by the fundraiser as a fundraising medium. Kitabisa.com earns its revenue from the administration fee deduction, which can cover the operational expenses as a social enterprise.

The European Union in 2015 agreed on the Value Added Tax (VAT) treatment of donation-based crowdfunding. No VAT implications are arising from the donor side. Meanwhile, this includes taxable service delivery from the platform side of the platform imposes a maintenance charge or whatsoever charge form. Meanwhile, Australia and Singapore have almost the same provisions on the Goods and Service Tax (GST) imposition on donation-based crowdfunding. No tax implications are arising from the donor side. Meanwhile, from the platform side, platform provision service as a crowdfunding medium fulfill the provision of taxable services, and the provider must collect GST if it exceeds the minimum limit.

Based on its business processes analysis, kitabisa.com provides platform provision service that allow fundraisers to create a fundraising page and use it within a certain period. The provision of a fundraising platform as carried out by kitabisa.com consider as delivery of taxable services subject to VAT. Therefore, kitabisa.com has the potential to be established as a Taxable Entrepreneur and collect VAT if the gross turnover for one year has exceeded the limit of IDR 4.8 billion.

However, one of the participants also believed that the business process of kitabisa.com is almost the same as the Badan Amil Zakat Nasional and other religious institutions so that kitabisa.com should be treated the same as these institutions. Furthermore, when it comes to VAT potential, kitabisa.com has the potential to collect VAT. However, in terms of the government's function as a regulator, the government needs to carefully considering that crowdfunding media directly positively impacts the community.

VALUE ADDED TAX ON DONATION-BASED FINTECH CROWDFUNDING

ORIGINALITY REPORT

7%	5%	1%	3%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.flevin.com Internet Source	2%
2	e-journal.unair.ac.id Internet Source	1%
3	Submitted to Australian Catholic University Student Paper	<1%
4	Submitted to Vaasan yliopisto Student Paper	<1%
5	ijmmu.com Internet Source	<1%
6	east-ventures-reports.s3-ap-southeast-1.amazonaws.com Internet Source	<1%
7	www.downloadjurnal.com Internet Source	<1%
8	Submitted to University of Sheffield Student Paper	<1%
	www.aph.gov.au	

9	Internet Source	<1 %
10	perspektif-hukum.hangtuah.ac.id Internet Source	<1 %
11	Leardini, Chiara, Gina Rossi, and Sara Moggi. "Governance Roles and Responsibilities", Contributions to Management Science, 2014. Publication	<1 %
12	Submitted to Universitas Pelita Harapan Student Paper	<1 %
13	Esi Sekar Rini, Murwendah. "Taxing the Smart Retail: Value Added Tax Policy Analysis on Digital Transactions in Indonesia", 2020 International Conference on ICT for Smart Society (ICISS), 2020 Publication	<1 %
14	Submitted to International University of Japan Student Paper	<1 %
15	Muharman Lubis, Nadira Alifia Rahman, Putra Fajar Alam. "Marketing Strategies Design for Crowdsourcing Application in Indonesia", 2021 7th International Conference on E-Business and Applications, 2021 Publication	<1 %
16	www.kemenkeu.go.id Internet Source	<1 %

Exclude quotes	Off	Exclude matches	< 11 words
Exclude bibliography	On		