



Tax Laws on Crypto currencies and NFTs are Being Implemented in Indonesi

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Abstract

In an effort to raise money for the government, this study looks at the idea of taxing digital assets such as cryptocurrencies and NFT. It is possible to assess whether cryptocurrencies and other digital assets (NFT) should be subject to high or low tax rates using normative research methodologies. In addition to understanding bitcoin tax laws and NFT, the study examined the tax regulations of several nations regarding cryptocurrencies and digital assets. Depending on the country, different laws, procedures, and concerns apply to the regulation of cryptocurrencies and NFT. There is no global consensus on this.

Keywords; *taxes, cryptocurrencies, digitalassets, NFT*

I. INTRODUCTION

Along with benefits, new items, especially technology, can cause conflict. This also holds true for the development of digital assets and currencies via digital technologies. The history of this product's creation is the result of developments in information technology, which gave rise to the Blockchain system, which links data blocks cryptographically without the need for middlemen to transmit information in real time (Arslanian & Fischer, 2019).

Blockchain eventually became one of the most popular and promising technologies in recent years. Following the launch of a new currency known as Bitcoin, its popularity and value skyrocketed in an instant. Blockchain was once only intimately tied to Bitcoin. However, blockchain technology has evolved into a stand-alone system that can be used for a variety of additional reasons, like enhancing payment processes and storing data and transactions. Security continues to be a top emphasis, in contrast to other systems that are centralized. It will not matter if individual connections break. Data security is further aided by the lack of intermediaries. We are all aware that the misuse of data by third parties continues to be a

criminal crime. One of the situations that still frequently happens is the trading of client credit card information. In contrast, this is not the case with blockchain. (Kwak, 2019).

In some areas, this is undoubtedly acceptable, and the financial sector makes extensive use of the blockchain idea. Due in large part to the fact that financial reporting on blockchain differ from those in conventional systems, cryptocurrency is by far the most widely used application. Where must adhere to the regulations and directives of different institutions. Blocks in Bitcoin are made by "miners," who are also in charge of validating blocks and are paid in Bitcoin or other cryptocurrencies like Ethereum (Omote&Yano, 2020). To validate blocks, miners employ special computing units known as excavators. The entire procedure is sometimes referred to as "cryptocurrency mining." Based on this quick explanation, Bitcoin demonstrates how blockchain principles can alter the process of money transactions. The banking sector will soon be able to use blockchain technology to replace the majority of its activities, dramatically improving payment processing. Credit card payments are now made within hours or even days. Such delays are unnecessary in blockchain since payments may be made in real time via the so-called universal ledger (Ajao et al., 2019). By automatically executing contracts in a cost-effective, transparent, and secure manner, blockchain has the potential to disrupt the entire traditional transaction process (Reinhard, 2019).

According to a review of the literature, blockchain has more applications. N. Szabo, for example, proposed the concept of "smart contracts," which connect computer protocols to human interfaces to implement contract terms (Westerkamp, 2019). Smart contracts are becoming increasingly popular as a result of the blockchain system, which allows them to be generated more quickly with blocks. According to the authors, such



an innovative technique could reduce the need for lawyers and banks to be involved in the settlement of real estate contracts. Property management, both real and intangible, can potentially benefit from smart contracts (Jung, 2018). Ethereum, the decentralized system first proposed by Buterin, is a good example of blockchain technology handling smart contracts in the model outlined above (Tarkhanov, 2019). Ethereum can be thought of as an extension of the Bitcoin blockchain that allows for a broader range of applications. According to Gunay, blockchain technology enables the creation of contracts through encryption and without the involvement of third parties such as notaries, which was previously essential to develop confidence. Today, cryptography enables users to trust one another and transfer different resources across the Internet using peer-to-peer networks (Gunay & Kaşkalolu, 2019). Cited in Wang: Georgia is the first nation in the world to reinstate its land registration system using blockchain, doing away with the previous bureaucratic method (Wang et al., 2020).

NFTs are non-exchangeable tokens that primarily make use of Ethereum's blockchain technology to establish ownership of digital assets. These assets can include music, films, photos, collectibles, or other types of digital data, such as images of tools or in-game characters. Each token serves as evidence of ownership of an asset, typically a digital asset, though they are also advertised as evidence of ownership of physical items. An "immutable and cryptographically secured record on the blockchain," which is comparable to "a digital certificate of title or stamp of authenticity," serves as proof that someone is the owner of the underlying asset and is used by others in the cryptosphere to verify ownership of NFTs (Mutheet et al., 2020).

The blockchain contains records of this ownership, although the digital assets themselves are held on separate, non-cryptographically secured servers owned by the host platform. In a nutshell, NFT is the tokenization of rights obtained from art, such as a license to a certain combination. Having an NFT means having the rights outlined in the NFT. The most well-liked NFT categories appear to be art collections and NFTs, particularly since Gozali and Ahmed and someone who was able to earn millions of dollars by selling his photographs on the NFT marketplace (Penowo, 2022).

The issue that this research will highlight is how tax rules are being imposed on cryptocurrencies and NFTs, which are being traded and used as digital assets and currency on a vast scale. There is a

significant opportunity to increase state revenue. It is permissible to use it as a commodity that can be traded on a futures exchange as an investing tool. The Commodity Futures Trading Regulatory Agency (CoFTRA/Bappebti) has authorized and is in charge of overseeing cryptocurrency trading in Indonesia.

II. METHOD

The research methodology used in this study is descriptive normative legal. Legal research (legal research) is research done to determine whether or whether there exist laws that govern a particular action. In this instance, the author attempts to investigate the relationship between tax laws and a digital product, in this case bitcoin and digital assets. Given that cryptocurrency transactions in Indonesia are not specifically governed by any legislative rules.

III. RESULT AND DISCUSSION

A peer-to-peer network currency with an open source, mathematical foundation is referred to as cryptocurrency. This currency has neither a centralized management authority nor centralized control and monitoring. Cryptographic principles are applied in cryptocurrencies to create a safe information economy that can function dispersedly without being tied to a core (Busulwa & Evans, 2021). According to certain definitions, it is a virtual currency issuing system that serves as a standard currency and offers a virtual way to pay for goods and services without the need for a trustworthy central authority (Al-Rawy & Elci, 2018).

The definition and use of cryptocurrencies are not governed by any international or domestic laws. Cryptocurrencies have a space where they can sustain an independent existence and the idea that they are an autonomous structure independent of legal control thanks to the absence of regulatory norms. However, this state of affairs is only transitory since numerous countries' key authorities and international organizations continue to look for legal frameworks for these entities. There is some ambiguity regarding several elements of cryptocurrencies, including whether it is legal in some nations and not in others. While some nations are still seeking for the legal and technological infrastructure required for cryptocurrencies and their technologies, others have already made the necessary preparations.

In terms of the national economy, there are numerous areas where there are gaps due to the features of cryptocurrencies and technological requirements. Numerous opportunities and problems are brought about by this gap. The infrastructure



offered by economic theory for economic authorities and policy makers to close this gap and make the best decisions is constrained (Chiu & Koepl, 2017: 2).

On the basis of the search for legal regulations on cryptocurrencies, it can be stated that the idea that it provides a sound reflection of the impact of this technological innovation on the national and international dimensions of social, political, economic, and financial life and prevents its misuse is very important because cryptocurrencies are a decentralized system whose existence is created by individuals or institutions that are outside of the authority and control of the government. These traits offer a favorable setting for the execution of a number of illicit operations that are sensitive to the international community, such as the money laundering from unlawful activities, illegal trade, illegal gaming, tax evasion, and financing of terrorism (Reinhard, 2019; Riehl & Ward, 2020).

Numerous business transactions involving cryptocurrencies have the potential to cause the national economy to lose a sizable amount of money. The atmosphere that cryptocurrency systems have established, along with diverse activities like mining and user-accessible blockchain architecture, leads to confusion when it comes to the establishment of a legal and regulatory framework for tax purposes (Yano et al., 2020).

Another issue arises when trying to tax a new activity without a legal foundation. Many nations have intensified efforts to replace cryptocurrencies with their own digital currency in order to address this issue. For emerging nations, cryptocurrencies present both potential and threats.

The crypto coin market and transaction volume differ in developing nations. India's cryptocurrency business, which began to emerge earlier in 2012 and has a very tiny area of use, has accelerated due to the country's new crypto coin trading platforms. People are beginning to use cryptocurrencies, and even Indians have pulled their money out of the digital currency. Consequently, it is not surprise that the Narendra Modi administration established new regulations that impose significant taxes on cryptocurrencies up to NFT (Melani, 2022).

Many developing nations view cryptocurrencies as alternate trading options as well as answers to issues like declining national currencies and speculative attacks. But several developing nations are wary about cryptocurrencies, and some even forbid particular types of transactions. For instance, China began prohibiting

specific cryptocurrency market activities in 2017. Studies are being conducted in Thailand and South Korea in order to implement regulations. Vietnamese legislation prohibits the imposition of taxes on bitcoin revenue because it is not recognized as an asset. It was decided that cryptocurrencies are not considered legal money there at the end of 2017 (Le et al., 2018).

If cryptocurrency legalization is contained in 1 Number 7 of the Commodity Futures Trading Supervisory Agency Regulation Number 5 of 2019 concerning Technical Provisions for the Implementation of the Physical Market for Crypto Assets (Crypto Assets) on the Futures Exchange, it is carefully explained that Crypto Assets also include commodities where the digital assets are connected on peer-to-peer networks and distributed ledgers.

Additionally, a type of crypto asset is cryptocurrency. As a result of this explanation, it is possible to conclude that a cryptocurrency is a system that uses cryptographic technology to conduct safe data transmission and establish a digital currency exchange. Simply explained, a virtual money system known as cryptocurrency performs similar tasks to those of traditional currencies while also being used for virtual business transactions. Although there are many different types of cryptocurrencies, Bitcoin is the first and most well-known one on the online market. Other cryptocurrencies include Ethereum, Ripple, and Litecoin. The peer-to-peer cryptocurrency payment network or system is completely user-controlled, decentralized, and exempt from Commodity Futures Trading Regulatory Agency Regulation Number 5 of 2019. As a prospective market for cryptocurrency investment, Indonesia will gain a lot from cryptocurrency taxation if the government implements the proper rules. As stated in Article 4A Paragraph (2) of Law Number 42 of 2009 about VAT and PPnBM, cryptocurrency, which is part of crypto assets, is not an item that cannot be subject to VAT, so it is possible to say that cryptocurrency is an object of VAT in terms of tax legislation in Indonesia. However, Article 2 of the Regulation of the Minister of Trade of the Republic of Indonesia Number 99 of 2018 about the General Policy for the Implementation of Crypto Asset Futures Trading also classifies cryptocurrencies as commodities (Crypto Assets). As a result, as an update to the existing law, Law Number 36 of 2008, capital gains from cryptocurrency trades may be liable to income tax as specified in Article 17 Paragraph 1.

Taxes may be collected if cryptocurrencies are used as an investment option in Indonesia. Not only do the number of users keep rising, but so does



the number of trades. According to figures from the Indonesian Ministry of Trade's Commodity Futures Trading Supervisory Agency (CoFTRA) as of December 31, 2021, the number of investors reached 10 million, with a trading volume of close to Rp 500 trillion (Olavia, 2022).

There are two ways to look at the potential for tax withdrawals on digital currencies and assets. First, on the sales side, there is the potential for VAT to be collected from businesses that fall under the umbrella of Taxable Entrepreneurs (PKP), and then there is the potential for PPh to be collected from capital gains made by cryptocurrency investors, or NFT, on margin from the selling rate and buying rate.

The difference between the buying and selling rates is a taxable gain that can be taxed. The researcher provides a viewpoint on the issue of income tax withdrawal on cryptocurrencies and NFT transactions in Indonesia in this study. When it comes to cryptocurrency transactions, including NFT and the individual category, taxpayers are tax subjects who already have a legal obligation to pay income tax. Naturally, reporting it in the yearly tax return is required after that.

However, the public and users of currencies, digital assets, cryptocurrencies, and NFTs have not reported due to restrictions on tax literacy. This will undoubtedly lower Indonesia's state tax collection from cryptocurrency investments.

Other nations likewise appear to have issues with the regulation and taxation of digital assets and digital currencies. It appears that each nation continues to view cryptocurrencies differently. Some nations view bitcoin transactions as barter exchanges, while others view it as property. It is obvious that there is no global agreement on the framework for taxing cryptocurrencies.

We will examine various nations below, demonstrating that underdeveloped nations like Indonesia are not the only ones with lax tax laws when it comes to digital goods. Even stable economies are still learning about taxes, rules, and regulations.

The vast majority of countries highlight the cryptocurrencies' considerable risk. It is clear that the system's transaction procedure is uncontrolled, and bitcoin investors who suffer losses have no legal redress. Additionally, some people view cryptocurrencies as a platform for unlawful operations like tax avoidance, money laundering, and terrorism.

To cut down on market losses, certain nations, including Australia, Canada, and Iceland, have lately expanded their rules on cryptocurrencies. The terminology that various nations use to refer to cryptocurrencies is still up for debate. Table 1 lists a few names for cryptocurrencies in various nations, as follow:

Table1. Countries with the term cryptocurrency

Country Name	Terms Used
Argentina,Thailand,dan Australia	digital currency
Canada,China,Taiwan	virtual commodity
German	crypto-token
Swiss	payment tokens
Italia,Lebanon	cyber currency
Honduras,Mexico	virtual assets

Source: Researcher from various sources.

While there is no agreement among nations over the legal standing of cryptocurrencies, there is disagreement regarding taxation of cryptocurrencies. For instance, while some nations expressly forbid cryptocurrency, others do so implicitly. Additionally, there are nations like France, Finland, Belgium, Denmark, Mozambique, Namibia, and South Africa that lack a legislative framework entirely or in part.

Some nations, including Spain, Belarus, and Luxembourg, are creating legislation to entice investment in technology firms because they see the enormous potential of the technology underlying cryptocurrency systems.

Taxation is a crucial topic. How to classify cryptocurrency for tax purposes is a concern. For taxation purposes, cryptocurrencies are classed in various ways by many nations. For instance, taxing cryptocurrencies as assets, financial assets, and foreign currencies is done in Israel, Bulgaria, and Switzerland. Cryptocurrency income taxes are imposed in Argentina, Spain, and Denmark. The business also pays corporate tax.

Value added tax is not applied to cryptocurrency investment profits in the UK. The taxation status of cryptocurrencies in many countries is shown in table 2 below.



Table2. Tax Status on Cryptocurrencies in Some

Country	Country	Tax Status
United States		Cryptocurrencies do not have legal tender status in the US. Additionally, they are considered property for US federal tax purposes. Regardless of the tax policy applied to property transactions, the same tax principles apply to transactions using cryptocurrencies. If employees are paid wages in cryptocurrency, these wages are subject to withholding federal income tax and payroll taxes. Where payments are made to independent contractors and other service providers in cryptocurrencies, these payments are subject to taxes and self-employment tax rules apply. If payments made using cryptocurrencies are subject to reporting.
	Russia	Cryptocurrency transactions were banned in 2015, but interestingly in early 2018 the Russian Ministry of Finance explained that they are working on a law to regulate cryptocurrency transactions without completely banning them and through this law it is possible to tax cryptocurrency transactions to support the state budget.
	Australia	In this country, every cryptocurrency transaction must be recorded to determine its tax status and have guidelines on cryptocurrency taxation in 2014. According to the guidelines, cryptocurrency transactions are treated like barter transactions. If individuals sell or give away cryptocurrencies, trade or exchange cryptocurrencies (including the release of one cryptocurrency for another).
		Cryptocurrency is defined as digital currency or virtual money that can be used to buy and sell goods or services on the Internet, and cryptocurrency is accepted as digital currency. Digital currency i.e., cryptocurrency can be sold or bought like a commodity. Tax liability in Canada may arise, in this context. According to the Canadian implementation, cryptocurrencies are subject to the Income Tax Act. In addition, the Canadian Revenue Agency must be notified of the use of cryptocurrencies, otherwise it is not legal."
		In Cyprus, the term virtual currency is used to describe cryptocurrencies. The Central Bank of Cyprus states that the purchase, storage or trading of virtual currency is not a legal tender. Also, there is no regulatory framework regarding cryptocurrencies, and the public warns of the potential disadvantages of cryptocurrencies. Profits from trading cryptocurrencies are not taxed, as well as trading in other securities such as stocks and forex.
		Cryptocurrency is defined as an unregulated virtual currency without a guarantee of replacement. Virtual currencies have no legal or regulatory status. In addition, cryptocurrencies have been criticized for aiding criminal activities. Another report published by Banque de France in 2018 stated that cryptocurrencies are not accepted as currency. Therefore, there is no guarantee of safety, convertibility or value. However, Banque de France suggests a regulatory framework for dealing with cryptocurrency losses. ¹ One-time gains made on cryptocurrencies are considered capital gains and are taxed.
		Cryptocurrencies are not classified as legal tender in the UK and do



not have specific cryptocurrency laws.⁷ If individuals in the UK hold cryptocurrencies for investment, this is considered an asset, and the profits to be earned are subject to capital gains taxation. United Kingdom Individuals who trade in cryptocurrencies are taxed as income on their profits. In the case of companies, profits or losses on cryptocurrencies are taxed as income. The UK Tax Authority has published guidance on the temporary VAT treatment of cryptocurrencies. Lastly, there is no transfer tax paid in the UK.

Cryptocurrencies are not permitted by any regulations in Spain. However, the government aims to make some arrangements for cryptocurrencies, which would include possible tax cuts for companies in the blockchain technology sector. Cryptocurrency Spain profits are taxed under the Individual Income Tax Act.

Cryptocurrency is not a legal currency in Argentina, as it is not issued by the government. Thus, the profit increase Argentina the value or the results of the trade are not subject to tax.

China
Source: (Barth, 2019)

In 2017, the Chinese Government announced that initial coin offerings were prohibited in China, and the government did not recognize cryptocurrencies as legal tender.

It is clear that each country has a different taxation policy for cryptocurrencies; this is due to how those countries see cryptocurrencies and other digital assets. The summary above demonstrates that there is no international agreement on the legitimacy of cryptocurrencies. In addition, there is disagreement on tax laws and policies related to cryptocurrencies. For the ownership, trade, and assets of cryptocurrencies, only a small number of nations have comprehensive regulatory frameworks, while others just have partial ones.

IV. CONCLUSION

According to the statement above, there must be laws governing the use of digital currency and assets. To get the terms of the Income Tax legislation on transactions for one of the crypto assets, namely cryptocurrency in Indonesia, the tax law's provisions are formulated from these regulations.

The possibility of tax payment avoidance exists in Indonesia due to the lack of taxation regulations for cryptocurrencies and digital assets, also known as NFTs. One could argue that despite the potential being very high, state revenues from taxes on cryptocurrency investment transactions and NFT digital assets are still not at their highest level in Indonesia due to the legal vacuum or lack of tax regulations that apply specifically to actors who invest in cryptocurrencies. It is still not ideal.

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