

Dropshipping in Batam Bonded Area: Tax Consultants' Challenges in Preventing Value Added Tax Disputes

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Abstract. *This research analyzes the complexity of Value Added Tax (VAT) implementation in dropshipping business practices within the Batam Bonded Zone, given the rapid growth of the digital economy and the nature of cross-jurisdictional transactions. This thesis aims to identify the fiscal compliance challenges faced by dropshipping actors and tax authorities, and to formulate policy recommendations that align with both positive legal frameworks and Sharia ethics. Using a juridical-normative approach enriched with empirical data through in-depth interviews, this study examines the inconsistencies of de minimis rules, the ambiguity in determining VAT's point of incidence, and their implications for the principles of justice (adl) and legal certainty. The findings indicate that the current regulatory ambiguities create gharar (excessive uncertainty) which potentially reduces tax legitimacy in the eyes of Muslim taxpayers. Although specific mediation cases related to dropshipping VAT disputes in Bonded Zones are not widely documented, mediation is identified as a potential alternative dispute resolution mechanism that is more efficient and adaptive. This research concludes that regulatory harmonization between digital business dynamics and Sharia principles is highly necessary, and offers a comprehensive theoretical framework integrating positive law and Islamic ethical dimensions, with novelty in its specific analysis of the Batam Bonded Zone and the role of mediation as a solution.*

Keywords: Batam Bonded Zone; Dropshipping, VAT; Mediation, Islamic Tax Law.

1. Introduction

Significant changes are taking place in the global trade landscape, one of which is driven by the growing popularity of the dropshipping business model.¹This system allows individuals and micro and small businesses to conduct commercial activities without the need to physically own or store inventory.² The convenience and efficiency offered have accelerated

¹ Laudon, K.C., & Traver, C.G. (2021). Ecommerce 2021: Business, Technology, Society. Pearson.

² Ibid.

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the growth of the digital economy ecosystem, including in Indonesia.³ However, behind this rapid development, serious challenges have emerged in the fiscal aspect, particularly regarding the imposition of Value Added Tax (VAT).⁴ This research focuses on identifying the technical and regulatory obstacles faced by tax consultants in preventing VAT disputes in dropshipping practices, with a particular focus on the Batam area which has the status of a bonded zone.⁵

Batam, as a region with special fiscal treatment, offers various incentives that make it attractive to business actors, including those who adopt the dropshipping model.⁶ However, the special status of bonded zones also creates its own complexities, especially when dealing with cross-jurisdictional transactions, which are a key characteristic of dropshipping.⁷ Interaction between bonded zone fiscal provisions and global trade schemes creating a grey area in the implementation of VAT, which ultimately risks giving rise to tax conflicts.⁸ In this context, the role of tax consultants becomes crucial in bridging the gap between rapidly developing business innovation and the tax regulatory framework that is not yet fully adaptive.⁹

On the other hand, the ethical dimension of economic practice cannot be ignored. Although a sharia approach was not used normatively in this research, Islamic values remain the moral foundation., especially for Muslim business actors, tax consultants, and fiscal authorities.¹⁰ In the Islamic perspective, the obligation to pay taxes—as long as it does not violate the principles of justice and does not cause injustice—can be seen as a form of collective social responsibility (*fardhu kifayah*). Therefore, transparency, integrity, and clarity in transactions, including in tax governance, are part of Islamic business ethics that should be upheld.¹¹

Considering the significant role of dropshipping in supporting the growth of the digital economy and expanding access to e-commerce, this study also explores how this practice shapes the dynamics of the local economy in Batam.¹² Despite the enormous economic opportunities, the difference in VAT treatment due to bonded zone status actually creates gaps in fiscal and regulatory protection.¹³ Thus, it is important to examine more deeply how tax consultants can play a strategic role, not only in providing education to business actors, but also in guiding them to stay within the legal corridor and moral responsibility¹⁴ Through Sharia ethics, it is hoped that dropshipping

³ Bank Indonesia. (2024). Annual Report on Indonesia's Digital Economy and Finance.

⁴ Slemrod, J., & Bakija, J. (2008). *Taxing Ourselves*. MIT Press.

⁵ PMK No. 65/PMK.04/2021 concerning Bonded Zones.

⁶ Directorate General of Customs and Excise. (2023). *Batam Economic Profile*.

⁷ Anderson, J. E. (2011). *Public Policymaking*.

⁸ Bahl, R., & Bird, R. (2008). *Tax Policy in Developing Countries*.

⁹ Kirchler, E., et al. (2007). *Economic Psychology and Tax Compliance*.

¹⁰ Yusuf al-Qaradawi. (2001). *Fiqh az-Zakah*. Muassasah ar-Risala.

¹¹ Chapra, M. U. (2000). *The Future of Economics: An Islamic Perspective*.

¹² BI, *Ibid*.

¹³ DDTC Fiscal Research. (2024). *Fiscal Risks in E-commerce*.

¹⁴ Jensen, M. C., & Meckling, W. H. (1976). *Theory of the Firm*.

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business practices will not only comply with state law but also reflect the values of justice, welfare, and social responsibility as recommended in Islamic teachings.

The principles of justice and legal certainty are the main foundations in the national taxation system.¹⁵ Justice requires that the tax burden be shared equally among economic actors, including those running digital businesses. Meanwhile, legal certainty is a prerequisite for creating a stable business environment and does not give rise to interpretive ambiguity.¹⁶ However, in practice in bonded zones such as Batam, these two principles are often disrupted by the complexity of interactions between jurisdictions and the complexity of transaction schemes.¹⁷ This lack of synchronicity increases the risk of fiscal disputes, which can only be minimized through the involvement of competent and honest tax consultants.¹⁸ In Islamic ethics, the principle of 'adl (justice) is the foundation of all forms of social relations, including fiscal relations between citizens and tax authorities.¹⁹ Therefore, it is important to ensure that tax implementation does not violate the principle of maqashid al-shari'ah, namely the achievement of public welfare and the protection of the economic rights of the community.

As a legal basis, this research is based on various main regulations in the Indonesian taxation system. Among them is Law Number 17 of 2006²⁰ concerning Customs, which regulates principles and mechanisms of bonded zones, as well as Law Number 42 of 2009, which serves as the primary reference for the imposition of VAT nationally. This provision is reinforced by Minister of Finance Regulation No. 65/PMK.04./ 2021, which technically explains tax procedures in bonded zones, including regulations regarding the threshold value (de minimis) for imported goods. A thorough understanding of this legal framework is crucial for assessing the effectiveness of tax oversight and compliance in dropshipping practices in Batam.

Constitutionally, tax obligations are guaranteed and regulated in the 1945 Constitution of the Republic of Indonesia. Article 33 emphasizes that Indonesia's economic system is built on the principle of family for the sake of collective welfare. The dropshipping model, which is inclusive and encourages broad economic participation, aligns with this spirit. Meanwhile, Article 23A of the 1945 Constitution states that all compulsory levies, including taxes, must be regulated by law, strengthening the principles of legality and legal certainty in the tax system. However, in practice, the implementation of VAT on the dropshipping model in the Batam area still encounters many ambiguities that lead to disputes. The role of tax consultants in this context is crucial as intermediaries who bridge the understanding between legal norms and business realities on the ground.²¹

Finally, even though the sharia approach is not used as the main analytical

¹⁵ Law No. 42 of 2009 concerning VAT.

¹⁶ Mardiasmo. (2018). Taxation Latest Edition.

¹⁷ Ibid.

¹⁸ Bastian, I. (2007). Indonesian Taxation System.

¹⁹ Al-Syatibi, Al-Muwafaqat fi Usul al-Shariah.

²⁰ Law No. 17 of 2006 concerning Customs.

²¹ DDTC News. (2024). VAT Challenges in Batam Dropshipping.

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framework, this research still places Islamic ethics as a moral guide that is... I cross-sectoral—applies to business actors, tax consultants, and fiscal authorities²² By combining the firmness of positive law with the nobility of sharia values, this research is expected to make a substantive contribution to building a tax system that is fair, transparent, and oriented toward the common good.²³

2. Research Methods

This research is classified as qualitative research.²⁴ This study uses a descriptive-analytical approach, aiming to deeply understand and interpret the social and legal realities related to the imposition of Value Added Tax (VAT) on dropshipping transactions. The focus is not on statistical testing, but rather on exploring the phenomenon through in-depth understanding of the dynamics of policy, regulation, and field practice. In addition to the positive legal framework, Sharia ethical values such as honesty, justice ('adl), and the benefit (maslahah) are used as ethical references in understanding the context of tax compliance.

3. Results and Discussion

3.1. Implementation of Value Added Tax (Vat) Mechanism in The Context of Dropshipping Transactions That Take Place in The Batam Bonded Zone

This section will detail and analytically describe the general conditions of the Bonded Zone in Batam, the characteristics of dropshipping transactions occurring there, and the specific regulations that affect both aspects. Understanding this context is essential because Batam's special fiscal status directly shapes the unique tax dynamics for the dropshipping business model, which is the primary focus of this research. This analysis will bridge the conceptual and theoretical framework with empirical field data, providing a solid foundation for understanding the complexities of VAT implementation and potential disputes. This study will also highlight how Sharia ethical principles, such as fairness and transparency, are relevant in assessing VAT implementation practices in Batam, amidst the complexities of regulations and operations in the field.

1. Overview of Batam Bonded Zone

Batam is widely known as a Free Trade Zone and Free Port (KPBPB) or often called a Free Trade Zone (FTZ), and functionally has many similarities with the concept of a bonded zone in the context of the customs and taxation facilities provided.²⁵ This status is granted by the central government to encourage investment, exports, and other economic activities by providing special customs and tax facilities.²⁶, making Batam one of the economic drivers in

²² Yusuf al-Qaradawi, Ibid.

²³ Hasan, Z. (2007). Islamic Finance: Sustainability in the Global Market.

²⁴ Wahyu Purhantara, Qualitative Research Methods for Business (Yogyakarta: Graha Ilmu, 2010),

²⁵ Sriyana, J. (2020). Free Trade Zones and Bonded Zones in the Indonesian Customs System. *Journal of Fiscal Policy*, 15(1), 45–57

²⁶ Directorate General of Customs and Excise. (2022). Bonded Zone Guide. Jakarta: Ministry of Finance of the Republic of Indonesia.

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western Indonesia. Geographically, Batam is strategically located in the Strait of Malacca, directly adjacent to regional trading centers such as Singapore and Malaysia. This position makes it one of the world's busiest international shipping and trade routes, as well as a crucial gateway for export-import activities that influence the dynamics of the global supply chain.²⁷ Batam's uniqueness lies not only in its strategic location, but also in its legal framework which provides unique fiscal treatment,²⁸ distinguishes it from other common customs areas in Indonesia. This creates an attractive environment for import- and export-oriented businesses, including those adopting dropshipping models that often involve the movement of goods across borders and customs jurisdictions. This situation also demands a deeper understanding of the implications of VAT, as the fiscal facilities provided can be both a source of efficiency and complexity that can potentially trigger disputes if not managed properly, posing challenges for tax authorities and consultants. This context is crucial to understanding why Batam is the specific locus of tax issues in this thesis, where geographic advantages and specific regulations interact with digital business models.

As a Free Trade and Free Port Zone (KPBPB), Batam has unique characteristics that make it a magnet for businesses. Here are the key points that distinguish it from a regular customs area, each of which has implications for dropshipping transactions and VAT, and requires careful interpretation from both a legal and ethical perspective:

a) Main Objective: The designation of Batam as a KPBPB has a fundamental objective of attracting investment from both domestic and international sources. This is done to increase export activities and create more jobs through the development of export-oriented manufacturing and service industries. Furthermore, the KPBPB is also expected to support the development of downstream industries, tourism, and an integrated logistics sector in Batam, making it a comprehensive economic hub. This objective is in line with the national strategy to increase Indonesia's economic competitiveness on the global stage.²⁹ From a sharia ethical perspective, this objective can be linked to the principle of *maslahah ammah* (general welfare), where government policies should generate broad benefits for society, such as job creation and inclusive economic growth, which in turn can increase welfare and participation in *thayyib* (good and lawful according to sharia) economic activities. Sustainability and justice in achieving this economic objective serve as relevant ethical benchmarks.

b) Customs Facilities: This is a major advantage and a major draw in Batam. Goods entering Batam—whether from abroad or from other Indonesian customs territories—for specific purposes (e.g., processing, storage, or resale at the Customs Office or exporting) can receive significant customs facilities. These facilities include exemption from import duties, exemption from Value Added Tax (VAT), Sales Tax on Luxury Goods (PPnBM), and Article 22 Import Income Tax (PPh). All of these facilities are provided as long as applicable terms and

²⁷BP Batam. (2021). Batam Business Agency Annual Report 2020. Batam: BP Batam.

²⁸Law Number 44 of 2007 concerning the Stipulation of Government Regulation in Lieu of Law Number 1 of 2007, and Government Regulation Number 46 of 2007 concerning the Batam Free Trade Zone and Free Port

²⁹Government Regulation Number 46 of 2007 concerning the Batam Free Trade Area and Free Port.

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conditions are met, and for specific types of goods or activities. These facilities are designed to reduce production and distribution costs in Batam, making the resulting products more competitive in the international market.³⁰For dropshippers, understanding this facility is crucial because it impacts the cost structure of the goods they sell, especially if their suppliers are based in Batam or import through Batam. However, complexity arises when these goods leave the free zone, where VAT becomes payable, often leading to confusion and potential disputes due to the change in the goods' fiscal status, which requires a thorough understanding of applicable regulations and the potential for unexpected additional costs.

c) Economic Activity: Batam has developed into a highly dynamic and diverse industrial hub. Various sectors are thriving here, ranging from diverse manufacturing, electronics, and shipbuilding to logistics and trade. The presence of numerous large bonded warehouses and modern logistics facilities, such as ports and an international airport, make Batam a highly strategic location for goods distribution, both to local and international markets. These activities significantly contribute to Batam's Gross Regional Domestic Product (GRDP) and employment. This status also attracts e-commerce players and dropshippers due to its easy access to imported goods and logistical efficiency, making it a key hub in the digital supply chain. This high volume of goods, while logistically efficient, adds complexity to VAT tracking, particularly for transactions moving in and out of the free zone, which requires highly accurate recording systems and effective coordination between the various parties involved in the ecosystem. From the perspective of Islamic business ethics, this rapidly growing economic activity must be balanced with transparency and accountability to ensure that economic growth also brings justice to all parties, including in the fulfillment of legitimate and integrity-based fiscal obligations, so that *maslahah* can be achieved comprehensively.

d) Special Regulations: Batam's management is not the same as other regions in Indonesia because its special status is specifically regulated by Law Number 36 of 2000 concerning the Determination of Government Regulation in Lieu of Law No. 1 of 2000 concerning Free Trade Areas and Free Ports into Law, along with its amendments.³¹ Furthermore, there are various implementing regulations from the central government (such as Government Regulations and Regulations of the Minister of Finance) and from the Batam Area Development Agency (BP Batam) that govern operational details, facilities, and oversight in this area. This complex regulatory framework covers aspects such as freight traffic, investment, and, of course, taxation, requiring a thorough understanding from all parties involved.³²The inconsistency between these regulations and new business models such as dropshipping is often the root of VAT disputes, due to the existence of gray areas that require further interpretation, as expressed by tax consultants. From a Tax Law Theory perspective, this regulatory ambiguity can violate the principle of legal certainty, which

³⁰Ibid.

³¹PMK No. 173/PMK.03/2021 concerning VAT Not Collected on Activities in Free and Bonded Zones.

³²BP Batam. (2022). Investment Profile and Governance of KPBPB Batam. Batam: Batam Business Agency

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should be the primary foundation of the tax system to avoid ambiguity and ensure predictability for taxpayers. This also has implications for Sharia ethics, where gharar (uncertainty) in the law can lead to injustice (zalim) and must be minimized for the public good, which demands clear and fair regulations for all economic actors.

It is important to remember that the VAT exemption facility in Batam applies to the entry of certain Taxable Goods (BKP) and/or Taxable Services (JKP) into the KPBPB, as well as to the delivery of certain BKP and/or JKP within the KPBPB itself.³³ However, if the goods are removed from the Batam Customs Office (KPPBPB) to another Customs Area in Indonesia (for example, sent to Jakarta, Surabaya, or another city outside Batam), they will be subject to VAT and/or import duties in accordance with applicable regulations. This is a crucial point that must be understood by business actors, especially dropshippers who frequently send goods from suppliers in Batam to consumers throughout Indonesia. This regulation creates a unique VAT liability point and is one of the sources of tax complexity in dropshipping in Batam, which often triggers disputes as identified from interviews with dropshippers. This lack of clarity can lead to gharar (uncertainty) in cost calculations and can reduce fairness ('adl) in taxation if there is no full transparency in the process, which ultimately can harm small businesses and create a perception of unfairness in a tax system that should be fair.

2. Characteristics of Dropshipping Transactions in Batam

Batam, with its status as a Free Trade Zone and Free Port (FTZ), has unique characteristics that significantly impact the operational patterns and tax implications of dropshipping transactions. While terminologically distinct from a typical "bonded zone," functionally, Batam shares many similarities in terms of the customs and taxation facilities it offers, particularly regarding the deferral or exemption of import duties and VAT.³⁴ This special status aims to attract investment, increase exports, and encourage various economic activities, including e-commerce and dropshipping, which leverage easy access to imported goods. The characteristics of dropshipping transactions in Batam present specific challenges in terms of VAT compliance and are the primary focus of analysis in this study, as the interaction between digital business models and Batam's special fiscal regime creates complexities not found in regular customs areas and often requires rapid adaptation from business actors.

The main characteristics of dropshipping transactions in Batam that distinguish it from dropshipping in the regular customs area are as follows:

a) **Dominance of Imported Goods:** The majority of dropshipping transactions in Batam involve imported goods, particularly from China and other Southeast Asian countries. This is because Batam serves as a major gateway for imported goods with dedicated facilities,

³³Minister of Finance Regulation (PMK) Number 173/PMK.03/2021 concerning Other Places in Customs Areas Equivalent to Bonded Warehouses.

³⁴Directorate General of Customs and Excise. (2022). Bonded Zone and KPBPB Guidelines. Jakarta: Ministry of Finance of the Republic of Indonesia.

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allowing dropshippers access to global products at competitive prices and a wide variety. Dropshippers in Batam often leverage a network of international suppliers who have transit warehouses in Batam, allowing them to sell products that may be difficult or expensive to access in other parts of Indonesia. Mr. Nazaruddin (Dropshipper 2) stated, "I saw a lot of unique toys and collectibles coming into Batam from abroad, so I tried selling them using a dropship system." (Interview, Mr. Nazaruddin, Dropshipper 2, June 2025). Ms. Maria (Dropshipper 3) also stated, "My main suppliers are mostly from Singapore and China." (Interview, Ms. Maria, Dropshipper 3, June 2025). The dominance of imported goods is directly correlated with the complexity of Import VAT and Import Duty, as well as the challenge of obtaining valid tax invoices for VAT crediting, which is a critical issue for PKP dropshippers.

b) Utilization of Bonded Zone Fiscal Facilities/KPBPB: Dropshippers and suppliers in Batam indirectly benefit from the VAT waiver facility when goods enter the bonded zone or between regions. This means imported goods can be stored in Batam without being immediately subject to Import VAT, deferring tax obligations until the goods are released to another Customs Area. This provides a competitive advantage for dropshippers based in Batam or whose suppliers are located there. PT Sinar Starlim (Dropshipper 5)³⁵ experienced this benefit: "In Batam, we can access suppliers from abroad... with the ease of customs clearance facilities in the bonded zone. This allows us to offer products at competitive prices throughout Indonesia without having to stock large amounts of stock." (Interview, Mr. Agus, PT Sinar Starlim, June 2025). However, utilizing these facilities also creates VAT complexity when goods change fiscal status and cross customs boundaries, requiring a thorough understanding of applicable tax regulations and can lead to differences in interpretation between taxpayers and authorities.

c) The Complexity of the Point at Which VAT is Due When Goods Leave the Zone: A crucial point in dropshipping transactions in Batam is when goods originating from the KPBPB are released to another Indonesian Customs Area for delivery to consumers. This is when VAT is due. Determining who is responsible for collecting VAT (whether the supplier in Batam or the dropshipper in the TLDDP), especially if the dropshipper is not a VAT-Registered Person, is often ambiguous. Mr. Akim (Dropshipper 4), who is a VAT-Registered Person, even admitted, "Most often it's about the interpretation of VAT in the Batam bonded zone. When are goods from the bonded zone to Batam subject to VAT, and when are they not?" (Interview, Mr. Akim, Dropshipper 4, June 2025)³⁶ This ambiguity stems from the interaction between general VAT regulations and specific bonded zone regulations, which require a thorough understanding. From a sharia perspective, this ambiguity can create financial gharar (uncertainty), as businesses cannot accurately predict their tax burdens. This can be detrimental to them and contradicts the principle of justice ('adl), which demands clarity and predictability in all transactions to ensure the rights of all parties.

d) Inconsistent De Minimis Rule Issues: Dropshipping transactions often involve low-value items. The de minimis rule is supposed to exempt items below a certain value from import

³⁵PMK No. 173/PMK.03/2021 concerning VAT Not Collected on Activities in Free and Bonded Zones

³⁶Suriyadi, E-Commerce Transaction Tax, p. 91

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VAT and customs duties, aiming to facilitate small businesses and reduce administrative burdens. However, dropshippers in Batam consistently report inconsistencies in its application, where items valued below the threshold are often still subject to import VAT. Mr. Nazaruddin (Dropshipper 2) stated, "The most confusing thing is the USD 3 de minimis... It shouldn't be subject to import VAT, right? But it often still is?" (Interview, Mr. Nazaruddin, Dropshipper 2, June 2025). This inconsistency creates confusion and cost uncertainty for businesses, reduces their profit margins, and can trigger disputes with debt collectors due to the perception of unfairness in the application of the rules that are supposed to protect small businesses.³⁷

e) The Crucial Role of Logistics/Shipping Companies: In dropshipping in Batam, logistics or shipping companies not only handle physical shipments but also often act as customs agents, handling goods clearance and billing import VAT to dropshippers or consumers. Their performance and understanding of Batam regulations significantly impact the smoothness and compliance of taxation. Mr. Edie (Dropshipper 1) explained, "For goods from China, my supplier includes shipping services to the customer, so I don't have to worry anymore... Goods from China definitely transit first in Batam and go through Customs." (Interview, Abang Edie, Dropshipper 1, June 2025). This interdependence highlights the importance of good coordination between dropshippers and logistics companies to ensure all tax aspects are handled properly and to avoid gharar in the shipping process that can lead to unexpected financial losses for dropshippers.³⁸

f) Complex Transaction Recording: The multi-party, cross-jurisdictional structure of dropshipping makes transaction recording for VAT purposes complex. Dropshippers often do not receive valid VAT invoices from overseas suppliers or local suppliers who are not yet VAT-registered. Abang Edie (Dropshipper 1) and Ms. Maria (Dropshipper 3) still maintain manual record keeping, which complicates VAT reconciliation and compliance with reporting obligations. PT Sinar Starlim (Dropshipper 5), despite using accounting software, still acknowledges this complexity. Mr. Agus from PT Sinar Starlim stated, "Recording transactions... is quite a complex process for us, but we manage it with a dedicated system and team... We also regularly consult with tax consultants to ensure our records comply with the latest regulations." (Interview, Mr. Agus, PT Sinar Starlim, June 2025). This complexity directly impacts the ability of tax consultants to assist clients, as they must work with incomplete or unstructured data, ultimately increasing the risk of tax disputes. From a Sharia perspective, transparency (shurūt al-'aqd) and trustworthiness in record-keeping are highly emphasized; the lack of accurate data can trigger gharar and tadlis (fraud, even if unintentional), which are contrary to Islamic business ethics and can harm the state's fiscal rights aimed at the benefit of the people.

³⁷Research Field Interview Results, June 2025. See also: DJBC. (2023). FAQ De Minimis Threshold & Dropshipping Batam.

³⁸ Internal Report of Researcher Interviews, June 2025; and references to the DGT. (2023). Guidelines for Tax Invoices and Digital Transactions

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3. Main Parties Involved in the Dropshipping Ecosystem in the Batam Bonded Zone

The dropshipping ecosystem in the Batam Free Trade and Free Port Area (KPBPB) involves several key stakeholders, each with distinct roles, responsibilities, and VAT implications. Understanding the interactions between these parties is crucial for analyzing tax complexities and identifying potential points of dispute. The involvement of these various parties creates a complex yet efficient value chain, which must be thoroughly understood from both a fiscal and Sharia ethical perspective to ensure holistic and sustainable compliance.

a) Dropshipper: Dropshippers are at the heart of this business model, acting as sales intermediaries between suppliers and end consumers. They market products, receive orders, and forward order details to suppliers without the need for physical inventory. Their role includes managing the online store, providing customer service, and most importantly, fulfilling tax obligations as sellers.

1. Tax Status: The status of a Taxable Entrepreneur (PKP) or non-PKP for dropshippers will significantly impact their VAT obligations. This difference in status determines whether they are required to collect Output VAT and have the right to credit Input VAT. a) If PKP: Dropshippers are required to collect VAT (Output Tax) of 11% on every sale of goods to consumers in the Customs Area and can credit the VAT they paid when purchasing goods from suppliers (Input Tax), as long as the input tax invoice is valid.³⁹ PT Sinar Starlim (Dropshipper 5) and Mr. Akim (Dropshipper 4) are examples of PKP dropshippers. Mr. Akim stated, "When I sell goods to end consumers outside Batam, I have to collect 11% VAT." (Interview, Mr. Akim, Dropshipper 4, June 2025). PT Sinar Starlim also emphasized, "As a PKP, we are required to collect 11% VAT on the selling price and issue a Tax Invoice." (Interview, Mr. Agus, PT Sinar Starlim, June 2025). They manage this complexity with systems and the help of consultants, demonstrating the importance of administrative preparedness. b) If non-PKP: Dropshippers are not entitled to collect VAT on sales, but also cannot credit the VAT they pay. The PKP confirmation limit is based on the gross turnover limit stipulated in the tax law (Rp 4.8 billion per year).⁴⁰ Many individual dropshippers like Abang Edie, Mr. Nazaruddin, and Ms. Maria are not yet PKP, and they often express confusion about this status and its implications. Abang Edie said, "I know VAT is a tax that must be paid when selling. But I'm still an MSME, so I'm not required to be PKP, right?" (Interview, Abang Edie, Dropshipper 1, June 2025). Ms. Maria is even reluctant to become PKP due to administrative concerns: "I don't really understand how to process tax invoices and report VAT... I'm afraid of making a mistake and getting fined." (Interview, Ms. Maria, Dropshipper 3, June 2025). This demonstrates a gap in understanding and administrative preparedness among MSME dropshippers, which has the potential to lead to passive non-compliance and future disputes.

³⁹Law Number 8 of 1983 concerning VAT and its amendments (most recently through the HPP Law of 2021), as well as PMK Number 197/PMK.03/2013 concerning PKP

⁴⁰PMK Number 61/PMK.03/2022 concerning Gross Circulation Limits for Small Businesses Not Required to be Confirmed as Taxable Entrepreneurs.

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2. Dropshipper Location: a) Dropshipper in Batam: If the dropshipper has an entity or is domiciled in Batam, they may be able to take advantage of the VAT exemption facility for certain transactions within the KPBPB⁴¹ However, if they sell to consumers outside of Batam, they still owe VAT. b) Dropshippers Outside Batam (Other Places Within Customs Areas/TLDDP): The majority of dropshippers are likely located in TLDDPs (e.g., Jakarta, Surabaya). In this case, they still have to comply with VAT regulations in TLDDPs, while transactions with suppliers in Batam will have special VAT treatment when the goods leave Batam. This complexity requires dropshippers to understand the flow of goods and taxes in detail, especially the differences in VAT treatment between free zones and customs areas.

b) Supplier (Goods Supplier) A supplier is a provider of goods operated by a dropshipper. The location and type of supplier significantly determine VAT implications and logistics flows, and are often a source of VAT complexity and future disputes.

1. International Supplier: a) Role: Manufacturers or wholesalers located overseas (e.g., China, Vietnam) who ship goods directly to end consumers in Indonesia. They often have a transit warehouse or agent in Batam. PT Sinar Starlim and individual dropshippers predominantly use this type of supplier. b) VAT Implications: This transaction will be considered an import of Taxable Goods (BKP) into Indonesia. Import VAT (and import duty) will be payable upon entry of the goods into the Indonesian Customs Area. In the Batam context, Import VAT is deferred upon entry of the goods into the KPBPB but becomes payable upon exit of the goods to the TLDDP.⁴² c) De Minimis Value Treatment: The duty-free and VAT-free value of imported goods (de minimis value) is very relevant here. If the value of goods is below the de minimis threshold, import VAT may not be collected. However, for values above the de minimis threshold, import VAT will be imposed. The problem, as complained by all individual dropshippers, "The most confusing thing is the USD 3 de minimis... why is it often still charged in practice?" (Interview, Mr. Nazaruddin, Dropshipper 2, June 2025). This inconsistency creates cost uncertainty and triggers complaints that can lead to disputes. d) Utilization of Intangible Goods and Services from Outside the Customs Area: If a dropshipper pays an international supplier for a software license, hosting service, or other digital service, this can trigger VAT obligations on the utilization of intangible goods and services from outside the Customs Area, although this is a case that is less frequently reported by small dropshippers.⁴³ which focuses on physical goods.

2. Domestic Suppliers Outside the Batam Bonded Zone (TLDDP): a) Role: Suppliers located in Indonesian territories other than Batam. b) VAT Implications: The delivery of BKP/JKP from suppliers in the TLDDP to dropshippers in Batam may have varying VAT treatment. If the goods are physically delivered to Batam for a specific permitted purpose (for example,

⁴¹Minister of Finance Regulation (PMK) Number 173/PMK.03/2021 concerning VAT Not Collected at KPBPB

⁴²PMK No. 173/PMK.03/2021 concerning Exemption from VAT on the Delivery of BKP/JKP in Free Trade Areas and Free Ports

⁴³2021 HPP Law Article 4 paragraph (1a) and PMK No. 60/PMK.03/2022 concerning VAT on the Utilization of JKP from abroad.

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for further processing or storage in Batam), VAT on the delivery may not be collected. However, if the dropshipper's transaction with the supplier in the TLDDP is purely a delivery of BKP in the TLDDP without entering Batam, then VAT is still owed and collected by the PKP supplier.⁴⁴

3. Suppliers in the Batam Bonded Zone: a) Role: Manufacturers, wholesalers, or distribution centers operating within the Batam Bonded Zone. Many dropshippers in Batam, including Mr. Akim, utilize this type of supplier because the goods are already ready in Batam, speeding up the shipping process. b) VAT Implications: VAT treatment depends on the destination of the delivery of the goods. 1) Delivery to a dropshipper in Batam: If the dropshipper is also located in Batam and the delivery of the goods takes place within the Bonded Zone for a permitted purpose, VAT is generally not collected. 2) Delivery to a dropshipper in the Bonded Zone (via delivery to a customer in the Bonded Zone): This is a common scenario in dropshipping. When a supplier in Batam delivers goods to a dropshipper located in the Bonded Zone (or directly to a customer in the Bonded Zone on behalf of the dropshipper), VAT will be due when the goods leave the Bonded Zone. The supplier in Batam (if a Taxable Entrepreneur) is required to collect this VAT. Mr. Akim, a PKP (Variable Entrepreneur) explained, "When my supplier in Batam (who is also a PKP) delivers the goods to me, VAT is not collected on the delivery because the goods are still in the bonded zone. Secondly, when I sell the goods to end consumers outside of Batam, I have to collect 11% VAT." (Interview, Mr. Akim, Dropshipper 4, June 2025)⁴⁵.

c) Customers/End Consumers Customers/end consumers are the parties who ultimately bear the burden of VAT as consumption tax. Understanding the customer's location is crucial for determining the VAT payable.

1. Customer Location: a) Customers in Batam: If the customer is located within the Batam KPBPB and the goods are delivered within that area, VAT is generally not collected (depending on the type of goods/services and the destination)⁴⁶This keeps Batam as a consumption tax-free zone for certain goods, thus attracting local consumers. b) Customers in the TLDDP: If the customer is located outside of Batam (for example, in Jakarta or another city in Indonesia), then the consumption of the goods is subject to VAT because it occurs in the Customs Area subject to general VAT. This VAT will be imposed when the goods leave Batam and is collected by the party delivering the BKP to the TLDDP (either the supplier or the PKP dropshipper).⁴⁷.

⁴⁴Directorate General of Taxes. (2022). Guidelines for VAT on Inter-Regional Deliveries within the Region and in the TLDDP.

⁴⁵Interview with Mr. Akim, Dropshipper 4, June 2025; in accordance with the provisions of Article 7 of PMK 173/PMK.03/2021.

⁴⁶Minister of Finance Regulation Number 173/PMK.03/2021 concerning VAT Not Collected on Delivery of Goods/Services at KPBPB Batam.

⁴⁷Directorate General of Taxes. (2023). VAT Guidelines for the Delivery of Taxable Goods from Bonded Zones to the Taxable Goods Transfer Zone (TLDDP). Jakarta: Directorate General of Taxes, Ministry of Finance of the Republic of Indonesia.

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d) Customs and Taxation Authority (DJBC & DJP) These two authorities have a crucial role in tax supervision and collection, with complementary but sometimes overlapping responsibilities, which is a source of ambiguity and challenges for taxpayers and consultants.

1. Directorate General of Customs and Excise (DJBC): a) Role: Responsible for monitoring the flow of goods entering and leaving the Indonesian Customs Area, including to and from the Batam Customs Office. DJBC also collects Import Duty and Import VAT.⁴⁸(and Article 22 Import Income Tax) on imported goods entering the TLDDP. They are at the forefront of determining and collecting Import VAT. b) Challenges: Monitoring e-commerce and dropshipping transactions is very challenging for the Directorate General of Customs and Excise due to the large volume of goods, the often low value consignments, and the difficulty in identifying the true beneficial owner. Inconsistencies in the application of the de minimis rule, as complained by dropshippers, demonstrate operational challenges in the field.⁴⁹.

2. Directorate General of Taxes (DGT): a) Role: Responsible for monitoring cash flow (transactions) and the collection of domestic VAT, as well as income tax. DGT ensures that Taxable Entrepreneurs (PKP) collect and remit VAT correctly, including VAT on the delivery of goods from Batam to TLDDP. They also monitor PKP's compliance in reporting VAT Periodic Tax Returns.⁵⁰b) Challenges: The DGT faces challenges in ensuring VAT compliance from dropshippers, especially those who are not PKP but have high turnover (like Ms. Maria), as well as in identifying complex and cross-border transactions that may not be specifically regulated in existing regulations. Mr. Mardiat (Tax Authority) acknowledged, "Identifying dropshippers who are not PKP and conduct large-volume transactions is a challenge. Especially if the supplier is overseas and not registered in Indonesia." (Interview, Mr. Eko, Tax Authority, June 2025)⁵¹.

e) E-commerce/Marketplace Platforms E-commerce/marketplace platforms act as online transaction facilitators, connecting dropshippers with consumers, and sometimes also with suppliers. Their role in the digital ecosystem is significant in shaping transaction flows and potential tax collection.

1. Latest Regulations in Indonesia Regarding VAT for Digital Platforms: The Indonesian government has introduced regulations that require foreign digital service providers or certain marketplaces to collect VAT on digital products sold to consumers in Indonesia.⁵²An example is the Minister of Finance Regulation Number 60/PMK.03/2022 concerning VAT

⁴⁸Minister of Finance Regulation (PMK) No. 199/PMK.010/2019 concerning Customs, Excise and Tax Provisions on Imported Goods for Trading Purposes Through Electronic Systems (PMSE)

⁴⁹DJBC. (2023). Challenges of Enforcing De Minimis Regulations and Digital Trade. Jakarta: Ministry of Finance of the Republic of Indonesia.

⁵⁰Directorate General of Taxes. (2022). Guidelines for VAT Supervision for Dropshippers and E-Commerce. Jakarta: DJP.

⁵¹Field Interview, June 2025.

⁵²Minister of Finance Regulation Number 60/PMK.03/2022 concerning VAT on the Electronic Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area

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Treatment of Foreign Digital Products (which has been adjusted by PMK Number 81 of 2024).⁵³ While focused more on digital products, this framework demonstrates the government's efforts to regulate taxation in the broader digital space and provide legal certainty for digital businesses. There is potential for expanding marketplaces' obligations to collect VAT on behalf of dropshippers or suppliers in certain scenarios, to facilitate tax collection and oversight of e-commerce players, including dropshippers. Their role in providing transaction data is also crucial for tax authorities for oversight, although challenges remain in data access and integration between marketplace systems and the tax system.

4. Other Relevant Data or Information

This section will include supporting data or information that enriches the research context, particularly regarding the growth of e-commerce, the challenges of dropshipping taxation, and recent policy discourse, all of which are relevant to the dynamics of VAT in Batam. This data helps contextualize the interview findings and provides a macro-level overview of the business environment being studied.

a. E-commerce Growth Data in Indonesia and Batam E-commerce growth in Indonesia shows a significant trend, despite fluctuations in recent years, all of which impact the dropshipping landscape. This data shows that dropshipping is part of a rapidly growing economic sector and has a substantial impact.

1. General Statistics on E-commerce Growth in Indonesia: a) According to data from Bank Indonesia (BI), the value of e-commerce transactions in Indonesia continues to increase. In 2023, the transaction value reached IDR 453.75 trillion. Although it experienced a slight decline from IDR 476.3 trillion in 2022 (possibly due to post-pandemic normalization or market adjustments), it is projected to increase again to IDR 487.01 trillion in 2024, indicating very bright prospects in this sector.⁵⁴ This projection indicates that e-commerce, including the dropshipping model, will continue to be a significant economic force, driving innovation and participation of MSMEs. b) The largest surge occurred in 2021 with an increase of more than 50% compared to the previous year, demonstrating the extraordinary acceleration of digitalization due to the pandemic, which forced many businesses to shift online and adopt models such as dropshipping. c) Factors driving this growth include changes in people's shopping habits from offline to online, technological innovations and increasingly easy digital payments, the expansion of social commerce (such as TikTok Shop, WhatsApp Commerce, and live shopping that allows direct transactions on social media), and support for continuously improving logistics infrastructure throughout Indonesia. d) Indonesia is predicted to be the country with the highest projected e-commerce growth in the world in 2024, reaching 30.5%, solidifying its position as a highly potential digital

⁵³Minister of Finance Regulation Number 81/PMK.03/2024 as a revision of PMK 60/2022; see also the official DGT website: www.pajak.go.id/digital-tax.

⁵⁴Bank Indonesia. (2024). Annual Report of the Indonesian Payment System. Jakarta: BI.

market.⁵⁵ and attractive to global business actors.

2. Specific Data for Batam: a) Although specific data regarding the value of e-commerce transactions occurring solely in Batam (as a consumer or dropshipper location) is difficult to find publicly on a national scale, Batam's status as a KPBPB and logistics hub in western Indonesia implicitly indicates significant e-commerce activity in the region.⁵⁶ The presence of large warehouses and modern logistics facilities in Batam strongly supports the dropshipping and e-commerce models in general, especially those involving imported goods. b) The high import and export activity through Batam also correlates with the volume of e-commerce transactions in the surrounding area. Batam Customs data, although not published specifically for dropshipping, can indicate the volume of international shipments entering Batam, the majority of which are related to e-commerce. This demonstrates Batam's role as a crucial hub for the distribution of digital goods, which in turn impacts taxation aspects.

3. Trends in the Use of the Dropshipping Model in Indonesia: a) The dropshipping model still has bright prospects in 2024 and beyond⁵⁷. This is supported by the continued growth of e-commerce in Indonesia, which opens up wider market opportunities for dropshippers to sell various types of products without the need for large capital. b) The ease of starting a dropshipping business (low initial capital and no need for stock) makes it an attractive option for many individuals and MSMEs who want to become entrepreneurs in the digital sector, in line with the experiences of Abang Edie and Mr. Nazaruddin. c) The increasing trend of online shopping from year to year is also a driving factor for the sustainability of the dropshipping model, as more and more consumers are turning to digital platforms for their shopping needs. d) However, challenges faced by dropshippers include intense competition, fluctuating demand, logistical constraints (especially for imported goods), and the importance of researching trusted suppliers, as expressed by Mr. Akim and PT Sinar Starlim.

b. Tax Dispute Cases Related to Dropshipping (if public data exists) Although specific tax dispute cases involving dropshipping are rarely published in detail by naming taxpayers or the case directly (due to taxpayer confidentiality), tax challenges in this business model have been widely identified by tax authorities and practitioners, indicating the potential for disputes.

1. Challenges Identified by Tax Authorities/Tax Consultant Associations: a) Identification of Taxable Subjects and Taxable Entrepreneur Status: One of the main challenges is determining when a dropshipper is required to be registered as a Taxable Entrepreneur, given that turnover is sometimes not fully detected by the tax system or records are not yet organized. The obligation to become Taxable Entrepreneur arises when turnover exceeds

⁵⁵e-Conomy SEA 2023 Report, Google-Temasek-Bain. Available at: www.bain.com

⁵⁶Directorate General of Customs and Excise. (2023). Batam and KPBPB Export-Import Statistics.

⁵⁷Ministry of Communication and Information Technology of the Republic of Indonesia. (2023). Trends in Digital MSMEs and Dropshipping in Indonesia. Jakarta: Ministry of Communication and Information Technology.

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IDR 4.8 billion in a year, but dropshippers are often unaware of this or find it difficult to calculate their turnover accurately, as complained by Ms. Maria, whose turnover is already high but not yet a Taxable Entrepreneur. Mr. Eko (Tax Authority) also acknowledged this as a supervisory challenge: "Identifying dropshippers who are not yet Taxable Entrepreneurs and who conduct large-volume transactions is a challenge." (Interview, Mr. Eko, Tax Authority, June 2025)^{58b}) VAT Treatment of Cross-Border Transactions: The presence of international suppliers (especially from China) and direct shipments to consumers in Indonesia raises questions about who is responsible for import VAT and how it is collected. The issue of de minimis value and PMSE (Electronic Trading) taxes also came into focus. All three tax consultants highlighted this ambiguity. Mr. Eddy (Tax Consultant 2) said, "We often have to discuss among ourselves to interpret the same regulation." (Interview, Mr. Eddy, Tax Consultant 2, June 2025)^{59c}) Difficulty in Tracking and Collecting Data: Tax authorities face difficulties in tracking and collecting data related to dropshipper identities and the overall value of e-commerce transactions. Many transactions occur outside of direct supervision, especially if the dropshipper is not registered.^{60d}) Taxpayer Understanding: Many dropshippers still lack a good understanding of their tax obligations, including Income Tax (which for MSMEs can use a final rate of 0.5% if turnover is below IDR 4.8 billion, but there is a time limit for its use) and VAT if they are already PKP. Tax consultant Mr. Herman stated, "Many of our clients... are afraid of PKP administration." (Interview, Mr. Herman, Tax Consultant 3, June 2025). e) Role of Marketplaces: There is a proposal to expand the obligation to collect taxes by marketplaces to facilitate tax collection and supervision of e-commerce actors, including dropshippers.⁶¹ This indicates that authorities are seeking systemic solutions to this compliance problem.

2. Case Studies/Reporting (Implicit): a) While there are no specific dropshipping cases headlined as tax disputes with published details (due to taxpayer confidentiality), various tax articles and guides for resellers and dropshippers from tax consultants (such as DDTC or MUC Consulting) indicate that questions and potential VAT and Income Tax issues frequently arise. These articles often discuss illustrations of VAT and Income Tax calculations for resellers/dropshippers who are or are not VAT-Registered Entrepreneurs (PKP), highlighting areas where differences in interpretation or non-compliance can arise and lead to disputes. This confirms that the issues examined in this thesis are not merely hypothetical, but rather realities experienced by many business actors.^{62b}) This shows that the taxation problem in dropshipping is not just an assumption, but a reality that is widely

⁵⁸PMK No. 61/PMK.03/2022 concerning Limits on Gross Turnover of Small Businesses that are Not Required to be Confirmed as Taxable Entrepreneurs.

⁵⁹Field Interview, June 2025; see also DJP. (2023). Reseller and Dropshipper Taxation Guidelines.

⁶⁰Directorate General of Taxes & Ministry of Communication and Information Technology. (2022). National Digital Tax Data Collaboration Report.

⁶¹OECD. (2020). The Role of Digital Platforms in the Collection of VAT/GST on Online Sales. Paris: OECD Publishing.

⁶²DDTC News. (2023). "Dropshipper Taxpayers and VAT Provisions", www.ddtc.co.id

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faced by business actors, and has become a concern for the tax community, thus requiring a comprehensive solution from various parties.

c. Latest Regulations or Policy Discourses: Tax regulations in Indonesia continue to adapt to developments in the digital economy. Several recent regulations and policy discourses are highly relevant to dropshipping practices in Batam, demonstrating the government's efforts to address existing challenges and secure the tax base of this rapidly growing sector.

1. Minister of Finance Regulation (PMK) Number 81 of 2024: This regulation replaces PMK Number 60/PMK.03/2022 and introduces adjustments to the imposition of VAT on electronic trading transactions (PMSE). This includes changes to the due date for VAT payments and deposits for PMSE, as well as the use of virtual offices as the domicile of Taxable Entrepreneurs (PKP). While more focused on digital products from abroad, this framework demonstrates the government's efforts to regulate taxation in the increasingly broad digital realm and provide legal certainty for digital businesses. The implementation of PMSE VAT opens up opportunities for dropshippers to understand how VAT is imposed on digital services they may use (e.g., subscriptions to foreign e-commerce platforms, digital marketing tools) and how this may impact their operational costs.⁶³

2. Director General of Taxes Regulation (PER-11/PJ/2025): This regulation changes the e-Invoice upload deadline to the 20th of the following month. While this is a technical change, it represents an overhaul of the tax administration system (Coretax System) that will impact how PKP, including PKP dropshippers like PT Sinar Starlim and Mr. Akim, report their VAT. This change aims to improve efficiency and compliance in VAT reporting, which will assist tax consultants in assisting clients.⁶⁴

3. Discourse on Increasing VAT Rates to 12% in 2025: In accordance with Law Number 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP), the VAT rate will increase from 11% to 12% no later than January 1, 2025.⁶⁵ This rate change will certainly have a direct impact on VAT calculations for dropshipper sales and on product selling prices to consumers, requiring price and system adjustments. The government is also planning to provide incentives to ease the VAT burden on the public, which will need to be monitored by dropshippers and tax consultants. PT Sinar Starlim has already experienced a rate adjustment from 10% to 11% previously: "The change in the VAT rate from 10% to 11% also forced us to make major adjustments to our systems and selling prices." (Interview, Mr. Agus, PT Sinar Starlim, June 2025).

4. Batam KPBPB Development Master Plan (Presidential Regulation No. 1 of 2024): This Presidential Regulation regulates the 25-year development master plan for Batam, Bintan, and Karimun. While not a direct tax regulation, it demonstrates the government's

⁶³Minister of Finance Regulation Number 81/PMK.03/2024 concerning Adjustments to VAT Treatment on Trading Through Electronic Systems (PMSE).

⁶⁴180Director General of Taxes Regulation PER-11/PJ/2025 concerning Changes to the Time Limit for Uploading e-Invoices

⁶⁵Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP Law), Article 7.

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commitment to developing KPBPB as an economic and logistics hub. This development could impact economic activity, dropshipping transaction volume, logistics infrastructure, and ultimately, the region's tax framework, requiring adaptation by all parties.

5. Potential Expansion of Marketplace Tax Collection Obligations: There is ongoing discussion and debate about the possibility of requiring marketplaces to collect VAT or other taxes from sellers on their platforms, including dropshippers. This is intended to simplify tax oversight and compliance in the highly decentralized e-commerce sector, with the hope of addressing the challenges of taxpayer identification and collection currently faced by authorities. If implemented, it would fundamentally change the VAT mechanism for dropshippers and reduce their administrative burden, but it would also require adjustments to the marketplace system.

This information is crucial for providing a comprehensive picture of the dynamics of the dropshipping business in Batam, its tax challenges, and the future direction of government policy. Understanding this context is crucial for tax consultants and dropshippers alike to navigate the ever-evolving fiscal environment.

3.2. Main Obstacles Faced by Tax Consultants in Carrying Out Their Functions to Prevent Vat Disputes Related to Dropshipping Practices in The Batam Bonded Zone.

Tax consultants play a central role as crucial liaisons between taxpayers and fiscal authorities, particularly in navigating the complexities of Value Added Tax (VAT) inherent in dropshipping practices in Batam, a region with preferential fiscal treatment. However, in carrying out their VAT dispute prevention function, they face a series of significant obstacles that complicate their preventive effectiveness. These obstacles stem from immature regulations, low levels of tax literacy among business actors, and the inherent nature of digital business operations. Comprehensively understanding the roots of these obstacles is the first and most important step in formulating more effective and responsive strategies, while ensuring fairer and more transparent tax practices for all stakeholders involved. The issues arising from these obstacles not only impact the consultants' professional performance but also directly impact taxpayer compliance levels and the potential for disputes, which can be detrimental to both the state and businesses due to uncertainty and unnecessary costs.⁶⁶.

1. Ambiguity and Inconsistency of VAT Regulations

One of the most fundamental and frequently encountered obstacles faced by tax consultants is the ambiguity and inconsistency of VAT regulations which are not yet fully adaptive to the dropshipping business model, especially those operating in the Batam bonded area. VAT regulations generally applicable in Indonesia often do not explicitly regulate multi-party dropshipping transaction schemes, involving various countries⁶⁷ and jurisdiction, and often overlap with special bonded zone facilities, thus creating a very wide

⁶⁶Summarized from the results of interviews and field observations (June 2025).

⁶⁷PMK No. 65/PMK.04/2021 concerning Procedures for the Entry and Exit of Goods to and from KPBPB

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legal "grey area" that is open to various interpretations.⁶⁸ Tax consultant Mr. SAHA (Tax Consultant 1) emphatically addressed this challenge, stating, "Many consultants are still unclear about VAT in Batam, especially for the unique dropshipping model. While PMK 65/PMK.04/2021 does exist, there are still many variations in practice." This misalignment is exacerbated by differing interpretations or suboptimal coordination between Indonesia's two main fiscal authorities: the Directorate General of Taxes (DGT), which oversees domestic VAT, and the Directorate General of Customs and Excise (DJBC), which manages import VAT in bonded zones. Mr. Eddy (Tax Consultant 2) added, "We often have to discuss among ourselves to interpret the same regulation, as there are no explicit guidelines for dropshipping in Batam." This ambiguous regulatory environment directly violates the principle of legal certainty, a key pillar of Tax Law Theory.⁶⁹ because consultants find it difficult to provide firm, consistent, and unambiguous advice to clients, which ultimately increases the risk of tax disputes due to differences in interpretation. From the perspective of Islamic Sharia Law, this ambiguity can create *gharar* (excessive uncertainty) in financial transactions and fiscal obligations, which can be detrimental to both parties (taxpayers and the state) and is very contrary to the principle of transparency of contracts (*shurūt al-'aqd*).⁷⁰ which demands clarity in every agreement and obligation, for the sake of fairness. The lack of regulatory clarity also poses a major challenge for tax authorities themselves, as they acknowledge the difficulty in applying regulations to dynamic new business models like dropshipping.⁷¹ Mr. Eko (Tax Authority) stated, "The existing regulations have not fully caught up [with the characteristics of the dropshipping business], and synchronizing understanding between agencies is our homework.", emphasizing that this problem is a systemic challenge that requires a comprehensive solution from the government to create a more stable and equitable fiscal environment.⁷²

2. Low Tax Literacy and Information Asymmetry Among Dropshippers

A second significant barrier that directly impacts the effectiveness of tax consultants is the low level of tax literacy among dropshippers, particularly Micro, Small, and Medium Enterprises (MSMEs), which inherently creates a severe information asymmetry between clients and tax consultants. Many individual dropshippers have very little understanding of their VAT obligations, such as when and why they must become a VAT-Registered Person (PKP), the procedures for collecting Output VAT, or how to manage Input VAT from complex import transactions.⁷³ Mr. Herman (Tax Consultant 3) explained, "Many of our clients, especially MSMEs, only focus on sales. Tax matters are secondary, even though they are very important. They are afraid of the PKP administration first." This confession is in line with the direct experience of Mr. Edie (Dropshipper 1) and Ms. Maria (Dropshipper 3) who are not yet PKP, who openly admitted their confusion regarding VAT obligations and fear of

⁶⁸The role and jurisdiction of the DGT and DJBC are regulated in Law No. 6 of 1983 (KUP), Law No. 17 of 2006 concerning Customs.

⁶⁹Franzoni, L. A. (1998). Tax evasion and tax compliance. Encyclopedia of Law and Economics.

⁷⁰Yusuf Al-Qaradawi, *Fiqh al-Zakah*; Al-Ghazali, *Ihya Ulumuddin*

⁷¹Interview, Mr. SAHA and Mr. Eddy, June 2025.

⁷²Interview, Mr. SAHA and Mr. Eddy, Tax Consultant, June 2025.

⁷³Interview, Mr. Eko (Tax Authority), June 2025.

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the administrative complexities that they do not understand. Ms. Maria even stated, "I don't really understand how to process tax invoices and report VAT... I'm afraid of making a mistake and getting fined." This information asymmetry, as explained in Agency Theory (Jensen & Meckling, 1976), makes it difficult for consultants to provide effective advice, because they must start from the basis of education and overcome negative perceptions of clients towards taxes caused by ignorance.⁷⁴ Consultants face a double burden: not only must they ensure client compliance with complex regulations, but they must also intensively educate clients on tax fundamentals they should already know. This lack of understanding significantly lowers tax morale and compliance intentions, which are key points in Tax Compliance Theory.⁷⁵, because taxpayers who do not understand tend to be non-compliant, not because of malicious intent but because of limited knowledge. From the perspective

Under Islamic Sharia law, this lack of adequate knowledge can hinder the implementation of business mandates and the fulfillment of obligations to the state. Taxpayers who fail to fulfill their obligations, even if their initial intentions may be good, can cause harm to the public interest.⁷⁶(public interest). This shows that education is not only a prerequisite for compliance with positive law, but also an ethical prerequisite for true compliance and for realizing justice ('adl) in the distribution of the tax burden.

3. Complexity of Cross-Jurisdictional Transaction Flow and Data Limitations

The third barrier that directly impacts the ability of tax consultants to prevent VAT disputes is the intrinsic complexity of dropshipping transaction flows that involve cross-jurisdictional transactions, exacerbated by data limitations and inadequate record-keeping practices from business actors. The dropshipping model naturally involves the movement of goods and money between countries, often with suppliers based abroad and not having a formal legal entity in Indonesia, so they do not issue valid tax invoices according to domestic standards. This directly results in the Import VAT paid by PKP dropshippers often not being creditable.⁷⁷, as complained by Mr. Agus from PT Sinar Starlim (Dropshipper 5): "Import VAT from overseas suppliers cannot be credited because we do not receive valid input tax invoices from them." This condition makes Import VAT a full cost that burdens the cost of goods sold and ultimately reduces profit margins. In addition, many individual dropshippers, especially those on a MSME scale, still use manual transaction recording or simple, unstructured systems for tax purposes. Abang Edie (Dropshipper 1) admitted, "I only record manually in a regular ledger. I record everything as an expense. There is no special recording for VAT." This data limitation makes it difficult for tax consultants to conduct VAT reconciliation, prepare accurate tax reports, and provide a strong defense during audits.⁷⁸, because the required transaction evidence is not available in a complete or organized manner⁷⁹. Mr. SAHA (Tax Consultant 1) emphasized, "Obtaining complete and valid data

⁷⁴Jensen, M. C. & Meckling, W. H. (1976). Theory of the Firm, Journal of Financial Economics.

⁷⁵Fischer, C.M. et al. (1992). Detection Probability and Taxpayer Compliance, Journal of Accounting Literature.

⁷⁶PER-03/PJ/2022 concerning Tax Invoices; PP No. 1 of 2012 concerning Taxable Entrepreneurs.

⁷⁷PMK No. 199/PMK.010/2019 concerning Tax Provisions on Shipped Goods.

⁷⁸Interview, Mr. Edie and Mr. Agus, June 2025

⁷⁹KUP Law Articles 28 and 29.

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from clients⁸⁰ Dropshippers often face a major challenge. They only have data from the marketplace, but shipping details from overseas suppliers are often missing. This creates a very high risk of administrative errors and complicates compliance verification, significantly increasing the potential for VAT disputes. From the perspective of Islamic Sharia Law, transparency (*shurūt al-'aqd*) and trustworthiness in recording transactions are highly emphasized; the absence of accurate and transparent data can trigger *gharar* (uncertainty) and *tadlis* (fraud, even if unintentional), which are contrary to Islamic business ethics and can harm the state's fiscal rights aimed at the benefit of the community.⁸¹

4. Conclusion

Based on an in-depth analysis of rich interview data from five dropshipping operators (including one PT), three tax consultants, and one fiscal authority official in Batam, as well as a comprehensive review of relevant tax regulations, this study concludes with three key points that directly address the proposed research questions. Each of these conclusions reflects not only empirical findings but is also interpreted through the lens of the theoretical framework discussed, including its ethical implications from the perspective of Islamic Sharia law. 1. The implementation of the Value Added Tax (VAT) mechanism in the context of dropshipping transactions taking place in the Batam bonded zone still faces significant complexity and inconsistencies in the field, which fundamentally undermine the principle of legal certainty. Although Batam is regulated to have special fiscal treatment as a Free Trade and Free Port Zone (KPBPB), where VAT is not collected on the entry of goods and inter-regional deliveries, its implementation in the dropshipping model is often confusing and inconsistent. In particular, the inconsistent application of the USD 3 *de minimis* rule for imported goods leaving Batam for other customs areas is a major source of confusion and unexpected costs for dropshippers, both individual MSMEs and PTs. This was consistently expressed by all interviewed dropshippers, highlighting the gap between *lex scripta* (written law) and *lex praxis* (practice in the field). Mr. Nazaruddin (Dropshipper 2) clearly stated, "The most confusing thing is the *de minimis* of USD 3. Many of my items are small, priced below USD 3. They shouldn't be subject to Import VAT, right? But they often still are? That's what I'm confused about." (Interview, Mr. Nazaruddin, Dropshipper 2, June 2025). This inconsistency creates cost uncertainty and undermines taxpayer confidence in the system, which is a violation of the principle of legal certainty in Tax Law Theory [30]. In addition, Import VAT from foreign suppliers that cannot be credited by PKP dropshippers due to the absence of valid input tax invoices is also a burden, although it is acknowledged by PT Sinar Starlim (Dropshipper 5) as part of the international business risk. The treatment of VAT payable when goods leave the bonded zone to the customs area has been understood by PKP, but it is still a grey area for non-PKP dropshippers whose turnover has exceeded the PKP mandatory limit, such as Mrs. Maria (Dropshipper 3) who feels afraid and confused about becoming a PKP. This condition indicates that the principle of justice (*'adl*) emphasized in sharia ethics has not been fully realized in practice, because the tax burden

⁸⁰Interview, Mr. SAHA and Mr. Agus, June 2025.

⁸¹Sharia Business Ethics Guidelines, BSN (2017).

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becomes non-predictive and tends to harm small business actors who lack information, thus giving rise to a perception of injustice that needs to be addressed. 2. The main obstacles faced by tax consultants in carrying out their role to prevent VAT disputes related to dropshipping practices in the Batam region are diverse and interconnected, reflecting challenges in agency relationships and compliance. These obstacles include the ambiguity of VAT regulations that are not yet adapted to the dropshipping business model and the bonded zone status, which complicates the interpretation and application of legal norms. Tax consultants are often required to interpret less explicit provisions themselves, risking disagreements with tax authorities. Mr. SAHA (Tax Consultant 1) lamented, "Many consultants are still unclear about VAT in Batam, especially for the unique dropshipping model. PMK 65/PMK.04/2021 does exist, but there is still a lot of variation in practice." (Interview, Mr. SAHA, Tax Consultant 1, June 2025). Furthermore, low tax literacy among dropshippers, particularly MSMEs, is a major challenge, as they tend to be fearful of VAT administration and do not understand their obligations, creating significant information asymmetry. Mr. Herman (Tax Consultant 3) emphasized, "Many of our clients, especially MSMEs, only focus on sales. Tax matters are secondary, even though they are very important. They are afraid of PKP administration first." (Interview, Mr. Herman, Tax Consultant 3, June 2025). This condition increases the burden on consultants in providing effective education and ensuring client compliance, in accordance with Tax Compliance Theory [7]. Consultants also face difficulties in tracking and verifying complex and cross-jurisdictional dropshipping transaction data, especially because foreign suppliers do not issue valid tax invoices and many individual dropshippers still use manual record-keeping. This challenge emphasizes the complexity of the role of tax consultants as agents in Agency Theory (Jensen & Meckling, 1976), where they must bridge the knowledge and interest gap between taxpayers and fiscal authorities amidst an immature and poorly coordinated regulatory environment between agencies.

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