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Evaluation of the Implementation of Tax Obligations of P2P Lending Providers

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Abstract: Peer-to-Peer (P2P) lending is a form of lending in which individuals or businesses borrow and lend money without involving traditional financial institutions as intermediaries. P2P lending operators have the additional administrative burden to withhold and reporting lender's interest in the Periodic Income Tax Return 23/26. The aim of research to analyze how the tax obligations of P2P Lending operators are implemented based on the six principles of ease of administration and four maxims uses a qualitative method with a case study approach at the Indonesian Joint Funding Fintech Association (AFPI). The results of this research show that the implementation of Withholing tax on interest has fulfilled the principles of certainty, simplicity, convenience, efficiency and equality, however there are still notes of things that need to be improved from a regulatory perspective by the DJP and from an administrative perspective by P2P lending operator.

Keywords: Ease of Administration, Four Maxim, Peer-to-Peer (P2P).

A. Introduction

The presence of technology-based peer to peer lending ("P2P Lending") fintech is considered as an alternative to bank lending. In the Fintech P2P Lending scheme, P2P Lending organizers provide an online platform that provides facilities for fund owners (lenders) to provide loans to borrowers and with higher returns (Huang, 2018). Borrower can apply for credit directly to lenders with easier terms and faster processes than other conventional financial institutions (Salleh et al., 2022). P2P Lending in Indonesia is one of the Fintechs required to be licensed or registered with OJK. As of January 2023, there are 102 P2P Lending providers licensed by OJK.

On 30 March 2022, the Government issued Minister of Finance Regulation Number 69/PMK.03/2022 ("**PMK 69**") regulating Income Tax and Value Added Tax on the Implementation of Financial Technology, including P2P Lending transactions, with effect from 1 May 2022. PMK 69 aims to provide legal certainty and ease of administration on financial technology transactions for taxpayers in fulfilling tax obligations. PMK 69 mandates the P2P Lending Operator as the party obliged to withhold income tax on interest between the parties transacting on its platform, consisting of the borrower as the interest giver and the lender as the interest receiver. After PMK 69 comes into effect, the total tax revenue from P2P Lending transactions as of December 2022 is IDR 209.8 billion.

In the withholding tax system generally applied, the party that performs the withholding tax obligation is the party that directly provides income. However, based on the HPP Law and PMK 69, the concept is that P2P lending providers appointed as other parties are given the obligation to withhold tax on interest payments from borrowers to lenders. The policy of wittholding tax through other parties will certainly optimise tax revenue, considering that the potential development of Fintech transactions is very significant. In addition, it can also minimise the leakage of potential tax revenue and tax avoidance of the parties transacting in Fintech P2P Lending. Nevertheless, from the taxpayer's side, with the additional obligation to withhold ITA 23 and ITA 26 on the interest, the P2P lending provider has an additional burden where in addition to performing its own taxation rights and obligations, it is also still appointed as another party to perform the rights and obligations of tax withholding on the interest paid by the loan recipient. With this new additional burden, there is an additional compliance costs that must be incurred. This is what underlies this research to assess whether the implementation of this obligation has fulfilled the principles of ease of administration and the four maxim, namely certainty, simplicity, convenience, efficiency and equality (Bussmann et al., 2021) (Hamzah et al., 2023). The results of this study are expected to contribute to P2P Lending Organisers, as well as input for DGT for policy improvement. In addition, the research is expected to fulfil the research gap on taxation of fintech P2P Lending that remains very limited.

Many experts argue about the principle of taxation, one of which is Adam Smith known as the four maxims. According to Adam Smith in a book entitled "Wealth of Nation", taxes must be based on 4 principles, those are equality, certainty, convenience and efficiency. The first is equality. This principle conveys that there must be equal or equitable justice in tax collection. When taxes are imposed on individuals, it must be proportional to their ability to pay taxes and in accordance with the benefits they will receive (Rosdini et al., 2022). In the principle of equality taxation, justice must be horizontally and vertically. Horizontal fair means that all taxpayers who have the same income and dependents will bear the same tax burden, without distinction according to the type or source of income.

The second principle is about the principle of certainty, where this principle means that tax collection should not be arbitrary without clear arrangements for all taxpayers (Ding et al., 2021). Clear tax rules include tax calculations, tax rates, timing of payment and reporting, as well as payment methods and tax reporting procedures (Chen et al., 2020). The principle of convenience means that taxes are charged when taxpayers pay taxes at a time that does not burden them, thus encouraging taxpayers to fulfill their obligations (Coakley & Huang, 2023). This principle considers the ease of paying taxes and payments made in a timely manner, for example when the taxpayer receives income (pay as you earn). The fourth is the principle of efficiency (efficiency in collections) (Mudjahidin et al., 2022) (Ofir & Sadeh, 2019). This principle is based on economic principles that emphasize that collection efforts for the fiscal in terms of costs incurred to meet tax obligations (cost of compliance) for taxpayers must be as minimal and efficient as possible (Hsu et al., 2021). Concluded that there are 4 indicators to illustrate the principle of ease administration, namely certainty, efficiency, convenience of payment, simplicity as shown by the following figure (Haula Rosdiana & Edi Slamet Irianto, 2012).

Ease of Administration Principle Indicator

1. Certainty
   a. Subject
   b. Object
   c. Tax base
   d. Rates
   e. Procedure

   X : Class (curtain)
   X: Firm
   X: Does not have a double meaning and cannot be interpreted differently (unambiguous)
   X : Continuity
2. Efficiency
   a. From a Fiskus-administrative & enforcement perspective, costs are relatively low
   b. From the taxpayer's perspective, compliance costs are relatively low
3. Conveniene of payment
   a. Taxes are collected at the right time (pay as you earn)
   b. Determining the tax payment due date
   c. Payment procedure
4. Simplicity
   a. Easy to implement
   b. Not complicated

Figure 1. Basic Indicators of Ease of Administration

Sommerfield explained that to increase legal certainty (Certainty) there needs to be more detailed tax collection instructions, advanced rulings, and other legal interpretations (Cicchiello et al., 2019). Meanwhile**,** according to (Petersone & Kreituss, 2021) the principle of certainty includes, among others, certainty about who should be taxed, what is used as a tax object, as well as the amount of tax to be paid and how the amount of tax owed must be paid (Mitra et al., 2022).

Tax system is more efficiency if the system is capable of generating the same tax revenue as other systems, but the cost of collection charged to taxpayers is lower (Nemoto et al., 2019). The principle of efficiency from the side of the tax authorities, the tax collection system is efficient if the costs incurred by taxpayers to fulfil their tax obligations could be as small as possible.

The principle of convenience can be interpreted that when paying taxes should be at the time of tax payment it is possible at a time that is "pleasant" or convenient for the taxpayer. According to Adam Smith, the convenience principle means convenience for WP (Milne & Parboteeah, 2016). Fiscus must impose taxes at the right time so as not to make it difficult for taxpayers who want to make payments. Convenience here also includes ease in payment procedures and determination of payment due dates so that WPs feel comfortable in fulfilling their tax obligations (Fung et al., 2020).

The principle of simplicity means that there is clarity and simplicity in tax regulations so that they are easily implemented, both by WP and fiscus. According to the Association of International Certified Professional Accountants (2017), tax regulations must be designed in such a way that they are easy to understand and comply with and are not convoluted. Simplicity also means not causing excessive burden for taxpayers (Kando & Trinugroho, 2022).

In the concept of P2P Lending, individuals are allowed to borrow funds, and investors are easily able to offer credit without the involvement of financial institutions (Wahyuningsih, 2019). Fintech Lending organisers only act as intermediaries that bring together lenders and loan recipients. The flow of the loan transaction process in the P2P lending platform can be described as follows:

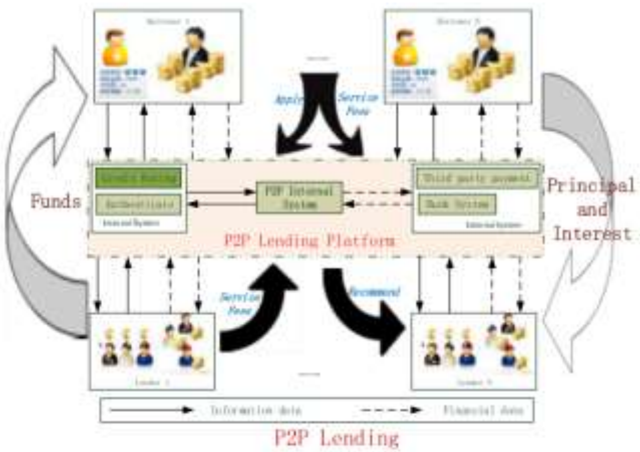

Figure 2. Transaction Process Flow in P2P Lending

Source: (Wang et al., 2015)

(Feng et al., 2015) presents a comparison of P2P Lending loans and traditional financing loans (commercial banks) as follows:

Table 1. Comparison of P2P Lending and Bank Lending

Main Aspects	Traditional Financing Loans (Bank)	P2P Lending Loans
Interest rate	Low – medium	Medium - high
Loan amount	Tall	Low
Collateral	Yes	No
Parties involved	Borrower, bank	Borrower, lender and P2P lending provider
Regulation/supervision	Strict	Loose
Process	Complex, Long	Simple, fast
Risk	Low	Tall
Transaction fees	Tall	Low

In the process of P2P Lending, the Borrower submits a loan application. While P2P platforms conduct an initial credit analysis and assign loan grade, which is a risk classification. Then investors (potential lenders) bid on the list with the loan amount and interest rate (Au et al., 2020). The Platform further combines the bids of eligible lenders into a single loan. The P2P platform itself does not invest in loans, so there is no bill tracing as in bank loans financed with debt (deposits and subordinated debt) and equity (capital invested by banks). So it can be said that all the money lent on the platform is provided by investors (Thakor, 2020).

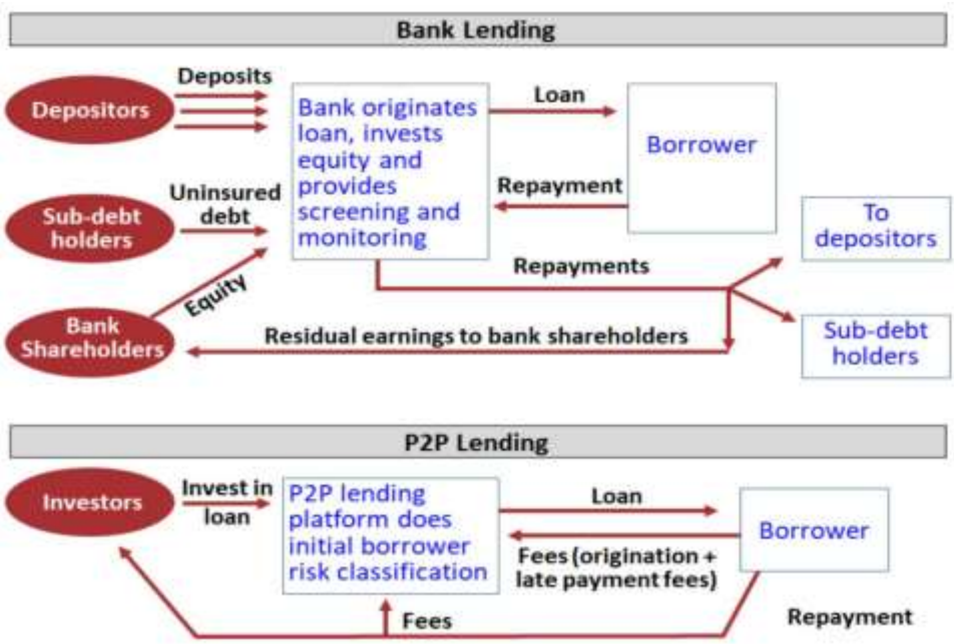

Figure 3. P2P Lending Organizer Loan Scheme vs Bank Loan

Source: (Thakor, 2020)

Income Tax on interest from borrower to lender

The P2P Lending scheme with withholding Income Tax PPh 23/PPh 26 can be on lender interest by the P2P Lending Organizer described as follows:

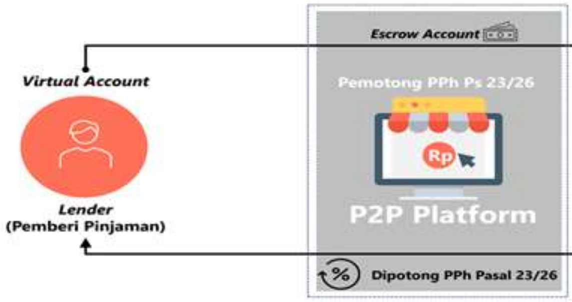

Figure 4. P2P Lending Schemes

Source: DGT socialization on PMK-69/PMK.03/2022

In tax regulations in Indonesia, the legal basis for tax provisions on fintech transactions including P2P Lending is regulated in the Law on Harmonization of Tax Regulations ("HPP Law") Number 7 of 2021 concerning General Provisions and Tax Procedures (KUP) article 32A, which states: HPP Law: (1) The Minister of Finance shall appoint other parties to withhold, collect, deposit, and/or report taxes in accordance with the provisions of laws and regulations. (2) The other party as referred to in paragraph (1) is a party directly involved or facilitates transactions between transacting parties. Furthermore, the Government issued Minister of Finance Regulation Number 69/PMK.03/2022**,** concerning fintech tax and also regulates Income Tax on interest on P2P Lending transactions.

B. Methods

This research applied qualitative methods and a case study approach conducted at the Indonesian Joint Funding Fintech Association (AFPI). AFPI is an organization that accommodates Fintech P2P Lending or Online Fintech Funding businesses in Indonesia. While from the type of case studied, this study is in the form of evaluation. Data collection techniques used are the triangulation method to gain a better understanding of the problem under study. Triangulation is a data collection method that combines various data collection techniques and data sources. This research was conducted in 2 phases. The first phase researchers collected data through questionnaires to P2P Lending organizers. In the second phase, the results of the questionnaire are confirmed back to the P2P Lending organizers and Tax Authorities through qualitative interviews (Sugiyono, 2017).

Data collection through questionnaires was carried out to answer research questions by combining as ease of administration and 4 principles of four maxims on the problems studied. The questionnaire in this study used a closed type of questionnaire. However, there is a feedback column to facilitate respondents who want to express their opinions openly. The concept of indicator used in this study is in the form of a framework that combines the principles of ease of administration and four maxims in the implementation of P2P Lending tax obligations. The concept of E ase of administration used in this study includes variables certainty, efficiency, while the principles of simplicity and convenience are used in one analysis. While the four maxim taxation principles used in this research questionnaire question are equality, certainty, convenience and efficiency. On the same basic variables in ease of administration and four maxims, made into one analysis.

Table 2. Operationalization of the concept

Draft	Principle	Indicator
Ease of administration (Rosdiana & Irianto, 2014)	Certainty	There is clear information regarding tax objects, tax objects, DPP, rates and procedures for reporting PPh on interest in PMK 69
Ease of administration (Rosdiana & Irianto, 2014)	Efficiency	The principle in this research, seen from the perspective of P2P lending organizers, is considered efficient if compliance costs are low with the variables fiscal cost, time cost and psychological cost of implementing tax obligations according to PMK 69
Ease of administration (Rosdiana & Irianto, 2014)	Simplicity & Convenience	The principle of simplicity & convenience is used in one group of questions, whether the provisions of PMK 69 are not convoluted/complicated and easy to carry out PPh obligations on P2P lending interest and ease of payment
Four maxin Smith, A. 1776	Equality	There is policy fairness in the imposition of PPh on P2P lending interest

The questionnaire was given to a total population of 102 P2P lending providers registered with OJK and members of the AFPI Association. Each statement uses the Likert scale to measure answers from respondents. The Likert scale was chosen because it can be used to measure the perceptions, opinions, and attitudes of a person or group of people on the phenomenon under study (Sugiyono, 2019). The Likert scale in this study is in the form of statements: strongly disagree (STS), disagree (TS), somewhat disagree (ATS), somewhat agree (AS), agree (S), and strongly agree (SS). Each answer to the statement is given a score of 1-6. Score 1 for STS, score 2 for TS, score 3 for ATS, score 4 for US, score 5 for S, and score 6 for SS.

Furthermore, in the second phase, it will use in-depth interviews with semi-structured questions so that they can find problems more openly and the resource persons elaborate their perceptions in depth but still within the corridor of the research problem formulation, namely evaluating the quality of the implementation of tax obligations of P2P Lending Organizers, for withholding income tax and collecting VAT. The interview targets in this study are P2P Lending Organizers and

Tax Consultants. The answers to the interview questions by each party will be further analyzed to draw a conclusion. By combining the answers from both parties, it is hoped that this study will be able to provide adequate recommendations regarding the quality of the implementation of income tax collection on P2P Lending transactions.

C. Results and Discussion

Data Collection Results

The number of questionnaires distributed in this study was 102 questionnaires that were Active members of AFPI. From the questionnaires distributed, there were 30 questionnaires that returned or the percentage of questionnaires that returned reached 29.41%. While of the 30 questionnaires, there are 7 questionnaires that cannot be used. This happened because 2 respondents answered that they did not work in P2P Lending, 1 respondent did not handle P2P Lending taxes and 4 respondents did not answer questionnaire questions. Thus, as many as 23 questionnaires or 76.67% of the questionnaires that returned, were declared to have met the criteria of the research sample.

Table 3. Questionnaire Data Collection Results

Total questionnaires distributed	102
Return questionnaire	30
Not working at P2P lending	2
Does not handle P2P lending taxes	1
Did not answer the questionnaire questions	4
Percentage of returned questionnaires	29.41%
Percentage of valid questionnaires	76.67%

Interviews were conducted with 3 speakers, namely 2 P2P Lending organizers and 1 from a Tax consultant.

Table 4. Interviewees

No	informant	Kode	Date	Interview duration
1	CEO of P2P Lending	P2P-1	November 20, 2023	90 Minutes
2	Tax Manager P2P Lending	P2P-2	November 23, 2023	60 Minutes
3	Tax consultant	KP-1	November 21, 2023	60 Minutes

Basic Analysis of Ease of Administration and Four Maxims on Income Tax Withholding Obligations

Certainty Principle

As a result of the survey, respondents somewhat agreed that the provisions of PMK 69 have provided legal certainty for respondents in carrying out the obligation to withhold income tax on lenders' interest.

Table 5. Basic Perception of Income Tax Certainty

No	Indicators	Statement	Average rating	Result
1.	Tax Subjects & Objects	PMK 69 clearly regulates the obligation to withhold income tax on interest from borrowers to lenders by P2P Lending organizers	4.59	S
2.	Fare	PMK 69 clearly regulates the rate of withholding income tax to WPDN lenders, namely PPh 23 15% (with NPWP) or with sanctions of 100% increase (without NPWP)	4.41	S
3.	Fare	PMK 69 clearly regulates the rate of withholding income tax to WPLN lenders, namely PPh 26 20% or according to the Tax Treaty	4.53	S
4.	Fare	PMK 69 clearly regulates the income tax withholding rate that should apply to MSME lenders whose taxes are final (PP23/2018)	3.71	AXLE
5.	Taxation Procedure	PMK 69 clearly regulates the procedure for making ebupot for withholding PPh 23/PPh 26 at lenders	3.82	AXLE
6.	Taxation Procedure	PMK 69 clearly regulates the procedure for reporting withholding PPh 23/PPh 26 on lender interest through SPT Masa	3.88	AXLE
7.	Taxation Procedure	PMK 69 clearly regulates when the obligation to withhold PPh 23/PPh 26 on lender interest applies	4.29	AXLE
8.	Taxation Procedure	PMK 69 clearly regulates sanctions for failure to fulfill the obligation to withhold income tax 23/26 on lender interest	3.76	AXLE

Furthermore, from the results of the interview, according to P2P-2 informants, for the Subject, Object and Tariff of withholding income tax on interest, PMK 69 has provided legal certainty. It's just that P2P-2 informants feel that there is still a little uncertainty for cutting the interest tax of WPDN lenders in financial services institutions. The same thing was expressed by the P2P-1 informant, where according to this informant the certainty of objects and tariffs in the field is uncertain, because the distribution of lenders is not only WPDN and WPLN, but there should be identification of WPDN lenders Financial Services Institutions (LJK) or Non-LJK. This is because there were other tax provisions before the enactment of PMK 69 that excluded interest deductions for the FSA group, namely in PMK 251 of 2008.

Principle of Simplicity &; Convenience

From the principle of ease and comfort of the obligation to withhold income tax on lender interest, there are 3 indicators, consisting 1 simplicity indicator about simplicity & ease of implementation and 2 convenience indicators, about the comfort of paying taxes when getting income and payment due. And from the survey results with 9 statements, it shows that there are 2 results, some respondents agree and some feel somewhat agree as table 1.7. As a result, the overall average value shows that respondents somewhat agree that the implementation of income tax obligations on lender interest meets the principle of ease and convenience

Table 6. Basic Perception of Simplicity & Convenience Income Tax

No	Indicators	Statement	Average rating	Result
1.	Simplicity &; Ease of Execution	I easily identify the status of WPLN or WPDN lenders	4.25	AXLE
2.	Simplicity &; Ease of Execution	I easily identify the status of MSME lenders whose taxes are final (PP23/2018)	4.13	AXLE
3.	Simplicity &; Ease of Execution	I easily validate my NIK/NPWP for WPDN	4	AXLE
4.	Simplicity &; Ease of Execution	I easily validate the Certificate of Domicile (SKD) and/or DGT Form documents for WPLN	4.19	AXLE
5.	Simplicity &; Ease of Execution	I easily make proof of withholding income tax 23/26 on lender interest in the unification ebupot system	4.38	S
6.	Simplicity &; Ease of Execution	The large transaction volume caused me to have difficulty preparing ebupot for the deduction of income tax 23/26 on lender interest	3.19	AXLE
7.	Simplicity &; Ease of Execution	I easily calculate the amount of interest as the object of withholding PPh 23/PPh 26	4.44	S
8.	Convenience of paying taxes	When withholding PPh 23 / PPh 26 is appropriate because it is done at the time of interest payment from the borrower	4.38	S
9.	Payment due	My company always deposits the results of PPh 23/26 lending interest on time	4.94	S

From P2P-2 informant information, in terms of Simplicity & Ease of Implementation is still not easy. In the case of creating or preparing a cut proof data format due to its considerable volume. And then the informant must make a distribution to all lenders, this is something that is quite noticed by the informant, considering that this deduction evidence is not final so that it will be income that will be recalculated by the lender for the Annual Tax Return and the tax is calculated as a tax credit: "Now that's it, for bukpot it's not easy, we let alone the RPI system, from the system we make dlu in upload format to DGT so a lot of work there later after there is a dissolution we have to be distributed to the lender, entered into the system one by one so that they can download to the application, but sometimes also via email too, so it's quite draining".

Principle of Efficiency

Basic survey of the efficiency of the implementation of income tax withholding obligations on lender interest, using 3 indicators, namely time cost, fiscal cost and Psychological Cost. The results of the survey with 10 statements, showed that there were 2 results, some respondents felt somewhat disagreeable and some felt somewhat agreed that they had fulfilled the principle of efficiency as table 1.8. However, the overall average value shows that respondents somewhat agree that the implementation of the obligation to withhold income tax on lender interest has been efficient.

Table 7. Basic Perception of Income Tax Efficiency

No	Indicators	Statement	Average rating	Result
1.	Time Cost	It took me a long time to validate my NIK/NPWP, SKD/DGT form, or Free Certificate (SKB)	3.67	AXLE
2.	Time Cost	It took me a long time to process the import data of PPh 23/26 on the lender's interest	3.67	AXLE
3.	Time Cost	It took me a long time to submit/upload ebupot	3.47	ATS
4.	Time Cost	I need additional time to provide proof of cut to the lender	3.27	ATS
5.	Fiscal Cost	My company incurs additional costs for the development of systems/tools in fulfilling the obligation to withhold income tax on lender interest	3.53	AXLE
6.	Fiscal Cost	My company incurs additional costs for HR or employee overtime in fulfilling the obligation to withhold income tax on lender interest	3.73	AXLE
7.	Fiscal Cost	My company needs consultation or administrative assistance from a tax consultant	2.87	ATS
8.	Psychological Cost	The volume of data related to withholding income tax 23/26 affects my psychic at work	4	AXLE
9.	Psychological Cost	Every day I experience errors in the implementation of withholding income tax 23/26 on lender interest	3.93	AXLE
10.	Psychological Cost	I bear the psychic burden of the error	4	AXLE

According to P2P-2 informants, the implementation of time cost and fiscal cost indicators is still inefficient. In terms of fiscal costs, informants must develop their own systems by internal IT to be able to adjust to the data needed in the implementation of taxes, but to be more efficient, informants must incur costs to develop the system with the help of external IT vendors. However, because they are still considering the efficiency of the company's burden, until now informants have not used external IT assistance. Furthermore, in terms of time costs, in terms of internally developing the system itself requires a long time, until you have to work overtime. In addition to the process that is considered inefficient is in terms of sharing cut evidence which requires a long time in terms of email or uploading one by one in the application. Regarding the time cost in terms of distributing non-final one-on-one cut evidence, KP-1 informants gave the view that it is more efficient if the P P h is final, so as to provide convenience for many parties, unlike if the pajaknya is non-final."Actually, I agree more that the final, yes, it could be the final is a solution for many things, for the convenience of one, this is the party in the middle of 2 transactions so don't bother it very much. If it's final, the fare is only 1 tariff, so it's not a headache"

Principle Equality

In this principle of justice, there is only 1 indicator, namely the Horizontal &; Vertical Principle of Justice. As a result of this principle, respondents somewhat agree that the obligation to withhold income tax on lender interest in accordance with PMK 69 has fulfilled the principle of fairness in accordance with table 1.9. This can be seen from the difference in tax treatment on interest in lending and borrowing activities with banking institutions. Where banks and P2P Lending are both financial institutions under the OJK, but the interest tax provisions are different where the interest on banks is final.

Table 8. Basic Perception of Income Tax Equality

No	Indicators	Statement	Average rating	Result
1.	Horizontal &; Vertical Fairness Principle	I agree with the difference in the treatment of the obligation to withhold income tax for P2P Lending companies with interest tax on bank financial institutions which is final	3.8	AXLE

In the principle of fairness, both P2P-1 informants and P2P-2 informants pay attention to the difference in tax withholding treatment with banks, where taxes on interest income are final. Not only related to the process of implementing obligations on the side of P2P lending organizers, but also implications for lenders so that they are related to investment in P2P Lending. The same thing was also stated from KP-1 informant that Final Income Tax can be a solution for 2 principles of fairness and efficiency considering that the substance of bank business and P2P Lending is the same.

D. Conclusion

The conclusion of the income tax cutting requirement: Certainty Principle Based on the PMK 69 regulation, the indicators of subjects, objects, rates and procedures for withholding income tax have provided legal certainty for the implementation of their VAT obligations from the side of P2P Lending Operators. Potential problems that still exist regarding tax rates, subjects and procedures, in the form of certainty of WPDN that gets exemptions from withholding income tax 23 ats interest, such as financial service institutions no banks which are also regulated by PMK 251. This tax administration certainty needed so that in the future there will be no disputes that can result in the imposition of sanctions on P2P Lending organizers, if they do not deduct interest income. Principle of Simplicity and Convenience the results of the interview on the implementation of income tax collection obligations have met the principle of Simplicity and Convenience. Principle of Efficiency The results of the interview at the beginning of the implementation of obligations, in terms of fical cost and time cost are quite high because it requires P2P lending providers to adjust and develop internal systems to support the obligation to cut income tax 23. Equality Principles The informant highlighted the difference in income tax treatment on P2P Lending interest with banking, where in the banking industry the income tax is final for individuals. From the lender's side, interest income will be recalculated in the reporting of the Annual Tax Return so that it follows the progressive rate.

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