

## Regulating Income Tax: Case of Indonesian YouTubers

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DOI: <https://doi.org/10.31603/variajusticia.v17i2.5168>

*Submitted: June 2021*

*Revised: July 2021*

*Accepted: August 2021*

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### ABSTRACT

**Keywords:**  
*Tax Law; Income Tax; Content creator; YouTube*

*Along with the development of digital business platforms in Indonesia, the YouTube content creator profession (YouTuber) has become a hard-to-tax sector due to the unavailability of a clear definition in the laws and regulations regarding the business characteristics of the content creator profession. This study aims to analyze the income tax aspect of content creators on the YouTube digital platform in Indonesia. First, it focuses on the interpretation of independent work and business activities related to the business nature of content creators, constituting individual taxpayers with income below the threshold regulated in Government Regulation (PP) no. 23 of 2018. Second, it analyzes the tax authority's efforts and strategic measures to optimize tax revenues from YouTubers. This study uses a qualitative descriptive approach using documentation and literature studies. The results show that determining the income tax aspect of YouTubers requires carefulness in identifying the types of activities that become sources of income since they could either perform business activities or independent work simultaneously. Therefore, it is vital to confirm the YouTubers business activity definition in the tax provisions. In addition, adequate education and socialization that promote a cooperative approach become necessary to improve tax compliance.*

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### 1. INTRODUCTION

Technology has influenced the way people work and interact with others. The emergence of the global economy and culture as interconnected societies enables goods and information to move across national boundaries.<sup>1</sup> One form of utilizing technological developments for the dissemination of information is through digital platforms. In the broadcasting context through social networks, the platform is an ecosystem that involves content creators and consumers. The platform serves as a

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<sup>1</sup> Richard M. Bird and Eric M. Zolt, "Technology and Taxation in Developing Countries: From Hand to Mouse," *National Tax Journal* 61, no. 4 (2008): 791–821.

marketplace provider for content creators to broadcast content and reach audiences.<sup>2</sup> Digital platforms have changed almost every industry today.<sup>3</sup>

With technological development, the platform domain has fundamentally changed to become more varied.<sup>4</sup> In November 2006, Google, an American search engine company, bought YouTube for US\$1.65 billion in shares and continued to operate YouTube as before.<sup>5</sup> As a result, YouTube has solidified its position as the largest and most accessed video-sharing platform globally in the last decade. Its views reach one billion hours a day and are viewed by 69% of all internet users each month.<sup>6</sup>

According to the overview page on Google's website, the YouTube platform allows millions of users to find, watch, upload, and share their videos across the internet via websites and mobile devices. Furthermore, YouTube has developed forums for users to connect, inform, and inspire users worldwide to expand its reach. In addition, YouTube is also a platform to bridge the interests of content creators and advertisers. As a result, the ability to create and share personal creations with large digital communities has become more accessible and prevalent.<sup>7</sup>

Apart from being a digital platform commonly used for amateur broadcasters, YouTube is also a job site for more than 100,000 professional content creators whose videos they upload can generate money.<sup>8</sup> The more content creators, the more the viewers can enjoy, allowing more value and interest in visiting the platform.<sup>9</sup> Since 2006, through the Google AdSense service, it pays content creators to play ads in uploaded videos to earn an immediate income. Content creators can also gain additional economic advantages through merchandising sales, brand offerings, donation platforms, or subscription services such as Patreon.<sup>10</sup>

According to a report from Katadata,<sup>11</sup> the "We Are Social" survey states that YouTube is the most accessed platform, where 88% of the total 150 million Indonesian people use social media. Furthermore, the algorithm of socialblade.com, a website that

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<sup>2</sup> Chun Lo, "Edge Formation in Social Networks to Nurture Content Creators," in *Proceedings of The Web Conference*, 2020, 1999.

<sup>3</sup> Mark de Reuver, Carsten Sørensen, and Rahul C. Basole, "The Digital Platform: A Research Agenda," *Journal of Information Technology* 33, no. 2 (2018): 124–35.

<sup>4</sup> Ismail Khozen, Illona Setianty, and Farah Dina Meiriza, "What Can We Learn from Business Innovation Failure of Uber in Southeast Asian Market?," *Inovbiz: Jurnal Inovasi Bisnis* 9, no. 1 (2021), <https://doi.org/https://doi.org/https://doi.org/10.35314/inovbiz.v9i1.1896>.

<sup>5</sup> William L. Hosch, "YouTube," in *The Encyclopaedia Britannica*, 2020.

<sup>6</sup> Chris Stokel-Walker, *YouTubers: How YouTube Shook Up TV and Created a New Generation of Star* (London: Canburry Press, 2019).

<sup>7</sup> C. Harlan, M., Bruce, and M. Lupton, "Teen Content Creators: Experiences of Using Information to Learn," *Library Trends* 26, no. 2 (2020): 569–87.

<sup>8</sup> Valentin Niebler, "YouTubers Unite': Collective Action by YouTube Content Creators," *Etui*. 26, no. 2 (2020): 223–27.

<sup>9</sup> Lo, "Edge Formation in Social Networks to Nurture Content Creators."

<sup>10</sup> Niebler, "YouTubers Unite': Collective Action by YouTube Content Creators."

<sup>11</sup> Aria W. Yudhistira, "Youtube, Medsos No. 1 Di Indonesia" (katadata.co.id, 2019), <https://katadata.co.id/ariayudhistira/infografik/5e9a55212afab/youtube-medsos-no-1-di-indonesia>.

provides statistical data on influencers on social media based in the United States, summarizes 250 YouTube channels in Indonesia with the most subscribers, namely more than 1,000,000 accounts. Table 1 is the summary of the most popular Indonesian YouTubers based on the number of subscribers until August 2021.<sup>12</sup>

**Table 1.** Top Five Indonesian YouTubers and Their Estimated Earnings

No.	YouTube Channels	Subscribers	Estimated Yearly Earnings
1.	AH (Atta Halilintar)	27.8M	\$122.6K – \$2M (IDR1.75B – IDR28.5B)
2.	Ricis Official	26.2M	\$121.6K – \$1.9M (IDR1.73B – IDR27.1B)
3.	Jess No Limit	23.2M	\$181.7K – \$2.9M (IDR2.59B – IDR41.4B)
4.	Rans Entertainment	21.2M	\$309K – \$4.9M (IDR4.41B – IDR69.9B)
5.	Frost Diamond (Kananda Widyantara)	19.4M	\$374.4K – \$6M (IDR5.34B – IDR86.6B)

The amount of income earned by YouTube content creators in Indonesia should align with the potential tax revenue. Quoting the Director of Potential, Compliance, and Revenue of the Directorate General of Taxes, Yon Arsal, current tax provisions for social media business activities still use the same clauses in the Income Tax Law.<sup>13</sup> In other words, both online and offline (conventional) business activities are only media differences; the taxation principle should remain the same. As an illustration, when referring to the lowest estimated yearly earnings as shown in Table 1, the channels in the first four rows apply deemed profit margin (NPPN) since their turnover is below IDR 4.8 billion. On the other hand, if the annual turnover exceeds the amount as shown in the fifth channel, bookkeeping obligations with the generally accepted tax rate mechanism as stated in Article 17 of the Income Tax Law must be applied.

Those who do the bookkeeping need to consider deductible expenses and personal exemptions first to determine taxable income. Based on our simple calculation, on a taxable income of IDR 20 billion (which seems to have been fulfilled by the five channels in Table 1), the potential tax revenue is IDR 5,945 billion. Simply put, the effective rate for taxable income for the first IDR 500 million is 19% (IDR 95 million), and the rest is subject to an income tax rate of 30%. Thus, the potential for tax revenue will be even more remarkable since the 30% rate applies to unlimited income. Furthermore, with the reality that YouTubers' income earns from AdSense and other sources due to their popularity, the tax potential becomes more fantastic.

Tax officials increasingly utilize various data and information from digital platforms and social media to optimize individuals' income tax potential. Especially at this time, the Directorate General of Taxes uses a compliance risk management (CRM)

<sup>12</sup> Social Blade, "In Top 100 YouTubers in Indonesia Sorted by Subscribers" (<https://socialblade.com/>, 2021), <https://socialblade.com/youtube/top/country/id/mostsubscribed>.

<sup>13</sup> Restu Dianita Putri, "Menghitung Pajak YouTuber Dan Selebgram" (Tirto.id, 2018), <https://Tirto.id/menghitung-pajak-YouTuber-dan-selebgram-cESF>.

system to carry out supervision in both extensification, supervision, inspection, and billing activities. In practice, tax officials often ask for confirmation of the business activities carried out by taxpayers through issuing a Letter of Request for Explanation of Data and Information (SP2DK).<sup>14</sup>

However, there is still a 'grey area' regarding the imposition of taxes on the YouTuber profession in the Indonesian tax provisions. There is no specific definition that describes this type of profession. Therefore, this study will analyze the income tax aspect based on the business nature of the YouTube content creator profession, specifically for independent content creators as individual taxpayers. The research aims to minimize information asymmetry, increase taxpayer compliance, and consider relevant subsequent regulations.

## 2. RESEARCH METHODS

This study is qualitative research with a descriptive approach to analyze tax imposition on YouTubers income in Indonesia based on its business nature. The purpose of descriptive research is to describe a phenomenon and its characteristics.<sup>15</sup> Creswell defines a qualitative approach to explore and understand the meaning of individuals or groups that are considered social or human problems.<sup>16</sup> This study focuses on independent creators related to the interpretation of independent work and business activities, both those who have income below the personal exemption threshold first to determine taxable income and those who exceed the threshold. We use documentary materials and literature studies in conducting this study.

## 3. RESULT AND DISCUSSION

### 3.1. YouTubers and Their Sources of Income

Barnes classifies content creators as users who create digital materials (creative works), such as text, images, sound, video, and their combination.<sup>17</sup> The content creators are also responsible for contributing information to any medium, especially digital media. They are more than just creators. Generally, they target a specific audience within a specific context.<sup>18</sup> For example, in YouTube digital media, referring

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<sup>14</sup> Prianto Budi Saptano and Ismail Khozen, "Rekonstruksi Pendekatan Compliance Risk Management Di Masa Pandemi Dalam Upaya Penguatan Penerimaan Pajak," *Scientax* 3, no. 1 (2021): 1044–61, <https://doi.org/https://doi.org/10.52869/st.v3i1.240>.

<sup>15</sup> Hossein Nassaji, "Qualitative and Descriptive Research: Data Type versus Data Analysis," *Language Teaching Research* 19, no. 2 (2015): 129–32, <https://doi.org/10.1177/1362168815572747>.

<sup>16</sup> John W. Creswell, *Qualitative Inquiry and Research Design* (Washington DC: SAGE Publications, 2013).

<sup>17</sup> Stuart J. Barnes, "The Mobile Commerce Value Chain: Analysis and Future Developments," *International Journal of Information Management* 22, no. 2 (2002): 91–108, [https://doi.org/10.1016/S0268-4012\(01\)00047-0](https://doi.org/10.1016/S0268-4012(01)00047-0).

<sup>18</sup> Sarah Stasik, "What Is a Content Creator" (US: State of Digital Publishing, 2021).

to its Terms of Service, content is defined. Those included as content are video, audio (e.g., music and other sounds), text (such as comments and scripts), photos, branding (including trade names, trademarks, service marks, or logos), graphics, metrics, software, interactive features, and other materials whether provided by the content creator, YouTube, or third parties. Video is the electronic recording of moving images and sound, primarily as digital files, DVDs, films, or TV programs.<sup>19</sup>

YouTubers are creators of video content uploaded through YouTube channels. Such a profession contains two categories: (1) a personal account (independent) and (2) on behalf of another party (under an agency). The first category consists of independent content creators or people who work for themselves. For example, some of their products are language learning tutorial videos, travel videos, cooking videos, and others. The second category consists of content creators for other parties who earn income from users of their services, namely agencies or third parties. For example, some are YouTube animation creators responsible for creating channels or advertisements for other parties.

Content creation activities carried out by YouTubers can generate revenue. Such a process of generating income is also known as the earning process. Within the context of YouTubers, they can receive revenue from several sources, for example, from (1) direct revenue conducted from Google AdSense through monetization of YouTube channels and (2) ad impressions from uploaded videos. In addition, there is also indirect income resulting from their popularity to influence the community. For example, they generate income from placing certain brand products (*endorsement*), financial support platforms (*Patreon*), selling goods (*merchandise*), or becoming professional speakers.

As described above, for the first source of income, Google AdSense is a collaborative advertising program through the internet. Like other media, ad placement on the YouTube platform will get paid according to the duration and quality of the ads. The billing rates to advertisers will automatically go to YouTube first. After receiving the ad payment, YouTube will go through a service fee reduction procedure and forward it to the account owner. As monetization is successful, the account owner will earn the income that YouTube regularly sends. Thus, the more people who watch the video, the more income will be earned by YouTubers. These terms apply to all monetized videos.

YouTubers' income deriving from monetization and transferred from the payors could become non-withholding tax objects in the source country where the payors are resident taxpayers. Of course, such a withholding tax policy could change depending on

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<sup>19</sup>“Cambridge Dictionary,” in Cambridge Dictionary,” n.d., <https://dictionary.cambridge.org/dictionary/english/video>.

the source country's policy. However, a rumor mentions that YouTube starts to have a responsibility to consider related tax aspects.<sup>20</sup>

For the second source of income, the YouTuber's popularity as a content creator is one of the selling points utilized by several parties to market their products. Some generally believe that commercial product placement can influence people's buying behavior.<sup>21</sup> Such a placement is an insertion of a branded product or service into mass media content for influencing consumer attitudes or behavior. Through advertising (endorsement) or product placement through the uploaded videos, a business entity or an advertiser will pay YouTubers for encouraging the use of their products.

Endorsements occur when companies use publicly recognized individual opinions for promotional purposes.<sup>22</sup> According to McCracken, a celebrity endorser is an individual who enjoys public recognition and capitalizes on that recognition by appearing to advertise it on behalf of consumer goods.<sup>23</sup> An endorser's level of public recognition can draw attention to the brand message, build awareness, and attract attention in an environment. For example, some expect that advertising through YouTubers can attract customers to the advertised product. Bergkvist and Zhou define this act as an agreement between two parties, namely an individual who enjoys public recognition (a celebrity) and an entity, such as a brand, to use a celebrity to promote their interest.<sup>24</sup> In addition, this partnership offers potential impacts and benefits for both parties.<sup>25</sup>

### 3.2. Tax Aspects on Income Generated by YouTubers

Provisions regarding income tax in Indonesia refer to Law Number 7 of 1983 as lastly amended by Law Number 11 of 2020 ("Income Tax Law"). Under Article 4 paragraph (1) of the Income Tax Law, the definition of income has five elements. The first is "an additional economic capability." The second is "obtained by a Taxpayer." The third is "both from Indonesia and from outside Indonesia." The fourth is "which can be used for consumption or to increase the wealth of the taxpayer concerned." The last is "by name and in any form."

<sup>20</sup> Hemant Kashyap, "YouTube To Charge Tax From Creators Based Outside US" (voice & data, 2021), <https://www.voicendata.com/youtube-charge-tax-creators-outside-us/>.

<sup>21</sup> Elizabeth Levy Paluck et al., "Does Product Placement Change Television Viewers' Social Behavior?," *PLoS ONE* 10, no. 9 (2015): 1–18, <https://doi.org/10.1371/journal.pone.0138610>.

<sup>22</sup> Lars Bergkvist and Kris Qiang Zhou, "Celebrity Endorsements: A Literature Review and Research Agenda," *International Journal of Advertising* 35, no. 4 (2016): 644.

<sup>23</sup> Grant McCracken, "Who Is the Celebrity Endorser? Cultural Foundations of the Endorsement," *Journal Of Consumer Research* 16, no. 3 (1989): 310.

<sup>24</sup> Bergkvist and Zhou, "Celebrity Endorsements: A Literature Review and Research Agenda," 2016.

<sup>25</sup> Elina Halonen and Leila Hurmerinta, "Who Endorses Whom? Meanings Transfer in Celebrity Endorsement," *Journal of Product & Brand Management* 19, no. 6 (2010): 452–60.

Meanwhile, the definition of a taxpayer refers to Article 1 point 2 of Law Number 6 of 1983 as last amended by Law Number 11 of 2020 ("KUP Law"). Thus, according to the law, a taxpayer is an individual or entity, including taxpayers, tax withholders, and tax collectors who have tax rights and obligations to comply with tax laws and regulations. Furthermore, Article 2 paragraph (4a) of the KUP Law explains that the tax obligation for taxpayers begins when the taxpayer meets subjective and objective requirements and applies the retroactive principle.

Individual or corporate taxpayers who have complied with statutory standards must carry out tax obligations on income received or earned based on the applicable Income Tax Law. This provision also applies to the YouTuber profession when the income earned from the results of the creation achieve the minimum standards as the taxpayer.<sup>26</sup> One of the tax rules applicable to YouTubers' income is Government Regulation no. 23 of 2018 ("PP-23/2018"). Since this research focuses only on the income YouTubers as individual taxpayers, the discussion of income tax aspects described in the following paragraphs excludes corporate taxpayers.

PP-23/2018 supersedes Government Regulation No. 46 of 2013 ("PP-46/2013") as many individual taxpayers have exploited a tax loophole available in PP-46/2013 and applied a tax avoidance practice. Therefore, PP-23/2018 has closed the loophole by replacing PP-46/2013. However, PP-23/2018 does not explicitly mention that income from independent works includes YouTubers' income so that a legal uncertainty emerges from the point of how to tax their income. The uncertainty derives from whether YouTubers generate income from independent works or business activities when their gross annual income does not exceed IDR 4.8 billion. In some empirical cases, tax officers treat YouTubers income from independent works so that they cannot apply the final tax stipulated under PP-23/2018. Meanwhile, several YouTubers insist on applying the final tax according to PP-23/2018 since generating income from business activities other than independent works.

However, PP-23/2018 provides specific individual taxpayers generating annual income from business activities with three bookkeeping schemes to calculate their annual income tax. In addition, this rule is valid only for seven years since the following condition:

- a. since the fiscal year of an individual registering his/her tax identification number (TIN) after the date of enactment of PP-23/2018 (1 July 2018); or
- b. since the fiscal year of PP-23/2018 coming into force (1 July 2018) for taxpayers whose TIN registration before the enactment of PP-23/2018.

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<sup>26</sup> CNCB, "Sri Mulyani Minta Selebgram Terkenal Bayar Pajak!" (CNCB Indonesia, 2019), <https://www.cnbcindonesia.com/news/20190121145355-4-51603/sri-mulyani-minta-selebgram-terkenal-tajir-bayar-pajak>.

Based on Table 2 (see letter A number 1 point c), individual taxpayers may choose and apply one of the three bookkeeping schemes (either final, specific norm, or matching principle). In the first scheme, the individual taxpayers may treat their annual income as the final tax object at a 0.5% rate. Under this scheme, he/she records his/her monthly gross income, applies the tax rate to their gross income, and such a scheme is the simplest one. In the second scheme, he/she may choose a specific norm stipulated under the Director-General of Taxes regulation (DGTR) to determine net income. Based on this scheme, he/she only records his/her annual gross income. Then, he/she applies the specific norm times gross income to calculate net income, subtracts PTKP to obtain taxable income, and calculates income tax using a progressive tax rate.

**Table 2.** Schemes for Calculating Individual Income Tax

Description	Final	Specific Norm	Matching Principle
<b>A. Source of income earned by individual taxpayers</b>			
1. Business activities other than independent work			
a. Not subject to tax	X	X	X
b. Subject to final tax referring to other than PP-23/2018	✓	X	X
c. Subject to non-final tax [by choosing one of three available bookkeeping options according to PP-23/2018]	✓	✓	✓
2. Business activities in the form of independent work	X	✓	✓
3. Other than business activities			
a. Employment	X	X	X
b. Others	X	X	X
<b>B. Schemes to calculate annual income tax</b>			
1. Multiplying final tax rate at 0.5% by gross income	✓	X	X
2. Multiplying a specific norm by gross income to determine net income, subtracting PTKP from net income to obtain taxable income, then applying progressive tax rates to the taxable income.	X	✓	X
3. Subtracting allowable deduction and PTKP from gross income to determine taxable income, then applying progressive tax rates to the taxable income	X	X	✓

Finally, under the last scheme, he/she performs bookkeeping by recording gross income and expenses. Then, to determine taxable income, he/she subtracts gross income with allowable deductions and PTKP. This step adopts the concept of matching cost against revenue or matching principle adopted from financial accounting. In the last step, he/she calculate income tax by multiplying progressive tax rates with the taxable income. Such a scheme becomes the most complicated one since he/she must identify which expenses constitute the allowable deductions.

The different perspectives between tax officers and some YouTubers, as explained above, lie in the interpretation of what independent work is and how its scope is. Under Article 1 Number 24 of the KUP Law, does not clearly mentioned the meaning of independent works. The KUP law stated that independent works only covers



individuals earn income from independent work due to specific skills and not employment. However, PP-23/2018 stipulates that independent work includes only services performed by persons summarized in Table 3. Therefore, YouTubers' profession does not exist in Table 3, and they conclude to be able to apply final tax under PP-23/2018. As described above, such a conclusion differs from tax officers sometimes equating YouTubers' profession as endorsers. As a consequence, they cannot apply 0.5% final tax under PP-23/2018. Instead, YouTubers have to choose either a specific norm or matching principle in calculating taxable income.

**Table 3.** Scope of Independent Work

No.	Persons Performing Independent Work
1.	experts performing independent work and consisting of lawyers, accountants, architects, doctors, consultants, notaries, land title registrars, appraisers, and actuaries
2.	musical performers, presenters, singers, comedians, movie stars, soap opera stars, advertisement stars, directors, film crews, photo models, models, casts, and dancers
3.	sportsman
4.	advisors, teachers, trainers, lecturers, extension workers, and moderators
5.	authors, researchers, and translators
6.	advertising agents
7.	project supervisors or managers
8.	intermediaries
9.	merchandise sales officers
10.	insurance agents
11.	distributors of multilevel marketing or direct selling companies and other similar activities

The elucidation of Article 2 paragraph (4) PP-23/2018 provides an example of independent work. For example, Mr. A has expertise as a pianist. When teaching piano for and on his behalf to earn income not bound by an employment relationship, he provides services in connection with independent work. Therefore, his income from teaching piano is exclusive of business income subject to final income tax based on PP-23/2018. However, if Mr. A owns a piano course business and employs other people, his income is no longer a service income relating to independent work.

Based on the definition of independent work performance, the list of services, and the example described in PP-23/2018, individuals can simultaneously earn income from independent work and business activities. Thus, the characteristics of independent work are as follows:<sup>27</sup>

- a. self-employed, in this case having no employees other than himself;
- b. acting for and on behalf of itself, not for and behalf of the partnership (see elucidation of Article 21 paragraph (1) letter d of the Income Tax Law);

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<sup>27</sup> Suhut Tumpal Sinaga, "Apakah YouTuber Dan Selebgram Dapat Digolongkan Sebagai Pekerjaan Bebas?" (Forum Pajak Indonesia, 2019), <https://forumpajak.org/apakah-youtuber-dan-selebgram-dapat-digolongkan-sebagai-pekerjaan-bebas/>.

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- c. costs of obtaining, collecting, and maintaining income are very small or insignificant, e.g., no costs for purchasing materials, costs for salaries, rent, royalties, and depreciation costs;
  - d. usually subject to withholding tax under Article 21 or Article 23 of the Income Tax Law;
  - e. the services provided are excludable and rivalry; and
  - f. the income earned is a reward for certain deliveries that can be specifically appointed.

YouTubers' income may result from several sources, including Google AdSense earnings, monetization of YouTube channels, and ad impressions from videos produced and uploaded. Google AdSense is a collaborative advertising program through the internet. In addition, there is also indirect income that can earn from placing certain brand products (endorsement; product placement), financial support platforms (Patreon), selling goods (merchandise), and becoming a professional speaker.

YouTube has currently become one of the media to earn passive income through monetization. Monetization is the process of earning money from video content uploaded on YouTube channels by activating advertising features for both individual and institutional YouTube channels. Under its Terms of Service ("ToS"), content creators earn money from creating content on the YouTube platform if they meet the following requirements:

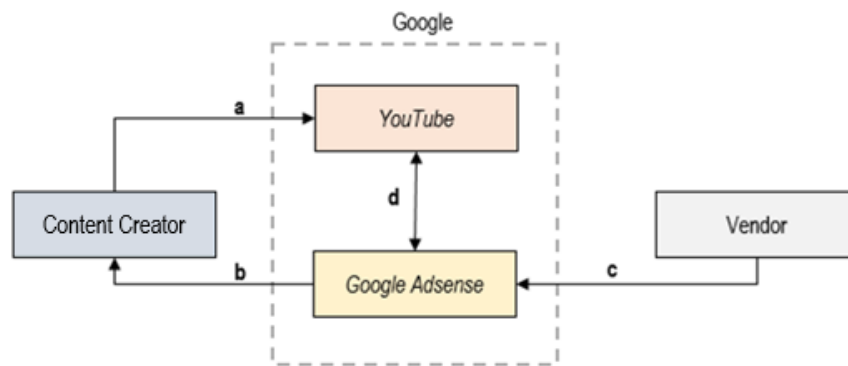
- a. follows the monetization policies of YouTube;
- b. resides in a country or city where the YouTube partner program is available;
- c. has more than 4,000 watch hours valid in 12 months;
- d. has more than 1,000 subscribers;
- e. has an AdSense account.

YouTube's monetization policies ensure that monetized content offers consumers something interesting to watch. If the average viewer can clearly state that the content on a YouTube channel differs from one video to another, then the YouTube channel can be monetized, and vice versa. The monetization application goes through a review and assessment process from YouTube to prevent other channels from creating duplicated videos. Furthermore, the most important thing is that the substance of each video must be relatively varied.

The revenue stream that YouTubers get is through a revenue-sharing system provided by Google from advertisers in return for uploading video content on the YouTube channel. Like other media, Ads on the YouTube platform will get paid according to the duration and quality of the ads. Billing rates to advertisers will automatically go to YouTube first. Once YouTube receives the ad payment, it will go through a service fee reduction procedure and forward it to the account owner. If

monetization is successful, the account owner will get income that is regularly sent by YouTube with the scheme as Figure 1 and the explanation as follow:

- a. YouTubers create content on the YouTube platform. Rather than advertising, these activities are video content creation. YouTube uses the video content to increase the flow of viewers or YouTube visitor traffic.
- b. YouTubers use Google AdSense services to monetize video content uploaded on their YouTube channel. They received income from YouTube through their Google AdSense account. The Google AdSense service fee has deducted the amount they receive.
- c. Vendors advertise products through Google AdSense as an advertising service provider. The vendor pays a certain amount of money to Google AdSense.
- d. Both Google AdSense and YouTube are services provided by Google. Google AdSense advertises vendor products through YouTube, emphasizing the flow of viewers from a YouTube channel.



**Figure 1.** YouTubers' Income Stream-Line

Based on Figure 1, YouTubers receive income for creating video content from Google AdSense. The calculation is determined based on the number of ad views on the YouTube channel, the number of valid clicks on the ads placed by Google AdSense on the YouTube channel, and the number of subscribers. The number of clicks and the number of impressions on the ad reflects the success rate of the content creator in increasing traffic or the number of views on the YouTube channel. In other words, the number of clicks on ads becomes a reference in assessing the income for making videos uploaded on the YouTube channel. In general, revenue per 1000 ad impressions is US\$1 or more. However, this acquisition is still subject to a practical cost-per-mile calculation where individuals create YouTube channels.

In addition, the popularity of a 'YouTuber' as a content creator is one of the selling points used by several parties to market their products. Popularity and suitability of preferences are reasonable reasons for advertisers to entrust their product branding to a YouTuber. Bergkvist and Zhou define endorsement as an agreement that binds each

party involved to the agreement.<sup>28</sup> A YouTuber can earn income from collaborative activities with third parties by advertising certain brands in the uploaded video content. After advertisement (endorsement) or product placement, the entity or the advertiser will pay the YouTubers.

An endorser's level of public recognition can draw attention to the brand message, build awareness, and attract the attention of the surrounding environment. In addition, this partnership offers potential impacts and benefits for both parties.<sup>29</sup> Agreed clauses in a cooperation contract may vary. The clauses may include various amounts of income, terms, and conditions. It is because of greatly depending on the agreement of both parties. Generally, the process of creating video content can be more complicated and involve more people. Another critical thing to note is that YouTubers do not always present themselves but can collaborate and involve several parties in creating video content. Even nowadays, an agency or organization can become a 'YouTuber'; Trans7 Official and Indosiar are examples of Indonesian television included in the ten biggest subscribers in the country.

Based on the above understanding, ad monetization from the YouTube platform is more appropriate if categorized as income from business activities. The underlying reason is that a content creator has organized his YouTube account to make it available for monetization. In addition, that the uploaded video content needs to go through a first assessment or review process from YouTube to measure whether the channel is eligible for monetization or not. Considering the amount of capital needed to generate exciting content, categorizing YouTubers' earnings from this post as a business activity may be entirely plausible. Of course, more in-depth study and regulatory adjustments are still necessary. However, tax officers cannot categorize income earned from monetizing YouTube ads as income from independent work because we cannot specifically designate it as a reward for which activity. Besides, based on textualist interpretation, YouTubers' profession does not exist explicitly in PP-23/2018.

Consideration generally relates to the availability of a YouTube account with a variety of video content. Furthermore, YouTube's monetization process refers to the number of clicks and impressions on ads that cannot classify in detail how much each monetized video content is. Total earnings deriving from AdSense are cumulative and ongoing from all monetized videos. Thus, the more videos uploaded, the number of clicks and viewers, the higher the potential income that YouTubers will receive, and vice versa. Increasing video traffic is very dependent on consumer interest in a

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<sup>28</sup> Lars Bergkvist and Kris Qiang Zhou, "Celebrity Endorsements: A Literature Review and Research Agenda," *International Journal of Advertising* 35, no. 4 (2016): 642–63.

<sup>29</sup> Halonen and Hurmerinta, "Who Endorses Whom? Meanings Transfer in Celebrity Endorsement."

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particular topic and the quality of informative, varied content, and the originality of ideas that differ from one video to another.

On the other hand, income from cooperating with third parties to advertise products is categorizable as independent work. An endorsement or product placement agreement with a third party fulfills the definition and characteristics of independent work as stated in Article 1 number 24 of the KUP Law. The main feature that strengthens endorsement activities as independent work is that the income earned is a reward for certain services specifically appointed. The services provided are excludable and rivalry. Excludable means that only parties who have collaborated will benefit from the services provided. Meanwhile, rivalry means that additional costs are required to provide the same service to other parties.

Furthermore, expenses to obtain, maintain, and collect income are generally insignificant. Otherwise, if there are significant expenses, generally, they are entire to carry out endorsement activities. Thus, calculating such income is separable from the income deriving from ad monetization because there has been an explicit agreement. The reference to calculate tax on annual gross income from endorsement activities and not exceeding IDR 4.8 billion is DGTR no. Per-17/PJ/2015 (see Appendix 1 of that regulation) concerning business field classification ("KLU"). Based on this DGTR, content creators acting as advertisement stars (celebrity endorsers) are part of the advertising group (KLU 73100).

KLU 73100 covers various advertising services businesses (both on their own or out of subcontract), including advisory, creative, advertising material production, planning, and media purchasing. Business activities covered include the creation and placement of advertisements in newspapers, television, internet, radio, magazines and tabloids, and other media; including leading marketing campaigns and other advertising services aimed at attracting and retaining customers, such as product promotion, marketing consulting, direct mail advertising, point of sale marketing. The applicable specific norm is 50% (fifty percent) for both taxpayers in provincial capitals and other regions in Indonesia.

### **3.3. Strategic Measures in Optimizing Tax Revenue**

The 'YouTuber' profession is part of the development of the digital economy, which is included in the hard-to-tax category or challenging to tax. The digital economy era can expand social change and lead to a new shadow economy concerning consumer-to-consumer (C2C) transactions due to the difficulty of tracking transaction information data.<sup>30</sup> Thus, efforts or strategic measures are necessary for optimizing tax revenues and increasing voluntary tax compliance. Tax optimization should be obtained from the

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<sup>30</sup> OECD, "Shining Light on the Shadow Economy: Opportunities and Threats," *Oecd*, 2017, <https://www.oecd.org/tax/crime/shining-light-on-the-shadow-economy-opportunities-and-threats.pdf>.

expansion of the tax base and by improving policies and administration. One of them is minimizing tax uncertainty, which is the basis for achieving a suitable tax model for business. The primary cause of tax uncertainty is the complexity of tax regulations, including documentation requirements, inconsistent tax authority decisions, and the inability to achieve tax certainty through a ruling mechanism.

In this regard, the tax administration can take at least three measures in increasing YouTubers' tax compliance. The first is prioritizing tax education and socialization. It is crucial as a form of awareness so that YouTubers feel obliged to pay taxes. Indonesia is a country implementing a self-assessment income tax system. So, the Income Tax Law gives taxpayers trust to determine the number of tax objects, calculate tax dues, pay taxes, and submit an annual income tax return. However, current tax provisions are still not optimal enough to regulate the income tax of art workers on the YouTube digital platform and supervision. Therefore, education and socialization from tax authorities are vital, especially regarding the tax system and eliminating information asymmetry related to fulfilling tax rights and obligations.

The second is that the ease of tax administration is also essential besides providing education and socialization. The tax authority can confirm the rules regarding the definition of the type of profession, to the correct tax calculation scheme or formulation, especially adjustments to the consideration of the business nature of the YouTube platform. It can also encourage legal certainty for taxpayers. However, it should specify what costs are categorizable as deductible expenses.<sup>31</sup> Furthermore, it relates to withholding evidence from endorsement activities that the taxpayer can credit. The challenge of administrative ease lies in administrative breakthroughs to ensure tax compliance, such as through big-data analysis, improved information technology systems, and tax intelligence.<sup>32</sup>

The third is to prioritize a cooperative approach instead of the conventional approach. Cooperative compliance is a concept initiated by the Organisation for Economic Co-operation and Development (OECD) as a new form of compliance which means a relationship with tax authorities based on cooperation, collaboration, and an enhanced relationship compared to confrontation and enforcement of obligations. This concept adopts the following three main principles: (1) mutual trust, (2) understanding, and (3) transparency.<sup>33</sup> A cooperative approach can improve relations with taxpayers

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<sup>31</sup> Prianto Budi Saptono and Ismail Khozen, "Income Tax and VAT Issues Concerning Lease after IFRS 16 Convergence in Indonesia," *The Indonesian Journal of Accounting Research* 24, no. 02 (2021): 259–88, <https://doi.org/10.33312/ijar.538>.

<sup>32</sup> Agung Darono, "Data Analytics Dalam Administrasi Pajak Di Indonesia: Kajian Institutional Arrangement," *JATISI (Jurnal Teknik Informatika Dan Sistem Informasi)* 6, no. 2 (2020): 195–211, <https://doi.org/10.35957/jatisi.v6i2.194>.

<sup>33</sup> OECD, *Co-operative Compliance: A Framework* (2013). <https://www.oecd-ilibrary.org/content/publication/9789264200852-en>.

based on trust, openness, and transparency. Furthermore, the tax authorities can better understand the taxpayer's business activities, including commercial information, to the taxpayer's perspective on a rule.

#### 4. CONCLUSION

In determining the income tax aspect of YouTubers, the authorities need to be careful in identifying the types of activities that become sources of income. The source of YouTubers income may be derived simultaneously from business activities and independent work. Therefore, confirming the YouTuber's work definition in the tax provisions becomes important along with technological developments. If we refer to the current income tax provisions, the YouTuber profession is defined based on an entertainment approach or creative activity as an artist or entertainer based on expertise. However, by analyzing its business nature deeply to the streams and sources of their income, we will find different characteristics with services related to independent work in general.

For the issue of improving tax compliance, it is essential to emphasize a specific approach. The YouTubers' characteristics that allow to 'influence' broad audience can capitalize on the long-term vision of tax administration in improving public tax compliance. In this regard, we at least identify three strategic measures that can be taken by the tax administration, including education and socialization, facilitating effective and efficient administration, and promoting a cooperative and collaborative approach. We expect the tax authorities to take administrative and criminal sanctions as a last resort according to the "ultimum remedium" rule through such approaches.

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