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Tax Justice in Indonesia's Creator Economy: Income Tax Compliance among Social Media Influencers and Digital Content Creators

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Abstract

The rapid expansion of Indonesia's creator economy has generated new forms of income derived from advertising, sponsorships, affiliate marketing, subscriptions, and digital platforms. These income streams challenge conventional assumptions regarding employment, business activity, and tax reporting. This article examines the tax justice implications of income taxation for Indonesian social media influencers and digital content creators. Using normative juridical and policy analysis, the study evaluates income classification, reporting obligations, withholding mechanisms, and administrative compliance. The article argues that tax neutrality requires comparable income to be taxed consistently regardless of whether it is generated through conventional employment or digital content production. However, compliance requirements should also reflect the diverse economic scale and administrative capacity of creators. The study proposes a differentiated tax administration framework based on income thresholds, platform-assisted reporting, simplified record-keeping, and targeted taxpayer education. Particular attention is given to the risk that unclear tax rules may create unequal treatment between creators with professional accounting support and smaller creators operating informally. The article concludes that effective taxation of the creator economy requires clarity, proportionality, technological integration, and accessible administrative guidance.

[*Pesatnya perkembangan ekonomi kreator di Indonesia telah memunculkan bentuk-bentuk pendapatan baru yang berasal dari iklan, sponsor, pemasaran afiliasi, langganan, dan platform digital. Arus pendapatan ini menantang asumsi konvensional terkait ketenagakerjaan, kegiatan usaha, dan pelaporan pajak. Artikel ini mengkaji implikasi keadilan pajak dalam pengenaan pajak penghasilan bagi *influencer* media sosial dan kreator konten digital di*

Indonesia. Melalui pendekatan yuridis normatif dan analisis kebijakan, studi ini mengevaluasi klasifikasi penghasilan, kewajiban pelaporan, mekanisme pemotongan pajak, dan kepatuhan administratif. Artikel ini berargumen bahwa prinsip netralitas pajak menuntut agar penghasilan yang setara dikenakan pajak secara konsisten, terlepas dari apakah penghasilan tersebut diperoleh melalui pekerjaan konvensional atau produksi konten digital. Namun, ketentuan kepatuhan juga harus mempertimbangkan keragaman skala ekonomi dan kapasitas administratif para kreator. Studi ini mengusulkan kerangka administrasi pajak yang dibedakan berdasarkan ambang batas penghasilan, pelaporan yang dibantu oleh platform, pencatatan yang disederhanakan, serta edukasi wajib pajak yang tepat sasaran. Perhatian khusus diberikan pada risiko bahwa aturan pajak yang tidak jelas dapat menciptakan perlakuan tidak setara antara kreator yang memiliki dukungan akuntansi profesional dan kreator berskala lebih kecil yang beroperasi secara informal. Artikel ini menyimpulkan bahwa penerapan pajak yang efektif pada ekonomi kreator memerlukan kejelasan, proporsionalitas, integrasi teknologi, dan panduan administratif yang mudah diakses.]

Keywords: Creator economy, influencers, income tax, digital taxation, tax compliance

Introduction

The digital transformation of economic activity has fundamentally altered the relationship between work, entrepreneurship, consumption, and taxation. One of the most visible manifestations of this transformation is the emergence of the creator economy, in which individuals generate economic value through the production and distribution of digital content across social-media and platform ecosystems. Social media influencers, YouTubers, streamers, bloggers, podcasters, affiliate marketers, and other digital creators increasingly derive income from advertising, sponsorships, product endorsements, platform monetization, subscriptions, commissions, and digital products. The creator economy is therefore not simply a cultural phenomenon but an emerging economic sector in which individual labor, intellectual capital, social networks, algorithms, and digital platforms are combined to generate taxable income. Cunningham and Craig (2019) conceptualize this transformation as the institutionalization of social-media entertainment, while Abidin (2016) demonstrates that influencer activity involves a form of commercially oriented "visibility labor" in which personal identity and audience attention become productive economic assets.

The economic characteristics of creator work create a significant challenge for traditional tax administration. Unlike conventional employees, creators often do not receive a standardized salary from a single employer. Their income may originate from multiple domestic and foreign platforms, advertisers, agencies, brands, affiliate networks, and individual customers. A creator may receive one payment from YouTube or another platform, a separate sponsorship fee from a domestic company, commission income from affiliate marketing, gifts or products in connection with promotional activity, and subscription or membership income from another platform. Consequently, the traditional distinction between employment income, professional income, and business income becomes increasingly difficult to apply. Duffy (2017) emphasizes that digital creative labor frequently combines entrepreneurial aspirations with unstable and individualized forms of work, while Khamis, Ang, and Welling (2017) show how self-branding has become an important mechanism through which individuals transform personal identity into economic value.

These developments create an important tax-justice question. If two individuals generate economically comparable income but one earns it through conventional employment and another through digital content production, should their income be treated differently merely because the mechanism of income generation is technologically different? From the perspective of horizontal equity, the answer should generally be negative. The principle of horizontal equity requires taxpayers with comparable economic capacity to bear comparable tax burdens, whereas vertical equity requires taxpayers with greater economic capacity to contribute proportionately more to public finance. These principles are particularly important in the creator economy because digital visibility may create substantial economic returns without necessarily producing a conventional organizational structure that makes the taxpayer easily identifiable to the tax authority.

Indonesia's legal framework already provides a general basis for taxing income earned by creators. The income-tax system is principally based on Law No. 7 of 1983 on Income Tax, as amended several times, most recently through Law No. 7 of 2021 on Harmonization of Tax Regulations. The HPP Law maintains the progressive structure of individual income taxation while increasing the highest marginal rate for very high taxable income. The legal framework therefore does not require a separate "creator tax" simply because income is generated through social media. Instead, the critical issue is how existing concepts of taxable income, independent work, business activity, withholding, record keeping, and tax reporting should be applied to creator activities.

This interpretation is supported by Indonesia's tax administration practice. The Directorate General of Taxes has previously explained that YouTubers and other content creators are subject to ordinary income-tax rules and that their tax treatment depends on the legal and economic characteristics of their activities. Earlier guidance emphasized the distinction between business activities and independent work and recognized that creators could use the net-income calculation norm under certain conditions. Direktorat Jenderal Pajak More importantly, PMK No. 168 of 2023, effective from 1 January 2024, updated the rules concerning withholding of Article 21 income tax for individuals providing work, services, or activities. The regulation is particularly relevant because it modernizes the administrative treatment of individual service providers and provides a more contemporary framework for withholding tax.

Recent Indonesian scholarship has also identified the ambiguity surrounding the taxation of creators. Saptono, Ayudia, and Khozen (2021) argue that Indonesian YouTubers represent a difficult-to-tax group because existing tax regulations historically did not clearly define the professional characteristics of content creators. Their analysis highlights the importance of determining whether creator income should be treated as independent work or business income and demonstrates that classification affects the applicable tax treatment. This issue remains important because tax classification is not merely a technical matter. Classification determines whether income is subject to withholding, whether certain simplified regimes are available, how deductible expenses are treated, and how taxpayers are expected to maintain records.

The development of digital taxation internationally provides an additional perspective. The OECD has emphasized that digitalization makes it increasingly difficult to separate the "digital economy" from the wider economy because digital business models are becoming embedded across sectors (OECD 2015, 2018, 2020). The OECD's work on the sharing and gig economy similarly identifies the difficulty of taxing individuals whose income is mediated through digital platforms. Rather than relying exclusively on individual self-reporting, the OECD recommends greater cooperation between tax administrations and digital platforms, including standardized information reporting and mechanisms that reduce taxpayer compliance costs (OECD 2019, 2020). The Model Rules for Reporting by Platform Operators developed by the OECD are particularly relevant because they seek to improve tax compliance while maintaining a level playing field between platform-based and conventional economic activity.

The Indonesian government has also moved toward a more technologically integrated tax administration system. PMK No. 81 of 2024 provides the regulatory foundation for the implementation of the Coretax tax administration system, while the system itself was scheduled for implementation from 1 January 2025. The regulation restructures tax-administration processes involving taxpayer registration, payment, filing, services, electronic documents, and information systems, with the stated objectives of improving transparency, effectiveness, efficiency, accountability, and flexibility. These developments create an opportunity to improve the monitoring of creator income while simultaneously reducing administrative burdens through digital integration.

The problem of tax compliance should nevertheless not be reduced to the ability of the tax authority to identify taxpayers. Tax compliance is shaped by economic incentives, perceived fairness, trust, administrative complexity, social norms, and the relationship between taxpayers and tax authorities. The classical economic model developed by Allingham and Sandmo (1972) explains tax compliance as a decision influenced by the probability of detection, the magnitude of penalties, and the economic benefits of under A creator with millions of followers and substantial sponsorship income may have professional managers, accountants, lawyers, and agencies, while a micro-creator may operate informally from a personal account, receive irregular payments, and lack basic knowledge of tax administration. Applying exactly the same compliance procedures to these two groups may produce formal equality but substantive unfairness. Tax justice therefore requires not only equalreporting. However, subsequent scholarship demonstrates that deterrence alone cannot adequately explain compliance. Alm, McClelland, and Schulze (1992) show that social and institutional factors influence taxpayers' willingness to comply, while Luttmer and Singhal (2014) emphasize the role of tax morale and non-pecuniary motivations. Kirchler (2007) and Kirchler, Hoelzl, and Wahl (2008) further argue that compliance depends on the interaction between the power of tax authorities and taxpayers' trust in those authorities.

These theoretical perspectives are particularly important for creators because the creator population is highly heterogeneous. A creator with millions of followers and substantial sponsorship income may have professional managers, accountants, lawyers, and agencies, while a micro-creator may operate informally from a personal account, receive irregular payments, and lack basic knowledge of tax administration. Applying exactly the same compliance procedures to these two groups may produce formal equality but substantive unfairness. Tax justice therefore requires not only equal taxation of economically comparable income but also proportionality in administrative obligations.

This article addresses this problem through three research questions. First, how should income derived from social-media content creation be classified and taxed under Indonesian income-tax law? Second, what tax-justice challenges arise from differences in creator income sources, economic scale, and administrative capacity? Third broader theories of tax justice and tax compliance rather than treating creator taxation as a narrow technical issue. Second, it examines the relationship between Indonesia's domestic income-tax rules and the emerging international model of platform-assisted tax administration. Third, it proposes a research employs a normative juridical and policy-analysis approach. The normative juridical analysis examines Indonesian legislation governing individual income taxation, tax registration, reporting, withholding, business taxation, digital transactions, and tax administration. Particular attention is given to Law No. 7 of 1983 on Income Tax as amended through Law No. 7 of 2021, Government Regulation No. 55 of 2022, PMK No. 168 of 202 tax-policy literature and scholarship concerning the creator economy, influencer labor, digital platforms, tax compliance, tax morale, and tax justice. The analysis applies horizontal and vertical equity, the ability-to-pay principle, the benefit principle, the deterrence model of compliance, and the slippery-slope framework to evaluate whether Indonesia's existing framework provides both substantive, how can Indonesia develop a tax-administration framework that improves compliance without imposing disproportionate burdens on small and emerging creators?

The article makes three contributions. First, it connects the legal analysis of creator taxation with broader theories of tax justice and tax compliance rather than treating creator taxation as a narrow technical issue. Second, it examines the relationship between Indonesia's domestic income-tax rules and the emerging international model of platform-assisted tax administration. Third, it proposes a differentiated compliance framework in which the tax liability remains grounded in general income-tax principles while administrative requirements are adjusted according to economic scale, complexity, and compliance risk.

This research employs a normative juridical and policy-analysis approach. The normative juridical analysis examines Indonesian legislation governing individual income taxation, tax registration, reporting, withholding, business taxation, digital transactions, and tax administration. Particular attention is given to Law No. 7 of 1983 on Income Tax as amended through Law No. 7 of 2021, Government Regulation No. 55 of 2022, PMK No. 168 of 2023 concerning Article 21 withholding, PMK No. 81 of 2024 concerning the Coretax system, and relevant digital-commerce taxation regulations.

The policy analysis is complemented by a review of international tax-policy literature and scholarship concerning the creator economy, influencer labor, digital platforms, tax compliance, tax morale, and tax justice. The analysis applies horizontal and vertical equity, the ability-to-pay principle, the benefit principle, the deterrence model of compliance, and the slippery-slope framework to evaluate whether Indonesia's existing framework provides both substantive fairness and administratively feasible compliance.

The study does not employ survey or econometric methods. Its purpose is to evaluate the coherence of the legal and administrative framework and to formulate a normative policy model for creator taxation based on legal certainty, proportionality, neutrality, administrative simplicity, and technological integration.

The Creator Economy and the Transformation of Taxable Income

The creator economy and the transformation of taxable income performs tax withholding where required. In contrast, creators often operate through individualized and fragmented income arrangements. Their economic activity may involve advertising revenue from a platform, direct sponsorship from a brand, affiliate commissions, paid subscriptions, digital merchandise, speaking engagements, appearances, consulting, and the licensing of intellectual property. The creator's social-media account post itself but the receipt or accrual of economically valuable compensation associated with the creator's activity. This distinction is important because creators may produce large amounts of content without receiving income from every piece of content. Conversely, a single sponsored post may generate substantial compensation.

Taxation should therefore be connected to economic income rather than superficial indicators such as follower counts, views, having greater taxable capacity than a creator with 100,000 followers who earns substantial sponsorship and affiliate income. Audience size is an economic indicator of potential value but is not itself taxable income. De Veirman tax administration is determining when such transfers represent genuine personal gifts and when they function as remuneration. A substance-over-form approach is therefore necessary. primarily for personal expression and receive occasional income, while others operate systematically with commercial objectives.

Tax law should not assume that every social-media user is a business operator. Rather, the existence, regularity, and commercial character of income-generating activity should be considered. Such an approach is consistent with the broader OECD position that digitalization should not create a separate tax universe but should an employment relationship for a media company may receive employment income, whereas an independent creator who provides advertising or promotional services to brands may fall within the category of non-employee service providers. A creator who systematically operates a commercial enterprise, hires employees, incurs production expenses, and sells products or services may exhibit characteristics of business activity. These categories should not be conflated over another merely because the activity uses different technologies. If a television presenter receives taxable compensation for advertising but a social-media influencer receives economically comparable compensation for promoting a product online, the digital format should not by itself justify tax exemption. Similarly, a conventional advertising agency and a creator providing advertising services should not face fundamentally different tax burdens solely, Patreon, or other platforms may have several payment sources, but the multiplicity of platforms does not change the fundamental nature of the underlying income.

What changes is the administrative difficulty of collecting and reconciling information. The taxing YouTubers derives partly from the absence of a sufficiently clear regulatory characterization of their economic activity. The appropriate response, however, is not necessarily to create a separate tax category for creators. A separate category could actually undermine neutrality by producing preferential or punitive treatment. The more coherent approach is to clarify howTax justice requires more than the formal recognition of taxable income. It also requires an appropriate relationship between tax burden and ability to pay. Indonesia's individual income-tax system adopts a progressive structure, reflecting the principle of vertical equity. Law No. 7 of 2021 modified the individual income-tax brackets and introduced a higher marginal rate for very high taxable income. The progressive structure is normatively appropriate for the creator economy because creator earnings vary enormously.

A small creator earning occasional supplementary income should not be subject to the same effective tax burden or compliance complexity as a creator earning billions of rupiah for the first IDR 500 million of annual turnover for qualifying individual taxpayers and a 0.5 percent final rate above that amount within the applicable regime. The Directorate General of Taxes has explained that the regime applies to qualifying simplified regime creates a significant tax-justice question for creators: whether a creator should be treated as a business taxpayer eligible for the simplified regime or as an independent professional whose income is taxed under the ordinary individual income-tax rules taxpayer may have a legal obligation to report income but lack the accounting knowledge, financial resources, or organizational capacity to comply with complex requirements. The OECD has repeatedly emphasized that effective taxation of platform-based workers requires administrative arrangements may be lower than the cost of investigation. A risk-based approach should therefore focus intensive enforcement on creators with high income, significant discrepancies between reported and third-party data, complex cross-border transactions, or substantial information systems.

The OECD's work on the sharing and gig economy identifies third-party reporting as an important mechanism for reducing information asymmetry between taxpayers and tax authorities. Digital platforms possess transaction data that individual taxpayers and tax authorities may not independently possess. Platform-assisted reporting can therefore reduce the opportunity for accidental underreporting as well as deliberate evasion. networks, subscription services, and digital marketplaces generally generate transaction records. Unlike cash-based informal businesses, creator income often leaves a digital trail. The tax administration challenge is therefore not's Coretax reform provides an important institutional basis for this transformation.

PMK No. 81 of 2024 restructures tax administration around electronic documents, taxpayer registration, payment, filing, and data integration, while the government announced implementation of Coretax from 1 January 2025. The technological infrastructure can potentially electronic commerce. Although this regulation is directed toward marketplace merchants rather than automatically imposing a withholding mechanism on social-media creators, it demonstrates a broader institutional movement toward platform-assisted income-tax collection. The regulation expressly aims to promote legal certainty, fairness, simplicity, and efficiency in tax collection through electronic systems. This policy development provides a useful model for thinking about how creator platforms might eventually participate in tax information reporting without necessarily becoming responsible for determining the creator's final annual payment. For creators with multiple income sources and varying deductions, automatic withholding may not always be appropriate. A platform may know the amount it pays a creator but not the creator's deductible expenses, other income, family circumstances, or annual taxable income. Excessive withholding could therefore create cash-flow problems and potentially overtax individuals whose final liability is lower. Platform they seek to standardize platform reporting while minimizing compliance burdens for both platforms and sellers.

The same principle could be adapted to creator taxation. Platforms could report relevant payment information to the Indonesian tax authority in standardized electronic form, while creators would retain responsibility for final reporting and reconciliation. Such a model would preserve taxpayer autonomy digital creators may perceive a relatively low probability of detection when income is received from multiple platforms or foreign entities. However, relying exclusively on detection and punishment would be creators because the creator economy is characterized by strong online communities and social identities. Perceptions that "everyone in the creator community does not pay tax" or that " creator economy, this suggests that taxpayer education is as important as digital surveillance. Creators need clear guidance concerning what constitutes taxable income, how sponsorship payments should be reported, how affiliate commissions are treated, whether non-cash compensation must be recognized, how platform fees and production costs are treated, and how foreign-platform income should be reported.

The Directorate General of Taxes has already recognized the need to educate creators concerning their obligations, including through direct assistance to content creators seeking clarification about their tax status. The challenge creators remain outside the tax system, voluntary compliance may decline. Conversely, transparent platform reporting and consistent enforcement can create a perception of a level playing field. This is closely connected principle should remain tax neutrality: income should be taxed according to its economic character rather than the technological platform through which it is earned. However, administrative requirements should be proportional to the size, complexity, and risk of based solely on follower counts. The relevant variables should be annual gross income, frequency of commercial transactions, number of income sources, cross-border payments, use of employees or agencies, and the complexity of deductible expenses. A creator receiving small and irregular income should be able to comply through simplified digital record keeping and straightforward annual reporting. A creator with substantial commercial income, employees, agencies, formalizing their activities because of disproportionate compliance costs, while high-income creators would remain subject to appropriate scrutiny.

The framework also recognizes that administrative capacity is itself unevenly distributed. A creator who has access to accountants and tax consultants can interpret complex rules much more easily than an individual creator operating alone. If the legal system assumes identical administrative capacity could be integrated into Coretax so that creators receive pre-populated information when preparing their tax returns. The taxpayer would then verify, correct, and supplement the same time, digital integration must be accompanied by safeguards concerning data protection, legal certainty, and procedural fairness. The increased ability of the tax authority to observe digital activity creates a risk that public social-media based on lifestyle assumptions can produce arbitrary treatment. A creator may receive products for review without obtaining cash income, may have significant production costs, framework should also recognize the cross-border character of creator income. Many creators receive payments from foreign platforms or advertisers, which raises questions concerning residence, source, foreign tax credits, and potential withholding in Although the international tax reforms of the OECD/G20 Inclusive Framework primarily address multinational enterprises rather than individual creators, the underlying principle of improved information exchange is relevant. Cross-border creator income should be integrated Indonesia's creator economy demonstrates that digitalization is transforming not only the organization of work and entrepreneurship but also the relationship between income generation and taxation. Social-media influencers and digital content creators may generate income through advertising, sponsorships, affiliate marketing, subscriptions, platform monetization, and other commercial activities that do not fit neatly within conventional employment categories.

Nevertheless, the existence of new digital business models does not require the creation of a separate tax system. Indonesia's existing income-tax framework, particularly Law No. 7 of 2021, Government Regulation No. 55 of 2022, and PMK No. 168 of 2023, provides a sufficient legal foundation for taxing creator income. The principal challenge lies instead in achieving legal clarity and consistent classification while ensuring that economically comparable income is taxed according to the same fundamental principles. From a tax-justice perspective, horizontal equity requires creators and conventional taxpayers with comparable economic capacity to bear comparable tax burdens, while vertical equity requires higher-income creators to contribute proportionately more to public finance capacity.

A fair system should therefore combine progressive income taxation with proportional compliance requirements. Indonesia's implementation of Coretax and its broader movement toward platform-assisted tax administration provide an opportunity to reduce information asymmetry and simplify compliance through standardized third-party reporting, pre-populated tax information, and targeted taxpayer education. However, digital enforcement should not become an instrument for presumptive taxation based merely on followers, online visibility, or lifestyle indicators. The appropriate model is one in which platforms assist information reporting, taxpayers retain the ability to reconcile and explain their income, and enforcement is proportionate to economic risk. Such a framework would allow Indonesia to protect its tax base without discouraging digital entrepreneurship, while simultaneously strengthening voluntary compliance, perceived fairness, and the

The creator economy fundamentally changes the conventional relationship between labor and income. In traditional employment, the employer usually determines the work relationship, pays a regular wage or salary, and performs tax withholding where required. In contrast, creators often operate through individualized and fragmented income arrangements. Their economic activity may involve advertising revenue from a platform, direct sponsorship from a brand, affiliate commissions, paid subscriptions, digital merchandise, speaking engagements, appearances, consulting, and the licensing of intellectual property. The creator's social-media account can simultaneously function as a workplace, advertising channel, portfolio, distribution mechanism, and business identity.

This transformation has important implications for income taxation. The taxable event is not necessarily the creation of a video or social-media post itself but the receipt or accrual of economically valuable compensation associated with the creator's activity. This distinction is important because creators may produce large amounts of content without receiving income from every piece of content. Conversely, a single sponsored post may generate substantial compensation. Taxation should therefore be connected to economic income rather than superficial indicators such as follower counts, views, likes, or verification status.

The distinction is consistent with the ability-to-pay principle. A creator with one million followers but negligible monetization should not automatically be treated as having greater taxable capacity than a creator with 100,000 followers who earns substantial sponsorship and affiliate income. Audience size is an economic indicator of potential value but is not itself taxable income. De Veirman, Cauberghe, and Hudders (2017) demonstrate that follower numbers can affect perceived popularity and influence, but the relationship between social-media visibility and actual economic income is not automatic. Consequently, a tax system based on followers or engagement would risk taxing economic potential rather than realized income.

The same principle applies to gifts and non-cash compensation. If a creator receives a product in exchange for promotional services, the economic substance of the transaction may constitute compensation even though no cash changes hands. The challenge for tax administration is determining when such transfers represent genuine personal gifts and when they function as remuneration. A substance-over-form approach is therefore necessary. The relevant question is whether the transfer is connected to the creator's commercial activity and whether the creator is expected to provide promotional value in return.

The creator economy also complicates the distinction between hobby and economic activity. Some individuals create content primarily for personal expression and receive occasional income, while others operate systematically with commercial objectives. Tax law should not assume that every social-media user is a business operator. Rather, the existence, regularity, and commercial character of income-generating activity should be considered. Such an approach is consistent with the broader OECD position that digitalization should not create a separate tax universe but should be incorporated into ordinary tax principles while adapting administrative mechanisms to new forms of economic activity (OECD 2015, 2020).

Income Classification under Indonesian Tax Law and the Principle of Tax Neutrality

The central legal issue in creator taxation is classification. A creator may potentially be characterized as an employee, independent professional, service provider, or business operator depending on the contractual and economic circumstances of the activity. The classification matters because different legal categories can trigger different withholding and calculation mechanisms.

PMK No. 168 of 2023 provides an important development in this area because it updates the rules concerning Article 21 withholding on income related to employment, services, and individual activities. The regulation defines the recipients subject to Article 21/26 withholding and establishes the relevant calculation framework. This framework is relevant to creator activities when a creator receives compensation for services from an Indonesian payer that has a withholding obligation. The legal architecture therefore allows creator income to enter the existing tax system without requiring a separate tax statute specifically for influencers.

The difficulty arises because creator activities can take different legal forms. A creator who works under an employment relationship for a media company may receive employment income, whereas an independent creator who provides advertising or promotional services to brands may fall within the category of non-employee service providers. A creator who systematically operates a commercial enterprise, hires employees, incurs production expenses, and sells products or services may exhibit characteristics of business activity. These categories should not be conflated because they correspond to different economic relationships and administrative responsibilities.

The tax-neutrality principle provides a useful solution. Neutrality requires the tax system to avoid favoring one economically equivalent form of activity over another merely because the activity uses different technologies. If a television presenter receives taxable compensation for advertising but a social-media influencer receives economically comparable compensation for promoting a product online, the digital format should not by itself justify tax exemption. Similarly, a conventional advertising agency and a creator providing advertising services should not face fundamentally different tax burdens solely because one operates through a corporate organizational structure and the other operates through an individual social-media account.

The same logic applies to cross-platform income. A creator who receives payments from YouTube, TikTok, Instagram, Spotify, Patreon, or other platforms may have several payment sources, but the multiplicity of platforms does not change the fundamental nature of the underlying income. What changes is the administrative difficulty of collecting and reconciling information. The tax system should therefore distinguish between substantive tax liability and administrative mechanisms. The former should remain neutral and principle-based, while the latter can be adapted to the technological characteristics of the creator economy.

This distinction is consistent with Saptono, Ayudia, and Khozen's (2021) observation that the difficulty of taxing YouTubers derives partly from the absence of a sufficiently clear regulatory characterization of their economic activity. appropriate response, however, is not necessarily to create a separate tax category for creators. A separate category could actually undermine neutrality by producing preferential or punitive treatment. The more coherent approach is to clarify how existing categories of employment, independent work, business activity, and service income apply to different creator arrangements.

Progressive Taxation, Simplified Regimes, and the Problem of Unequal Administrative Capacity

Tax justice requires more than the formal recognition of taxable income. It also requires an appropriate relationship between tax burden and ability to pay. Indonesia's individual income-tax system adopts a progressive structure, reflecting the principle of vertical equity. Law No. 7 of 2021 modified the individual income-tax brackets and introduced a higher marginal rate for very high taxable income. The progressive structure is normatively appropriate for the creator economy because creator earnings vary enormously. A small creator earning occasional supplementary income should not be subject to the same effective tax burden or compliance complexity as a creator earning billions of rupiah annually.

Indonesia has also developed a simplified regime for qualifying taxpayers with limited turnover. Government Regulation No. 55 of 2022 provides a final income-tax regime for taxpayers with specified gross turnover, including an exemption mechanism for the first IDR 500 million of annual turnover for qualifying individual taxpayers and a 0.5 percent final rate above that amount within the applicable regime. The Directorate General of Taxes has explained that the regime applies to qualifying business taxpayers with annual gross turnover not exceeding IDR 4.8 billion, subject to the relevant eligibility and duration conditions.

However, the simplified regime creates a significant tax-justice question for creators: whether a creator should be treated as a business taxpayer eligible for the simplified regime or as an independent professional whose income is taxed under the ordinary individual income-tax rules. The distinction is important because a simplified gross-turnover tax can be administratively attractive but may not reflect the actual profitability of a creator whose expenses are unusually high. Conversely, taxing every small creator under full bookkeeping requirements could impose excessive compliance costs relative to the amount of revenue at stake.

This problem illustrates the difference between tax liability and compliance capacity. A taxpayer may have a legal obligation to report income but lack the accounting knowledge, financial resources, or organizational capacity to comply with complex requirements. The OECD has repeatedly emphasized that effective taxation of platform-based workers requires administrative arrangements that facilitate compliance rather than merely increasing enforcement (OECD 2019). OECD The appropriate principle is therefore proportionality: larger and more complex creators should face stronger documentation and reporting expectations, while small creators should receive simplified mechanisms that preserve the integrity of the tax base without creating unnecessary compliance costs.

The principle of proportionality also relates to the economics of tax administration. Enforcement resources are scarce, and the marginal benefit of auditing a very small creator may be lower than the cost of investigation. A risk-based approach should therefore focus intensive enforcement on creators with high income, significant discrepancies between reported and third-party data, complex cross-border transactions, or substantial commercial activity. Smaller creators should receive education, reminders, simplified filing tools, and pre-filled information where possible. Such differentiation should not be understood as unequal treatment in the negative sense. Rather, it is a means of achieving substantive equality. Treating taxpayers with dramatically different economic capacity and administrative complexity identically may produce inequity rather than fairness.

Withholding, Platform Reporting, and the Digitalization of Tax Administration

The most significant opportunity for improving creator tax compliance lies in the transformation from taxpayer-dependent reporting toward platform-assisted information systems. The OECD's work on the sharing and gig economy identifies third-party reporting as an important mechanism for reducing information asymmetry between taxpayers and tax authorities. Digital platforms possess transaction data that individual taxpayers and tax authorities may not independently possess. Platform-assisted reporting can therefore reduce the opportunity for accidental underreporting as well as deliberate evasion.

This approach is particularly appropriate for creators because their income is often electronically recorded. Payments from platforms, advertising networks, subscription services, and digital marketplaces generally generate transaction records. Unlike cash-based informal businesses, creator income often leaves a digital trail. The tax administration challenge is therefore not necessarily the absence of information but the ability to connect information across platforms, identify the relevant taxpayer, distinguish gross receipts from taxable income, and reconcile platform records with the taxpayer's annual return.

Indonesia's Coretax reform provides an important institutional basis for this transformation. PMK No. 81 of 2024 restructures tax administration around electronic documents, taxpayer registration, payment, filing, and data integration, while the government announced implementation of Coretax from 1 January 2025. The technological infrastructure can potentially support a more integrated approach to creator taxation in which income information received from platforms is matched with taxpayer records.

The policy direction is also visible in PMK No. 37 of 2025, which establishes a mechanism for appointing certain electronic-commerce platforms as income-tax collectors for domestic merchants operating through electronic commerce. Although this regulation is directed toward marketplace merchants rather than automatically imposing a withholding mechanism on social-media creators, it demonstrates a broader institutional movement toward platform-assisted income-tax collection. The regulation expressly aims to promote legal certainty, fairness, simplicity, and efficiency in tax collection through electronic systems. This policy development provides a useful model for thinking about how creator platforms might eventually participate in tax information reporting without necessarily becoming responsible for determining the creator's final annual tax liability.

The distinction between reporting and withholding is important. Platform reporting can provide the tax authority with information concerning gross payments, while withholding directly collects tax from the payment. For creators with multiple income sources and varying deductions, automatic withholding may not always be appropriate. A platform may know the amount it pays a creator but not the creator's deductible expenses, other income, family circumstances, or annual taxable income. Excessive withholding could therefore create cash-flow problems and potentially overtax individuals whose final liability is lower. Platform reporting combined with annual reconciliation may be more equitable for heterogeneous creator populations.

The OECD Model Reporting Rules provide a useful conceptual foundation because they seek to standardize platform reporting while minimizing compliance burdens for both platforms and sellers. OECD The same principle could be adapted to creator taxation. Platforms could report relevant payment information to the Indonesian tax authority in standardized electronic form, while creators would retain responsibility for final reporting and reconciliation. Such a model would preserve taxpayer autonomy while substantially reducing information asymmetry.

Tax Compliance, Tax Morale, and the Problem of Perceived Fairness

The taxation of creators cannot be separated from the broader behavioral literature on tax compliance. The classical Allingham-Sandmo model suggests that individuals compare the expected benefits of underreporting with the expected costs associated with detection and penalties (Allingham and Sandmo 1972). This framework remains relevant because digital creators may perceive a relatively low probability of detection when income is received from multiple platforms or foreign entities. However, relying exclusively on detection and punishment would be insufficient.

Alm, McClelland, and Schulze (1992) demonstrate that taxpayers' behavior cannot be fully explained by expected monetary penalties because social norms, fairness perceptions, and institutional conditions also influence compliance. Luttmer and Singhal (2014) similarly argue that tax morale represents an important dimension of compliance, including intrinsic motivation and social norms that encourage individuals to comply with tax obligations. These insights are particularly important for creators because the creator economy is characterized by strong online communities and social identities. Perceptions that “everyone in the creator community does not pay tax” or that “digital income is not really taxable” can create informal norms that undermine compliance.

Kirchler's (2007) economic-psychology framework and the subsequent slippery-slope framework developed by Kirchler, Hoelzl, and Wahl (2008) provide a particularly useful explanation. Tax compliance can emerge through enforced compliance, based on the power of authorities to detect and punish non-compliance, or through voluntary compliance, based on trust and perceived legitimacy. The strongest compliance environment is therefore not necessarily one in which enforcement is maximized, but one in which enforcement capacity and institutional trust reinforce one another.

For the creator economy, this suggests that taxpayer education is as important as digital surveillance. Creators need clear guidance concerning what constitutes taxable income, how sponsorship payments should be reported, how affiliate commissions are treated, whether non-cash compensation must be recognized, how platform fees and production costs are treated, and how foreign-platform income should be reported. The Directorate General of Taxes has already recognized the need to educate creators concerning their obligations, including through direct assistance to content creators seeking clarification about their tax status. The challenge is to institutionalize such guidance rather than relying primarily on case-by-case taxpayer inquiries.

Perceived fairness is also critical. If creators believe that compliant taxpayers bear the full burden while less visible creators remain outside the tax system, voluntary compliance may decline. Conversely, transparent platform reporting and consistent enforcement can create a perception of a level playing field. This is closely connected to the principle of horizontal equity: taxpayers who earn comparable income should face comparable tax obligations regardless of whether they are traditional employees, freelancers, or digital creators.

Tax Justice and the Differentiated Compliance Framework for Creators

The preceding analysis suggests that Indonesia does not require a completely separate “creator tax.” Instead, it requires a clearer and more differentiated administrative framework within the existing income-tax system. The substantive principle should remain tax neutrality: income should be taxed according to its economic character rather than the technological platform through which it is earned. However, administrative requirements should be proportional to the size, complexity, and risk of the creator's economic activity.

A differentiated approach would distinguish between occasional or very small creators, emerging professional creators, and high-income commercial creators without creating arbitrary legal categories based solely on follower counts. The relevant variables should be annual gross income, frequency of commercial transactions, number of income sources, cross-border payments, use of employees or agencies, and the complexity of deductible expenses. A creator receiving small and irregular income should be able to comply through simplified digital record keeping and straightforward annual reporting. A creator with substantial commercial income, employees, agencies, sponsorship contracts, and significant production expenses should be expected to maintain more sophisticated records and potentially formal bookkeeping.

This framework would improve both fairness and administrative efficiency. Smaller creators would not be discouraged from formalizing their activities because of disproportionate compliance costs, while high-income creators would remain subject to appropriate scrutiny. The framework also recognizes that administrative capacity is itself unevenly distributed. A creator who has access to accountants and tax consultants can interpret complex rules much more easily than an individual creator operating alone. If the legal system assumes identical administrative capacity, it risks producing substantive inequality.

The use of digital platforms can help reduce this disparity. Platforms could provide standardized annual income statements showing total payments, commissions, platform fees, and withholding where applicable. These statements could be integrated into Coretax so that creators receive pre-populated information when preparing their tax returns. The taxpayer would then verify, correct, and supplement the information rather than reconstructing income manually from bank statements and platform dashboards. OECD (2022) argues that Tax Administration 3.0 should move toward systems in which tax administration becomes increasingly embedded in the digital environments where economic activity occurs. OECD This approach is particularly suitable for creators because their economic activity is already digitally recorded.

At the same time, digital integration must be accompanied by safeguards concerning data protection, legal certainty, and procedural fairness. The increased ability of the tax authority to observe digital activity creates a risk that public social-media visibility could be treated as presumptive evidence of taxable income. Such an approach would be problematic. A creator's number of followers, lifestyle displayed online, or apparent access to expensive products does not establish the amount of taxable income. Publicly available digital information may be useful as a risk indicator, but it should not replace documentary evidence and the taxpayer's right to explain the underlying transaction.

This distinction is particularly important for tax justice because enforcement based on lifestyle assumptions can produce arbitrary treatment. A creator may receive products for review without obtaining cash income, may have significant production costs, or may have income that is generated jointly with an agency or production company. Tax administration should therefore use social-media information as a risk-management tool rather than as an automatic basis for assessment.

The framework should also recognize the cross-border character of creator income. Many creators receive payments from foreign platforms or advertisers, which raises questions concerning residence, source, foreign tax credits, and potential withholding in other jurisdictions. The OECD's work on the digital economy emphasizes that digitalization challenges traditional concepts of physical presence and taxing rights (OECD 2015, 2020). Although the international tax reforms of the OECD/G20 Inclusive Framework primarily address multinational enterprises rather than individual creators, the underlying principle of improved information exchange is relevant. Cross-border creator income should be integrated into existing international information-sharing and tax-residence mechanisms rather than treated as inherently outside the domestic tax system.

Ultimately, tax justice in the creator economy requires a balance between three objectives: neutrality, proportionality, and administrability. Neutrality prevents digital creators from receiving unjustified tax advantages or facing discriminatory treatment merely because they operate through digital platforms. Proportionality ensures that compliance obligations correspond to economic capacity and administrative complexity. Administrability ensures that the tax authority can enforce the law efficiently without imposing excessive costs on either taxpayers or government.

Conclusion

The emergence of Indonesia's creator economy demonstrates that digitalization is transforming not only the organization of work and entrepreneurship but also the relationship between income generation and taxation. Social-media influencers and digital content creators may generate income through advertising, sponsorships, affiliate marketing, subscriptions, platform monetization, and other commercial activities that do not fit neatly within conventional employment categories. Nevertheless, the existence of new digital business models does not require the creation of a separate tax system. Indonesia's existing income-tax framework, particularly Law No. 7 of 2021, Government Regulation No. 55 of 2022, and PMK No. 168 of 2023, provides a sufficient legal foundation for taxing creator income. The principal challenge lies instead in achieving legal clarity and consistent classification while ensuring that economically comparable income is taxed according to the same fundamental principles. From a tax-justice perspective, horizontal equity requires creators and conventional taxpayers with comparable economic capacity to bear comparable tax burdens, while vertical equity requires higher-income creators to contribute proportionately more to public finance.

The more significant challenge concerns the administration of compliance. Creator income is fragmented, digitally mediated, frequently cross-platform, and sometimes cross-border, while creators differ substantially in their economic scale and administrative capacity. A fair system should therefore combine progressive income taxation with proportional compliance requirements. Indonesia's implementation of Coretax and its broader movement toward platform-assisted tax administration provide an opportunity to reduce information asymmetry and simplify compliance through standardized third-party reporting, pre-populated tax information, and targeted taxpayer education. However, digital enforcement should not become an instrument for presumptive taxation based merely on followers, online visibility, or lifestyle indicators. The appropriate model is one in which platforms assist information reporting, taxpayers retain the ability to reconcile and explain their income, and enforcement is proportionate to economic risk. Such a framework would allow Indonesia to protect its tax base without discouraging digital entrepreneurship, while simultaneously strengthening voluntary compliance, perceived fairness, and the legitimacy of taxation in the rapidly expanding creator economy.

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