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Treatment of Cashback in Income Tax

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Abstract: Further provisions regarding cashback as an expense in calculating income tax have not been regulated explicitly in taxation regulations in Indonesia. This is because the term cashback has just recently appeared. This study aims to understand the treatment of cashbacks in calculating income tax for digital wallet companies. The research method used is descriptive qualitative. The results show that while the application of taxable-deductible principle does not clearly determine cash back as a deductible expense, digital wallet companies may utilize a nominative list for taxation provision. The existence of a nominative list is proof that cashback is not fictitious expense.

Keywords: cashback, deductible expense, tax

INTRODUCTION

The phenomenon of cashless society has become a habit lately. The digital era opens the gates to the cashless economy system, where economic activities are carried out without using physical money or cash (Ragaventhar, 2016). Moreover, the Indonesian government does support the achievement of a non-cash transaction culture. Indonesia central bank defines electronic Money as a payment instrument that fulfills the following elements: issued based on the value of money deposited in advance by the holder to the issuer, the value of money is stored electronically in a media server or chip, and the value of electronic money managed by the issuer is not a deposit as stipulated in the Law governing banking. One of the most popular forms of electronic money today is digital wallets or e-wallets such as Gopay, OVO, Dana, and LinkAja.

Based on data from Indonesia Central Bank, electronic money transactions have grown rapidly in the last 10 years. Throughout 2019, the transaction volume reached 5.22 billion transactions or grew 196.92 times from 2010 which only amounted to 26.5 million transactions. The transaction value has also experienced rapid growth. Throughout 2019, the transaction value was IDR 145.16 trillion or grew by 209.3 times compared to 2010, which amounted to IDR 693 billion. Both the transaction volume and transaction value of electronic money have increased every year.

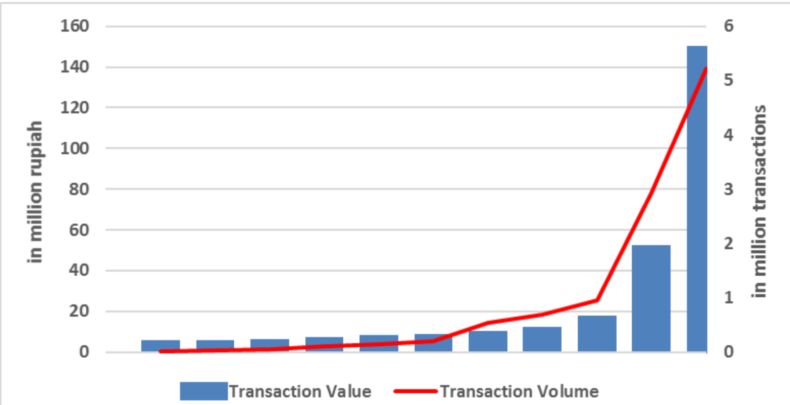

Fig.1: Transaction Volume and Transaction Value of Electronic Money

Source: Processed by authors from data on the Indonesia central bank website

Cashback is a fighting weapon among digital payment providers. In digital transaction, the use of cashback is more attractive than discount. Cashback is a form of discounted selling price for consumers whose treatment is afterwards. The discount treatment afterwards means that it occurs after a cash payment or down payment (for credit purchases) and is sometimes accompanied by certain conditions (Lestari, 2016). Of course, the method of giving cashback is much more profitable for digital wallet companies because users have to put in more money to be able to make payment transactions rather than giving a discount. Also, business partners who cooperate with digital wallets do not get a reduction in business turnover despite the promotion.

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Persuading cashback has produced positive results. Iprice research shows positive effect of the cash back program, the number of e-wallet application downloads has increased rapidly. In case of Indonesia, Gopay, Gojek's digital wallet, presents the most active users compared to other apps.

Digital wallet companies make their income in several ways. We can find out about the digital payment business model from a Tech in Asia interview with a fintech company executive. There are several ways that e-wallet operators can earn money, namely commissions from merchants or service providers, income from bank interest, top up and fund transfers, advertising for products and services from merchant partners, monetization of user and merchant data, and fees or interest for later payments (pay later). However,considering that the main business activity of a digital wallet company is as a service provider of digital payment instruments, the income earned is not from sales activities which contain an element of cost of goods sold. So that the cashback given to users does not directly reduce the company's gross income. This is very different when compared to sellers of goods or services in general, where discounts or cashback directly reduce gross income. The characteristics of the cost of giving cashback are the costs incurred for promotional activities.

Promotional costs is part of sales issued by taxpayers to introduce and/or recommend the use of a good product directly or indirectly to maintain and/or increase sales. Promotional activities by providing cashback are part of the digital wallet companybusiness. So that correlates with the company's efforts to earn, collect, and maintain income. Promotion and sales costs can be deducted from gross income regulated by or based on the Minister of Finance Regulation.

Further provisions regarding cashback as a cost in calculating income tax have not been regulated explicitly in taxation regulations in Indonesia. This is because the term cashback has just recently appeared. When viewed from the characteristics, cashback can be categorized as a promotional cost. However, not all promotional costs can be deducted in calculating income tax.

Therefore, considering the rampant promotions in the form of cashback provided by digital wallet companies, the authors are interested in overview of the treatment of cashbacks by digital wallet companies in in calculating income tax. The aim of this is to understand the application of the principle taxable-deductible to cashbacks; to understand the treatment of cashbacks in calculating digital wallet company income taxes; to find out alternatives that digital wallet companies can take in charging cashbacks in calculating income tax. In this paper, we will discuss the importance of promotion, the suitability of cashbacks with the taxable-deductible and nontaxable-nondeductible principles, the principle of matching cost against revenue, as well as terms and conditions related to promotional costs in the form of cashback provided by digital wallet companies according to the Income Tax Law and related regulations in Indonesia.

Theory Basis

Previous research.

Table 1: List of Previous Research

No	Title, Document Type, Author, Year	Study Focus	Differences with this Research
1	Fintech In The Industrial Revolution Era 4.0, Journal, Yulius Koesworo et al (2019)	Fintech Applications and FinTech Players in Indonesia; The impact of promotion on public buying interest	Will analyze the impact of promotion in taxation
2	Literacy of Electronic Money as a Lifestyle Choice for Capital People in the Digital Age, Journal, Retno Dwi Sri Handayani et al (2019)	Increased use of electronic money; Influencing the lifestyle of the user community	Will analyze the growth of electronic money transactions
3	Importance of Nominative Lists in Fiscal Correction of promotion costs at CV WPU, Internship Reports, Marcelina Blandina Ina (2019)	Nominative list of promotional costs; The impact of fiscal corrections on income tax payable	Will analyze the requirements for a nominative list of promotional costs

Source: Processed by the author

Based on the results of a study conducted by Yulius Koesworo et al (2019) that Fintech provides benefits to consumers and the government. Benefits received by consumers are in the form of promos and discounts offered by service providers. Meanwhile, for the government, the benefit is that the promos offered can increase people's buying interest so that they can increase economic growth and state income as well (Abyan, 2018).

Then, the results of research conducted by Retno Dwi Sri Handayani et al (2019) show that the Rawamangun people who use electronic money have a high enough level of trust, comfort, service facilities, and security for

money stored and transactions made using electronic money. Also, electronic money is very helpful for its users to carry out daily activities such as work, hobbies, and going on vacation.
Furthermore, the results of a study conducted by Marcelina Blandina Ina (2019) should CV WPU in presenting an income statement to make a nominative list of promotional costs. Even though in 2017 a nominative list had been made so that promotion costs were not fiscal corrected. Marcelina suggests for making a nominative list because there are promotional costs for taxpayers so that it can be a cost in calculating taxable profit and reducing income tax payable.

Definition of promotion and promotional costs

Promotion is a one-way flow of information or persuasion to guide a person or organization to take actions that create marketing exchanges (Swastha and Irawan, 2005). Promotion is a form of marketing communication, which means marketing practices that aim to disseminate information, influence, persuade, and/or convince target audiences who may be willing to accept, make purchases, and be loyal to goods or services offered by the business concerned (Tjiptono, 2002). According to Sistaningrum (2002), promotion is an effort or operation of a company to persuade potential buyers or users so that they can buy the goods being sold or the services offered, now or in the future.
Gitosudarmo (2000) explains that the definition of promotion is an operation that is targeted to attract customers so that they can get to know and get used to the goods that the company sells to them and then become satisfied and then buy the product. According to Kotler (2000), the promotion is a marketing plan aspects and mechanisms as a way to connect with consumers, by using a promotional mix. Then according to Rambat Lupiyoadi (2006), promotion is a factor in the marketing mix and is very important for businesses to participate in selling goods and services. The promotional campaign not only serves as a medium for contact between businesses and customers but also as a medium for manipulating consumers into buying or using services according to their wishes and desires.
Based on the definitions above, it can be concluded that promotion is intended to educate, encourage, change the actions of potential buyers to buy the goods provided. In other words, promotion is a marketing practice aimed at increasing the number of purchases by influencing customers, either directly or indirectly by using a promotional mix. Furthermore, Hongren (2007) defines expenses as assets that have been used in the company's operations and liabilities that are generated in the process of earning income. Usually, these expenses occur in the form of an outflow or reduction of assets such as cash (and cash equivalents), inventories, and fixed assets. Expenses can be divided into two groups, namely:

a. Expenses that can be directly related to income. Expenses that fall into this category must be distributed or recognized over the span of the period in which the revenue is received.

b. Expenses relating to the period in which they are incurred. Charges are carried out in the period in which the expense is incurred because the expense has provided benefits in thein period in which it is incurred or because the cost has no benefits future.

According to Freddy Rangkutu (2009), promotional costs reflect all marketing or sales costs to ensure customer satisfaction and the distribution of finished goods or services into the hands of customers. In Henry Simamora's (2002) book entitled Management Accounting, it explains that promotional costs are a number of funds to increase company revenue that is spent on promotional campaigns. These definitions explain that promotional costs are costs allocated by companies to introduce goods/services to consumers to increase company sales.

The importance of promotion

According to Asri (2003), there are three promotional purposes, namely:

a. Informing, which tells prospective buyers the full details of the goods sold, who the seller is, what manufacturers, price, and so on. The details used can be provided in writing. This information can be in the form of pictures, terms, and so on which are adjusted to the circumstances.
b. Persuading, which is to persuade potential buyers or users to buy a product or use the service provided. It should be emphasized here that persuading does not mean pressuring potential customers to take actions that are detrimental or perhaps decisions that have a negative impact.
c. Reminding, which reminds consumers of the existence of the product, with a price, certain goods are manufactured and sold by a particular company. Consumers sometimes really need to be reminded, because they don't always want to bother looking for what items are needed and where to get them.

Carrying capacity theory (draagkrachtbeginsel)

This theory directs if tax collection must match the ability to pay of the taxpayer (individual). The pressure of all taxes must be by the taxpayer's carrying capacity by looking at the amount of income and wealth and the taxpayer's spending expenses (Bohari, 2010).
Everyone who enjoys the protection provided by the state to citizens must bear the cost in the form of taxes.

The tax imposed on society based on the principle of justice depends on the carrying capacity of each society to bear. The carrying force of an individual can be calculated depending on the amount of income that has taken into account the individual's expenses so that individuals with higher income have the potential for a higher carrying capacity as well.

Mr. Ir. Cohen Stuart, an expert, in Pudyatmoko (2006) equates the principle of the carrying capacity as a bridge. The reason is that the weight of the bridge itself is the first to be borne and only then to be burdened with other loads. This means that what needs to be fulfilled in the life of an individual is not included in the sense of carrying capacity. When the primary need for life is available then the power to hand over money to the state exists, one of which is in the form of taxation.

According to professor WJ de Langen in Bohari (1985), the carrying capacity is the individual's strength to be able to meet the highest satisfaction needs after deducting the absolute ones, namely the absolute primary needs (very basic living costs). Then there is the power to give money to the state (taxes) if the basic necessities for life are available. The first human right is to survive, and as the first explanation is the minimal life or whatever one wants from the most basic to the most common.

Sinninghe Damste in Soemarso, SR (2007) argues that the carrying capacity is calculated based on many components, including taxpayer income, education, and family structure which of these elements is the basic component of a taxpayer to the state.

The power (carrying capacity) to pay or contribute to taxes is only exercised after the basic (primary) needs of citizens have been met. This primary need is the most basic principle or can be said to be the minimum principle for a person's life. When it is fulfilled, then the tax payment must be made. In the context of the Income Tax Law, the minimum principle of life as described above can be known as non-taxable income (PTKP) for individual taxpayers. If an individual has an income below the PTKP limit, it means that the individual does not need to pay because of his carrying capacity to meet his tax obligations. On the other hand, if the income is above the PTKP, then his carrying capacity will emerge to pay taxes following the provisions based on the principle of justice determined by or based on the principle of justice stipulated in the Income Tax Law.

Based on the foregoing, the strength (carrying capacity) further lightens the burden on an individual provided by the government because this theory puts forward the element of justice. One thing that becomes the basis for maximizing the concept of the tax itself is that the Income Tax Law provides an opportunity for the less fortunate not to force the will to pay taxes if their income is not up to the limit of non-taxable income (PTKP). The theory of the carrying capacity is apparently recognized and followed by scholars because it emphasizes the element of one's ability and a sense of justice.

To measure the carrying capacity, two approaches can be used, namely:

a. The objective element, by looking at the amount of income or wealth a person has.
b. Subjective elements, taking into account the amount of material needs that must be fulfilled.

The concept of taxable-deductible and nontaxable-nondeductible

In basic economycs concepts, the income received by a person will be used for consumption and if there is an excess, the rest will be saved. Furthermore, the consumption made by that person is basically the other party's income and so on.

In general, the concept of taxable-deductible or nontaxable-nondeductible is known in the world of taxation. Taxable is meant for the imposition of tax on income earned by individuals or entities regardless of where the income is obtained (source of income). Meanwhile, what is meant by deductibles are expenses recognized by taxes which are usually addressed to expenses/costs which according to the provisions are deducted from Gross income as regulated in Article 6 of the Income Tax Law.

According to Adinur Prasetyo (2016), in terms of fiscal, consumption or expenditure can essentially be deducted according to the concept of taxable-deductible. If the revenues obtained by a recipient who is subject to tax (i.e., can be taxed or taxable), the expenditure incurred or spent is a deductible expense. The definition of taxable in this case prioritizes the notion of potential taxation (i.e. something that can be taxed or has the potential to be taxed) rather than the notion of realized taxation (i.e. something that has been taxed). In other words, the notion of taxable not only includes tax objects that have been recorded in the books and reported formally in the Annual Income Tax Return by the subject receiving income but also includes all tax objects (including those that have not been recorded in the books and have not been formally reported in the annual tax return) as long as these revenues have the potential to be taxed, that is, the income is a tax object and the subject of receiving income is identified (or not fictitious).

Furthermore, Adinur Prasetyo (2016) said that basically, costs which are directly related to a business or activity to earn income are deductible expenses. In taxation, The Matching concept has a derivative concept known as the concept of "Taxable-Deductible" which states that the expenses incurred are deductible expenses as long as: (a) these costs are directly related to the business or activity to obtain or earn income, which is a tax object, and (b) the party receiving the income is identified (or is not fictitious).

However, not always non-deductible can become deductible if non-taxable becomes taxable.
Taxpayers still need to be careful not to risk twice the loss because they have already paid withholding income tax article 21, and it turns out that these expenses cannot be deducted or remain non- deductible.
Because there are special rules governing it, there are certain deviations from the definition of this taxable-deductible or nontaxable-nondeductible principle. The form of the deviation can be in the form of taxable-nondeductible or nontaxable-deductible. This also makes it difficult for employers, for example, it will cause differences in the tax object items reported in the annual article 21 income tax return of the employer with the postal tax return for workers or employees.

Matching cost against revenue principle
There are four basic principles of accounting according to Kieso (2008), namely the principle of historical cost, the principle of revenue recognition, the principle of matching, and the principle of full disclosure.
Expenditures are recognized not when wages are paid, or when work is completed, or when products are made, but when work (services) or products contribute directly to profit. Thus, the recognition of expenses is related to the recognition of revenue. This method is called the matching principle, meaning that action (expense) is related to achievement (income) as long as it is reasonable and applicable.
Commercial financial accountants design their rules for achieving a match because failure to do so would result in misleading financial reports for potential investors and creditors. These objectives, which stem from the assumption that investors and creditors will use this year's "earnings" as estimates of future performance, have almost nothing to do with tax accounting objectives. The tax system does not need to think about whether this year's revenue is an accurate measure of the taxpayer's ability to generate normal profits. The appeal of "matching" as a tax doctrine may be due in part to the misapplication of the established principle that the cost of income should be considered in determining how much a taxpayer earns.
Some financial accountants seem more willing to be aware of the specific purpose of matching in financial accounting than for lawyers to admit that matching is not the goal of tax accounting. Raby & Richter (1975) argue that matching leads to tax-inspired methods with unfavorable financial accounting consequences and hinders the development of sound financial accounting principles.

Principle of Certainty
According to Adam Smith (1776), the principle of certainty is that all tax collections must be based on law, so that those who violate will be subject to legal sanctions. Then according to Erly Suandy (2011), taxes paid by taxpayers must be clear and not compromise (not arbitrary). In this principle, the prioritized legal certainty is regarding the tax subject, the tax object, and the provisions regarding its payment.
Taxes are people's contributions to the State Treasury based on law (which can be enforced) without receiving lead services (counter-performance) which can be directly demonstrated and used to pay for general expenses. He then corrected the definition, which reads as follows: Tax is the transfer of wealth from the people to the State Treasury to finance routine expenditures and the surplus is used for public saving, which is the main source for financing public investment (Soemitro, 1988).
Understanding tax from a legal perspective according to Soemitro is an agreement that arises because of the existence of laws that cause the obligation of citizens to deposit a certain amount of income to the state, the state has the power to force and the tax money must be used for government administration. From this legal approach, it shows that the tax collected must be based on law so as to guarantee legal certainty, both for tax authorities (as tax collectors) and taxpayers.

Principle of Certainty
The tax collection system can be divided into three systems (Mardiasmo, 2011), which are as follows:
a. Official Assessment System, which is a collection system that gives authority to the government (fiskus) to determine the amount of tax owed by the taxpayer.
b. Self Assessment System, which is a collection system that gives full authority to the taxpayer to calculate, calculate, pay, and self-report the amount of tax owed.
c. Witholding System, which is a collection system that authorizes third parties (not the tax authorities and not the taxpayers concerned) to determine the amount of tax owed by the taxpayer.

Framework

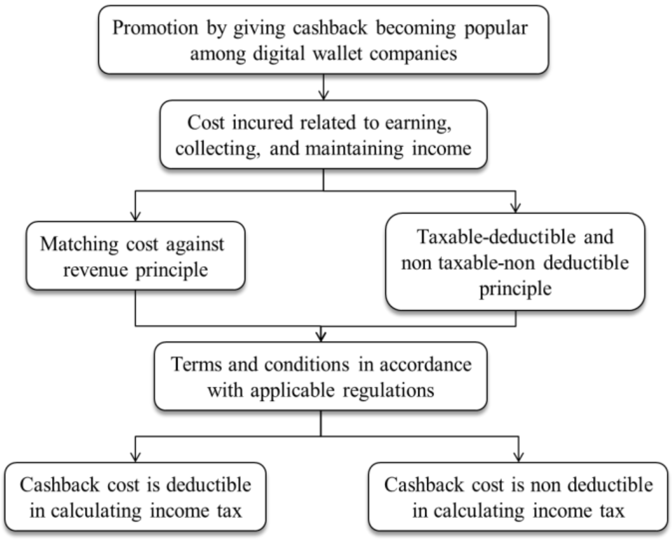

Fig.2: Framework

Source: Processed by the author

The costs incurred in the promotion in the form of cashback are one of the business costs for digital wallet companies. According to the principle of matching cost against revenue, promotion costs will reduce business income in the income statement. However, in taxation, not all expenses can be used as a deduction for operating income. Some costs must meet the requirements given according to taxation provisions in order to become deductible expenses. This is what we know as fiscal adjustments.

Research Methody

To answer the question, this study uses qualitative research method. The data collection used in obtaining this information is documentation and interviews. Documentation is carried out by studying literature in the form of books, journals, laws, and regulations and their implementing regulations, articles, and data from websites credible to obtain a theoretical basis, data, and related facts regarding the issues to be discussed. Meanwhile, the interviews are conducted with the several respondents from the Directorate General of Taxes (DGT) as an agency that has authority in policymaking, the Fiscal Policy Board (BKF), and the State Financial Polytechnic STAN (PKN STAN). Interviews with several sources, namely employees of the Section I PPh Agency, Sub-directorate of Tax Agency PPh Regulations of DGT, researchers from BKF, and lecturers in the PKN STAN subject. The interview technique was carried out online via e-mail and WhatsApp according to a predetermined time.

DISCUSSION

Application of the taxable-deductible principle to cashbacks

In taxation, there are taxable-deductible and nontaxable-nondeductible principle. Taxable-deductible means that if an income can be taxed for the party who receives it, then the expense of the income can be charged as an expense by the party who paid for it. Meanwhile, nontaxable- nondeductible means that if an income cannot be taxed for the party who receives it, then the expense of the income cannot be charged as an expense by the party who paid for it.

However, if seen from several articles in the provisions of taxation legislation, namely the Income Tax Law, there are actually 4 (four) situations related to the recognition of income and expenses, namely:

a. Taxable-Deductible, namely income which is subject to tax and is a cost for the giver;
b. Nontaxable-Deductible, namely income which is not taxed and is a cost for the giver;
c. Taxable-Nondeductible, namely income which is subject to tax and is not a cost for the giver;
d. Nontaxable - Nondeductible, namely income which is not taxable and is not a cost for the giver;

In general, the Indonesian Income Tax Law adheres to the symmetrical concept of taxation which is sometimes referred to as the taxable-deductible or nontaxable-nondeductible principle, which is reflected in Article 4 paragraph (3) letter (d) in relation to Article 9 paragraph (1) letter (e). Article 4 paragraph (3) letter (d) regulates the exemption of tax objects or so-called non-tax objects, which reads:

"What is excluded from tax objects is: (d) compensation or compensation in connection with work or services, received or obtained in kind. and/or enjoyment of the Taxpayers or the Government, except those provided by non-Taxpayers, Taxpayers who are subject to final taxation, or Taxpayers who use special calculation norms (deemed profit)"

Article 9 paragraph (1) letter (e) regulate related expenses that are not deductible in the calculation of taxable income.

"To determine the amount of Taxable Income for resident Taxpayers and permanent establishments, it is not allowed to be deducted: (e) compensation or compensation in connection with work or services rendered in kind and enjoyment, except for the provision of food and drinks for all employees as well as replacement or remuneration in the form of in-kind and enjoyment in certain areas and in connection with the implementation of work regulated by or based on a Regulation of the Minister of Finance. "

In the example above, it can be seen that the income received by taxpayers in the form of in kind is exempted from the object of corporate income tax (non-taxable) because in general, compensation for services/work provided in kind cannot be charged as an expense (non-deductible). Then, another relevant example is the provisions of Article 9 paragraph (1) letter (d) of the Income Tax Law which regulates the following:

"To determine the amount of taxable income for domestic taxpayers and permanent establishments, it cannot be deducted: (d) insurance premiums. health, accident insurance, life insurance, endowment insurance, and scholarship insurance, which is paid by an individual taxpayer, unless it is paid by the employer and the premium is calculated as income for the taxpayer concerned. "

From the example above, it can also be seen insurance premiums generally cannot be deducted as an expense for the calculation of corporate income tax (non-deductible), be able to be deducted as expenses (deductible) by the employer if the premiums are recognized as income (taxable) of the taxpayer concerned.

However, the principle of taxable-deductible and nontaxable-nondeductible does not apply absolutely. To see this principle in its entirety we must combine several articles in the Income Tax Law. The principle is taxable regulated in Article 4 paragraph (1) and Article 4 paragraph (2) of the Income Tax Law, while the principle is deductible regulated in Article 6 of the Income Tax Law. Meanwhile, the principle is non-taxable regulated in Article 4 paragraph (3) of the Income Tax Law, and the principle is non-deductible regulated in Article 9 of the Income Tax Law. Meanwhile, to see what income taxable is subject to, we have to look at every article that regulates it, for example in Articles 15, 19, 21, 22, 23, 24, 25, 26, and Article 29 of the Income Tax Law. It turns out that some taxable-nondeductible in other languages will be taxed when given to the recipient, but cannot be charged as a cost by the giver and even the opposite is nontaxable-deductible, that is, it cannot be taxed when given to the recipient but can be charged by the giver as a deduction.

On the one hand, as a result of inconsistency or ambiguity in the application of this concept, taxpayers will feel disadvantaged if the costs they pay cannot be deducted even though they are taxable on those who get them (taxable-nondeductible). Meanwhile, on the other hand, if costs can be charged but there is no tax money come to the state (nontaxable-deductible), the state will feel disadvantaged. Therefore, this concept should not always be linked in discussions about fairness in taxes.

In author's interview with researcher from BKF, according to Mr. Yuventus, it is not relevant to use the consideration of this concept to the cashbacks incurred by digital wallet companies. For example, when there is a cashback promotion, what happens is the seller receives less than they should. In this case, the income received by the seller is smaller, and of course, the income tax paid is smaller. For buyers, what is paid is smaller, so that the expenses incurred are of course also smaller. In this case, cashback is more like a discount, which of course cannot be taxed.

According to Bu Hanik, a lecturer of income tax laboratory at the PKN STAN, even though there is taxeble-deductible concept, taxpayers must still pay attention to the provisions when a cost can be deducted. The principle is that, if an income is a tax object, the expenses incurred in the framework of earning-collecting-maintaining on that income, then it can be deducted.

Indeed, a nondeductible transaction can be deductible if a nontaxable transaction become taxable, for example by paying withholding tax income article 21 (PPh 21) on nondeductible costs does not mean that these costs will automatically become deductibles. Taxpayers must be careful not to lose twice if they have paid PPh 21, it turns out that these costs remain nondeductible. It is not uncommon for a deviation from the concept of taxable-deductible or nontaxable-nondeductible because of special provisions governing them. The form of the deviation can be in the form of taxable-nondeductible or nontaxable-deductible.

This principle is a manifestation of the state's interest in collecting tax money. If there is an income of tax money from these expenses to the state, then that money can be charged as an expense in the taxpayer's books. However, if no tax revenue from such costs reaches the government, it cannot be used as a deduction in the taxpayer reconciliation calculation. The state once again has a monopoly right to regulate its people, of course, including in the matter of tax regulations.

Robert Hanes Gray (1942), in a zone where individual opinion plays a large role (such as costs that are not straightforwardly regulated in provisions) when determining income tax collection, it can be expected that only the government will insist on practices that will protect government revenues. At once quoting Gilman (1939), "some of these differences are due to special tax considerations and are necessary even if in conflict with sound accounting usages. Others are designed to protect the government against tricks of tax avoidance and hence appear to be justified." But while accounting guidelines provide adequate safeguards, it is difficult to understand the need for decisions that, instead of accepting orthodox techniques, compel taxpayers to change their annual income.

So in general, an expense such as cashback is deductible expense if the recipient of the cashback being taxed by withholding tax. However, keep in mind that cashback recipients must also report their income in the form of cashback in tax returns. This results in synchronous reporting of deductible expenses and taxable income.

Treatment of cashbacks in calculating digital wallet company taxes

Digital wallet companies are currently still in the stage of attracting new consumers or new users for the services they offer. Towards Business Sustainability of Market Companies, the third-largest research in the world, IPSOS, conducted a study entitled "Evolution of the Digital Wallet Industry: A Strategy to Win Without Burning Money" which involved 500 young generation respondents in five big cities in Indonesia. Based on this research, 71% of new consumers are motivated to use a digital wallet for the first time because of a promo. However, they also mentioned that along with getting used to the convenience offered by digital wallets, their loyalty was no longer determined solely by promos.

Fig.3: Promotions Role to Attract New Consumers

Source: Translated from IPSOS Research: Evolution of Digital Wallets

This is in line with the notion of promotion as described by Sistaningrum (2002), which is a company effort so that actual and potential consumers make purchases of products offered either now or in the future. Furthermore, indeed promos in this case cashback do not always influence the user's decision to make a purchase. As in the author's interview with Mr. Yuventus, he said that cashback did not affect his decision to buy. The reason is because usually the cashback given is not that big (to be considered).

One of the tools used in promotion or promotion mix according to Swastha and Irawan (2005) is sales promotion. In the later explanation, discounts, contests, coupons, or product samples are indeed ways that can be used in sales promotions. These sales activities are short-term and are not repeated and are not routinely aimed at encouraging faster market response. The purpose of the promo in the form of cashback is to increase sales or increase the number of customers. This is one of the goals of digital wallet companies for the Indonesian market which hasn't been touched.

The following is an excerpt from the general terms and conditions of one of the cashback promos up to 60% offered by OVO for the GrabFood service.

"1. 60% discount up to IDR 30,000 with a minimum purchase IDR 35,000, specifically for new OVO users at GrabFood, (enter promo code OVOBARU) IDR 25,000
2. 50% discount up to minimum purchase of IDR 35,000, for old OVO users at GrabFood, (enter promo code OVOPAYDAY)
3. Valid for GrabFood orders at 08:00-24:00 paid with OVO
4. Daily supplies are limited
5. Only valid in the city of Jakarta
6. Grab has the right to change or terminate the promo at any time without a prior notice "

In the promo, there are differences cashback offered to new users and old users. The cashback promised to new users is greater than that of old users. From this example, it can be seen that OVO is promoting by prioritizing

new users.
However, not all digital wallets do the same. Different examples can be found in the promo conducted by DANA, the promotion Cashback #DiRumahDuluKak. This promo is valid for all DANA users with a minimum transaction of only IDR 10,000.
The following are general terms and conditions related to the promos offered by DANA.
1. Promo period lasts for 19 Mei started at 13:30 pm - June 2nd, 2020 at 23:59 pm.
2. Promo only applies to Esamsat bill payments on the DANA application
3. Maximum cashback of 30%IDR 10,000/transaction.
4. Promo is valid with a minimum transaction of IDR 10,000.
5. Promo is valid for all DANA users. "

To carry out a sales promotion the company must pay a cost. Then, this cost will reduce the income earned by the company or charged. As defined by Hongren (2007), expenses are assets that have been used in company activities and liabilities created to generate income. Furthermore, expenses are divided into two groups, namely expenses that can be directly related to income and expenses related to the period in which they occur. Promotion costs are generally expenses related to the period in which they occur, but sales promotion costs such as cashback also include expenses that can be directly related to income.
The carrying capacity principle is adopted in tax collection in Indonesia. According to an expert, Mr. AJ Cohen Stuart in R. Santoso Brotodihardjo (1995) equates the principle of carrying capacity with a bridge by explaining that the first thing that must be borne or borne is the weight of the bridge itself and then other burdens. In terms of talking about the company, it means that what must be fulfilled in the company's business activities is not included in the sense of carrying capacity. The power to hand over money to the state only exists if the primary needs for life (corporate sustainability) are available. Therefore, the Income Tax Law stipulates that the amount of taxable income is determined based on gross income less costs to obtain, collect, and maintain income.

Table 2: Comparison of Financial Accounting and Taxation

	Financial Accounting	**Taxation Accounting**
Basis for Preparation	Financial Accounting Standards (SAK)	Taxation Law
Concept	a. Reconciling expenses with the most appropriate income (proper-matching cost and revenue) b. Conservatism used c. Materiality is used	a. Reconciling costs to obtain, collect, and maintain income which is the object of tax (proper matching taxable income and deductible expense) b. Conservatism is not used c. Materiality is not used

Source: Taken from Tax Management, Drs Chairil Anwar Pohan, M.

In calculating income tax, some differences must be taken into account first to determine taxable income. Some of these differences are presented in table 2 above. One of the differences is in the concept used, financial accounting brings together the most appropriate (cost and revenue proper matching cost and revenue proper matching) while tax accounting brings together the costs of obtaining, collecting, and maintaining income which is a tax object taxable income and deductible expense). This difference in charges is regulated in article 6 and article 9 of the Income Tax Law.
In the author's interview with income tax lab lecturer of PKN STAN, Ms. Hanik agrees if the cashbacks meet the criteria of getting, collecting, and maintaining income. Meanwhile, in another interview with researchers from BKF, according to Mr. Yuventus cashback does not meet those criteria but is more like a discount. In the sense that the price paid by consumers is ultimately less than the price it should be. Then, cashback is also usually given within a certain period of the year, one of which is to encourage the sales growth of certain products.
Furthermore, the authors asked whether the cashback was included in the criteria for promotional costs as described in the Income Tax Law. Bu Hanik answered that when seen in Minister of Finance Regulation (PMK) number 02/PMK.03/2010, promotional costs are part of the sales costs incurred by taxpayers to introduce and/or recommend the use of a product either directly or indirectly to maintain and/or increase sales. Then, we look to cashback. If there are 2 types of goods, one gets cashback, and one doesn't, people tend to choose the one who gets cashback, even though if calculated it could be that the price of the item is the same. Therefore, according to her, cashback meets the criteria as a promotional cost. Mr. Yuventus shared the same opinion that cashback could be included in the criteria for promotional costs if the product was new.
Promotion costs are clearly regulated in the PMK that promotional costs can be deducted if they are

advertising costs in electronic media, print media, and/or other media; product exhibition costs; new product introduction costs; and/or sponsorship costs related to product promotion. There is a requirement so that promotion costs can be deducted against gross income by taxpayers. These costs are 3M's (refer to obtain, collect, and maintain income) expenses for non-final income, then a nominative list is generated that contains information about the recipient of the promotion.

After that, the authors asked for the treatment of promotional costs in the form of cashback by digital wallet companies. Bu Hanik replied that cashback given by digital wallet companies, usually in the form of points, can be used by using the digital wallet again. This means that recipients of cashback through a digital wallet should use the digital wallet services if they want to take advantage of cashback. According to her, this is included in the criteria for promotion costs. She added that she hasn’t checked the financial statements of digital wallet companies regarding how they record them or whether these costs are treated as deductions or not.

Cashback is actually one of the incomes that is deducted according to the existing provisions. Based on an interview with DGT withholding and collection income tax, Mrs Kholifah, in general cashback can be taxed if it is included in the PER-11/2015 criteria regarding awards. However, she added that in conducting discussions related to digital wallets, there are very many parties involved, for example a digital wallet as big as LinkAja had used a lot of parties in it. Therefore, if a digital wallet company chooses to deduct income tax, it will involve a lot of data.

Table 3: Nominative List of promotion costs

No	Data Recipient							Withholding Income Tax	
	Name	NPWP	Address	Date	Form and Type of Fee	Amount (Rp)	Description	Amount (Rp)	Number Proof of
1.									
2.									
etc.									

Source: Taken according to the sample table in Appendix I PMK 02/PMK.03/2010

Digital wallet companies must deduct income tax to complete the nominative list filling. If the digital wallet company that provides cashback does not make a nominative list, according to the provisions in the PMK, the promotional costs in the form of cashback cannot be deducted. Meanwhile, currently, in the registration or data provided by digital wallet users, there is no data regarding the taxpayer identification number (NPWP) and address. According to Bu Hanik, referring to the current regulations, it is not possible to make a nominative list with a NPWP of 00.000.000.0-
000.000 and the address is left blank. She added that maybe we could give suggestions so that they could be filled in with single identity number (NIK). To her understanding, users of digital wallet services must provide an ID card which includes the NIK.

Digital wallets are indeed trying to complete their consumer data. One of them can be seen from the general terms and conditions regarding the GoPay PayDay promo offered by GoPay. The following are the conditions for a promo from Gopay.

1. “1. Especially for on-site payments using GoPay;
2. PayLater can be used as a payment method for selected Users;
3. Maximum 1 cashback/user/business partner/period;
4. The nominal cashback is IDR 15,000 for users who have upgraded their GoPay account without a minimum transaction;
5. The nominal cashback is IDR 10,000 for users who have not upgraded their GoPay account with a minimum transaction of IDR 30,000;
6. Especially for Burger King, the minimum transaction for all users is IDR 50,000;
7. Promo can change at any time without prior notice. "

Gopay offers a bigger promo cashback for users who have upgraded their Gopay account than users who haven't. In addition, there is a minimum transaction requirement that only applies to users who have not upgraded. To upgrade a Gopay account, users must upload a photo of an identity card (WNI: eKTP and WNA: Passport) and a face photo along with an identity card. Gojek explained that users need to remember that 1 (one) identity card can only be used for 1 (one) Gojek account. This is because there are several features offered after an account upgrade, such as extra protection for Gopay balances, larger limits on saving balances, sending Gopay balances to fellow users, transferring to bank accounts, being able to use the PayLater feature, and various exclusive promos.

Making this nominative list is important because if the digital wallet company that provides cashback does not make a nominative list, the costs cannot be charged on a fiscal basis. The PMK clearly stipulates that there must be a nominative list containing at least the name, taxpayer identification number, address, date, form and type of fee, the amount of the fee, the number of withholding tax slip, and the amount of withholding income tax.

Alternatives that digital wallet companies can take in charging cashbacks

At this time, the data held by digital wallets to make nominative list of promotional costs is not sufficient. Alternative to charging cashbacks according to Ms. Hanik's opinion, the fiscal that can be done by digital wallet companies, perhaps specifically for cashback through merchants, can be filled with merchant's identity. For example, tokopedia, Matahari department store, and so on. She said that usually, the cashback given is related to merchants. Therefore, it can be said that merchants' income has also increased due to (promotions) cashback.

Furthermore, promotion and education as referred to in Article 91 letter d shall be carried out by agencies by their respective authorities based on the provisions of laws and regulations to realize the use of information technology and electronic transactions that are safe, ethical, intelligent, creative, productive, and innovative. the implementation of promotion and education may involve stakeholders including the public and/or activists in information technology and electronic transactions.

Seeing the current promotional trend in the form of cashback, according to Ms. Hanik, the regulation seems still adequate. She added that if there were changes, maybe it could accommodate the provisions regarding the nominative list for non-NPWPs so that they could be filled in with NIK.

In connection with the taxable-deductible concept, Adinur Prasetyo (2016) said that if the recipient subject has not been registered as a taxpayer and/or has not reported his tax return, then what the tax authorities must do is follow up on the subject of the recipient by the provisions of the applicable tax laws. and not by punishing the subject paying the fee in its books through fiscal corrections.

Then, in the same interview with Mr. Yuventus, he added that DGT should have sufficient confidence that the cashback has actually been given to buyers. The existence of a nominative list is certainly one proof that there are actual promotional costs. However, tracing the truth about the existence of promotional costs is one of the auditor's very time-consuming tasks. The auditor can test the flow of money and the flow of goods in conducting tax audits. But this requires a lot of effort. Again, does it material or not is the question in paying attention to the trend of cashback.

Based on these opinions, it means that the current tax regulations are sufficient to tax cashback. Nevertheless, it is necessary to regulate the type of income tax and the collection system for cashback. A suggestion for future regulations is schedular taxation concept to be applied. It is a concept where every income is subject to final tax at a certain rate. In this system, income will be immediately deducted by the income provider through withholding tax by deducting a certain percentage of the payment to be forwarded to the state treasury (Rosidana, 2014). Furthermore, to implement a withholding tax system for cashback transactions, an automatic system is required in the digital wallet application. If this system already exists, the tax amount cannot be manipulated and can reduce taxpayer non-compliance.

CONCLUSIONS AND SUGGESTIONS

The following is the conclusion of the author's review of the treatment of cashbacks by digital wallet companies in calculating income tax.

1. Specific provision about cashback are needed so that it can be ascertained whether or not to deduct cashback against gross income in the calculation of taxable income or conditions to deduct cashback. There are 4 (four) situations in the tax laws and regulations related to the recognition of income and expenses, namely taxable-deductible, nontaxable-deductible, taxable-nondeductible, and nontaxable-nondeductible. If it is not regulated by the state in applicable tax laws or regulations. In general, an expense such as cashback is deductible expense if the recipient of the cashback being taxed by withholding tax. Cashback recipients must also report their income in the form of cashback in tax returns. This results in synchronous reporting of deductible expenses and taxable income.
2. Treatment of cashbacks by digital wallet companies in calculating income tax is still using the provisions of promotional costs. Digital wallet companies have to do withholding income tax to complete the nominative list filling. If the digital wallet company that provides cashback does not make a nominative list, according to the provisions in the PMK, the promotional costs in the form of cashback cannot be deducted. In general, the cashback cost can be taxed if it is included in the PER-11 2015 criteria regarding awards. However, discussing digital wallets involves a large number of parties. Meanwhile, currently, in the registration or data provided by digital wallet users, there is no data regarding the NPWP and address. Referring to the current regulations, it is not possible to make a nominative list with a NPWP of 00.000.000.0-000.000 and the address is left blank. In registering or upgrading a digital wallet account, digital wallet service users must provide an ID card that contains the NIK. In the PMK it is clearly regulated that there must be a nominative list containing at least the name, NPWP, address, date, form and type of fee, the amount of the fee,

the number of withholding tax slip, and the amount of withholding income tax. Making this nominative list is important because if the digital wallet company who provides cashback does not make a nominative list, the costs cannot be charged.

3. There is no alternative to deduct cashback cost unless making nominative list. A suggestion, especially for cashback through certain merchants, maybe can be filled in with the merchant's identity. For example, Tokopedia, Matahari department store, and so on. The cashback given is usually associated with a particular merchant. Therefore, it can be said that merchants' income has also increased due to (promotions) cashback. Then, updating the PMK and/or regulations regarding promotional costs in the form of cashback is still not needed. Looking at the current promotional trend in the form of cashback, the applicable PMK is still adequate. If the recipient subject has not been registered as a taxpayer and/or has not reported his tax return, then what the tax authorities must do is to follow up on the recipient subject by the provisions of the applicable tax laws and not by punishing the paying subject who has charged the cost in its books through fiscal corrections. The government, in this case the DGT, needs sufficient confidence that cashback has actually been given to buyer. The existence of a nominative list is certainly one proof that cashback is not fictitious expenses. A suggestion for future regulations is schedular taxation concept to be applied. It is a concept where every income is subject to final tax at a certain rate.

Therefore, what the government needs to do now is to review the types of cashback and how the tax collection system should be carried out. After that, the government can make a firm policy regarding cashback activities. This is intended so that there is no confusion and uncertainty in digital taxation, especially on cashback. Given, one of the principles in tax collection is the principle of certainty, which is to provide certainty to taxpayers.

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