



Research Article



Income Tax Regulations for Child Content Creators on TikTok Platform: The Inefficacy of Indonesian Legal Frameworks

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Abstract: The massive growth of social media opens the door for anyone gain a lucrative content broadcasting which in turn benefit the subject in economic capacity and later becomes a potential of taxation object. However, not all content creators are subjected to income tax, such as the minors. The imposition of income tax must consider the subjective requirements which is related to the age of the tax subject. This study aims to examine the efficacy of Indonesian legal norms as a basis for imposing taxes on child content creators who have income above the minimum tax threshold. This research employs a statute approach completed with comparative perspective. Data were collected by investigating tax regulations in Indonesia and then comparing them with tax regulations in other countries. This study finds that income tax for minors is actually mentioned in Indonesian legislation. However, these regulations do not explicitly stipulate that children bear the responsibility for their own income tax. The law stipulates that the payment of a child's income tax integrates with their parent's tax payment. This circumstance is different from the advanced countries like the USA and Australia where regulations regarding children's income tax are specifically addressed. Consequently, in Indonesia, minor content creators who have high incomes cannot be unequivocally subjected to income tax. This is because minors cannot obtain a Taxpayer Identification Number (NPWP) in their own name. For children with an economic capacity exceeding the minimum income threshold, obtaining a Taxpayer Identification Number is not mandatory.

Keywords: Income Tax; Child Content Creators; Non-Taxable Income;



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INTRODUCTION

It is no longer a matter of debate that the success of a nation's development efforts depends on the availability of financial resources. To secure the necessary funds for development, the taxation sector serves as a primary option for the country to support development costs and the welfare of its people.¹ Income tax, levied on any increase in economic capacity gained by taxpayers, whether derived from domestic or international sources, constitutes a significant contributing sector.² Within this sector, the expansion of social media, which creates opportunities for content creators to earn profits, potentially introduces a new category of taxpayers: child content creators. This phenomenon is currently evident in Indonesia, where many children create and upload content on the TikTok platform, thereby generating their own income from these activities. According to TikTok demographics in Indonesia, users under the age of 18 comprise 13% of the total TikTok user base in the country.

¹ Dwi Sulastyawati, 'Hukum Pajak Dan Implementasinya Bagi Kesejahteraan Rakyat', *SALAM: Jurnal Sosial Dan Budaya Syar-I*, 1.1 (2014), 120 <https://doi.org/10.15408/sjsbs.v1i1.1530>

² Mick Moore, 'Obstacles to Increasing Tax Revenues in Low Income Countries', *International Centre for Tax and Development Working Paper*, 15 (2013) <https://doi.org/10.2139/ssrn.2436437>



Through content uploads, they succeed in gaining followers and viewers, which in turn can translate into income. This phenomenon has led to the emergence of a group of child content creators. Consequently, a significant number of children are now able to generate their own income through the TikTok platform.³

According to calculations on exolyt.com, there are several child content creators on TikTok with high earnings. First, Mazaya Amania, a 7-year-old child content creator on TikTok, started actively uploading content in January 2021. Mazaya has 1.4 million followers with an estimated average of 889 thousand viewers per video and can generate around 51 million rupiah each month. Second, Azka Corbuzier, a 17-year-old child content creator, began actively uploading TikTok content in April 2022. Azka has 741 thousand followers with an estimated average of 3 million viewers per video and can earn 50 million rupiah monthly. Third, Nawid Yosufi, who is 8 years old, started using TikTok actively in May 2020. Nawid has 1.7 million followers with an estimated average of 1.2 million viewers per video and can generate around 36 million rupiah monthly. Fourth, Niken Salindry, a young sinden (traditional Javanese singer) who ventured into content creation on TikTok, is 15 years old and began using TikTok actively in August 2021. Niken has 2 million followers with an estimated average of 3 thousand viewers per video and can earn around 28 million rupiah monthly. Fifth, Rizwan Fadilah, who is 16 years old, began using TikTok actively in September 2021. Rizwan has 2.1 million followers with an estimated income of 21 million rupiah each month. This data shows that several child content creators on the TikTok platform have substantial earnings from the content they create. These earnings meet the taxable income criteria according to Law Number 7 of 2021 on the Harmonization of Tax Regulations, where the lowest income tax (PPH 21) rate is 5% for income brackets starting from at least 60 million rupiah per year or 5 million rupiah per month.⁴ This is demonstrated by the income tax calculations according to the Harmonization of Tax Regulations Law in the table 1 below.

Table 1 Estimated Tax Revenue Potential of Child Content Creators in Indonesia on the Tiktok Platform

No.	Content Creator	Income		Tax Presentation	Income Tax
		Month	Year		
1	Mazaya Amania	Rp 51,000,000	Rp 612,000,000	30%	Rp 8,500,000
2	Azka Corbuzier	Rp 50,000,000	Rp 600,000,000	30%	Rp 8,200,000
3	Nawid Yosufi	Rp 36,000,000	Rp 432,000,000	25%	Rp 4,700,000
4	Niken Salindry	Rp 28,000,000	Rp 336,000,000	25%	Rp 3,000,000
5	Rizwan Fadilah	Rp 21,000,000	Rp 252,000,000	15%	Rp 1,900,000

Source: processed by researchers from exolyt.com calculations

Table 1 indicates that the income of child content creators on TikTok has the potential to contribute to the taxation sector in Indonesia. However, this appears to conflict with Indonesian tax regulations, where individuals under the age of 18 cannot possess a Taxpayer Identification Number (NPWP) in their own name. This is

³ Pramitha Rifa Andini, 'Pengaruh Konten Pada Official Akun TikTok Ruangguru Terhadap Prestasi Belajar Followers', *Jurnal Teroka*, 1.1 (2023), 15–24 <https://doi.org/10.26623/janaloka.v1i1%20Juni.7022>

⁴ Andrew Leigh and Pierre van der Eng, 'Inequality in Indonesia: What Can We Learn from Top Incomes?', *Journal of Public Economics*, 93.1 (2009), 209–12 <https://doi.org/10.1016/j.jpubeco.2008.09.005>



stipulated in Article 8, paragraph (2) of the Director General of Tax Regulations Number Per-04/PJ/2020, which states that a child, defined as an individual under 18 years of age and who has never been married, according to the regulations in the Income Tax Law, cannot register to obtain an NPWP in their own name. In contrast, referring to the provisions of Article 2 of Law Number 7 of 2021, it is explained that taxpayers are assigned an NPWP based on their Population Identification Number (NIK). Consequently, even though the law may aim to regulate or set criteria concerning the income generated by children's content, tax obligations are often not applied to them due to their status as individuals who do not meet the age threshold or other criteria set to become taxpayers.⁵

Research on the income tax for minors is not a new subject. For instance, Dewi found that tax regulations concerning minors as taxpayers still require the attention of policymakers. In her research, she noted that the legal regulations in Indonesia regarding the taxation of minors are not supported by the tax law structure.⁶ In addition to Dewi, Wijaya and Safira investigated the taxation regulations for adopted children who earn income. Their research findings indicate that the income tax for minors remains a contentious issue due to a lack of regulatory clarity.⁷

In contrast, another country, such as the United States, has different regulations. Whether an individual has an income tax obligation depends on how much money they earn during the tax year and how they earn it. If an individual, including a child, earns money, they generally have to pay tax on it unless their income is below the threshold amount. This is regulated in Publication 929, specifically in the 2022 Instructions for Form 8615 issued by the Department of the Treasury Internal Revenue Service, which explains that children under the age of 18 need to fill out Form 8615 to calculate the tax on their income. Children with income over \$13,850 are subject to an income tax rate of up to 10% on their earnings. Similarly, in Australia, children under the age of 18 are also required to pay taxes on certain types of income. This is regulated under Division 6AA (Income of Certain Children) of Part III of the Income Tax Assessment Act 1936. Some minors are not affected by the penalty tax rates, such as those who work full-time, receive a carer's allowance, disability support pensions, rehabilitation allowances, are permanently blind, no longer live with their parents, or are orphans. The taxable income of a child under 18 is \$417, equivalent to approximately 4 million rupiah, with a tax rate of 66% on the excess over \$416.

In the aforementioned cases and comparisons, it appears that Indonesian tax laws do not effectively achieve the objectives of taxing child content creators on the TikTok platform. This means that the tax potential from these child content creators is not fully supported by clear legal norms. In contrast, the United States and Australia have simpler and clearer regulations regarding child taxpayers. From the issues

⁵ Ain Hajawiyah, Trisni Suryarini, and Tarsis Tarmudji, 'Analysis of a Tax Amnesty's Effectiveness in Indonesia', *Journal of International Accounting, Auditing and Taxation*, 44 (2021), 100415 <https://doi.org/10.1016/j.intaccudtax.2021.100415>

⁶ Retno Sari Dewi, 'Pajak Penghasilan Pada Subjek Penghasilan Di Bawah Umur Melalui Media Sosial', *Al-Ishlah: Jurnal Ilmiah Hukum*, 23.2 (2020), 186–98 <https://doi.org/10.56087/aijih.v23i2.54>

⁷ Suparna Wijaya and Annisa Febriana Safira, 'Pajak Penghasilan Atas Anak Angkat Yang Berpenghasilan', *Owner: Riset Dan Jurnal Akuntansi*, 5.2 (2021), 396–406 <https://doi.org/10.33395/owner.v5i2.476>



discussed above, this article addresses the inefficacy of Indonesian tax laws concerning child content creators with taxable income, compared to the tax regulation policies in these two countries.

METHOD

This research employs a statute approach completed by legal comparative approach. The statute approach is applied by examining all legislation and regulations pertaining to the legal issue of income tax to child content creators on the TikTok platform. The comparative approach is implemented by comparing the legal regulations of Indonesia with those of the United States and Australia. This approach aims to identify legal frameworks between the tax legal system on child revenues of the three countries mentioned. The sources of legal materials include primary regulation such as: (a) Law of the Republic of Indonesia Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 on Income Tax; (b) Law Number 7 of 2021 on the Harmonization of Tax Regulations; (c) Directorate General of Tax Regulations Number PER-16/PJ/2016 concerning Technical Guidelines for the Procedures of Withholding, Depositing, and Reporting Income Tax; (d) Directorate General of Tax Regulations Number PER-04/PJ/2020 concerning Technical Guidelines for the Implementation of Taxpayer Identification Number Administration, Electronic Certificates, and Confirmation of Taxable Entrepreneurs; (e) Internal Revenue Code of 1986; and (f) Division 6AA (Income of Certain Children) of Part III of the Income Tax Assessment Act 1936.

RESULT AND DISCUSSION

Child Content Creators as Tax Subjects: Existing Legal Regulations

Law Number 36 of 2008 on Income Tax explains the Income Tax Subjects for Individuals, which include Domestic and Foreign Income Tax Subjects. Individuals, including taxpayers, tax withholders, and tax collectors, who have tax rights and obligations in accordance with the provisions of the relevant tax legislation are referred to as taxpayers. According to Article 2, paragraph (1) of Law Number 7 of 2021, every taxpayer who has met the subjective and objective requirements in accordance with the provisions of the tax legislation is required to register with the Directorate General of Taxes office whose working area includes the taxpayer's residence or domicile, and will be issued a Taxpayer Identification Number (TIN). The subjective requirement refers to the tax obligations in accordance with the applicable income tax regulations. Meanwhile, the objective requirement pertains to the criteria for tax subjects who receive or earn income or are required to withhold/collect taxes in accordance with the provisions of the applicable income tax regulations.⁸

Article 2, paragraph (1a) of the Law on the Harmonization of Tax Regulations further explains that the Taxpayer Identification Number (TIN), as referred to in paragraph (1), for individual taxpayers who are residents of Indonesia, is based on the Population Identification Number (PIN). Efforts to improve tax compliance and supervision in Indonesia integrate the Population Identification Number (PIN) with

⁸ Shane Johnson and others, 'Individuals' Responsiveness to Marginal Tax Rates: Evidence from Bunching in the Australian Personal Income Tax', *Labour Economics*, 87 (2024), 102461 <https://doi.org/10.1016/j.labeco.2023.102461>



the Taxpayer Identification Number (TIN). Every Indonesian citizen receives an identification number called a PIN from the Indonesian government. Meanwhile, the TIN is an identification number provided by the Directorate General of Taxes to every individual or organization responsible for paying taxes in Indonesia. The process of synchronizing, verifying, and validating taxpayer data becomes easier with the integration of the PIN and TIN into a single identification number (SIN). The purpose of matching the PIN to the TIN, as explained in Minister of Finance Regulation Number 112/PMK.03/2022, is to achieve efficient and effective tax administration with a single identification number. This step is also in line with the government's single data policy vision.⁹

The integration of the Population Identification Number (PIN) into the Taxpayer Identification Number (TIN) has raised public questions regarding the age limit for taxpayers, given that every Indonesian citizen has a PIN. In response to these questions, the Directorate General of Taxes, through its official YouTube account, explained that becoming a taxpayer still requires meeting subjective and objective criteria, including being an adult according to the law and having an income above the non-taxable income threshold (PTKP).¹⁰ This was explained by Neilmaldrin, the Director of Counseling, Services, and Public Relations (P2Humas) at the Directorate General of Taxes (DGT). This is further reinforced by the previous regulations regarding TINs for minors, as explained in Article 8, paragraph (2) of the Regulation of the Director General of Taxes Number Per-04/PJ/2020 on Technical Guidelines for the Administration of Taxpayer Identification Numbers, Electronic Certificates, and the Confirmation of Taxable Entrepreneurs. It states that minors, defined as individuals under 18 years of age who have never been married, in accordance with the income tax regulations, cannot register for a TIN in their own name.

The imposition of income tax on children is regulated by Law Number 36 of 2008 on Income Tax. According to Article 7 of Law Number 36 of 2008, the income of minors, regardless of its source and the nature of their work, is combined with the income of their parents for the same tax year. Furthermore, Article 8 states that the tax system established by this regulation presents the idea that a family constitutes a single economic unit, meaning that the fulfillment of tax obligations is carried out by the head of the family. In the discussion of the results of the Plenary Session of the Civil Chamber of the Supreme Court of the Republic of Indonesia, as stated in Supreme Court Circular Number 7 of 2012 on the Formulation of the Results of the Plenary Session of the Chambers of the Supreme Court as Guidelines for the Implementation of Duties for the Courts, it is explicitly mentioned that "adulthood" is defined as legal competence, which is a person who has reached the age of 18 years or has been married. Thus, a child TikTok content creator who has not yet reached this age limit must have all their legal actions, including income tax matters, represented by their parents. This means that, subjectively, it can be said that Indonesian tax law norms cannot yet serve as a basis for the direct taxation of child

⁹ Tjandra Wasesa and others, 'Pentingnya Pemadanan NIK – NPWP Bagi Wajib Pajak Orang Pribadi Serta Tata Cara Validasinya', 4.2 (2023), 102–16 <https://doi.org/10.30640/akuntansi45.v4i2.1813>

¹⁰ Suwardi Suwardi, 'Maintaining Progressiveness of Personal Income Tax Rates in The Indonesian Income Tax Law', *International Journal of Pertapsi*, 1.1 (2023), 41–50 <https://doi.org/10.9744/ijp.1.1.41-50>



content creators. This situation, of course, does not align with the general objects of taxation.

In the context of taxable objects as regulated by tax laws, the classification of taxable objects generally applies to content creators regardless of age. For example, taxable objects are categorized into three groups: (1) Income from independent work, (2) Income related to business activities, and (3) Income related to employment, services, and/or activities from an employer or a designated tax withholder/collector. Income from independent work is income received or earned in connection with services performed independently, without an employment relationship with an employer, and without a subordinate relationship with an employer. In this case, the income received or earned by child content creators, such as from endorsements, sponsorships, donations, and the like, can be categorized as income from independent work.¹¹

In addition to income from services related to independent work, some categories of content creators also produce and sell art items, such as designers, painters, and similar professions, who can earn income from the sale of these art items.¹² Therefore, based on Government Regulation Number 55 of 2022, income from such business activities can be subject to final income tax (PPH Final) according to Government Regulation Number 55 of 2022 or calculated using the rates specified in Article 17 of the Income Tax Law, depending on the gross turnover in one tax year and the content creator's own choice. This also applies to other business activities beyond art items owned by the content creator. Income related to employment, services, and/or activities from an employer or a designated tax withholder/collector. Child content creators can also earn income related to employment, services, and/or activities from an employer, which is subject to income tax withholding under Article 21 as outlined in the explanation of Article 21, paragraph (1) of the Income Tax Law, and is categorized as non-employee income, which includes honoraria from the employer.¹³

Based on the decision of the Pelalawan District Court Number: 30/Pdt.G/2020/PN.Plw indicates that the land acquisition process for the construction of the Tower Tread Rengat-Pangkalan Kerinci has not fulfilled the principles of legal protection and justice. Because, based on the provision, the assessment of the amount of compensation by the appraisal team is carried out against other losses that can be assessed. However, the appraisal team did not assess other assessable losses in the form of the remaining 36.000 m² of land owned by Johan. This caused material loss to the landowner because the construction of the tower site resulted in a decrease in the economic value of the land, so that the land compensation assessment did not meet the criteria of feasible and fair as mandated in the land acquisition law.

¹¹ Milla Sepliana Setyowati et al., "Strategic Factors in Implementing Blockchain Technology in Indonesia's Value-Added Tax System," *Technology in Society* 72 (2023): 102169, <https://doi.org/10.1016/j.techsoc.2022.102169>

¹² Vladimir Tyutyuryukov and Natalia Guseva, "From Remote Work to Digital Nomads: Tax Issues and Tax Opportunities of Digital Lifestyle," *IFAC-PapersOnLine* 54, no. 13 (2021): 188–93, <https://doi.org/10.1016/j.ifacol.2021.10.443>

¹³ Waluyo Waluyo and Caturida Meiwanto Doktoralina, "Factor Affecting Tax Avoidance Through Thin Capitalisation: Multinational Enterprises in Indonesia," *Int. J. Manag. Bus. Res* 8, no. 3 (2018): 210–16, <https://doi.org/10.2139/ssrn.3436024>



The Ineffectiveness of Income Tax Implementation on Child Content Creators

Article 2, paragraph (1a) of Law Number 7 of 2021 explains a new policy regarding the integration of the Population Identification Number (NIK) and the Taxpayer Identification Number (NPWP), making it so that taxpayers only need to use their NIK as their taxpayer identity. Article 2, paragraph (10) stipulates that, in order to use the NIK as the NPWP, the Minister responsible for internal affairs must provide population data and feedback data to the Minister of Finance for integration with tax data. To support the plan to integrate the NIK with the NPWP, in early September 2021, the Government issued Presidential Regulation Number 83 of 2021 on the Inclusion and Utilization of the Population Identification Number in Public Services. Through this regulation, the Government mandates that for obtaining public services such as licensing, the public must include their NIK and/or NPWP. The preamble states that the purpose of this regulation is to achieve standardization and integration of identification numbers used as reference codes for public services.¹⁴

Through Minister of Finance Regulation Number 112/PMK.03/2022 on the Taxpayer Identification Number for Government Agencies, the government stipulates that starting from July 14, 2022, individual taxpayers who are residents must use their Population Identification Number (NIK) as their Taxpayer Identification Number (NPWP). This regulation raises questions among the general public about who is considered a taxpayer. This is because all Indonesian citizens have a Population Identification Number, regardless of age. However, the Law on the Harmonization of Tax Regulations (HPP) does not clarify the age limit for taxpayers. The age limit for taxpayers is explained in the Director General of Taxes Regulation Number Per-04/PJ/2020. According to this regulation, minors, defined as individuals under 18 years of age who have never been married, cannot register themselves to obtain an NPWP.¹⁵

Based on several provisions in legislation, uniformity regarding the age of adulthood remains absent. Some still impose an age limit of 21 (twenty-one), 18 (eighteen) years, while others set it at 17 (seventeen) years. This disparity in age limits often raises questions regarding which threshold should be adopted. Inconsistencies in the definitions of adult age or the delineation between adulthood and childhood across various legal regulations in Indonesia frequently prompt inquiries into the appropriate standard to apply. The determination of adulthood age is a fundamental requirement that must be adhered to in every legal action, as it serves as a formal prerequisite for individuals to engage in legal transactions. In addition to the inconsistency in age limits defining childhood, there also exists an issue regarding the protection of employed children. This predicament arises due to the overlapping jurisdiction between the imposition of income tax on earning children and the fulfillment of children's rights as stipulated in Law Number 35 of 2014 concerning Child Protection. This legislation delineates principles aligned with the Convention on

¹⁴ Galih Ardin, 'Estimasi Dampak Fiskal Penggunaan NIK Sebagai NPWP: Sebuah Studi Empiris', *Jurnal Pajak Dan Keuangan Negara (PKN)*, 4.1S (2022), 333–42 <https://doi.org/10.31092/jpkn.v4i1s.1908>

¹⁵ Arifin Rosid and Romadhaniah, "Assessing the Effectiveness of Law Enforcement on Improving Tax Compliance in Indonesia: An Empirical Investigation," *Bulletin of Indonesian Economic Studies* 59, no. 2 (2023): 243–67, <https://doi.org/10.1080/00074918.2021.1970110>



the Rights of the Child, including non-discriminatory treatment, the best interests of the child, the child's survival and development, and respect for the child's views.

Considering the multitude of children's rights and their scope, the employment of children presents a significant dilemma, as it is believed to stem from certain factors compelling children to work. Fundamentally, children should not engage in labor as their time ought to be utilized for learning, playing, experiencing joy, being in peaceful environments, and having the opportunity and facilities to pursue their aspirations in accordance with their physical, psychological, intellectual, and social development. However, the reality reflects numerous instances where children actively participate in economic activities, assuming roles as child laborers, notably within industries such as content creation across various digital media platforms.

The existence of regulations concerning the protection of child laborers does not automatically resolve the underlying issues. Rahayu, in her research, asserts that the quality of child labor issues has evolved in complexity over the years, trending towards exploitative and hazardous forms of work that jeopardize the physical, mental, moral, social, and intellectual growth and development of children.¹⁶ The involvement of children in professions such as content creation, particularly prevalent on platforms like TikTok, occurs either under parental coercion or purely based on the child's desire. Engaging in such employment consumes the child's time for the sake of content creation, consequently neglecting the child's rights and responsibilities.

Article 28B of the Constitution of the Republic of Indonesia Year 1945 stipulates that every child has the right to survival, growth, and development, as well as the right to protection from violence and discrimination. The rights of children are also elucidated in Article 2 paragraphs (3) and (4) of Law Number 4 of 1979 concerning Child Welfare, which asserts that children have the right to care and protection, both during pregnancy and after birth. Children have the right to protection from environmental conditions that may endanger or inhibit their growth and development reasonably. These provisions appear contradictory to the application of income tax on children, as currently regulated, wherein the income tax collection on underage children accumulates their income with that of their parents. This creates an overlap between tax regulations and regulations concerning child protection. The government needs to reassess both aspects.¹⁷

The subsequent issue arises in the calculation of Non-Taxable Income (PTKP) imposed on underage TikTok content creators, which is deemed identical to that of ordinary children. In this regard, it includes children who do not generate income. This stems from the accumulation of income with that of the parents, in accordance with the income tax calculation for children under 18 years old outlined in Article 7 of Law Number 36 of 2008, which remains in effect to date. This regulation fails to differentiate between the PTKP of children earning income and those who do not, as all are treated as dependents of their parents. However, empirically, there are

¹⁶ Novi Quintena Rahayu, 'Dilematika Hukum Kedudukan Anak Sebagai Outsourcing Menurut Hukum Ketenagakerjaan', *Jurnal Hukum Samudra Keadilan*, 14.1 (2019), 131–41 <https://doi.org/10.33059/jhsk.v14i1.1275>

¹⁷ Arvie Johan, 'The Income Tax of Breadwinner Wives in Indonesia: Law and Economics Approach', *Yuridika*, 39.2 (2024), 153 <https://doi.org/10.20473/ydk.v39i2.49979>



numerous instances where children earn income, such as child content creators. Indeed, many child content creators earn substantial incomes, sometimes surpassing that of their parents, or even supporting their families. This situation differs somewhat from the treatment of spouses who earn income, as they receive PTKP equivalent to that of their spouse taxpayers. Lawmakers have not provided argumentative explanations regarding this disparate treatment. Therefore, it may lead to various interpretations and speculations regarding the rationale behind lawmakers' decision to afford differential treatment in this regard.¹⁸

Treating child content creators similarly by applying Non-Taxable Income equivalent to that of children who are dependents of taxpayers raises the possibility of impeding the proportional income received by children, which may be limited, primarily due to the assumption that such income is a result of labor efforts. This action reflects the regulatory function of the tax system. However, from another perspective, this action may be deemed unfair when viewed in the context of the treatment of parents who have a higher PTKP, resulting in minimal taxable income (Pudyatmoko, 2017: 60). The lack of argumentative explanations regarding the age limit for taxpayers, child protection in income tax imposition, and the application of unfair PTKP raises questions about the policy in Law Number 7 of 2021 concerning Tax Regulation Harmonization, rendering the regulations governing the application of income tax on child content creators ineffective.

Reflections on Income Tax Regulation for Children in USA and Australia

In the United States, minors with individual incomes typically undergo separate taxation procedures based on their own earnings, albeit they remain dependents for taxation purposes such as Child Tax Credit or specific deductions under their parents' care. However, this is contingent upon several factors, including the minor's income level. If a minor possesses a substantial separate income, they are obligated to file their own tax returns and pay their taxes independently from their parents. Nonetheless, parents still retain the option to include information about their children in their tax returns and leverage certain relevant tax incentives. Tax calculations for minors with individual incomes are generally regulated separately and computed based on their earnings. Nonetheless, parents remain responsible for ensuring their children fulfill their tax obligations and considering its implications on the family's tax returns.¹⁹

According to the Internal Revenue Code Section 73(a), income earned by a working child is stipulated to be included in the child's gross income, irrespective of whether the income is physically received by the child. This provision explicitly denotes that such income will be regarded as the gross income of the child and not that of the child's parent. The taxation framework pertaining to minors is governed by the Internal Revenue Code of 1986 Section 1(g), which states that "Certain unearned income of children taxed as if parent's income." This implies that income

¹⁸ Emmiryzan W Said, 'Tax Policy in Action: 2016 Tax Amnesty Experience of the Republic of Indonesia', *Laws*, 2017 <https://doi.org/10.3390/laws6040016>

¹⁹ Nada Eissa and Hilary Williamson Hoynes, 'Taxes and the Labor Market Participation of Married Couples: The Earned Income Tax Credit', *Journal of Public Economics*, 88.9 (2004), 1931–58 <https://doi.org/10.1016/j.jpubeco.2003.09.005>



earned by minors is subject to taxation similarly to their parents. Furthermore, Section 1(g)(2) elucidates that minors subject to taxation under the preceding provision are those who have not reached the age of 18 before the close of the taxable year or have reached the age of 18 before the end of the taxable year and qualify as taxpayers. The threshold income amount subject to taxation for minors is \$13,850. The applicable tax rate is 10%, as delineated in Internal Revenue Code of 1986 section 1(g)(7)(B)(ii)(I), which specifies "for each such child, 10 percent of the lesser of the amount described in paragraph (4)(A)(ii)(I) or the excess of the gross income of such child over the amount so described." Regarding the income tax collection on earning children, the Department of the Treasury Internal Revenue Service issues the "Instructions for Form 8615," which serves as the income tax reporting form. The "Instructions for Form 8615" constitutes the official guidelines elucidating the calculation of income tax for children earning above the threshold.²⁰

Similarly to the United States, in Australia, if a child earns income, they are required to pay taxes on their own earnings. However, there are certain thresholds before taxes begin to apply to a child's income. For example, in the 2021-2022 tax year, individuals under 18 years of age are only liable for taxation if their income exceeds AUD 416. This is stipulated in Division 6AA (Income of certain children) of Part III of the Income Tax Assessment Act 1936. The objective of Division 6AA is to establish how income earned by children (who are typically still minors) is treated in terms of income taxation. This encompasses provisions regarding how a child's income is assessed, whether it will be subject to taxation, and if so, at what tax rate. Children's income often involves situations such as earnings from part-time work, gifts, or inheritances acquired by the child.²¹

The implementation of income taxation on minors is elucidated in Division 6AA - Income of certain children Section 102AC (1)(a) Persons to whom Division applies, which states: "(1) For the purposes of this Division, a person is a prescribed person in relation to a year of income if the person is less than 18 years of age on the last day of the year income..." Division 6AA entails specific provisions to ensure that this income is treated fairly in terms of taxation, often with special tax rates or specific limitations in tax calculations. This provides for lower tax rates or even tax exemptions for certain types of children's income. However, the precise calculations can vary significantly based on individual financial circumstances and the regulations in force at the time.²²

Individuals in Australia, including minors, are generally required to obtain a Tax File Number (TFN) to manage their tax affairs. Minors can apply for a Tax File Number (TFN), and often having a TFN is beneficial for ensuring proper tax treatment and avoiding higher tax withholding rates on certain types of income. A

²⁰ Joyce J Chen, 'Identifying Non-Cooperative Behavior among Spouses: Child Outcomes in Migrant-Sending Households', *Journal of Development Economics*, 100.1 (2013), 1–18 <https://doi.org/10.1016/j.jdeveco.2012.06.006>

²¹ Dale Boccabella and Kayleen Manwaring, 'Deemed Dividend Rules: Tax Free Extraction of Profits and the Exploitation of Structural Foundations of the Income Tax Regime', *Australian Tax Review*, 49.2 (2020), 87–109.

²² Rami Hanegbi, 'Income Splitting in Australia: Time for a Principled Approach?', *The Adelaide Law Review*, 44.2 (2023), 401–40.



TFN is a tax identification number issued by the Australian Taxation Office (ATO) to eligible individuals to assist in managing their tax affairs.²³ However, if the child is still dependent on their parents or guardians and their income falls below the threshold, the parents or guardians may be able to claim the child's income as part of their tax deduction. This is known as a "child tax offset." However, there are requirements that must be met to qualify for the child tax offset, and these may vary depending on the situation and applicable tax policies.²⁴

CONCLUSION

The Income Tax Law governing the payment of income tax on children's earnings is indeed explained in Article 8 of Law Number 36 of 2008. This provision states that a child's income is accumulated with that of their parents. This implies that the obligation to pay taxes for child content creators is formally regulated. However, this formal regulation cannot be effectively applied since the material/substantive details regarding the accumulation of a child's and parent's income are not thoroughly explained, which might even position the child as a subject at risk of exploitation. Law Number 7 of 2021 on the Harmonization of Tax Regulations has not yet fully become an effective regulation in enhancing income tax on child content creators. From the perspective of legal effectiveness, several provisions within the Law on the Harmonization of Tax Regulations need to be reviewed, such as those regarding the subject of children, the age limits for children, and the Non-Taxable Income (PTKP) for children who earn income. In terms of law enforcement, the current tax collection system needs to be balanced with solutions to tax avoidance. Income tax collection for child content creators should consider the timing of income claims by the children. The income tax collection system should be simplified by utilizing available facilities, such as digital technology. Additionally, income tax collection on children could draw from the practices of other countries with special regulations for children, adapting these to the specific conditions of the child, as seen in the United States and Australia.

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²⁴ Johnson and others.



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