

ANALYSIS OF TAX POLICY AND REGULATION ON FINTECH SERVICES IN INDONESIA: IMPACT ON INNOVATION AND THE DIGITAL ECOSYSTEM

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Abstract

The rapid development of the financial technology (fintech) industry in Indonesia has had a significant impact on the transformation of digital financial services. However, this growth has also given rise to an urgent need for balanced tax and regulatory policies to ensure innovation and the sustainability of the digital ecosystem. This study aims to analyse the influence of tax and regulatory policies on fintech service innovation and its impact on the digital ecosystem in Indonesia. The method used is a literature review with a content analysis approach to various regulatory documents, official reports, and academic literature related to fintech taxation and regulation. The results show that overly burdensome tax policies can hinder innovation, while adaptive regulations, such as the implementation of regulatory sandboxes, can promote the healthy and inclusive growth of fintech services. Therefore, a balance between fiscal and regulatory aspects and synergy among stakeholders are key to the successful development of a competitive and sustainable fintech industry in Indonesia.

Keywords: fintech, tax policy, regulation, innovation, digital ecosystem, Indonesia, regulatory sandbox, financial inclusion.

Introduction

The development of digital technology has brought significant changes to various aspects of life, including the financial sector. In the era of the 4.0 industrial revolution, the emergence of financial technology or fintech companies has become one of the main catalysts in accelerating the transformation of traditional financial systems towards a more inclusive, fast, and efficient digital ecosystem (Sulfan, 2020). Fintech services enable people to access financial instruments in a simple way via smartphones and the internet, ranging from digital payments, peer-to-peer lending, financial planning, digital investments, to app-based insurance. Indonesia, with a population of more than 270 million and an increasing internet penetration rate, is a huge potential market for the development of the fintech industry (Burhan, 2023).

The growth of fintech in Indonesia has been quite rapid, marked by an increase in the number of licensed and registered services with the Financial Services Authority (OJK) and the increasingly widespread use of digital wallets in daily transactions. This trend has strengthened in the wake of the COVID-19 pandemic, when digital transactions increased dramatically due to restrictions on people's mobility. The presence of fintech has also expanded access to formal financial services to various segments of society, including the unbanked or underbanked, who were previously