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THE DAWN OF E-COMMERCE: HOW HAS ONLINE BUSINESS CHANGED THE DYNAMICS OF TAX LAW FROM HEAD TO TOE?

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ABSTRACT

In this article, we discuss how online businesses such as E-commerce are changing complete taxation law and obligations. We must know that online business took over and changed the course of action between buyer and seller, which has to result in changing the entire flow of money. In this kind of situation, we have to adapt our laws and change ourselves in order to make money balance. This work will find different possibilities in which we may deal with taxes in online entrepreneurship, and at its end, it will discuss mechanism of change in which we must engage ourselves.

KEYWORDS: E-commerce, tax paying, taxation issues,

INTRODUCTION

Online marketing and sales have changed the dynamics of tax paying and that approximately costs billions of dollars. You cannot check everyone on the web because it is gray area of sales and buying. Every second, someone is buying something without paying taxes. That could be a huge problem for state income because various web markets are protected but the users are not. It is simple to buy, to get, and to pay shipment but in order to save their income, everybody is trying to hide their precious values.

The Internet is a revolution in business modeling because it affects every user. When we are trying to decide what is going on, IRS is trying to take over their part of the deal because the Internet is

a big market and there are no limits in purchasing and selling.

NEED/IMPORTANCE OF THE STUDY

With this particular study, you will understand how a market is expanding over physical borders into another dimension - web dimension. Everything was simple before. You could buy something, get a check or a bill and you would have physical contact with money, ideas, and the products you are buying. Now, everything has changed. Everything is a function of the metaphysical level so if you don't understand the basics, you will not understand what happened to you.

We will give you every statistical detail about e-commerce in the last few years in order to make you understand the expansion of that particular

market and its significance in today's modern society.

STATEMENT OF THE PROBLEM

This new business model raises new taxation issues such as the identity of the actual retailer, the sourcing and the consumption, the classification of the goods or the service sold and the relevant sales price upon which the transactional tax would be based. New tax rules incorporating these new business models must allow adaptability to future business models which emerge.¹

OBJECTIVENESS

One of the most common questions that many people ask when you start or want to start your own business over the Internet without having a firm is - Do I do business according to the law? Is that what it takes to be sold as an individual over the Internet? This question applies to all types of sales over the Internet whether you are selling something through Amazon or you charge some software or (freelance) services from abroad through PayPal, Skrill, and Payoneer etc. Also, this issue is very important if you have a site that makes money from advertising or affiliate links - get a commission from the sale of products or services when they promote through your site.

HYPOTHESIS

Income tax is calculated according to the current law on all income citizens. This means that if individuals are not employed in a company/organization in an official capacity where legal persons instead of employees take into account the payment of taxes and contributions on salaries, individuals (including freelancers) must pay all taxes and contribute to the country for all the income that exercise and this amount is more than 50% of the value of the transaction.

According to the Law on Personal Income Tax Law, the tax is paid for work in kind or for activities carried out in any other way. In practice, the State has not often responded to the collection of taxes and contributions for individuals who are not employed.

RESEARCH METHODOLOGY

If your funds are coming to your account of the resident legal entities, they are obliged to you for the payment of funds related taxes and CONTRIBUTION, which means that you do not have that extra bill for these costs. In the case of payment of funds from abroad, you need to own accrued taxes and contributions upon payment for sale through the Internet as well as a collection of advertising from abroad. In addition, the calculator for calculating taxes and contributions for all types of income of physical persons is located here. In short, do not be mistaken in calculating the taxes and contributions for a natural person in remittances from abroad. It is advisable to contact someone who understands the accounting and the calculation of salaries and contributions to explaining to you exactly how to accurately calculate your tax liability through one of the available calculators.

RESULTS & DISCUSSION

The vast majority of Internet users in the USA who are currently selling something online as well as those who only intend to go to work are far from being legal. This means that a lot of people in this country may be entirely legal to operate. For payments from the USA and abroad, it is necessary to calculate its own taxes and contributions paid by each individual, which is after the first of such payments and consulting with people who understand the calculation of taxes and contributions (accountant/HR department) can perform quite commonly. I sincerely hope that an increasing number of people do not count how much of income tax there is to pay because it means that there is quite a decent monthly income!

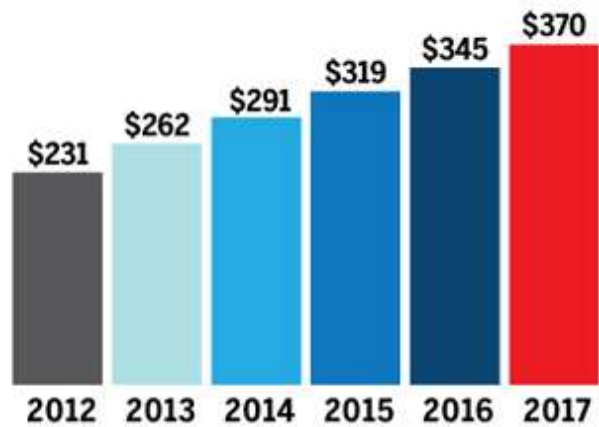
¹ Dr. Subhajt Basu, *Global Perspectives on E-Commerce Taxation Law*, Page 96, Ashgate Publishing Ltd.

FINDINGS

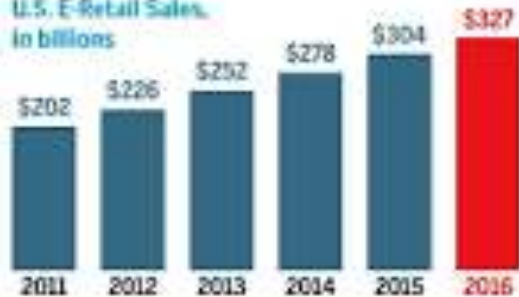
U.S. online retail forecast, 2012 to 2017

Online retail sales will grow at a compound annual rate of 10% from 2012-2017, Forrester Research says. By 2017, the web will account for 10% of U.S. retail sales.

Source: Forrester Research, sales in billions



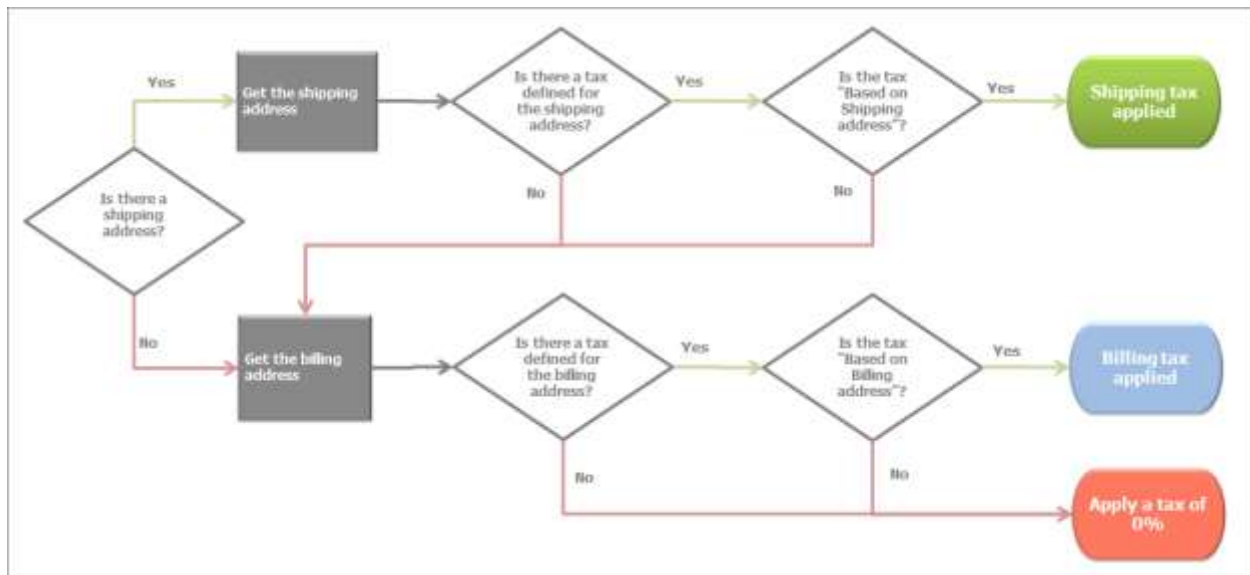
U.S. E-Retail Sales, in billions



U.S. E-commerce Sales: 2011-2016

Online consumers will increase their spending 62% by 2016, according to Forrester Inc.

Source: Forrester Inc.



RECOMMENDATION

If you receive a payment through a foreign exchange account, the bank will notify you and depend on the bank, you will be asked to sign a receipt of payment or seek some sort of proof of

payment (on what basis she is receiving and from whom). If you have received payment through cheques, you need to take your cheque to the bank and depending on the bank, the amount will be

credited to the account immediately or after 4-5 weeks.

CONCLUSIONS

The Tax Administration will be endorsed by the form (stamp and code). Keep a copy for yourself and the others are returned to you.

1. **Revenue from royalties:** Such income is usually reported when it comes to payments in respect of programming/production of computer programs because it is about providing intellectual services (when the program is protected by law and copyright law). The only parameter that you need to fulfill in this case is that you must have a VI or higher level of education i.e. to have completed at least High School.
2. **Revenue from service contracts:** All the other payments reported as part of the contract which has somewhat less favorable odds for determining the basis for the calculation of taxes and contributions.
3. If you have received a payment to an individual, and you are employed in the Republic of Serbia with an employer, then you are obligated to pay royalties:
 - Tax rate of 20% to the base minus the normalized cost of 43% (under the new law, the standardized costs are now 20%) 20% for that type of work.
 - Pension insurance contribution of 22% to the base minus the normalized cost of 43% to 20% for that type of work.
 - In this case, you reject your expenses and NET will be equal to $0.7606 * \text{GROSS}$.

- In the case of part pay:
 1. The tax rate of 20% to the base minus the normalized cost of 20%.
 2. Contribution to the PIO of 22% to the base minus the normalized cost of 25%.
- In the case you are unemployed, in addition to taxes and contributions for PIO, it is necessary to pay the health insurance contribution of 12.3% on the base for compulsory social insurance. This will gain the right to health card that is the treatment in the health system institutions financed from the NHI Fund (National Health Insurance).

LIMITATIONS

By law, you are not obliged to calculate and pay tax on income and contributions from abroad if a recipient is a natural person and it is not about funds received from family members and revenues earmarked for health and educational value. In such cases, should the country prove the relationship with the sender or the purpose of funds?

REFERENCE

1. *Dr. Subhajt Basu, Global Perspectives on E-Commerce Taxation Law, Page 96, Ashgate Publishing Ltd.*