

Legal Certainty Reconstruction of Dropshipping Transactions in The Batam Free Trade Zone from The Perspective of The Rule of Law

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Abstract: *The development of the digital economy has driven the emergence of new business models in electronic commerce, one of which is the practice of dropshipping. This business model allows business actors to conduct sales transactions without physically owning or storing goods. Although it provides significant economic opportunities, dropshipping also raises various legal issues, particularly regarding legal certainty in trade and taxation systems. This study aims to analyze the legal certainty of dropshipping transactions in the Batam free trade zone and to formulate a legal reconstruction model capable of providing legal certainty for business actors. This research employs a normative legal research method using statutory, conceptual, and comparative approaches. The theoretical framework of this research utilizes the Rule of Law concept as articulated by Tom Bingham. The results indicate that dropshipping practice in the Batam free trade zone still faces several legal issues, including the absence of specific regulations governing dropshipping, inconsistencies between tax regulations and customs policies, and limitations in digital transaction monitoring systems. Therefore, this research offers legal reconstruction through the establishment of specific dropshipping regulations, integration of taxation and customs systems, and the development of tax administration mediation mechanisms as an alternative dispute resolution. This legal reconstruction model is expected to create a more adaptive regulatory system for the digital economy while providing greater legal certainty for business actors in the Batam free trade zone.*

Keywords: *Dropshipping, Legal Certainty, Electronic Commerce, Free Trade Zone, Rule of Law.*

Introduction

The development of information and communication technology over the past two decades has driven a global economic transformation toward the digital economy. Commercial activities that were previously conducted conventionally have increasingly shifted toward electronic transactions through various digital platforms. This phenomenon has given rise to new business models in electronic commerce (e-commerce), one of which is the practice of dropshipping.

Dropshipping is a business model in electronic commerce in which business actors do not need to store or physically own goods. In this scheme, business actors act as intermediaries who market products to consumers, while the storage and delivery of goods are handled by suppliers or third parties. This business model has grown rapidly because it

provides convenience for business actors, particularly micro and small enterprises, to enter the digital market with relatively low capital.

Despite providing significant economic opportunities, dropshipping also raises various legal issues, particularly regarding legal certainty in trade and taxation systems. The complexity of transactions involving multiple parties and cross-jurisdictions often creates ambiguity regarding legal responsibilities, tax obligations, and transaction monitoring mechanisms.

These issues become more complex when dropshipping is conducted within the Batam Free Trade and Free Port Zone (KPBPB). This zone has distinct fiscal and customs policy characteristics compared to other customs territories in Indonesia. Based on Law Number 36 of 2000 concerning Free Trade Zones and Free Ports, this zone is designed as an area with special fiscal facilities to promote investment growth and international trade.

However, in practice, the development of the digital economy in the Batam zone is not always accompanied by adequate regulatory readiness. Dropshipping practices involving cross-border transactions often exist in a grey area within the prevailing legal system. The inconsistency between tax regulations, customs, and the development of digital business models creates legal uncertainty for business actors.

From the perspective of legal theory, legal certainty is a fundamental principle in the rule of law. Legal certainty requires clear, consistent, and predictable legal rules in their application. This concept aligns with the Rule of Law principle, which emphasizes that state power must be exercised based on clear and publicly accessible law. The Rule of Law concept as explained by Tom Bingham affirms that law must provide certainty and predictability for society in carrying out social and economic activities.

Furthermore, the theory of legal morality as articulated by Lon L. Fuller affirms that a legal system must fulfill the principles of the internal morality of law, such as clarity of norms, consistency of rules, and the capacity for law to be effectively implemented. If a regulation does not fulfill these principles, law risks creating uncertainty and even injustice for society.

In the context of dropshipping transactions in the Batam free trade zone, the absence of regulations specifically governing such practices indicates a gap between the development of digital economic activity and the available legal framework. This situation creates a need for legal reconstruction to establish a more adaptive regulatory system for the digital economy while providing legal certainty for business actors.

Several previous studies have addressed issues of taxation in the digital economy and electronic commerce. However, most of these studies still focus on general aspects of digital tax collection and have not specifically examined the legal certainty of dropshipping transactions in the context of free trade zones. Therefore, there remains research space to analyze more deeply the legal certainty of dropshipping transactions in the Batam free trade zone.

Based on the foregoing, this research is important for analyzing the legal certainty issues in dropshipping transaction practices in the Batam free trade zone and for formulating a legal reconstruction model that can provide more effective legal certainty within the digital trade system.

Problem Formulation

Based on the above background, the research questions are as follows:

1. How is the legal certainty of dropshipping transactions in the Batam free trade zone under the current legal system?
2. What factors cause legal uncertainty in dropshipping transaction practices in the Batam free trade zone?
3. What legal reconstruction model can provide legal certainty for dropshipping transactions in the Batam free trade zone?

Research Objectives

This research aims to:

1. Analyze the legal certainty of dropshipping transactions in the Batam free trade zone under the current legal system.
2. Identify the factors that cause legal uncertainty in dropshipping transaction practices in the Batam free trade zone.
3. Formulate a legal reconstruction model that can provide legal certainty for dropshipping transactions in the Batam free trade zone.

Research Benefits

1. Theoretical Benefits

This research is expected to contribute to the development of legal science, particularly in the study of digital economic law and tax law related to electronic commerce transactions in free trade zones.

2. Practical Benefits

This research is expected to serve as a consideration for the government and policymakers in formulating regulations that are more adaptive to the development of the digital economy and in providing legal certainty for business actors engaged in dropshipping in the Batam free trade zone.

Previous Research (State of the Art)

Several previous studies have addressed various legal aspects of electronic commerce transactions and digital taxation. However, studies specifically examining the legal certainty of dropshipping transactions in free trade zones remain relatively limited. The following is a summary of relevant prior research:

No	Researcher	Year	Research Focus	Research Findings
1	(Reuven S. Avi-Yonah, 2022)	2022	Digital economy taxation	Conventional taxation systems face difficulty monitoring cross-border digital economy transactions
2	(Fenwick, 2021)	2021	Digital economy regulation	Digital economy regulation requires a legal approach adaptive to technological innovation
3	(OECD, 2021)	2021	Global digital tax policy	Countries need to design more responsive digital taxation systems for technological development
4	(Study, 2023)	2023	Electronic commerce taxation	Digital taxation systems face challenges in monitoring cross-border transactions

5	(Free trade zone study, 2022)	2022	Free zone fiscal policy	Free trade zones require adaptive regulations for changing business models
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Research Gap and Novelty

Based on the previous research, it can be concluded that most studies on digital economy taxation still focus on general digital tax policy aspects. Previous research also predominantly highlights the challenges of digital transaction monitoring and global tax policy reform.

However, studies specifically addressing the legal certainty of dropshipping transactions in free trade zones, particularly in Batam, remain relatively limited. Furthermore, most prior research has not examined in depth the relationship between dropshipping practices and the Rule of Law principle within the national legal framework.

Thus, the novelty of this research lies in the analysis of the legal certainty reconstruction of dropshipping transactions in the Batam free trade zone through the Rule of Law perspective as articulated by Tom Bingham. This research also offers a legal reconstruction model through the integration of digital taxation systems and the strengthening of tax administration mediation mechanisms as a pre-litigation alternative dispute resolution.

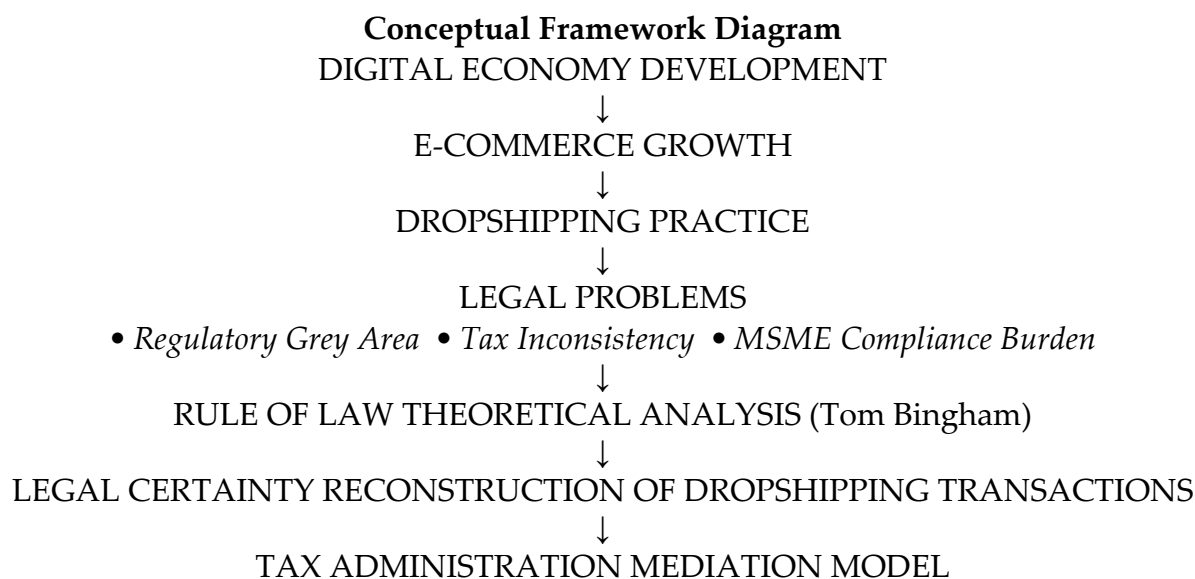
Conceptual Framework

The conceptual framework of this research is designed to explain the relationship between digital economic development, dropshipping practices, and the need for legal certainty reconstruction in the electronic commerce system of the free trade zone.

The development of the digital economy has driven the emergence of new business models in electronic commerce, including dropshipping, which enables transactions without the physical ownership of goods by business actors. This business model provides great economic opportunities, but also raises various legal issues related to legal responsibility, tax obligations, and transaction monitoring mechanisms.

In the context of the Batam free trade zone, this complexity is exacerbated by differences in fiscal and customs policies compared to other customs territories in Indonesia. This situation often creates ambiguity in the application of regulations to dropshipping transactions, thereby creating grey areas in the prevailing legal system.

To analyze these issues, this research employs the Rule of Law theoretical approach, which emphasizes the importance of legal certainty in a rule of law state. Through this approach, law is expected to provide certainty, justice, and predictability for business actors in their economic activities.



Literature Review

Concept of Electronic Commerce and Dropshipping

The development of information technology has driven a shift in trade patterns from conventional systems toward electronic commerce (e-commerce). Electronic commerce refers to commercial activities conducted through electronic networks, primarily the internet, involving the exchange of goods, services, or information between business actors and consumers.

In practice, electronic commerce has given rise to various new business models, one of which is dropshipping. Dropshipping is a business model in which business actors sell products to consumers without needing to store or physically own the goods. In this system, business actors serve as intermediaries who market products to consumers, while the packaging and delivery of goods are handled by suppliers or manufacturers.

The dropshipping business model has grown rapidly because it allows business actors to enter the digital market with relatively low capital. However, dropshipping also raises various legal issues, particularly regarding legal responsibility in the goods distribution chain, consumer protection, and the tax obligations arising from such transactions. In the context of cross-jurisdictional trade, dropshipping often involves multiple parties located in different jurisdictions. This creates complexity in the application of trade and tax regulations, particularly when transactions are conducted through global digital platforms.

Free Trade Zone Concept

A free trade zone is a specific territory granted special fiscal and customs facilities by the government to encourage trade and investment activities. In Indonesia's legal system, free trade zones are governed by Law Number 36 of 2000 concerning Free Trade Zones and Free Ports. Free trade zones have distinct fiscal policy characteristics from general customs territories. In these zones, various fiscal facilities apply, such as exemptions or suspensions of import duties, value-added tax, and luxury goods sales tax. These policies aim to increase the competitiveness of the zone and attract investment from domestic and foreign sources.

One of the most important free trade zones for international trade activities in Indonesia is Batam. Batam's strategic geographical position and proximity to international trade lanes make this region a center for trade and industrial activities.

However, the development of the digital economy in the Batam zone also presents new challenges to the existing regulatory system. Electronic commerce activities involving cross-border transactions often raise issues related to transaction monitoring and the tax obligations applicable to business actors.

Rule of Law Theory

In modern legal studies, the Rule of Law is one of the fundamental principles of the rule of law state. This principle affirms that all government activities must be based on law that is clear, fair, and predictable by society. The Rule of Law concept as explained by Tom Bingham emphasizes that law must be capable of providing certainty, justice, and protection for society. In this view, law does not merely function as an instrument of social control, but also as a means of guaranteeing legal certainty in various social and economic activities.

In the context of digital economic activity, the Rule of Law principle demands clear and adaptive regulations responsive to technological development. Without adequate regulations, digital economic activity risks creating legal uncertainty for both business actors and consumers.

Theory of Legal Morality

The theory of legal morality articulated by Lon L. Fuller emphasizes that a legal system must fulfill the principles of the internal morality of law. These principles include clarity of norms, consistency of rules, and the capacity for law to be effectively implemented in practice. According to Fuller, a legal system will lose its legitimacy if the prevailing legal rules cannot be understood by society or cannot be consistently implemented. Therefore, good regulations must be designed to provide certainty and justice for society. In the context of dropshipping transactions in the Batam free trade zone, the theory of legal morality is important for assessing whether existing regulations have fulfilled the principles of clarity and consistency in their application.

Theory of Basic Legal Values

The theory of basic legal values articulated by Gustav Radbruch states that law must reflect three main basic values: justice, legal certainty, and utility. These three values must be in balance in the administration of the legal system. If a legal system only emphasizes legal certainty without considering justice, law can become inhumane. Conversely, if law only emphasizes justice without considering legal certainty, the legal system will lose its stability. In the context of electronic commerce regulations, the balance among these three values is very important. Regulations governing dropshipping activities must be capable of providing legal certainty for business actors while creating justice for all parties involved in commercial transactions.

Research Thinking Framework

Based on the theories discussed, this research employs the Rule of Law theoretical approach as the main framework for analyzing the legal certainty of dropshipping

transactions in the Batam free trade zone. Within this thinking framework, the development of the digital economy has driven the emergence of dropshipping as a business model in electronic commerce. However, this development has not been fully accompanied by adequate regulatory readiness. The inconsistency between the development of digital business models and existing regulations has led to legal uncertainty in dropshipping transaction practices. Therefore, a legal reconstruction is needed that can provide legal certainty for business actors while supporting the development of the digital economy in the Batam free trade zone.

Theoretical Framework

In legal research, the use of a systematic theoretical framework is very important for explaining the relationship among concepts, theories, and the research object. The theoretical framework of this research is structured in three layers: Grand Theory, Middle Range Theory, and Applied Theory.

1) Grand Theory: Rule of Law

The grand theory of this research is the Rule of Law concept, which is a fundamental principle in the rule of law state. This principle affirms that all forms of state power must be exercised based on law that is clear, rational, and predictable. The Rule of Law concept as explained by Tom Bingham emphasizes that law must provide certainty, justice, and protection for society. In this view, law does not merely function as a tool of social control, but also as a means of guaranteeing legal certainty in various social and economic activities. In the context of the digital economy, the Rule of Law principle demands regulations capable of accommodating technological development and new business models, including dropshipping in electronic commerce. Without clear and adaptive regulations, digital economic activity risks creating legal uncertainty for business actors.

2) Middle Theory: Legal Morality

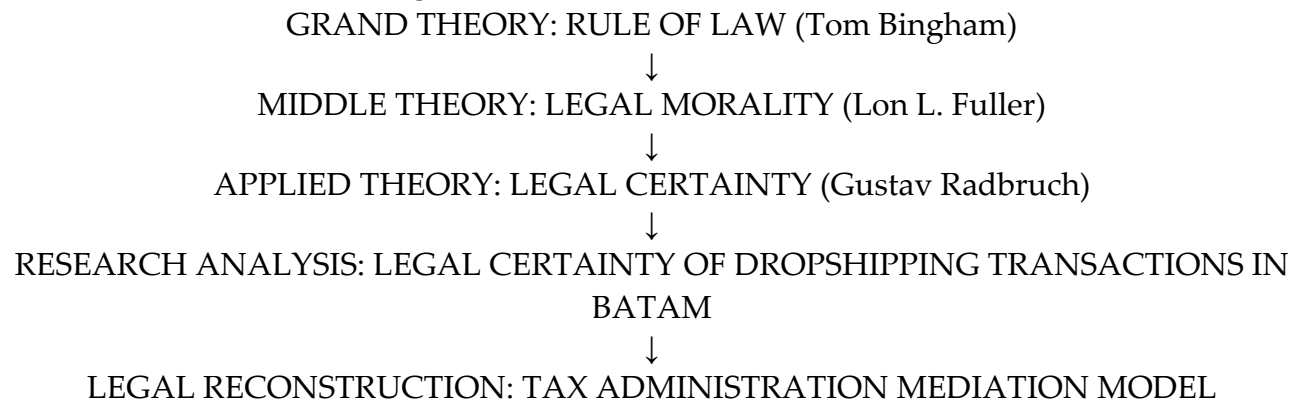
As the middle range theory, this research employs the theory of legal morality articulated by Lon L. Fuller. This theory emphasizes that a legal system must fulfill the principles of the internal morality of law in order to function effectively. Fuller proposed eight principles of the internal morality of law, including clarity of rules, consistency of norms, and the capacity for law to be implemented in practice. If a legal system does not fulfill these principles, law risks losing its legitimacy and failing to provide certainty for society. In the context of electronic commerce regulation, the theory of legal morality can be used to assess whether existing regulations have been capable of providing clarity and consistency in governing dropshipping practices in the Batam free trade zone.

3) Applied Theory: Legal Certainty

As the applied theory, this research employs the concept of legal certainty as articulated by Gustav Radbruch. According to Radbruch, legal certainty is one of the basic values of the legal system alongside justice and utility. Legal certainty demands legal rules that are clear, consistent, and predictable in their application. In practice, legal certainty is very important in supporting economic activity, because business actors need stable and comprehensible regulations to conduct their business activities. In the context of dropshipping transactions in the Batam free trade zone, legal certainty is an important factor

in ensuring the sustainability of electronic commerce activities and providing legal protection for business actors.

Theoretical Framework Diagram



Legal Reconstruction Architecture for Dropshipping in the Batam Free Zone

The development of dropshipping practices in electronic commerce in the Batam free trade zone reveals a gap between the development of digital business models and the prevailing regulatory system. The inconsistency among electronic commerce regulations, taxation systems, and customs policies often creates legal uncertainty for business actors.

Within the framework of a rule of law state, legal certainty is one of the fundamental principles that must be guaranteed by the legal system. This principle demands clear, consistent, and predictable regulations in their application. Therefore, a legal reconstruction is needed to align the regulatory framework with the development of the digital economy.

The legal reconstruction proposed in this research aims to create a more adaptive regulatory system for dropshipping practices while providing legal certainty for business actors in the Batam free trade zone. This legal reconstruction model is structured based on the Rule of Law approach, which emphasizes the importance of legal certainty in the administration of economic activity.

The Rule of Law concept as explained by Tom Bingham affirms that law must provide certainty and protection for society in conducting social and economic activities. Therefore, the legal reconstruction in this research is focused on three main aspects: regulatory reconstruction, tax administration mechanism reconstruction, and digital transaction monitoring system reconstruction.

Components of Legal Reconstruction

1) Regulatory Reconstruction of Dropshipping

The first step in legal reconstruction is the establishment of regulations that specifically govern dropshipping practices in electronic commerce. Such regulations need to provide clarity regarding the legal status of dropshipping actors, legal responsibilities in the goods distribution chain, and the tax obligations arising from such transactions. Clear regulations will provide legal certainty for business actors while facilitating government authorities in monitoring electronic commerce activities.

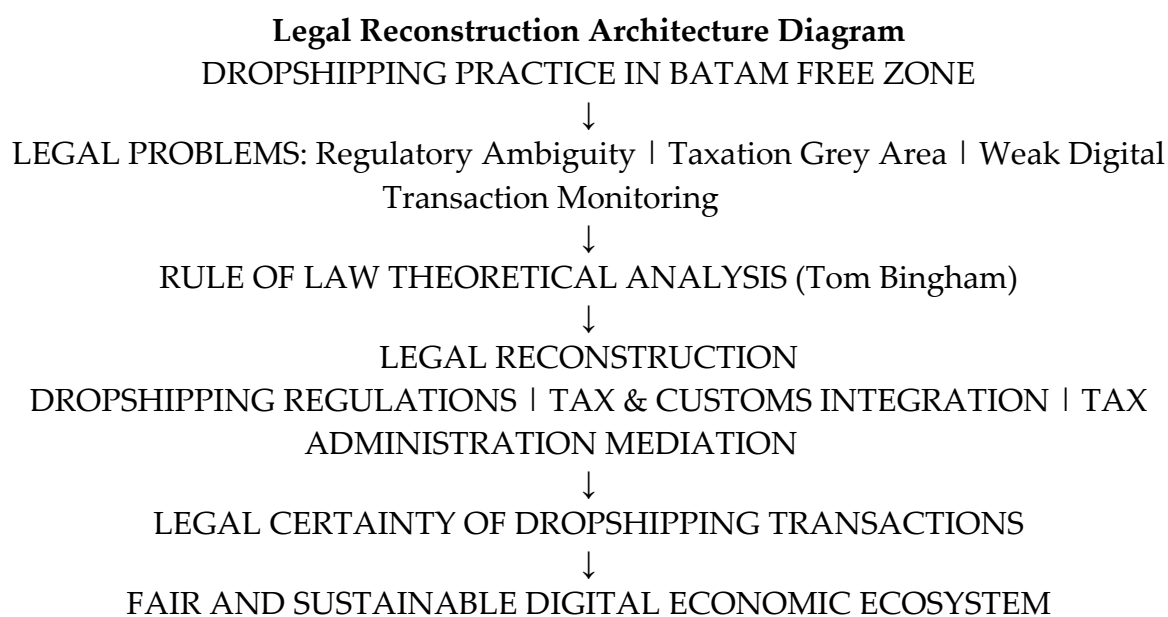
2) Integration of Taxation and Customs Systems

The second step is to integrate the tax administration system with the customs system in the free trade zone. This system integration is important for improving the effectiveness of monitoring digital transactions involving cross-jurisdictional movement of goods. Through data system integration between tax and customs authorities, the government can obtain more accurate information regarding electronic commerce activities occurring in the free trade zone.

Tax Administration Mediation

The third step is the development of tax administration mediation mechanisms as an alternative dispute resolution between taxpayers and tax authorities. This mechanism provides a dialogue space for the parties to resolve tax issues more quickly and efficiently without going through lengthy litigation processes.

This approach aligns with the principle of procedural justice in administrative law, which emphasizes the importance of transparency and participation of parties in the dispute resolution process.



Philosophical Argumentation for Legal Reconstruction of Dropshipping Transactions

The development of the digital economy has given rise to various new business models previously unknown in conventional trade systems. One such model is dropshipping in electronic commerce, which allows business actors to conduct sales transactions without physically owning or storing goods. Although this business model provides convenience for business actors, particularly micro and small enterprises, dropshipping also raises various legal issues related to legal certainty, legal responsibility, and tax obligations.

From the perspective of legal philosophy, the existence of law is fundamentally aimed at creating order, justice, and certainty in social life. Law does not merely function as an instrument of social control, but also as a means of guaranteeing the protection of society's rights in various social and economic activities. Therefore, the development of new business

models in the digital economy demands adjustments in the prevailing legal system to provide legal certainty for business actors.

The concept of the rule of law based on the Rule of Law principle affirms that all government and societal activities must be based on clear and predictable law. This principle demands regulations capable of providing legal certainty in various economic activities, including in electronic commerce practices. As articulated by Tom Bingham, the Rule of Law demands a legal system capable of providing certainty and legal protection for society in conducting social and economic activities.

In the context of dropshipping transactions in the Batam free trade zone, the absence of regulations specifically governing such practices indicates a gap between the development of digital economic activities and the available legal framework. This gap creates a space of legal uncertainty that can be detrimental to business actors and consumers.

From the standpoint of the theory of legal morality, as articulated by Lon L. Fuller, a legal system must fulfill the principles of the internal morality of law in order to function effectively. These principles include clarity of rules, consistency of norms, and the capacity for law to be implemented in practice. If a regulation does not fulfill these principles, law risks losing its legitimacy and failing to provide legal certainty for society. Furthermore, the theory of basic legal values articulated by Gustav Radbruch affirms that law must reflect three main basic values: justice, legal certainty, and utility. These three values must be in balance in the administration of the legal system. In the context of the digital economy, this balance is very important for creating a regulatory system capable of protecting the interests of all parties involved in electronic commerce activities.

Based on this philosophical approach, the legal reconstruction in this research is directed toward creating a more adaptive regulatory system for the digital economy while providing legal certainty for business actors. This legal reconstruction does not only focus on the establishment of new regulations, but also encompasses the strengthening of tax administration mechanisms and the development of more effective dispute resolution systems through administrative mediation mechanisms.

Methodology

Type of Research

This research employs a normative legal research method. Normative legal research focuses on examining legal norms found in legislation, legal doctrines, and various legal literature relevant to the problems under study. Normative legal research aims to analyze and examine the prevailing legal system to discover legal principles that can be used to resolve specific legal issues. In this research context, the normative approach is used to analyze the legal certainty of dropshipping transactions in the Batam free trade zone and to formulate a legal reconstruction that can provide legal certainty for business actors.

The methodology section generally outlines the use of a comparative legal approach; however, it does not sufficiently explain how the comparative analysis was conducted or identify the specific jurisdictions examined. Although the methodology states that the

comparative approach is used to compare legal policies in several countries regarding electronic commerce and digital taxation to identify best practices, it does not specify which countries were selected, the reasons for their selection, the legal aspects compared, or the analytical framework used in conducting the comparison. This lack of detail makes it difficult for readers to assess the validity, scope, and relevance of the comparative analysis. To strengthen the methodology, the authors should clearly identify the jurisdictions examined and provide a more detailed explanation of the comparative criteria and procedures employed in the analysis.

Research Approach

This research employs several approaches:

1) Statutory Approach

This approach is carried out by examining various legislation related to electronic commerce, taxation, and free trade zone regulations. Through this approach, the researcher analyzes the consistency and alignment of various regulations governing electronic commerce activities and dropshipping practices.

2) Conceptual Approach

The conceptual approach is carried out by examining various legal concepts and theories related to legal certainty, electronic commerce, and the rule of law principle. This approach is used to build a theoretical framework for analyzing legal issues arising in dropshipping practices.

3) Comparative Approach

The comparative approach is carried out by comparing various legal policies applied in several countries in regulating electronic commerce and digital taxation. This approach aims to obtain an overview of best practices that can serve as references for formulating legal reconstruction in Indonesia.

Legal Material Sources

1) Primary Legal Materials

Primary legal materials have direct binding force. In this research, primary legal materials include various legislation related to electronic commerce, taxation, and free trade zone regulations.

2) Secondary Legal Materials

Secondary legal materials provide explanations of primary legal materials. These include legal books, scientific journals, and various research results related to the digital economy, electronic commerce, and tax law.

3) Tertiary Legal Materials

Tertiary legal materials provide additional guidance or explanations for primary and secondary legal materials, such as legal dictionaries, legal encyclopedias, and other relevant reference sources.

Legal Material Collection Technique

The legal material collection technique in this research is conducted through library research (studi kepustakaan). Library research is conducted by examining various legal

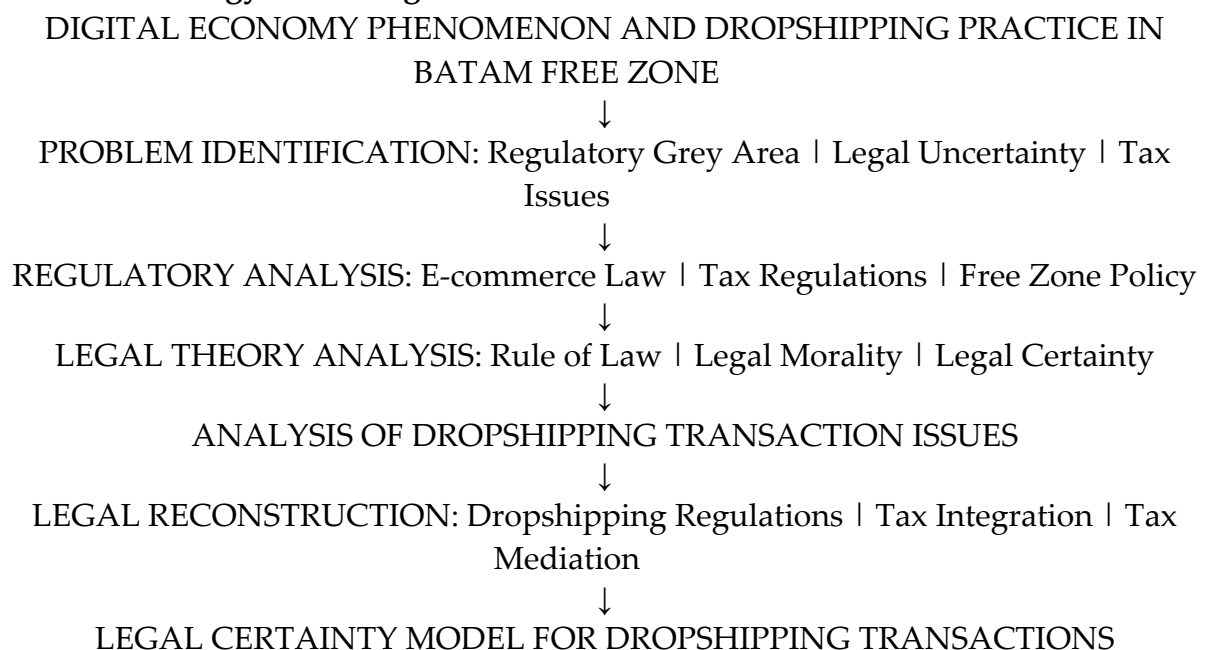
literature, legislative documents, and various relevant scientific sources related to the research problems.

Legal Material Analysis Technique

The legal materials collected are analyzed using qualitative analysis methods. Qualitative analysis is carried out by interpreting various legal norms found in legislation and examining various legal concepts and theories relevant to the research problems.

In the analysis process, the researcher employs deductive reasoning, drawing conclusions from general legal principles to specific problems. Through this method, the researcher seeks to formulate a legal reconstruction that can provide legal certainty for dropshipping transactions in the Batam free trade zone.

Research Methodology Flow Diagram



Result and Discussion

Legal Certainty of Dropshipping Transactions in the Batam Free Trade Zone

The development of information technology has driven rapid growth of electronic commerce in various countries, including Indonesia. One business model that has developed in electronic commerce is dropshipping, a sales system in which business actors do not need to store goods physically because the delivery process is handled by suppliers or manufacturers. In the Batam free trade zone, dropshipping practices have grown along with increasing electronic commerce activities involving cross-territorial and even cross-border transactions. Batam's strategic position as a free trade zone makes this area a dynamic commercial hub. However, the development of dropshipping practices also raises various legal issues, particularly regarding legal certainty in trade and taxation systems. In practice, dropshipping transactions often exist in a grey area within the prevailing legal system. This is due to the absence of regulations that specifically govern dropshipping practices in electronic commerce.

From the perspective of the Rule of Law theory, legal certainty is one of the important elements in the administration of the rule of law state. As articulated by Tom Bingham, the Rule of Law principle demands a legal system capable of providing certainty and legal protection for society in conducting social and economic activities.

In the context of dropshipping transactions in the Batam free trade zone, regulatory ambiguity causes business actors to frequently face difficulties in understanding the legal obligations that must be fulfilled, particularly regarding tax obligations and transaction monitoring mechanisms.

Factors Causing Legal Uncertainty in Dropshipping Practices

Based on the analysis of prevailing regulations, several factors cause legal uncertainty in dropshipping transaction practices in the Batam free trade zone:

1. Absence of specific regulations governing dropshipping. To date, Indonesia's legal system does not have regulations that specifically govern dropshipping practices in electronic commerce. Existing regulations are still general in nature and have not fully accommodated the characteristics of digital business models.
2. Inconsistency between tax and customs regulations. Dropshipping transactions involving cross-territorial movement of goods often raise issues related to tax and customs obligations. The inconsistency between tax regulations and free trade zone policies creates ambiguity in the application of tax obligations for business actors.
3. Limitations in digital transaction monitoring systems. The rapid development of electronic commerce is often not matched by adequate monitoring systems. This causes government authorities to face difficulties in monitoring digital transaction activities involving multiple parties.
4. Complexity of transactions in electronic commerce. The dropshipping business model involves multiple parties in the goods distribution chain, such as business actors, suppliers, digital platforms, and consumers. The complexity of these legal relationships often creates ambiguity regarding the legal responsibilities of each party.

Legal Certainty Reconstruction of Dropshipping Transactions

Based on the identified issues, this research offers a legal reconstruction aimed at creating a more adaptive regulatory system for the digital economy while providing legal certainty for business actors.

1. Establishment of specific dropshipping regulations. The first step is the establishment of regulations specifically governing dropshipping practices in electronic commerce. These regulations need to provide clarity regarding the legal status of dropshipping actors and their legal responsibilities in the goods distribution chain.
2. Integration of taxation and customs systems. The second step is to integrate the tax administration system with the customs system in the free trade zone. This integration aims to improve the effectiveness of monitoring electronic commerce transactions involving cross-territorial movement of goods.

3. Development of tax administration mediation mechanisms. The third step is the development of tax administration mediation mechanisms as an alternative dispute resolution between taxpayers and tax authorities. This mechanism provides a dialogue space for parties to resolve tax issues more quickly and efficiently.

Legal Certainty Model for Dropshipping Transactions

Based on the proposed legal reconstruction, the legal certainty model for dropshipping transactions can be built on three main pillars:

1. Adaptive regulation for the digital economy
2. Integration of tax administration and customs systems
3. More effective dispute resolution mechanisms

These three pillars are expected to create a more responsive regulatory system for the digital economy while providing legal certainty for business actors in electronic commerce activities in the Batam free trade zone.

Table of Legal Reconstruction of Dropshipping Transactions in the Batam Free Trade Zone

No	Legal Aspect	Existing Law	Problem	Legal Reconstruction Model
1	Electronic Commerce Regulation	E-commerce regulations in Indonesia are generally governed by various related regulations	No specific regulation governing dropshipping practices in electronic commerce	Establishment of specific regulations governing dropshipping and legal responsibilities of parties
2	Legal Status of Dropshipping Actors	The legal system has not clearly regulated the legal position of dropshipping actors in the trade distribution chain	Dropshipping actors often occupy an unclear legal position between seller and intermediary	Affirmation of the legal status of dropshipping actors as part of the electronic commerce ecosystem
3	Taxation System	The taxation system still uses conventional administrative mechanisms	Inconsistency between tax regulations and digital transaction practices	Development of a digital taxation system more adaptive to e-commerce transactions
4	Customs System	Free trade zone policy provides certain fiscal facilities	Differences in fiscal policies create ambiguity in tax imposition on	Integration of taxation and customs systems to

			dropshipping transactions	improve legal certainty
			Government authorities face difficulty	
5	Digital Transaction Monitoring	Digital transaction monitoring is still limited	monitoring cross-territorial e-commerce activities	Strengthening technology-based digital transaction monitoring systems
6	Dispute Resolution	Tax dispute resolution is conducted through objection and appeal mechanisms	Dispute resolution process is relatively lengthy and complex	Development of tax administration mediation mechanisms as an alternative dispute resolution

The legal reconstruction table above shows a comparison between the current existing law and the legal reconstruction model proposed in this research. Based on the analysis of prevailing regulations, it can be concluded that the existing legal system still faces various limitations in accommodating the development of digital business models such as dropshipping.

The main problems that arise include the absence of specific regulations governing dropshipping practices, inconsistencies between the taxation system and customs policies, and limitations in monitoring digital transactions. These conditions cause legal uncertainty for business actors conducting electronic commerce activities in the Batam free trade zone.

Through the legal reconstruction approach, this research offers several normative solutions, including the establishment of specific dropshipping regulations, integration of taxation and customs systems, and the development of tax administration mediation mechanisms as an alternative dispute resolution between taxpayers and tax authorities. This approach aligns with the Rule of Law principle, which emphasizes the importance of legal certainty in the administration of the rule of law state. As articulated by Tom Bingham, the legal system must be capable of providing certainty and legal protection for society in conducting social and economic activities.

Conclusion

Based on the research results and discussion regarding the legal certainty of dropshipping transactions in the Batam free trade zone, the following conclusions can be drawn. First, dropshipping transaction practices in the Batam free trade zone have developed alongside the rapid growth of the digital economy and electronic commerce. However, the current regulations have not fully been able to provide legal certainty for such practices. The absence of specific regulations governing dropshipping in the prevailing legal

system has led to the emergence of grey areas in the application of electronic commerce, taxation, and customs regulations.

Second, legal uncertainty in dropshipping practices in the Batam free trade zone is caused by several factors, including the absence of specific regulations governing dropshipping, inconsistencies between tax regulations and customs policies, limitations in digital transaction monitoring systems, and the complexity of legal relationships among the various parties in the electronic commerce distribution chain.

Third, creating legal certainty in dropshipping practices requires a legal reconstruction capable of aligning the regulatory framework with the development of the digital economy. This legal reconstruction can be carried out through the establishment of specific dropshipping regulations, integration of taxation and customs systems in digital transaction monitoring, and the development of tax administration mediation mechanisms as an alternative dispute resolution between taxpayers and tax authorities.

Thus, the legal reconstruction proposed in this research is expected to create a more adaptive regulatory system for the digital economy while providing legal certainty for business actors in conducting dropshipping transaction practices in the Batam free trade zone.

Recommendations

Based on the research conducted, several recommendations can be made to support the creation of legal certainty in dropshipping transaction practices in the Batam free trade zone. First, the government needs to formulate regulations specifically governing dropshipping practices in electronic commerce. Such regulations need to provide clarity regarding the legal status of dropshipping actors, the legal responsibilities of parties in the goods distribution chain, and the tax obligations arising from such transactions.

Second, the government needs to integrate tax administration and customs systems to improve the effectiveness of monitoring electronic commerce transactions involving cross-territorial movement of goods. Third, tax administration mediation mechanisms need to be developed as an alternative dispute resolution between taxpayers and tax authorities. This mechanism is expected to provide faster, more efficient, and dialogue-oriented dispute resolution for the parties. Fourth, the government also needs to increase the use of digital technology in electronic commerce transaction monitoring systems to ensure that digital commercial activities can take place transparently and accountably.

With these various steps, it is hoped that Indonesia's legal system can be more responsive to the development of the digital economy and capable of providing legal certainty for business actors conducting electronic commerce activities in the Batam free trade zone.

Research Contributions

This research provides several important contributions both theoretically and practically in the development of digital economic law studies in Indonesia. First, theoretically, this research enriches the study of legal certainty in electronic commerce transactions by integrating the Rule of Law concept as explained by Tom Bingham with the

dynamics of digital business model development such as dropshipping. This approach demonstrates that the rule of law principle must be able to adapt to the development of the digital economy so that law remains relevant in regulating modern economic activities.

Second, conceptually, this research offers a legal reconstruction model that positions dropshipping practices as part of the electronic commerce ecosystem requiring special regulation within the national legal system. This reconstruction model encompasses the establishment of specific dropshipping regulations, integration of taxation and customs systems in digital transaction monitoring, and the development of tax administration mediation mechanisms as an alternative dispute resolution.

Third, practically, this research provides policy recommendations for the government in formulating regulations more adaptive to the development of the digital economy, particularly in governing dropshipping practices in the Batam free trade zone. Through the proposed legal reconstruction, it is hoped that a regulatory system will be created capable of providing legal certainty for business actors while supporting the sustainable growth of the digital economy. Thus, this research not only contributes to the development of digital economic law studies, but also offers a legal policy model that can serve as a reference in formulating electronic commerce regulations in Indonesia.

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