As country’s main income and the source of finance over state expenditure, tax on e-commerce transaction has proven to be the most potent in this era of technology where the technology itself has significantly grown and still continue to evolve over the years. In addition, its broad reach without knowing limit of time as well as the minimum amount of money needed for the business place has been greatly favoured compare to conventional businesses. With this rapid growth where more and more people are interested and even making it part of their lifestyle (either business owners or consumers), tax income coming from e-commerce has also undoubtedly increased. Directorate General of Taxes has imposed general director of tax circular No. SE-62/PJ/2013 regarding assertion of tax provisions on e-commerce transaction as a policy in optimising nation income based on Income Tax and Value Added Tax (VAT) towards e-commerce transaction. With this thesis, writer will discuss and observe the implementation of e-commerce taxation. About how the provisions of the laws and regulations of taxation regulate the trade under the e-commerce scheme including the business owners. Writer will also present several recommendations on how to optimise tax revenue coming from e-commerce transactions.