

# Implementing regulations released for VAT collection and reporting on e-commerce trade into Indonesia



## **Executive summary**

On 25 June 2020, the Indonesian Director General of Tax ("DGT") issued Regulation No PER-12/PJ/2020 ("PER-12"). PER-12 is the implementing regulation of Minister of Finance ("MoF") Regulation No 48/PMK.03/2020 ("PMK-48") regarding the procedures to appoint a Value Added Tax ("VAT") Collector, to collect, pay as well as to report the VAT on the utilization of intangible taxable goods and/ or taxable services from outside of the Indonesian Customs Area ("ICA") within the ICA, on trading through an electronic system / e-commerce trade.

PER-12 provides for thresholds to define an eligible VAT Collector, procedures to appoint a VAT Collector and for the collection, payment and reporting of the VAT on the e-commerce trade into Indonesia. PER-12 is effective on 1 July 2020.

It is expected that the DGT will start issuing notices to appoint VAT Collectors in early July, requiring those parties to implement the new rules from the August 2020 month transactions, and make the first VAT payment by the end of September.



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The key aspects of PER-12 are:

**A. VAT imposition**

1. The utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA through Trading Through Electronic System (*Perdagangan Melalui Sistem Elektronik - "PMSE"*) is subject to VAT at the rate of 10%.
2. The VAT shall be collected, paid and reported by PMSE Entrepreneur<sup>1</sup> appointed by the Minister of Finance.
3. An exception on the above VAT imposition is applicable for the utilization of intangible goods and/ or services, which based on the prevailing tax laws, are not subject to VAT or exempt from VAT.
4. The utilization of intangible taxable goods and/ or taxable services are existing concepts in the VAT Law, which were elaborated on in PMK-48. These are very broad concepts. However, there is likely to be case by case analysis required by some groups as to when a transaction has taken place through PMSE.

**B. The appointment of PMSE VAT Collector**

1. The DGT shall appoint a PMSE Entrepreneur as a PMSE VAT Collector<sup>2</sup> for a PMSE Entrepreneur that has met certain thresholds by issuing a DGT Decree.
2. The appointment as a PMSE VAT Collector shall be effective on the beginning of the following month after the date of appointment in the DGT Decree.
3. The thresholds to be appointed as a PMSE VAT Collector are:
  - a) Transaction value with Buyers<sup>3</sup> in Indonesia that exceeds IDR 600 million (approx. USD 42,000) per annum or IDR 50 million (approx. USD3,500) per month; and/ or
  - b) Number of traffic or accessor in Indonesia that exceeds 12,000 per annum or 1,000 per month.
4. A PMSE Entrepreneur that is not yet appointed as a PMSE VAT Collector but chooses to be appointed, can submit a notification to the DGT by using a prescribed form in Attachment B of PER-12. The notification can be submitted to the DGT through an email address or an application or system determined and/ or provided by the DGT. Such notification can be considered by the DGT to appoint the PMSE Entrepreneur as a PMSE VAT Collector.
5. A PMSE VAT Collector shall be given a Tax Identification Number (*Nomor Identitas Perpajakan - "NIP"*) as a tax administration tool that shall be used as a personal identification or a PMSE VAT Collector identification in carrying out its rights and fulfilling its tax obligations. The DGT shall issue a NIP in the form of a Tax Registered Certificate (*Surat Keterangan Terdaftar - "SKT"*) and a NIP Card.

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<sup>1</sup> PMSE Entrepreneur is an individual or a corporate that carries out PMSE business consisting of Foreign Trader, Foreign Service Provider, Foreign PMSE Organizer, and/ or Domestic PMSE Organizer.

<sup>2</sup> PMSE VAT Collector is a PMSE Entrepreneur who is appointed by the Minister of Finance to collect, pay and report the VAT on the utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA through PMSE.

<sup>3</sup> Buyer is an individual or a corporate that utilize the intangible taxable goods and/ or taxable services from outside of the ICA within the ICA through PMSE, consisting of Goods Purchaser and/ or Service Recipient.

6. A PMSE VAT Collector should conduct an online account activation and data update through an application or system determined and/ or provided by the DGT before its appointment as a PMSE VAT Collector becomes effective. A PMSE VAT Collector that has conducted an account activation can use the application or system determined and/ or provided by the DGT to carry out its rights and fulfil its tax obligations as a PMSE VAT Collector.
7. If there is incorrect data in the DGT Decree, the PMSE VAT Collector shall submit a notification to the DGT through an email address or an application or system determined and/ or provided by the DGT. Based on the above notification or if there is an error in the issuance of the DGT Decree on the appointment, DGT shall issue an amended Decree. In case DGT issues an amended Decree, the appointment as a PMSE VAT Collector is still valid.
8. It remains to be seen how the DGT will approach the situation where a corporate group has more than one related entity making VAT-able supplies into Indonesia.

#### C. Revocation of the appointment as a PMSE VAT Collector

1. The DGT can revoke the appointment of a PMSE Entrepreneur as a PMSE VAT Collector if it does not meet the threshold as stated in item B (3) or based on the DGT's discretion.
2. The revocation of the appointment is carried out by issuing a DGT Decree and the revocation is effective on the beginning of the following month after the date of the revocation in the DGT Decree.
3. In case DGT issues a revocation on the appointment as a PMSE VAT Collector, the NIP can be deleted in accordance with the prevailing tax laws.

#### D. VAT collection

1. VAT that must be collected by a PMSE VAT Collector is 10% multiplied by the Tax Base. The Tax Base is the value of money paid by the Buyer, not including VAT collected.
2. The VAT collection is conducted at the time of payment by the Buyer.
3. On the transactions carried out by the Seller<sup>4</sup>, appointed as a PMSE VAT Collector, directly with the Buyer, the VAT payable must be collected, paid and reported by the Seller.
4. On the transactions conducted by the Seller through a PMSE Organizer (*Penyelenggara Perdagangan Melalui Sistem Elektronik* - "PPMSE"), the VAT payable must be collected, paid and reported by the Seller or the PPMSE that is:
  - a) appointed as a PMSE VAT Collector; and
  - b) issued a commercial invoice, billing, order receipt or a similar document.
5. In case on the utilization of intangible taxable goods and/ or taxable service from outside of the ICA within the ICA through PMSE, the VAT is not collected by the Seller or PPMSE (that is not appointed as a PMSE VAT Collector), the VAT payable must be collected, paid and reported by the Buyer on a self-assessment basis in accordance with the provision under Article 3A of the VAT Law.
6. On the VAT collected, a PMSE VAT Collector must prepare a VAT collection slip (*bukti pungut PPN*), which can be in the form of a commercial invoice, billing, order receipt, or a similar document stating the VAT collection and that the VAT has been paid. The commercial invoice, billing, order receipt or a similar document is a document that is made in accordance with the business prevalence of the PMSE VAT Collector.

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<sup>4</sup> Seller is an individual or a corporate that carries out transactions with the Buyer, consisting of Foreign Seller and/or Foreign Service Provider.

7. The VAT collection in the VAT collection slip can be stated either separately to the tax base, or as part of the payment value.
8. In case the Buyer as a VAT-able Entrepreneur would like to credit the VAT paid as stated in the VAT collection slip, the Buyer must provide its name and Tax ID Number/ NPWP to the PMSE VAT Collector so that the information can be stated in the VAT collection slip.
9. The VAT collection slip will have a status equal to a tax invoice (for purposes of input VAT credits) provided it states:
  - a) The name and the Tax ID Number/ NPWP of the Buyer; or
  - b) The Buyer's email address that is registered in the DGT administration.
10. If the VAT collection slip is unable to state the name and Tax ID Number or email address of the Buyer, it still has the position equal to a tax invoice provided it is attached with a document that the Buyer's account in the PMSE VAT Collector electronic system consist of the name and Tax ID Number of the Buyer, or email address of the Buyer that is registered in the DGT administration.
11. The VAT stated in the VAT collection slip is an input VAT that can be credited by the VAT-able Entrepreneur provided it satisfy the provisions on creditable input VAT in accordance with the prevailing tax laws.

#### **E. VAT payment**

1. A PMSE VAT Collector must pay the VAT collected for every tax period by the end of the following month after the tax period ends. The payment shall be carried out:
  - a) electronically to the State Treasury account through a tax payment bank/ post office/ other institution in Indonesia; and/ or
  - b) through other means determined and/ or provided by the DGT.
2. The VAT payment is carried out by using a DGT billing code that can be self-obtained by the PMSE VAT Collector through DGT billing application on the application or system determined and/ or provided by the DGT.
3. The PMSE VAT Collector can pay the VAT collected by using:
  - a) Rupiah currency, by using the valid foreign exchange rates determined by the MoF at the payment date;
  - b) US Dollar currency; or
  - c) Other foreign currencies determined by the DGT;

in accordance with the currency chosen by the PMSE VAT Collector in the PMSE VAT Collector's account on the application or system determined and/ or provided by the DGT.
4. The VAT payment by a PMSE VAT Collector is acknowledged as payment of obligation in accordance with the payment date as stated in the proof of state revenue (*bukti penerimaan negara*).
5. If there is VAT collected by a PMSE VAT Collector, for which the appointment as a PMSE VAT Collector has been revoked, but has not yet paid, the VAT collected must be paid to the State Revenue.
6. If in a tax period, the VAT payment amount is less than the VAT amount that should have been paid, the VAT shortage must be paid to the State Revenue in the relevant tax period. If in a tax period, the VAT payment exceeds the VAT amount that should have been paid, the difference is an overpaid VAT that can be compensated to the tax period when the overpaid VAT is found.

## F. VAT reporting

1. A PMSE VAT Collector must submit reports on a quarterly basis. These are due by the end of the following month after the quarter. The quarterly periods are January to March, April to June, July to September, October to December.
2. The quarterly report must at least contain:
  - a) Number of Buyers;
  - b) Payment amount, not including VAT collected;
  - c) VAT amount collected; and
  - d) VAT payment amount,for each tax period (i.e. per month).
3. The VAT reporting obligation is still applicable in case the VAT collected for the relevant quarter is Nil.
4. The quarterly report is treated as a quarterly PMSE VAT return.
5. If in a tax period there is an overpaid VAT compensated from previous quarter, the report must state:
  - a) the overpaid VAT amount compensated; and
  - b) the quarterly period on when the overpaid VAT is compensated.
6. If after the quarterly report is reported there is information that there is an underpaid or overpaid VAT, the PMSE VAT Collector must amend the said quarterly report.
7. At the DGT's request, a PMSE VAT Collector should provide an annual PMSE VAT report showing detailed transactions of the VAT collected for every calendar year. The authority to request the annual PMSE VAT report is given to the head of the tax office where the PMSE VAT Collector is registered.
8. The detailed transaction report should at a minimum contain:
  - a) The number and the date of VAT collection slip;
  - b) The payment amount, not including VAT collected, on each VAT collection slip;
  - c) VAT amount collected on each VAT collection slip;
  - d) The name and Tax ID Number of the Buyer, in case the VAT collection slip stated the name and Tax ID Number of the Buyer; and
  - e) Telephone number, email address or other identity of the Buyer.
9. The quarterly and annual PMSE VAT reports shall use the currency chosen by the PMSE VAT Collector and can use Indonesian language and/ or English language. These reports shall be in electronic forms and should be submitted through an application or system determined and/ or provided by the DGT. Upon submission of the reports, the PMSE VAT Collector shall be given an electronic proof of receipt.

## G. Other provisions

If the PMSE VAT Collector has collected the PMSE VAT, but the Buyer also self-assessed and paid the VAT on the utilization of intangible taxable goods and/ or taxable service in accordance with Article 3A of the VAT Law, the self-assessed VAT paid can be:

- a) filed for an overbooking to other tax payment in accordance with tax overbooking procedures;
- b) filed for a refund on the overpaid tax that should have not been payable in accordance with the refund of overpaid tax that should have not been payable procedures;
- c) credited with the output VAT provided it meets the requirements on the creditable input VAT in accordance with the prevailing tax laws; or
- d) deducted from the gross revenue in accordance with the procedures that regulates taxable income calculation and income tax payment for a current tax year.



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