

# VAT Collection on E-Commerce Trade into Indonesia



On 5 May 2020, the Indonesian Minister of Finance ("MoF") issued MoF Regulation No 48/PMK.03/2020 ("PMK-48") as the implementing regulation of Article 6(13)(a) of Government Regulation in lieu of Law No 1/ 2020 ("PERPPU-1"). On 12 May 2020, through its Plenary Session, the Indonesia House of Representatives passed PERPPU-1 as a Law on the Financial Policy and Stability of Financial System for COVID-19 measure.

PMK-48 provides procedures to appoint a Value Added Tax ("VAT") collector, to collect, pay as well as to report the VAT, at 10%, on the utilization of intangible taxable goods and/ or taxable services from outside of the Indonesian Customs Area ("ICA") within the ICA on the trading through electronic system / e-commerce trade. **PMK-48 will be effective on 1 July 2020.**

While some key details remain to be determined under Director General of Tax regulations, business groups with online or electronic sales into Indonesia should review the changes and prepare for implementation. At present the regulations appear to capture supplies to both end customers and businesses.



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## A. Important definitions

Important definitions under PMK-48 are:

1. Trading Through Electronic System/ e-commerce trade (*Perdagangan Melalui Sistem Elektronik - "PMSE"*) is a trading activity where the transaction is conducted through a set of electronic device and procedures;
2. Digital Goods are intangible goods in the form of electronic or digital information, which cover the goods as a result of conversion and the goods that are originally in an electronic form, including but not limited to software, multimedia, and/ or electronic data.
3. Digital Services are services sent over through an internet or electronic network, that are automatic or involves slight human intervention, and they are impossible to secure without information technology, including but not limited to software-based services.
4. Goods Purchaser is an individual or a corporate that receives or should receive a delivery of intangible taxable goods and who pays or should pay a compensation on the intangible taxable goods because of the utilization of the intangible taxable goods from outside of the ICA within the ICA through electronic system.
5. Service Recipient is an individual or a corporate that receives or should receive a delivery of taxable services and who pays or should pay a compensation on the taxable services because of the utilization of the taxable services from outside of the ICA within the ICA through electronic system.
6. Foreign Trader is an individual or a corporate who resides or domiciled outside of the ICA that carries out a transaction with Goods Purchaser within the ICA through electronic system.
7. Foreign Service Provider is an individual or a corporate who resides or domiciled outside of the ICA that carries out a transaction with Service Recipient within the ICA through electronic system.
8. PMSE Organizer ("PPMSE") is an entrepreneur who provide electronic communication facilities that are used for trading transactions.
9. Foreign PPMSE is a PPMSE that resides or domiciled outside of the ICA.
10. Domestic PPMSE is a PPMSE that resides or domiciled within the ICA.

11. PMSE Entrepreneur is an individual or a corporate that carries out PMSE business consisting of Foreign Trader, Foreign Service Provider, Foreign PPMSE, and/ or Domestic PPMSE.

12. 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.

13. Tax Period is a period that is a basis for PMSE VAT Collector to calculate, pay and report the VAT payable on the utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA through PMSE within one calendar month.

## B. VAT imposition

1. The utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA through PMSE is subject to VAT at the rate of 10%.
2. The VAT shall be collected, paid and reported by PMSE Entrepreneur appointed by the Minister of Finance.
3. When a Foreign Trader or a Foreign Service Provider carries out a transaction with a Goods Purchaser and/ or a Service Recipient on the utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA, the VAT payable shall be directly collected, paid and reported by the said Foreign Trader or Foreign Service Provider appointed as PMSE VAT Collector.
4. When a Foreign Trader or a Foreign Service Provider carries out a transaction with a Goods Purchaser and/ or a Service Recipient through Foreign PPMSE or Domestic PPMSE, the VAT payable on the utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA, can be collected, paid and reported by the Foreign Trader, Foreign Service Provider, Foreign PPMSE or Domestic PPMSE appointed as PMSE VAT Collector.
5. The utilization of intangible taxable goods and/ or taxable services from outside of the ICA within the ICA other than the ones conducted through PMSE is still subject to VAT and the VAT shall be collected, paid and reported on a self-assessment basis by the Goods Purchaser and/ or the Service Recipient as governed in Article 3A of the VAT Law.

**C. Utilization of intangible taxable goods and/ or taxable services**

1. The utilization of intangible taxable goods covers the following:
  - a) The use or the right to use copyrights of literary, artistic, or scientific works, patents, designs or models, plans, formula or secret processes, trademarks, or form of intellectual/ industrial property rights or similar other rights;
  - b) The use or the right to use industrial, commercial or scientific equipment;
  - c) The use of knowledge or information in scientific, technical, industrial or commercial fields;
  - d) The use of any assistance that is an ancillary and subsidiary to, and is furnished as a means of enabling the initial application of, any such property or right as is mentioned in subparagraph (a), any such equipment as is mentioned in subparagraph (b), or any such knowledge or information as is mentioned in subparagraph (c), in the form of:
    - (i) The receipt or the right to receive picture recording or audio recording or both, that is channeled to the public through satellite, cable, optic fiber, or similar technology;
    - (ii) The use or the right to use picture recording or audio recording or both, for television or radio broadcasts through satellite, cable, optic fiber, or similar technology; and
    - (iii) The use or the right to use part or all of radio communication spectrum;
  - e) The use or the right to use motion picture films, film or video tape for television broadcasting, or audio tape for radio broadcasting; and
  - f) The receipt of all or part of the rights in relation to the use or the supply of intellectual/ industrial property rights or other rights as mentioned above.
2. The utilization of intangible taxable goods includes utilization of Digital Goods.
3. The utilization of taxable services includes utilization of Digital Services.

**D. PMSE VAT Collector**

1. PMSE Entrepreneur that is appointed as PMSE VAT Collector must meet the following criteria:
  - a) The transaction value with the Goods Purchaser and/ or Service Recipient in Indonesia is more than a certain amount within a 12-month period; and/ or
  - b) The traffic or access numbers are more than a certain number within a 12-month period.
2. The transaction value or the number of traffic or access shall be determined by the Directorate General of Tax ("DGT").
3. The Minister of Finance delegates its authority to appoint a PMSE VAT Collector to the DGT and therefore, the DGT shall appoint the PMSE VAT Collector.
4. The appointment as a PMSE VAT Collector starts on beginning of the following month after the date the PMSE is appointed as a VAT Collector.
5. PMSE VAT Collector shall be given an identity number as a tax administration tool that is used as a personal identification or PMSE VAT Collector identity to carry out its taxation rights and obligations.

**E. Goods Purchaser and/ or Service Recipient**

A Goods Purchaser and/ or Service Recipient is an individual or a corporate that meets the following criteria:

1. Residing or is domiciled in Indonesia. This criterion is fulfilled if:
  - a) Correspondence or billing address of the Goods Purchaser and/ or Service Recipient is located in Indonesia; and/ or
  - b) The choice of country when registering in the website and/ or system provided and/ or determined by the PMSE VAT Collector is Indonesia.

2. Carrying out payments by using a debit, credit facility, and/ or other payment facilities provided by institutions in Indonesia; and/ or
3. Transacting by using an internet protocol address in Indonesia or using a telephone number with an Indonesian country code area.

#### **F. VAT collection**

1. The VAT that must be collected is 10% of the tax base, which is the amount of money paid by the Goods Purchaser and/ or Service Recipient, not including the VAT.
2. The VAT collection is carried out when the Goods Purchaser and/ or the Service Recipient makes a payment.
3. PMSE VAT Collector must prepare a proof of VAT collection on the collected VAT in the form of commercial invoice, billing, order receipt or similar document, which state the VAT is collected and the payment is made. The proof of VAT collection, which is in the form of a certain document that is regarded as the same as a tax invoice, shall be made based on the guidelines issued by the DGT.
4. PMSE VAT Collector must pay the collected VAT for each Tax Period no later than the end of the following month after the Tax Period ends.
5. Payment of the collected VAT shall be made electronically to the State Revenue in accordance to the provisions regarding electronic tax payment.
6. PMSE VAT Collector can pay the collected VAT by using:
  - a) Rupiah currency, using a valid exchange rate determined by the MoF at the payment date;
  - b) US Dollar currency; or
  - c) Other foreign currencies determined by the DGT.

#### **G.**

#### **Reporting requirements**

1. PMSE VAT Collector must report the VAT collected and paid on a quarterly basis for three Tax Periods, no later than the end of the following month after the quarterly period ends. The report must at least consist of:
  - a) The number of Good Purchasers and/ or Service Recipients;
  - b) The payment amount;
  - c) The amount of VAT collected; and
  - d) The amount of VAT paid;for each Tax Period.
2. The VAT report shall be in an electronic form and submitted through an application or system determined and/ or provided by the DGT.
3. The DGT can request the PMSE VAT Collector to provide detail transactions report on the collected VAT for each calendar year. The detail transactions report must at least consist of:
  - a) Proof of VAT collection serial number and date;
  - b) Payment amount;
  - c) Amount of VAT collected; and
  - d) Name and Tax ID Number of the Goods Purchaser and/ or Service Recipient if the proof of VAT collected state the Tax ID Number.
4. The detail transactions report shall be in an electronic form and submitted through an application or system determined and/ or provided by the DGT.

## Our Values

### Who we are:

At EY, everything starts with our people:

- People who demonstrate integrity, respect and teaming.
- People with energy, enthusiasm and the courage to lead.
- People who build relationships based on doing the right thing.

### What we stand for:

Achieving Potential - Making A Difference

We are committed to helping our people, our clients and our wider communities achieve their potential.

## Sectors we serve in Indonesia

► Banking & capital markets	► Oil & gas	► Transportation	► Industrial & manufacturing
► Asset management	► Media & entertainment	► Real estate	► Automotive
► Insurance	► Telecommunications	► Consumer products	► Government & public sector
► Power & utilities	► Technology	► Pharmaceuticals	► Not-for-profit organizations
► Mining & metal	► Public infrastructure	► Plantation	

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