

April 2021

Tax Alert

Tax treatments on income from the sales of phone credit, SIM card, electricity token and voucher

On 22 January 2021, the Minister of Finance issued regulation No 6/PMK.03/2021 ("PMK-6") regarding Value Added Tax (VAT) and income tax imposition on the sales of phone credit, SIM card, electricity token ("token") and voucher. PMK-6 is effective on 1 February 2021.

PMK-6 is intended to provide legal certainty for tax treatments on the sales of phone credit, SIM card, token and voucher by the telecommunication service provider, phone credit distributor, token distributor and voucher provider.

The following summarizes some key aspects of PMK-6 in terms of VAT and income tax:

1. VAT

Taxable goods	Seller/transferor	Buyer/transferee	Subject to VAT (Yes/No)	VAT collector	VAT rate	Tax base	Timing of VAT payable	Remarks
Phone credit and SIM card	Telecommunication service provider	First level distribution provider	Yes	Telecommunication service provider	10%	Sales price ¹	At the time when a payment is received, including when deposit is received.	
	First level distribution provider	Second level distribution provider and/or direct customer	Yes	First level distribution provider	10%	Sales price	At the time when a payment is received, including when deposit is received.	
	Second level distribution provider through next level distribution provider	Direct customer	Yes		10%	Other value ²	At the time when a payment is received, including when deposit is received by the second level distribution provider.	VAT only collected once by second level distribution provider
	Second level distribution provider	Direct customer	Yes		10%	Sales price		
	Next level distribution provider	Direct customer	Yes		10%	Other value		
Token	Electricity provider	Direct customer or distribution provider	No	N/A	N/A	N/A	N/A	
Voucher ³	Voucher provider	Distribution provider, buyer and/or service user	No	N/A	N/A	N/A	N/A	Delivery of goods and/ or service by merchant or service provider or e-commerce organizer to the buyer and/ or service user is subject to VAT in accordance with prevailing tax regulations.
	Distribution provider	Other distribution provider, buyer and/or service user	No	N/A	N/A	N/A	N/A	
	Buyer and/ or service user	Merchant or service provider and/ or e-commerce organizer.	No	N/A	N/A	N/A	N/A	
Loyalty voucher and reward voucher (in the form of point reward, goods/ services voucher, and cash reward)	Principal ⁴	Buyer and/ or service user as customer	No	N/A	N/A	N/A	N/A	Delivery of goods and/or service by merchant or service provider to the buyer and/or service user is subject to VAT in accordance with the prevailing tax regulations.
	Buyer and/ or service user as customer	Voucher provider	No	N/A	N/A	N/A	N/A	
	Voucher provider	Buyer and/or service user	No	N/A	N/A	N/A	N/A	In a form of cash reward.

1 Sales price is equal to the payment value invoiced by telecommunication service provider or distribution provider

2 Other value is equal to the payment value invoiced by second level distribution provider to the next level distribution provider

3 Voucher is a medium of payment for the purchase of goods or services by the buyer or service user in exchange of physical or electronic form of goods and services, for discount or shopping use.

4 Principal is a customer owner

Taxable services	Seller/ transferor	Buyer/ transferee	Subject to VAT (Yes/No)	VAT collector	VAT rate	Tax base	Timing of VAT payable	Remarks
Payment service for token distribution	Distribution provider	Direct customer	Yes	Distribution provider	10%	Reimbursement ⁵	In accordance with the prevailing tax laws	Service related to token delivery for direct customer
Marketing service with voucher	Voucher provider	Merchant or service provider	Yes	Voucher provider	10%	Reimbursement ⁶ or other value ⁷	In accordance with the prevailing tax laws	Promotion or marketing of goods and/or service in the form of at least a daily deals voucher for merchant or service provider
Payment service for voucher distribution	Voucher provider	Merchant, service provider, and/or e-commerce organizer (“PPMSE”).	Yes	Voucher provider	10%	Reimbursement or other value	In accordance with the prevailing tax laws	Voucher distribution is to facilitate payment transactions for buyer and/or service user. This service shall at least include: a) publishing and managing vouchers; and/or b) delivery of vouchers to distribution providers, buyer, and/or service user. The vouchers shall at least cover gift voucher, application voucher, online content voucher including online game voucher.
	Distribution provider	Voucher provider, other distribution provider, buyer and/or service user.	Yes	Distribution provider	10%	Reimbursement or other value	In accordance with the prevailing tax laws	
Consumer loyalty/ reward program service	Voucher provider	Principal	Yes	Voucher provider	10%	Reimbursement or other value	In accordance with the prevailing tax laws	To maintain and increase customer loyalty or give reward to customer, in the form of at least loyalty voucher or reward voucher.

5 Reimbursement (for token) shall be the commission or administration fee; or a margin between token nominal value and requested amount (not including tax) on the token sales.

6 Reimbursement (for voucher) shall be commission or fee; or a margin between invoiced amount and amount paid on the voucher sales in case the delivery is not based on a commission or fee.

7 Other value shall be 10% of invoiced amount or amount that should be invoiced, in case the delivery is not based on commission and there is no margin.

2. Income tax

a) Article 22 income tax

The second level distribution provider, which is an Article 22 income tax collector, that carry out sale of phone credit and SIM card must collect the Article 22 income tax at the rate of 0.5% of (i) the amount invoiced by second level distribution provider to the next level distribution provider; or (ii) sales price on the sale to direct customer. If the collected party does not have a tax ID number, the rate should be 100% higher. The Article 22 income tax is not a final tax and can be treated as a prepaid tax for the collected party.

Article 22 income tax is payable when payment is received, including when the deposit is received by the second level distribution provider. Article 22 income tax is not collected on the payment from the next level distribution provider or direct customer which:

1. the amount does not exceed IDR 2 million, not including VAT and it is not a split amount from an actual amount that is exceeding IDR 2 million;
2. is a bank; or
3. has provided copy of Income Tax Declaration based on Government Regulation No 23/2018 (i.e. small medium enterprise taxpayers) and has been confirmed in the Director General of Tax ("DGT") information system.

The exception for (a)1 and (a)2 shall be carried out without a tax exemption letter ("SKB").

b) Article 23 withholding tax ("WHT")

The fee received for:

1. Payment service for token distribution by a distribution provider;
2. Marketing service with voucher by a voucher provider;
3. Payment service for voucher distribution by a voucher provider and a distribution provider;
4. Customer loyalty/reward program service by a voucher provider;

is subject to Article 23 WHT at the rate of 2% of the fee in a form of commission or other similar payment paid for the related services; or a margin between the invoiced amount and the amount paid on the sale of vouchers in case the service is not based on commission or other similar payments. If the party receiving the fee does not have a tax ID number, the rate should be 100% higher.

Article 23 WHT shall not be withheld if (i) the payment is made to a bank; and/or (ii) the fee related to those services is already subject to final income tax.

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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.

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At EY, our purpose is **Building a better working world.**

We believe a better working world is one where economic growth is sustainable and inclusive. We work continuously to improve the quality of all of our services, investing in our people and innovation - to use our knowledge, skills and experience to fulfill our purpose and create positive change.

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- ▶ Banking & Capital Market
- ▶ Insurance
- ▶ Wealth & Asset Management
- ▶ Government & Public Sector
- ▶ Health Science & Wellness
- ▶ Mining & Metals
- ▶ Oil & Gas
- ▶ Power & Utilities
- ▶ Private Equity
- ▶ Real Estate, Construction & Hospitality
- ▶ Technology, Media & Entertainment, Telecommunication (TMT)
- ▶ Agribusiness & Plantation
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