

**THE POWER OF BEING UNDERSTOOD**  
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On 25 June 2020, the Director-General of Taxes ("DGT") issued DGT Regulation No. PER-12/PJ/2020 ("PER-12") to implement Minister of Finance Regulation No. 48/PMK.03/2020 ("PMK-48") regarding Value Added Tax ("VAT") obligations for foreign e-commerce businesses doing business with Indonesian customers. PER-12 stipulates the thresholds that will be used for determining if a foreign e-commerce business or domestic e-commerce marketplace that facilitates transactions for a foreign e-commerce business ("e-commerce business actors") can be appointed to collect VAT, and the administrative mechanisms for collection, payment, and reporting of the VAT.

The transactions subject to VAT under PMK-48 are intangible goods (including digital goods) and taxable services (including digital services) provided by foreign e-commerce businesses, and that are utilised by individuals or organisations in Indonesia that meet any of the following criteria:

- Their place of residence or domicile is in Indonesia (based on correspondence or billing address and/or country selection during the registration process with the e-commerce business)
- Payment is made using debit, credit or other payment facilities that are provided by an institution in Indonesia
- The transaction uses an internet protocol (IP) address in Indonesia or uses a telephone number with the Indonesia country code

The utilisation in Indonesia of intangible goods and services from overseas that are not covered by PMK-48 are still potentially subject to the existing obligation under Article 4(1) of the VAT Law to self-assess and pay PPN Luar Negeri (Offshore VAT). For example, the provision of consulting advice by an overseas adviser to an Indonesian company for that company's business in Indonesia would be subject to PPN Luar Negeri and not VAT on foreign e-commerce transactions.

It is important to remind readers that the references to e-Commerce VAT Collectors within the context of PMK-48 and PER-12 is different to a general VAT Collector (Pemungut) as defined in Article 1, point 27 of the VAT Law.

### Threshold for potential appointment as an e-Commerce VAT Collector

PMK-48 states the criteria to determine if an e-commerce business actor could be appointed by the DGT as an e-Commerce VAT Collector shall use the value of transactions and/or volume of users within a 12-month period. The regulation then delegates the authority to the DGT to determine the

values and to then appoint the e-Commerce VAT Collectors. Accordingly, PER-12 stipulates the thresholds to be:

- a. If the value of transactions with buyers in Indonesia exceeds IDR 600,000,000 within 1 year or IDR 50,000,000 in 1 month; and/or
- b. If the amount of traffic or users in Indonesia exceeds 12,000 in 1 year or 1,000 in 1 month.

### Process for appointment as an e-Commerce VAT Collector

If one or either of the activity thresholds are met, then the DGT may issue a decision letter to appoint the e-commerce business actor as an e-Commerce VAT Collector.

Alternately, the e-commerce business actor can apply to the DGT to be appointed as an e-Commerce VAT Collector if it has met the activity threshold(s) but has not yet been appointed by the DGT.

The appointment is effective from the beginning of the month after the date of appointment stipulated in the decision letter.

The e-Commerce VAT Collector will receive a Registration Certificate ("Surat Keterangan Terdaftar - SKT") and Tax Number Identification Card.

### Administrative Obligations for e-Commerce VAT Collector

#### VAT Collection

The VAT rate is 10% of the cash value paid by the buyer, excluding the VAT. The obligation arises on the date the buyer pays for the utilization in Indonesia of the intangible taxable goods and/or taxable services from outside the customs area.

PER-12 further clarifies the obligation to collect VAT in the following situations:

- a. If the transaction is directly between the buyer and the foreign seller or foreign service provider (that has been appointed as an e-Commerce VAT

Collector), then the VAT shall be collected, deposited, and reported by this seller/service provider;

- b. If the transaction is conducted by the foreign seller / service provider through a foreign e-commerce marketplace or domestic e-commerce marketplace the VAT shall be collected, deposited, and reported by the foreign seller / service provider or foreign / domestic e-commerce marketplace that:
  - i. Has been appointed as an e-Commerce VAT Collector, and
  - ii. That issued a commercial invoice, billing, order receipt or another similar document.

As a reminder: the utilisation in Indonesia of intangible goods and services from overseas that are not covered by PMK-48 are still potentially subject to the existing obligation under Article 4(1) of the VAT Law to self-assess and pay PPN Luar Negeri (Offshore VAT).

The e-Commerce VAT Collector is required to provide a VAT collection slip ("Bukti Pungut PPN"). This can be in the form of a commercial invoice, billing, order receipt, or similar document that states the VAT has been collected and paid by the buyer. The Bukti Pungut PPN can state the VAT: (a) as separate from the VAT base, or (b) as a part of the payment value. For example, if the price of the service is IDR 1,000 before VAT (and its VAT is IDR 100), then, the collection of VAT may be stated as (a) IDR 100, or (b) IDR 1,100 (VAT included) on the Bukti Pungut PPN.

If the buyer wishes to claim the VAT as an input credit (see Input VAT Credit below) then the buyer must provide its name and Taxpayer Registration Number (NPWP) to the e-Commerce VAT Collector so that this information is included on the Bukti Pungut PPN.

## Payment of VAT to the State Treasury

The e-Commerce VAT Collector is required to deposit the VAT collected for each month, by the end of the following month after the transaction occurred. The e-Commerce VAT Collector shall transfer the VAT

collected by using electronic system and/or other system provided by the DGT and including the tax billing code obtained from the DGT's system.

The e-Commerce VAT Collector can choose to make payments of VAT in:

- a. Rupiah, by using the exchange rate specified under the Minister of Finance decree for the date of VAT deposit,
- b. US Dollar, or
- c. Such other foreign currency as is determined by the DGT.

If there is any underpayment of the collected VAT for a particular month (e.g. due to an error in the original recording), then this underpayment must be paid for that month. If there is an overpayment, then this can be carried forward/compensated into the month when the overpayment is detected.

## VAT Reporting

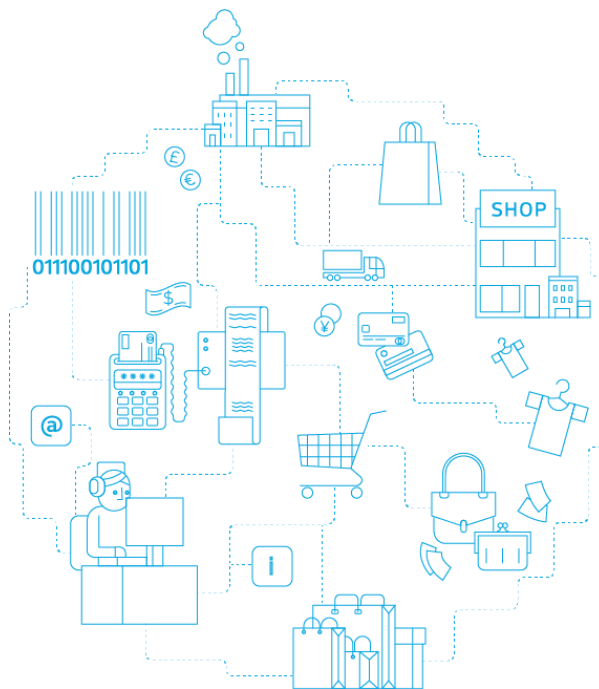
An e-Commerce VAT Collector is required to submit a quarterly report of VAT collected and paid using the January–March, April–June, July–September and October–December periods.

The report should be lodged no later than the end of the month following the quarter-end. Therefore, the reporting deadlines are:

- 30 April for Q1 (January–March);
- 31 July for Q2 (April–June);
- 31 October for Q3 (July–September); and
- 31 January for Q4 (October–December).

The report must provide at least the following details for each month within the relevant quarter:

- i. the number/volume of buyers,
- ii. the total amount of payments received, excluding the VAT collected,
- iii. the total amount of VAT collected, and
- iv. the total amount of VAT paid to the State Treasury.



A quarterly report is required even if there was no VAT collected during that quarter.

In addition, the DGT has the right to request an annual report of the transaction activity during the year.

The annual report shall provide at least the following:

- i. the number and date of each Bukti Pungut PPN,
- ii. the total amount of payments received, excluding the VAT collected, for each Bukti Pungut PPN,
- iii. the total amount of VAT collected for each Bukti Pungut PPN,
- iv. the name and NPWP of the buyer if these details are included on the Bukti Pungut PPN, and
- v. the telephone number, email address or other identity details of the buyer.

There is no prescribed format for these reports. The reports should be submitted via the DGT's electronic system, using the currency consistent with its payment obligation and in either Bahasa Indonesia or English. An e-receipt will be provided as evidence of lodgement.

#### Input VAT Credit

A Bukti Pungut PPN is considered a Faktur Pajak (VAT invoice) provided the Bukti Pungut PPN states:

- a. the name and NPWP of the buyer, or
- b. the email of the buyer that is registered within the DGT's administration system.

If either of these conditions are met the buyer may credit the VAT paid as Input VAT, subject to the usual rules for claiming of input VAT credits.

It is possible that a taxpayer might self-assess PPN Luar Negeri, but the e-Commerce VAT Collector has also collected VAT. In such a case PER-12 provides 4 options for how the taxpayer can recognize the self-assessed PPN Luar Negeri:

- i. It can be overbooked against other tax obligations;
- ii. A refund can be requested on the basis it was tax that should not be paid;
- iii. It can be claimed as an Input VAT credit, subject to meeting the usual criteria for claiming credits; or
- iv. It can be claimed as an expense in the profit and loss, subject to meeting the usual conditions for deductibility.

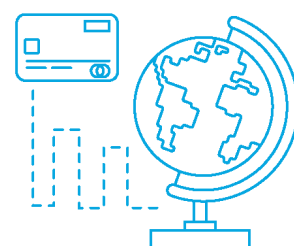
#### When is it effective?

PER-12 is effective from 1 July 2020.

In this regard, as per DGT Press Release No. SP-29 ("SP-29") issued on 7

July 2020, the DGT officially advised the appointment of 6 global companies as e-Commerce VAT Collectors:

1. Amazon Web Services Inc,
2. Google Asia Pacific Pte Ltd,
3. Google Ireland Ltd,
4. Google LLC,
5. Netflix International B.V, and
6. Spotify AB.



For further information please contact:

**RSM INDONESIA**

Plaza ASIA Level 10

Jl. Jend. Sudirman KAV.59

Jakarta 12190

P; +62 21 5140 1340

E: [contact@rsm.id](mailto:contact@rsm.id)

[www.rsm.id](http://www.rsm.id)