



Value Added Tax on foreign e-commerce – thresholds and implementing rules <sup>P1</sup>

## Value Added Tax on foreign e-commerce – thresholds and implementing rules

On 25 June 2020, the Directorate General of Taxes (DGT) issued Regulation No.PER-12/PJ/2020 (PER-12) that sets transaction thresholds and other detailed rules concerning Value Added Tax (VAT) on foreign e-commerce players.

PER-12 will enter into effect on 1 July 2020 and serves as the implementing regulation of Law No.2 Year 2020 and Ministry of Finance Regulation No.48/PMK.03/2020 (PMK-48). Please refer to our [TaxFlash No.09/2020](#) and [TaxFlash No.21/2020](#) for our initial discussion of this topic.

As stipulated in PMK-48, Indonesian VAT will be imposed on the utilisation of certain intangible goods and services provided from overseas to Indonesian customers through an electronic system. PER-12 defines an electronic system as a series of tools and electronic procedures to prepare, collect, process, analyse, store, show, announce, send, or distribute electronic information.

### E-commerce VAT thresholds

Foreign sellers, foreign service providers, or foreign e-commerce marketplaces (collectively referred to as “foreign e-commerce players”) and domestic e-commerce marketplace will be appointed as VAT Collectors if their activity in the Indonesian market meets either of the following thresholds:

- a. transaction value with customers in Indonesia exceeding IDR 600 million in a year or IDR 50 million in a month; or
- b. access to their e-commerce platform from Indonesia exceeds 12 thousand users in 12 months, or one thousand users in one month.

### Appointment of VAT Collector

#### *Ex-officio appointment*

The DGT will issue an Appointment Decision as VAT Collector for each foreign e-commerce player and domestic e-commerce marketplace that meets one of the above thresholds. Once appointed by the DGT, the e-commerce VAT Collector will be provided with a VAT Collector ID and Tax

Registration Letter, and such appointment will be effective from the beginning of the following month.

#### *Self-notification*

Foreign e-commerce players and domestic e-commerce marketplace that have satisfied the VAT Collector criteria but have not yet been appointed as e-commerce VAT Collector can submit a notification to the DGT requesting this status through email or through the DGT online system. This notification will be considered by the DGT to issue an Appointment Decision. Notification format is provided in the attachment of PER-12.

#### *Amendment of Appointment Decision*

Should the information provided in the DGT Appointment Decision be incorrect, the foreign e-commerce player or domestic e-commerce marketplace can notify the DGT through the DGT system and the DGT will issue an amended Appointment Decision accordingly. In this situation, the appointment of VAT Collector is still valid.

#### *Revocation of appointment*

The DGT may revoke the appointment as VAT Collector if the foreign e-commerce player or domestic e-commerce marketplace no longer meets the threshold or based on other DGT considerations. VAT Collector ID and Tax Registration Letter will be cancelled upon this revocation and the revocation will be effective from the beginning of the following month.

### **VAT compliance for e-commerce VAT Collectors**

The appointed e-commerce VAT Collectors must activate their account in the DGT system (prior to the effective date of their appointment). This is necessary to be able to use the DGT system to comply with their VAT obligations.

#### *VAT collection*

E-commerce VAT Collectors must collect 10% VAT from the sales value (not including the 10% VAT) from their customers in Indonesia.

On this VAT collection, VAT Collectors must create VAT collection slips providing information on VAT collection and payment. These VAT collection slips can be in the form of commercial invoice, billing, order receipt, or similar document.

These VAT collection slips can be treated equally as a VAT Invoice and can be claimed as an Input VAT by the buyer if it contains information on:

- a) the name and Tax ID number of the buyer; or
- b) the email address of the buyer that is registered in the DGT system.

For transactions between foreign sellers/service providers and users in Indonesia conducted through foreign or domestic e-commerce marketplaces, the applicable VAT can be collected by the foreign e-commerce players or domestic e-commerce marketplace who:

- has been appointed as e-commerce VAT Collectors; and
- issued commercial invoice, billing, order receipt, or similar document.

### *VAT payment*

VAT Collectors must remit the collected VAT to the Indonesian government through an electronic tax payment channel by the end of the month following the month in which the transaction took place (e.g. if transaction takes place in August, VAT must be settled by the end of September).

Remittances shall be made:

- electronically through bank/institution, or through other means determined by the DGT;
- using a billing code obtained from the DGT system;
- using Indonesian Rupiah, US Dollar, or other foreign currencies (if available in DGT system) based on the VAT Collector's choice in their account in the DGT system.

If there is any VAT underpayment for a certain period, the underpayment must be paid for the respective period. If there is any VAT overpayment, this can be compensated to the period when the overpayment is found.

### *VAT reporting*

E-commerce VAT Collectors must submit a quarterly report on VAT collection and payment. This VAT report must provide at least the following information for each quarterly tax period:

- a) number of users in Indonesia;
- b) amount of payments (not including the VAT);
- c) amount of VAT collected; and
- d) amount of VAT settled to the government.

The DGT can request a detailed VAT report for each calendar year that should provide at least the following information:

- a) number and date of each VAT collection slip;
- b) amount of payment (not including the VAT) for each VAT collection slip;
- c) amount of VAT collected for each VAT collection slip;
- d) name and Tax ID of users in Indonesia if the information is provided in the VAT collection slip; and
- e) phone number, email address, or another item related to buyer's identity.

PER-12 does not provide any template for the above reports. These VAT reports are to be submitted through the designated electronic tax filing system provided by the DGT. The reports can be made in *Bahasa Indonesia* or English using currency of choice in the VAT Collector's account. The VAT Collector will receive a receipt upon submission of these reports.

### **Overlapping of VAT payment by the Indonesian customers**

If the e-commerce VAT Collector has collected the VAT and the Indonesian customers also paid self-assessed VAT on the same transaction, the self-assessed VAT can be:

- a) overbooked to other tax payments;
- b) requested as a refund of taxes that should have not been paid;
- c) credited as Input VAT; or
- d) claimed as a deductible expense in the corporate income tax calculation.

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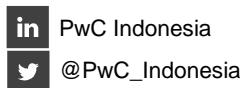
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