

# Tax News Flash

July 2020

## Value Added Tax on Offshore E-Commerce Transactions Implementing Rules

The Director General of Tax (“DGT”) has issued Regulation No. PER-12/PJ/2020 (“PER-12”), dated 25 June 2020, related to value added tax (“VAT”) on offshore e-Commerce transactions. Effectively a supplement to Law No. 2 Year 2020 and Ministry of Finance Regulation No. 48/PMK.03/2020 (“PMK-48”), this regulation provides the implementation rules regarding PMK-48 and became effective 1 July 2020.

PMK-48 stipulates that any transaction related to the utilization of offshore intangible taxable assets and/or taxable services within Indonesia via e-Commerce is subject to 10% VAT.

Please refer to our [May 2020 Tax News Flash](#) which lists the type of transactions subject to VAT under and other additional details regarding PMK-48.

The obligation to collect this VAT from payments made by Indonesian buyers/customers lies with the E-Commerce Business Providers (“ECBPs”), i.e. the e-Commerce offshore/local providers or offshore traders. The Indonesian Tax Office (“ITO”) will appoint ECBPs as VAT collectors.

### Qualifications

An ECBP qualifies to be appointed as a VAT collector if its activities in the Indonesian market meet either of the following thresholds:

- a. The value of its transactions with buyers/customers in Indonesia exceeds IDR 600 million in a year or IDR 50 million in a month; and/or
- b. Traffic or visitors to its e-Commerce platforms from Indonesia exceeds 12,000 users in a year or 1,000 users in one month.

An ECBP may notify DGT electronically to be appointed as a VAT collector. Upon receiving such a request, DGT will determine whether or not to appoint the entity as a VAT collector. The possibility to notify DGT is an option and not an obligation.

### Appointment and Revocation

DGT will issue a Decision Letter to each ECBP appointed as a VAT collector, which is effective at the beginning of the month following the Decision Letter issuance. These ECBPs will also receive a Tax Identification Number Card (*Kartu Nomor Identitas Perpajakan*) and a Notification Letter of Registration from DGT.

If there is any incorrect information stated in DGT’s Decision Letter, the ECBP can request an amendment electronically. DGT will then amend the Decision Letter, but this will not change the appointment status.

An appointment as a VAT Collector may be revoked if the ECBP no longer meets one of the thresholds or based on DGT considerations. A revocation is effective from the beginning of the month following the Revocation Decision Letter issuance.

### Compliance Obligations

#### 1. Account activation

Once appointed, an ECBP must activate its DGT online account and update its information in DGT’s database before the effective date of its appointment as a VAT collector.

#### 2. VAT collections

An ECBP VAT collector should collect 10% VAT based on the sales value (excluding the 10% VAT) from its buyers/customers in Indonesia. If VAT is not collected, then the buyers/customers must pay and report the VAT in accordance with Article 3A of VAT Law.

An ECBP must issue VAT collection slips providing information on each VAT collection and payment, which can be in the form of commercial invoices, billings, order receipts or other documents stating the VAT amount and that payment is already settled.

These VAT collection slips can be treated as VAT Invoices and claimed as Input VAT by buyers/customers if they contain the following buyer/customer information:

- a. Name and Tax Identification Number (*Nomor Pokok Wajib Pajak*/"NPWP"); or
- b. Email address registered with the DGT system.

### 3. Payments of VAT collected

The VAT collected must be paid electronically or by any other available method by the end of the month following the month in which the VAT charge takes place. An ID Billing code must be generated for the payment using DGT's e-billing system. Payments may be made in IDR, USD or any other currency stipulated by DGT, as selected by the ECBP in the DGT system.

### 4. VAT reporting

VAT reports must be submitted on a quarterly basis by the end of the month following each quarterly period and must contain at least:

- a. The number of buyer/customers;
- b. The total amount of payments received (excluding VAT);
- c. The amount of VAT collected; and
- d. The amount of VAT transferred.

It is also possible for the DGT to request for a detailed VAT report for each calendar year containing the following information for each VAT collection slip:

- a. Its number and date;
- b. The amount of payment (excluding VAT);
- c. The amount of VAT collected;
- d. The name and NPWP of the buyer/customer – if available; and
- e. The phone number, email address or other items related to the buyer/customer's identity.

The VAT reporting will be done electronically via DGT's system, either in Bahasa Indonesia or English, and using the currency previously selected by the ECBP. DGT will issue receipts upon submission of these reports.

### 5. VAT overpayments

If an ECBP collects VAT and the buyer/customer also self-pays VAT on the same transaction, the self-paid VAT can be:

- a. Overbooked to other tax payments;
- b. Requested as a refund of tax that should not have been paid;
- c. Credited as Input VAT; or
- d. Claimed as a deductible expense in the corporate income tax calculation.

## KPMG Notes:

- Based on PER-12, an ECBP's obligations as a VAT collector only begin in the month after DGT issues an Appointment Letter. Therefore, it is important that there is no VAT collection before the effective date.
- An ECBP may inform DGT that it has fulfilled the necessary criteria as a VAT collector. However, it is an option and not an obligation to notify DGT. Not notifying DGT should not lead to penalties.
- PER-12 does not indicate the method of identifying ECBPs and delivering Appointment Letter to them. Hence, there may be a risk that an ECBP is unaware that it has an obligation to collect VAT from its Indonesian buyers/customers.
- PER-12 does not include any template for the VAT reports to be submitted by ECBPs. We assume this will be provided in a later date.
- An ECBP VAT collector which does not collect and report VAT will be subject to administrative penalties in accordance with the Indonesian tax laws and regulations. In addition, internet access may be blocked.
- It is not realistic to expect timely compliance with PMK-48 and PER-12, as offshore e-Commerce providers, after receiving an Appointment Letter, will require revisions to their accounting system applications for billings, collections and remittance applications, as well as reporting.
- As previously indicated in our May 2020 Tax News Flash:
  - We expect that offshore e-Commerce providers may (if possible) consider changing their business models for the Indonesian market as a result of the 10% VAT and related processing, administrative and reporting requirement costs.
  - Appointing off-shore VAT collectors is a new concept in Indonesian taxation, which may have further implications in the future.



# Contact us

## **KPMG Advisory Indonesia**

### **Tax Services**

33<sup>rd</sup> Floor, Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210, Indonesia

**T:** +62 (0) 21 570 4888

**F:** +62 (0) 21 570 5888

## **Abraham Pierre**

### **Partner In Charge, Tax Services**

Abraham.Pierre@kpmg.co.id

## **Aaron Brunier**

Aaron.Brunier@kpmg.co.id

## **Andy Tanu Utomo**

Andy.Utomo@kpmg.co.id

## **Anita Priyanti**

Anita.Priyanti@kpmg.co.id

## **Adeline Harriman**

Adeline.Harriman@kpmg.co.id

## **Bambang Budiman**

Bambang.Budiman@kpmg.co.id

## **Diana Ria Hutagaol**

Diana.Hutagaol@kpmg.co.id

## **Eko Prajanto**

Eko.Prajanto@kpmg.co.id

## **Esther Kwok**

Esther.Kwok@kpmg.co.id

## **Hamdanus Lukman**

Hamdanus.Lukman@kpmg.co.id

## **Irwan Setiawan**

Irwan.Setiawan@kpmg.co.id

## **Iwan Hoo**

Iwan.Hoo@kpmg.co.id

## **Jacob Zwaan**

Jacob.Zwaan@kpmg.co.id

## **Julya Permata Tjen**

Tjen.Permata@kpmg.co.id

## **Natalia Yamin**

Natalia.Yamin@kpmg.co.id

## **Sontang Ruli Siregar**

Sontang.Siregar@kpmg.co.id

## **Sutedjo**

Sutedjo@kpmg.co.id

## **Tonggo Aritonang**

Tonggo.Aritonang@kpmg.co.id

## **Yoshiyuki Misao**

Yoshiyuki.Misao@kpmg.co.id

**home.kpmg/id**

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