

Tax News Flash

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Income tax implications of trading of crypto assets and financial technology transactions

This TNF discusses the income tax implications for the trading of crypto assets and financial technology (“fintech”) transactions with reference to the provisions of Ministry of Finance Regulation No. 68 Year 2022 (“PMK-68”) and Ministry of Finance Regulation No. 69 Year 2022 (“PMK-69”). Please refer to our TNF [“Implementing regulations of VAT Laws regards several changes in the Omnibus Law”](#) for the VAT implications on the trading of crypto assets and financial technology. Both PMK-68 and PMK-69 were issued on 31 March 2021 and are effective as of 1 May 2022.

Trading of crypto assets

Please note that “crypto asset” is deemed as an intangible good for tax purposes and not as a legal and valid currency (fiat money). The income tax treatment for the trading of crypto assets depends on the identities of the parties involved, as delineated by PMK-68. They are:

- Traders of crypto assets, including physical traders that have a license from Bappebti (Supervisory Agency for Commodity Trading) and non-physical traders;
- Buyers of crypto assets;
- Crypto asset miners – individuals/corporate entities who conduct verification of crypto asset transactions and are compensated with crypto assets, either individually or in a mining pool; and
- Electronic Platform Providers (“PPMSE”) – parties providing an electronic platform to facilitate the trading of crypto assets.

Profits earned from the trading of crypto assets, including those earned by PPMSEs and crypto asset miners, constitute taxable income for Indonesia income tax purposes.



Income recipient	Source of income	Tax base	Income Tax rate	Tax mechanism
Traders of crypto assets	a. Transactions using fiat money; b. Swapping of crypto assets for other crypto assets, and c. Other transactions concluded via an electronic platform	Gross transaction value	– If physical trader: 0.1% – If not a physical trader: 0.2%	– Subject to final income tax (under Income Tax Law Art. 22) – The tax withholding is done by PPMSE (as the withholding tax agent) upon receiving payment from the buyer – Payment/reporting deadline: the 15 th /the 20 th of the month following the transaction date
Remarks: – If the crypto assets trader is a foreigner from a country /jurisdiction that has a tax treaty with Indonesia and the tax treaty provides protection against Indonesia withholding tax, then the income is exempt from withholding tax provided a valid DGT form is made available to the PPMSE. – The final tax due should be self-remitted by the crypto assets trader if the PPMSE was not involved in facilitating the trading. For example, if the PPMSE was only involved in the provision of e-wallet services, connecting the trader and buyer, etc., then the PPMSE is exempt from being the withholding tax agent.				
Electronic Platform Provider/PPMSE	a. Provision of electronic platform b. Assists in the provision of deposits, withdrawals and transfers between e-wallets c. Manages crypto asset storage media and e-wallet	Transaction value (gross)	Normal corporate income tax rate (currently at 22% of the taxable income)	Self-assessed, following general requirements
Crypto asset miner	a. Block reward b. Transaction verification fee c. Other types of services provided	Transaction value (gross)	0.1%	– Final income tax (under Income Tax Law Art.22) – Self-assessed and self-paid by crypto asset miner

Financial technology transactions

PMK-69 identifies three parties that are involved in fintech transactions, namely the lender, the borrower and the lending service provider (who has registered and obtained an appropriate permit issued by the Financial Services Authority (“OJK”)).

Profit earned in respect to fintech transactions constitutes taxable income for Indonesian income tax purposes and can be summarized as below:

Income recipient	Type of income	Tax base	Tax rate	Tax mechanism
Lender	Interest income received from the lending service provider	Interest income (gross) paid by the borrower through the lending service provider	<ul style="list-style-type: none"> – If the lender is a local tax resident: 15% – If the lender is a non-resident: 20% (or reduced tax treaty benefits, whenever applicable) 	<ul style="list-style-type: none"> – Withholding tax obligation under Income Tax Law Art. 23 – if the lender is a local tax resident; and under Withholding Tax Art. 26 – if the lender is a non-resident) – The withholding tax agent is the lending service provider
Lending service provider (should hold a business license/permit issued by OJK)	Profit margin (difference between the interest income received from the borrower and interest expenses paid to the lender)	Profit margin	Normal corporate income tax rate (currently at 22%)	Self-assessed following general tax requirements

KPMG notes:

PMK-68 and PMK-69 have been issued specifically to provide clarification of the taxation of trading of crypto assets and fintech transactions to attract local investors. This TNF specifically discusses the income tax treatment. For the VAT treatment, please refer to our TNF [“Implementing regulations of VAT Laws regards several changes in the Omnibus Law.”](#) A more comprehensive look at the provisions of these PMKs are recommended to avoid misinterpretation that may lead to inefficient tax compliance costs.

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