

Legal Bases of E-commerce Tax

The government obliges sellers and service providers of electronic commercial transactions (*e-commerce*)—including marketplace platform providers—to report their Tax ID Number as well as pay taxes in accordance with regulation, as per 1 April 2019.

The obligation is stipulated in Minister of Finance (MoF) Regulation Number 210/PMK.010/2018 concerning Tax Treatment on Sales Transaction through Electronic System (E-commerce), issued on 31 December 2018.

In such policy, the government states that the policy objective is to create equality and justice in taxation, notably between electronic and conventional businessmen.

Basically, MoF Regulation Number 210/PMK.010/2018 only affirms general tax obligation that shall be obeyed by the e-commerce businessmen, without creating any new type of tax. By this policy, the government also claims that they merely simplify the tax administration for e-commerce businessmen.

Targeted Taxpayers

Through this policy, the Ministry of Finance targets several Taxpayers making electronic commercial transaction. *First*, sellers or service providers utilizing marketplace platform. *Second*, sellers and service providers making transactions not using marketplace platform, such as online retail, classified ads, daily deals, or social media. *Third*, marketplace platform providers.

The point is that e-commerce transaction businessmen are not excluded from the generally applied tax regulation, either those covering Income Tax, Value Added Tax (VAT) and/or Sales Tax on Luxury Goods (STLG).

Taxpayers using marketplace platform as a place for carrying out buying-and selling business are mandatory to show their Tax ID Number to marketplace provider. If they do not have a Tax ID Number, the e-commerce sellers or service providers may apply for Tax ID Number registration through an online application provided by Directorate General of Taxes (DGT) or special feature provided by marketplace.

Besides, sellers or service providers may also use their National Identity Number as the Tax ID Number, in which for any transaction they only need to show it to marketplace. However, the mechanism of Tax ID Number registration and National Identity Number reporting through marketplace is not specifically regulated in MoF Regulation Number 210/PMK.010/2018.

Types of Tax

In addition to the obligation to show Tax ID Number or National Identity Number, the sellers or service providers are also obliged to obey other tax regulations, such as paying and reporting Income Tax, VAT, STLG, import duty, and/or import tax.

Pursuant to generally applied regulations, both e-commerce sellers and service providers through marketplace platform shall fulfil Income Tax obligation as regulated on Income Tax Law.

Meanwhile, regulation on collecting, remitting, and reporting VAT and/or STLG shall also be obeyed by the e-commerce sellers and service providers that have been confirmed as VAT-Registered Persons. The amount of VAT and/or STLG is determined based on the value of taxable goods/services multiplied by rate. Further, the rate of VAT payable is determined at 10% of the amount of taxable goods or service transaction.

Upon such transaction, VAT-Registered sellers or service providers shall make tax invoice as VAT collecting slip, to be then reported in Periodic VAT Return.

All of the aforementioned tax regulations also apply to marketplace platform providers, both those that only provide place for transaction and those participate in e-commerce goods/service transfer transaction. Notably for marketplace platform providers, this business is only for those having status as VAT-Registered Person regardless the fact that their annual turnover is less than IDR4.8 billion (categorized as Micro, Small, and Medium Enterprises/MSME)

The bullet point is, this regulation will give more burden to marketplace platform providers, in the form of the obligation to collect, remit, and report VAT and/or STLG from the e-commerce sellers or service providers. The marketplace conducting transfer of goods shall even make tax invoice.

Besides, marketplace is also obliged to make recapitulation of sales transaction made by the sellers and then attached to Periodic Tax Return and VAT. Further, such data shall be submitted to DGT. Even though it is technically will be further stipulated, this regulation affirms that the government will conduct a compliance test regarding this reporting.

Customs

Meanwhile, in regard to import duty and import tax, this regulation is targeting cross-country online sales transaction through marketplace platform. This transaction is the same as other import transactions, so it shall take account of regulations on customs.

Further, the import criteria included in this regulation are as follows:

1. The transaction is conducted by platform providers registered in Directorate General of Customs and Excise (DGCE);
2. The delivery is performed by operator of post; and
3. The transaction has customs value of Freight on Board less that USD1,500.

To be registered in DGCE, a platform provider shall first submit a registration application to customs office, by enclosing Tax ID Number, Decision Letter Number of VAT-Registered Person Confirmation, and Notification Number of Registration as a Taxpayer.

After being approved, marketplace platform providers shall submit e-invoice and e-catalog. E-invoice shall be used in any delivery of goods transaction. Meanwhile, e-catalog shall state information of goods description, goods code, goods category, goods specification, goods price, seller identity and country of origin. The marketplace platform provider shall also use Delivery Duty Paid (DDP) scheme as well as calculate and report import duty and/or import tax on goods.

If a marketplace platform providers could not fulfil all of those regulation requirements, DGCE may suspend the approval on such application. The suspension applies until the marketplace platform providers fulfil the regulation requirement.

DGCE may also revoke the approval if:

- The marketplace platform providers do not implement DDP scheme for 12 months;
- The business license as a marketplace platform provider is no longer valid or has been revoked;
- The marketplace platform providers are proven committing violation;
- The marketplace platform providers apply for revocation; or
- The marketplace platform providers are declared bankrupt by commercial court.

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