



Indonesia Tax Info April 2022

Regulation governing income tax and VAT treatments of financial technology issued

Law Number 7 of 2021 regarding Harmonization of Tax Regulations (*Undang-Undang Harmonisasi Peraturan Perpajakan (UU HPP)*) (please refer to [Tax Info October 2021](#) and [Tax Alert November 2021](#)) allows the Indonesian Minister of Finance (MoF) to appoint a domestic or foreign party that is directly involved in or facilitates a transaction to withhold tax from payments made in connection with that transaction. On 30 March 2022, the MoF issued Regulation Number 69/PMK.03/2022 (PMK-69) to regulate the income tax withholding (WHT) treatment of peer-to-peer lending (P2P lending) activities and the VAT treatment of the financial technology industry. PMK-69 enters into effect as from 1 May 2022. Companies engaged in the financial technology industry should review this regulation to ensure that they have the necessary infrastructure in place to implement the procedures required.

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Income tax treatment for P2P lending

P2P lending is the practice of lending money to individuals or businesses through an online platform that match lenders with borrowers. P2P lending generally involves the following parties:

- Lender: A party that owns and lends money to a borrower through a P2P lending platform. The lender generally receives compensation in the form of interest from the borrower;
- Borrower: An individual or business that borrows money from a lender. The borrower generally pays interest to the lender through a P2P lending platform; and
- P2P lending platform company: An Indonesian legal entity that provides, manages, and operates a P2P lending service. The P2P lending platform company typically receives a “platform fee” from the lender and/or borrower for its services of arranging the P2P lending activities.

PMK-69 provides guidance on the WHT treatment of payments in connection with P2P lending activities, as summarized in the table below:

Income recipient	Type of income	WHT rate	Tax withholder
Lender	Interest income	<ul style="list-style-type: none"> • 15% Article 23 WHT if the lender is an Indonesian tax resident; or • 20% Article 26 WHT if the lender is not an Indonesian tax resident. The rate may be reduced in accordance with the provisions of relevant tax treaty. 	<ul style="list-style-type: none"> • If the P2P lending platform company is registered with the Indonesian Financial Services Authority (<i>Otoritas Jasa Keuangan</i> (OJK)), the P2P lending platform company must withhold, settle, and report the Article 23/26 WHT. The company can issue one WHT slip covering all interests paid to a single lender in one tax period; or • If the P2P lending platform company is not registered with the OJK, the borrower is required to withhold, settle, and report the Article 23/26 WHT.
P2P lending platform company	Platform fee (in any name or form), including the difference between the interest received from the borrower and the interest transferred to the lender (the “spread”)	<ul style="list-style-type: none"> • If the P2P lending platform company is registered with the OJK, the platform fee is exempted from WHT and the P2P lending platform company must report the platform fee as income in its annual income tax return; or • If the P2P lending platform company is not registered with the OJK, the lender and/or borrower must withhold Article 23 WHT at the rate of 2% of the platform fee. 	

PMK-69 confirms that the interest received from the borrower is not income for the P2P lending platform company, and when the interest is passed on to the lender, it is not the P2P lending platform company’s expense. Therefore, the interest is not deductible in the P2P lending platform company’s corporate income tax (CIT) calculation.

VAT treatment for financial technology industry

PMK-69 provides guidance on the VAT treatment of the following financial technology services:

- Payment gateway services;
- Investment settlement services;
- Crowdfunding services;
- P2P lending services;
- Investment management services;
- Provision of online insurance products;
- Market support services; and
- Financial digital inclusion support services and other financial services.

Providers of the services listed above that have registered for VAT purpose (*pengusaha kena pajak* (PKP)), must collect, settle, and report the VAT at the standard rate (11% as from 1 April 2022, to be increased to 12% when this rate is implemented on as from 1 January 2025) to the Directorate General of Taxation.

The VAT is calculated on the VAT imposition base, which, in general, includes compensation in any name or form, e.g., fees, commissions, or merchant discount rates. Some types of compensation specific to certain services, such as the administration fee and card price requested by the e-money issuer (for payment gateway services) and the spread for P2P lending services are also subject to VAT. Other types of compensation are VAT exempt, such as certain fund transfer services by payment gateway service providers, online insurance services performed by insurance companies, and fund placement or financing services carried out by investors for crowdfunding purposes. PMK-69 provides a detailed list of types of compensations that are subject to or exempt from VAT for each category of service.

PMK-69 also confirms that transactions involving the following goods are nontaxable:

- Money in the form of e-money or e-wallets, including bonus, top-up, reward, and royalty points; and
- Certain securities provided under crowdfunding services and investment management services.

Money in the form of e-money or e-wallets and certain securities are nontaxable goods under PMK-69.

Regulation governing VAT and income tax treatment of cryptoasset trading issued

Overview

On 30 March 2022, the MoF issued Regulation Number 68/PMK.03/2022 (PMK-68) confirming the VAT and income treatment tax on cryptoasset trading. The regulation is effective as from 1 May 2022 and includes a definition of the relevant terms and types of cryptotransaction covered; confirmation of the VAT, Article 22 income tax (in the form of withholding tax (WHT)), and income tax treatment of each type of transaction; procedure for appointment of a foreign cryptoexchanger; and compliance obligations for exchangers.

Definitions

PMK-68 provides the following definitions:

- **Cryptoasset:** An intangible commodity in the form of a digital asset that uses cryptography, peer-to-peer networks, and distributed ledgers to regulate the creation of new units, verify transactions, and secure transactions without interference from other parties;
- **Cryptoasset seller:** An individual or company that sells or swaps cryptoassets.
- **Cryptoasset buyer:** An individual or company that receives or should have received the cryptoasset and pays or should have paid the price of the cryptoasset;
- **Physical trader of cryptoassets:** A party authorised by the relevant government institution that regulates commodity futures to conduct cryptoasset transactions on its own behalf or to facilitate transactions for a seller or buyer of cryptoassets;
- **Cryptoasset miner:** An individual or company that verifies cryptoasset transactions to earn a fee in the form of cryptoassets, either individually or collectively, in a mining pool; and
- **Trade operators through electronic system (PPMSE or exchanger):** A party that provides an electronic communication system used for trading of cryptoassets, including physical trader of cryptoassets.

Types of cryptotransaction covered

PMK-68 focuses on the following cryptotransactions:

- Delivery of cryptoassets from a seller to a buyer, which includes payment using fiat money (i.e., traditional state-issued currency), swap of different types of cryptoasset, and exchange of cryptoasset for certain goods and/or services;
- Platform services provided by a cryptoexchanger, including the cryptoasset trading, swaps of cryptoassets, and e-wallets (facilitating deposits, withdrawals, transfers, and savings) for cryptoassets; and
- Management fee received or transaction verification services provided by cryptoasset miners.

Tax treatment of cryptotransactions

The following table summarizes the VAT and income tax treatments for the different types of cryptoasset traders:

Trader of cryptoasset	VAT	Article 22 final WHT	Income tax	Comment
Resident seller	Not applicable	0.1% or 0.2%*	Not applicable	Article 22 WHT is collected by the exchanger
Non-tax resident seller	Not applicable	0.1% or 0.2%*, or exempt under relevant tax treaty	Not applicable	The exchanger is not required to collect Article 22 WHT if the nonresident seller can provide a certificate of residence in a tax treaty country to the exchanger
Buyer	0.11% or 0.22%*	Not applicable	Not applicable	VAT is collected by exchanger
Exchanger:				
• Trading on its behalf	0.11% or 0.22%*	0.1% or 0.2%*		Where the exchanger trades the cryptoasset on its own behalf, the other exchanger involved in the transaction will collect VAT of 0.11% or 0.22%, or Article 22 WHT of 0.1% or 0.2% The exchanger is subject to CIT at the standard rate of 22% and VAT at 11% on its income from services (trading commission or fee from e-wallets)
• Exchanger service	11%		22%	
Miners	1.1%	0.1%	Not applicable	The VAT is collected from the user while Article 22 WHT is paid on a self-assessment basis by the miners Income from mining service includes the transaction verification fee or management fee or cryptoassets received (block rewards)

***Notes**

- Higher rate applies if the exchanger is not a physical trader of cryptoassets (i.e., not registered with the relevant government authority);
- Transaction value is (i) the amount of money paid by the buyer, excluding VAT and luxury goods sales tax when using fiat money, or (ii) the value of each cryptoasset swapped with other cryptoasset, or (iii) the value of cryptoasset swapped with a noncryptoasset (goods or services); and
- The amount of any transaction conducted using fiat money in a currency other than IDR must be converted using the MoF rate applicable at the time of VAT collection. The value a transaction executed using another cryptoasset is converted into IDR based on the value set by the cryptoasset futures exchange or the value in the exchanger's system that is applied consistently.

Appointment of a foreign exchanger by the Indonesian tax authority

The Indonesian tax authority may appoint a foreign exchanger as a VAT and Article 22 WHT collector. An appointed foreign VAT collector would be automatically appointed as an Article 22 WHT collector. The tax office will issue a tax penalty to an appointed foreign exchanger that fails to withhold VAT and income tax on cryptoasset transactions.

Documents to be prepared by the exchanger and settlement of tax by the exchanger

The exchanger must prepare a unification withholding/collection tax slip that serves as a VAT invoice and income tax withholding tax slip. It must include, at least, the following information:

- Name and tax identification number (*nomor pokok wajib pajak* (NPWP)) of the exchanger;
- Name and NPWP or national identity number (*nomor induk kependudukan* (NIK)) of the party from whom the tax has been collected where the cryptoasset seller and/or cryptoasset buyer is a domestic taxpayer or permanent establishment;
- Name of the party from whom the tax has been collected in the event that the cryptoasset seller and/or cryptoasset buyer is a foreign taxpayer;
- Transaction number;
- Tax base;
- Rate and amount of VAT and income tax collected; and
- Reporting status of unification withholding slip.

Article 22 final income tax and VAT must be settled by the 15th of the following month using a tax payment slip, and the VAT return must be submitted by the 20th of the following month. The VAT must be reported in a VAT return for a VAT collector (*SPT Masa PPN 1107 PUT*) by the exchanger.

Implemented VAT on commission fee for insurance agency and brokerage

On 1 April 2022, the MoF issued Regulation Number 67/PMK.03/2022 (PMK-67) stipulating the appointment of insurance company as a VAT collector on insurance commission received by agent and broker.

Under PMK-67, the VAT compliance obligation is centralized in insurance company; therefore, agents and brokers are no longer allowed to carry out VAT administrative matters. Accordingly, input VAT arising from this new regulation is not creditable for agents and brokers.

PMK-67 regulates that individual agents and brokers must register for NPWPs and (automatically) as PKPs.

Under PMK-67, the insurance company is appointed as VAT collector on commission paid to insurance agents and brokers.

Commission received by insurance agents and brokers is subject to VAT at the rates of 1.1% and 2.2%, respectively, starting from 1 April 2022. The VAT imposition base includes the gross commission in any form and name, excluding income tax and other tax collection. The commission of insurance agent includes the commission to downline as well.

VAT must be collected by the insurance company when the commission is paid to the insurance agent or when the premium is received by the insurance broker.

Agents and brokers are required to issue a VAT invoice where they can use certain documents equivalent to VAT invoices, as follows:

- A statement of account as proof of commission payment issued by the insurance company is determined as the VAT invoice for the insurance agent; and
- Invoice issued by the insurance broker is deemed as the VAT invoice.

For a document to be deemed as a VAT invoice, it must contain, at least, the following information:

- Name and NPWP of the PKP that delivers the agency or brokerage services;
- Serial number and date of the document produced by the PKP;
- The amount of commission or fee, in any name or form, earned or received by the PKP; and
- Amount of VAT collected.

Insurance company, as a VAT collector, is obliged to collect VAT and settle it to the tax treasury by using one tax payment slip for the entire VAT collected from agents and brokers within one month. Insurance company must use *SPT Masa PPN 1107 PUT*. If there is a mistake in VAT collection that results in an overpayment, the insurance company can apply for a tax overbooking or VAT refund.

Customs Focus

New stipulation of Goods Classification System and Imposition of Import Duty Tariffs on imported goods

The goods classification system in the 2017 Harmonized System (HS) and 2017 ASEAN Harmonized Tariff Nomenclature (AHTN) has now been updated to the 2022 HS and 2022 AHTN versions (2022 Updated Versions), following the 5-year cycle update. MoF has issued MoF Regulation Number 26/PMK.010/2022 (MoF-26) and revoked MoF Regulation Number 06/PMK.010/2017 to govern new Stipulation of Goods Classification System and Imposition of Import Duty Tariffs on Imported Goods through the 2022 Updated Versions.

The salient points of MoF-26 are as follows:

Consequent update to the 2022 Indonesian Customs Tariff Book on the structure of Goods Classification System and Imposition of Import Duty Tariffs

The 2022 Updated Versions of the HS and the AHTN has triggered additional chapters, headings, and subheadings in the 2022 Indonesian Customs Tariff Book (*Buku Tarif Kepabeanan Indonesia* (BTKI)). BTKI is an Indonesian translation of the AHTN that is also updated every five years. The 2017 BTKI version is updated as follows in 2022:

Description	2017 BTKI (MoF-06)	2022 BTKI (MoF-26)
Total sections	21	21
Total chapters	98	99
Total headings	1,222	1,288
Total subheadings	5,387	5,612
Total subheadings of AHTN	10,813	11,414
Total headings of national tariffs	18 (Chapter 98) 5 (Chapter 99)	133 (Chapter 98) 5 (Chapter 99)

The additional subheadings in the 2022 AHTN accentuate the government's strategic focus area of Indonesia's industry and trade that had not been covered previously in the 2017 AHTN. These consist of, among others, the following:

- Batik and textile products;
- Crude palm oil;
- Agriculture products;
- Fish and fishery products;
- Respirators or ventilators;
- Hospital beds and some medical equipment;
- Products related to the development of electric vehicle industry; and
- Motor vehicles, electric bicycles, and similar products.

MoF-26 provides additions and changes to the structure of Goods Classification System and Imposition of Import Duty Tariffs in the 2022 BTKI to give incentive for the development of shipbuilding industry, with 0% import duty imposition.

Update on Chapter 98 of the 2022 BTKI

Specifically, Chapter 98 of the 2022 BTKI concerning Special Provisions for Transportation Equipment Industry has been restructured. There are additional headings 98.04 to 98.11 along with the subheadings related to ship components to indicate reclassification of ship components from other chapters to Chapter 98, as shown in the table below

Tariff heading	Good description
98.04	Ship components transferred from chapter 72
98.05	Ship components transferred from chapter 73
98.06	Ship components transferred from chapter 74
98.07	Ship components transferred from chapter 76
98.08	Ship components transferred from chapter 84
98.09	Ship components transferred from chapter 85
98.10	Ship components transferred from chapter 90
98.11	Ship components transferred from other chapters

MoF-26 applies to imported goods of which the customs notification documents have obtained a registration number and date when MoF-26 takes effect, i.e., 1 April 2022.

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