



Indonesia Tax Info

New Regulation on E-Commerce Trading

The Indonesian Government has issued Government Regulation Number 80 Year 2019 (“**GR-80**”) concerning trading via electronic system or e-commerce platform.

GR-80 serves as implementation of Article 66 of Law Number 7 Year 2014 concerning Trade (“Trade Law”). As the Trade Law have not specifically addressed e-commerce business, now GR-80 aims to provide basis of regulation for e-commerce business.

The salient tax-related points of GR-80 are highlighted below:

1. E-Commerce Practitioners

GR-80 defines e-commerce terminologies, such as e-commerce trading, electronic system, electronic contract, and electronic communication. Parties involved in conducting the e-commerce business are also defined as follows:

- E-commerce provider is an individual or business entity who provides the communication platform in e-commerce business.
- Merchant is an individual or business entity trader who conducts trading business through e-commerce provider.

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- Intermediary provider is an individual or business entity who provides facilities, including communication, between e-commerce provider and merchant.

The above parties can be either local or foreign entity.

2. Foreign E-Commerce Practitioners

Foreign e-commerce practitioners would be deemed to have domestic physical presence if they fulfil threshold of certain criteria, which include:

- Number of transactions;
- Transaction value;
- Number of shipping packages; and
- Number of traffic/users.

The criteria will be further regulated in implementing regulation by the Minister of Trade.

Foreign e-commerce practitioners should appoint representative in Indonesia who is authorized to act on their behalf. If they meet such requirement, they will need to register their representative for Tax Identification Number (*Nomor Pokok Wajib Pajak*/"NPWP"). This may lead to potential Permanent Establishment (PE) issue in Indonesia.

3. Taxation

As stipulated in GR-80, the taxation aspects for E-Commerce business will follow the prevailing taxation laws. Currently the Government is in the process of drafting an Omnibus Law on taxation, which will include taxation of digital transactions.

For the legal aspect of GR-80, please refer to [Client Alert](#) issued by Hermawan Juniarto & Partners dated 16 December 2019.



Exemption of Administrative Sanction for Late Filing of October 2019 Income Tax (PPH) Returns

Director General of Taxation (“DGT”) has issued Decision Letter Number KEP-692/PJ/2019 to exempt the administrative sanction for taxpayers and will not issue any Tax Collection Letter for the late filing of October 2019 Income Tax (PPH) Return to taxpayers who qualify the following conditions:

1. Unable to submit through e-filing system on 20 November 2019; and
2. Unable to submit through e-filing system, directly, post, courier, or expedition services on 21 November 2019 up to 26 November 2019.

The exemption is provided as the DGT’s application system experienced technical issue (error) at the abovementioned dates.

Indonesia-Tajikistan Tax Treaty

President of the Republic of Indonesia has ratified the Double Taxation Avoidance (“DTA”) Agreement between The Government of the Republic of Indonesia and The Government of the Republic of Tajikistan through issuance of Presidential Regulation Number 76 Year 2019. The DTA itself was signed on 28 October 2003 in Indonesia.

The maximum withholding tax rates on dividend, interest, and royalties, as well as the Permanent Establishment time test of this DTA are summarized below:

Dividend	Interest	Royalties	PE Tax ⁽¹⁾	Time Test ⁽²⁾
10%	10%	10%	10%	6 months or 91 days

Notes:

- 1) Levied on total profit after tax as stipulated in Art. 26 paragraph 4 of Indonesian Income Tax Law
- 2) 6-month time test applies to a building site, construction, assembly or installation project, or supervisory services in connection therewith. Meanwhile, 91-day time test applies to consulting and other services.

The DTA shall come into force on the latter date, on which the respective Governments notify each other in writing that formal requirements have been complied with. The provisions of the DTA in respect of tax withheld at source on income derived on or after 1 January shall apply in the year after the DTA comes into force.

Contact Persons

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