Indonesia

Indonesia Issues Guidelines for VAT on Import of Digital Goods and Services

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On 15 May 2020, the Directorate General of Taxation announced the issuance of guidelines regarding the procedure for the collection, deposit and reporting of value added tax (VAT) to be imposed on the consumption of digital products from abroad (see Indonesia-1, News 3 April 2020). From 1 July 2020, the import of digital products in the form of intangible goods and services by domestic consumers will be subject to VAT at the rate of 10%. The imposition of VAT on imported digital goods and services such as streaming music subscriptions, streaming films, digital applications and games, and online services, is expected to provide additional tax revenue for the government to cope with the economic impact as a result of the COVID-19 outbreak and is also a part of the government's effort to create a level playing field for all businesses. The guidelines are included in Ministry of Finance Regulation No. 48/PMK.03/2020 of 5 May 2020. The salient features of the regulation are set out below.

– Digital goods are any intangible goods in electronic form including but not limited to software, multimedia and electronic data. Digital services are services provided through the Internet or electronic network, automated or with little human intervention and with the use of information technology including but not limited to software-based services.

– A representative who meets certain criteria as provided in the regulation will be responsible for collecting and remitting the VAT on the sale of taxable digital goods and the provision of taxable digital services to the consumers in Indonesia.

– Consumers in Indonesia include:
  – a person who resides in Indonesia;
  – a person who makes payment by using the payment facility provided by an institution in Indonesia; or
  – a person who transacts by using the Internet protocol address in Indonesia or using the telephone code in Indonesia.

– VAT must be collected at the time of payment made by the consumers and the tax invoice issued must fulfil the prescribed formats.

– The taxable period is 3 months and the VAT collected must be remitted by the end of the following month after the taxable period in a prescribed form.

See also

Indonesia-1, News 3 April 2020
Indonesia - Corporate Taxation - Country Surveys section 8.7.
Indonesia - Country Analyses - Corporate Taxation section 13.11.