



VAT on sales of digital products to Indonesian customers


Directorate General of Taxes
Ministry of Finance
Government of Indonesia




Background



Background

- VAT has been in place in Indonesia since 1984
 - Most goods and services consumed in Indonesia are taxed at a flat rate of 10 percent
 - Millions of consumers in Indonesia now acquire and use services and goods over the Internet, including from overseas sellers
- 

Background


- Such imports of digital products to consumers in Indonesia by overseas sellers do not include VAT, creating an uneven playing field to domestic businesses
 - To rectify this, the Indonesian government is introducing a mechanism to collect VAT from imported digital products
 - Regional and global comparisons reveal that such VAT collection is part of growing international best practice
- 




Highlights of the new VAT rules




The new VAT measure

- From 1 July 2020, VAT will apply to sales of digital products by overseas sellers to Indonesian customers
 - Overseas businesses selling digital products to Indonesian customers will be responsible for:
 - charging and collecting VAT, and
 - meeting reporting, payment and record-keeping requirements
- 


Defining Indonesian customers

- Customers providing Indonesian billing address or mailing address
 - Customers paying with payment facilities issued or provided by Indonesian financial institutions
 - Customers placing orders using Indonesian IP address or country calling code
- 

Products covered by the new measure

- Digital goods, including but not limited to:
 - Movies, music, and other audio-visual content
 - Computer software, mobile apps, and games
 - Electronic books, magazines, and comics
 - Digital services, including but not limited to:
 - Web hosting
 - Videoconferencing services
 - Other services delivered through computer network
- 

Who charges VAT

- Sellers who met certain conditions will be appointed by the Director General of Taxes to charge VAT
 - Sellers include:
 - overseas merchants or online retailers selling digital goods or digital services
 - overseas online marketplace operators
 - Indonesian online marketplace operators selling digital products from outside Indonesia
 - Sellers who met the requirements but not appointed yet, are invited to inform the DGT to be appointed
- 

Threshold for appointment

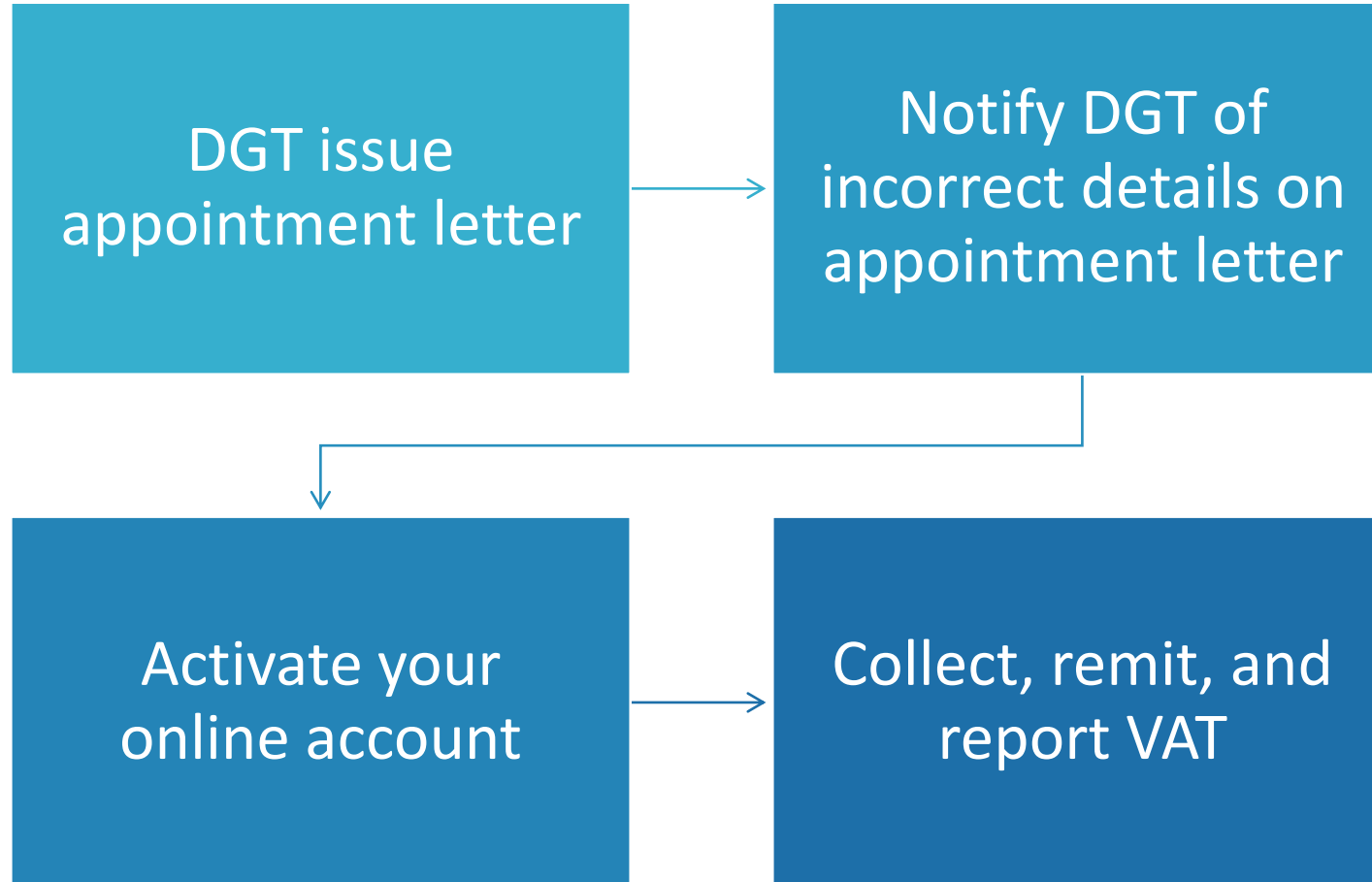
- Sales
 - Annual: IDR 600 million
 - Monthly: IDR 50 million
- Number of visitors
 - Annual: 12,000
 - Monthly: 1,000




How to comply with the new VAT measure




After you are appointed




When to charge VAT

- The VAT rate is 10 percent
 - Applied at the point-of-sale against the taxable amount which is the amount payable by the customer before any taxes
 - The seller must issue a VAT receipt showing the amount of payment and detailing the VAT component of the sale
- 


Sales on online retailers/marketplaces

- You are responsible for charging VAT on sales made directly to Indonesian customers
 - You are *not* responsible for VAT collection for sales made through online retailers/marketplace
- 

Business purchasers claiming input tax

- VAT paid for business purchases can be credited as input tax by Indonesian business purchasers
 - To be eligible, the invoice must display the name and tax identification number (NPWP) of the purchaser
 - Alternatively, the invoice must show the email address of the buyer and must match the email address in DGT records
 - If the invoice does not contain the above elements, input tax can still be claimed so long as the buyer can prove its account with you does contain its name and NPWP, or its DGT-registered email address
- 

VAT payments

- All VAT collected during a month must be paid to the Indonesian Government.
 - Payment must be made by the payment due date, which is the end of the following month.
 - Payment can be made in Indonesian Rupiah, the United States dollar, or other currency approved by the Director General of Taxes
 - You can choose your payment currency on your online account
 - Use these codes for payment:
 - Tax account code = 411219
 - Payment type = 111
- 

VAT reporting

- You will need to submit quarterly VAT reports (even when there is no transaction during the quarter)
- At a minimum, the reports must include:
 - number of customers
 - amount of sales
 - amount of VAT collected
 - amount of VAT paid
- The due date for each report is the end of the month after the end of the quarter (31 January, 30 April, 31 July, and 31 October)
- Report to be made in English or Bahasa Indonesia, and in your payment currency

Special reporting requirements

- The Director General of Taxes may require a seller to provide a detailed report covering a period of one calendar year
- At a minimum, this report should include:
 - the record number and dates of VAT receipts
 - amount of sales
 - amount of VAT collected
 - names and tax identification numbers of the customers (if on record)
 - phone number, email address, or other contact details of the buyers

Example

- MovieStreaming Ltd, a merchant in the United Kingdom, satisfies the threshold requirements, and the Director-General of Taxes on 10 July 2020 appoints MovieStreaming Ltd. as a VAT collector.
- From 1 August 2020 all sales made by MovieStreaming Ltd to Indonesian customers are taxable sales.
- On 1 August 2020, Nadya, an Indonesian customer buys a digital product from MovieStreaming Ltd. The seller must charge Nadya a price that includes the VAT. If the price of the product before VAT is \$30, then MovieStreaming Ltd. should charge Nadya \$33 which includes a \$3 VAT component.
- MovieStreaming Ltd. must pay the VAT it collects in August 2020 by the payment due date, which is the end of the following month namely 30 September 2020.
- The VAT collector must also submit its VAT return for August to September 2020 in the quarterly report (period July to September 2020) by the filing's due date, which is the end of the following month namely 31 October 2020.



**Directorate General of Taxes
Jalan Gatot Subroto 40-42
Jakarta, 12190
Republic of Indonesia**