

Indonesia issues e-commerce trading regulation

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The Government of Indonesia issued Government Regulation No. 80 Year 2019 (GR-80) on 25 November 2019¹ to regulate several aspects of e-commerce trading including compliance, legal and tax considerations. GR-80 covers both transactions between business to business (B2B) and/or business to consumer (B2C).

While GR-80 is not a tax regulation, this Tax Alert highlights the potential tax impacts for international e-commerce businesses.²

Introduction of thresholds to deem physical presence for international e-commerce businesses³

International e-commerce businesses that actively offer and/or conduct e-commerce activities to consumers domiciled in Indonesia may be deemed to have a physical presence and carry out business activities in Indonesia if they exceed certain thresholds with respect to:

- a. Number of transactions
- b. Transaction value
- c. Number of shipping packages
- d. Amount of traffic or access

The thresholds are to be set by subsequent regulations. If the thresholds are exceeded, an international e-commerce business is required to appoint a tax representative in Indonesia.⁴ Any local and international e-commerce activities in Indonesia are subject to prevailing tax laws and regulations.

The impact of GR-80 is likely to be wide reaching and it is unclear how GR-80 will interact with the current Income Tax Law and in particular, the definition of permanent establishment. The impact will be assessed after the new Income Tax Law is finalized⁵ which is expected to contain other digital tax changes including the introduction of

a value-added tax collection mechanism. International e-commerce businesses should closely monitor these developments and consider the impacts on business models.

Transition period

Any e-commerce businesses that have conducted e-commerce activities in Indonesia before the enactment of GR-80 must comply within two years after the effective date, i.e., by 25 November 2021.

Endnotes

1. GR-80 is the implementing regulation for Law No 7/2014 in relation to Trading and Trading Activities through Electronic Systems.
2. An international e-commerce business is broadly defined to include international merchants, international e-commerce platform providers and international intermediary services providers in the form of companies and individuals.
3. Key features remain unclear until the implementing regulations are released. The Minister of Finance will issue an implementing regulation to provide further detail, including the thresholds.
4. The process to appoint a representative is to be undertaken in accordance with prevailing laws and regulations (which are not yet released).
5. See EY Global Tax Alert, [Indonesia announces plan for key tax changes](#), dated 10 September 2019.

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