

Arnaldo Purba

# PERKEMBANGAN TERKINI PEMAJAKAN EKONOMI DIGITAL

SEMINAR NASIONAL HUT IAI  
Gedung Utama TVRI, Jakarta, 5 Desember 2019

# OUTLINE



**1**

**INTRODUCTION**

**2**

**KEY ISSUES**

**3**

**LONG-TERM SOLUTION**

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**INDONESIA POSITION**

# Taxing the Digital Economy

## Introduction

# What is the digital economy?

It's the economic activity resulting from **the billions of online connections among:**



**It's changing everything.**

**86%**

of respondents say hyperconnectivity benefits their organizations.

**70%**

of respondents say hyperconnectivity presents more opportunities than threats.

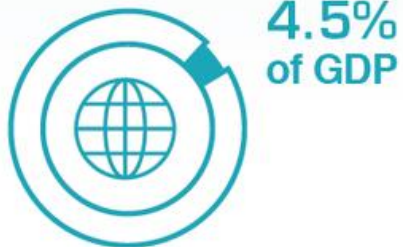
Source: SAP survey of 561 executives, 2015

Source: MIT Technology Review, 2016

# What do we know about the size and the scope of the digital economy?

**Global digital economy** estimates range from:

**Narrow definition**



**Broad definition**



**US** Digital economy in 2017 has been estimated to account for:

**Narrow definition**

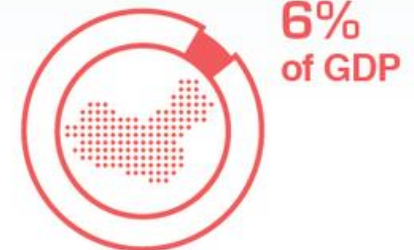


**Broad definition**

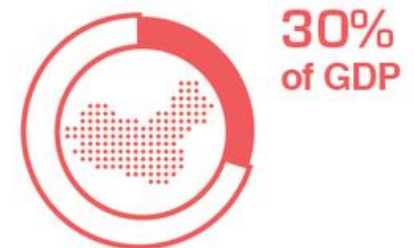


**China:** digital economy in 2017 has been estimated to account for:

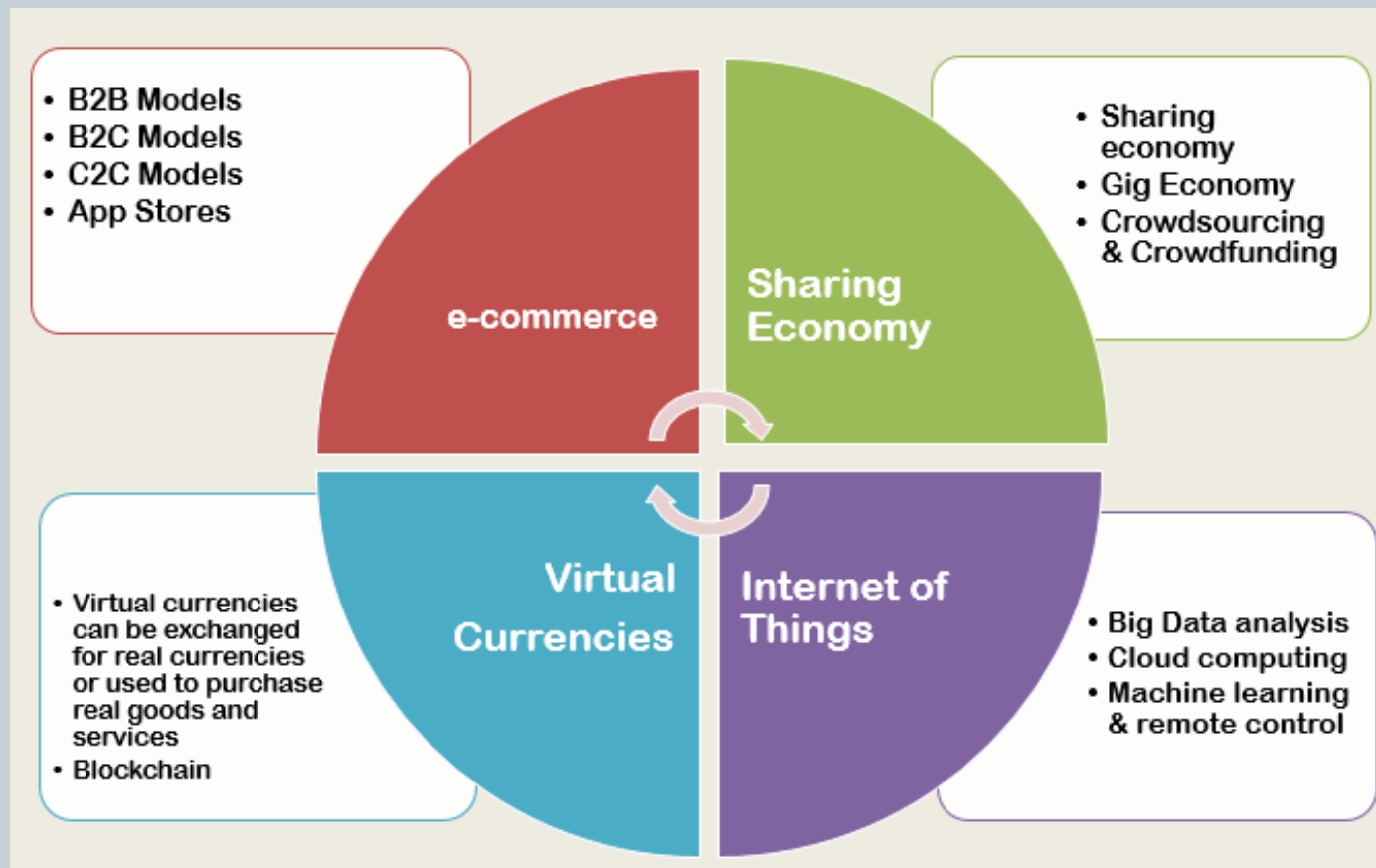
**Narrow definition**



**Broad definition**



# ELEMENTS OF THE DIGITAL ECONOMY



## Taxing the Digital Economy

### Key Issues

# Tax Treaty

## Art. 7: Business Profit

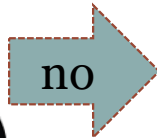
**Domicile country**

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**Source country**



**Physical Presence?**



**No PE**



**No TAX**



**Yes PE**



**Yes TAX**



# BUT Tempat Usaha Tetap

## Pasal 5 (1) PMK No. 35/PMK.03/2019



Tempat kedudukan manajemen	Ruang untuk promosi dan penjualan
Cabang perusahaan	Pertambangan dan penggalian sumber alam
Kantor perwakilan	Wilayah kerja pertambangan minyak dan gas bumi
Gedung kantor	Perikanan, peternakan, pertanian, perkebunan, atau kehutanan
Pabrik	Komputer, agen elektronik, atau peralatan otomatis yang dimiliki, disewa, atau digunakan untuk menjalankan usaha melalui internet
Bengkel	
Gudang	



# Digital Services Tax : Unilateral Measures



United Kingdom

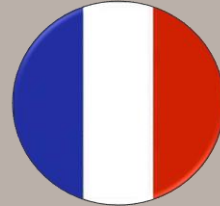
2%

## Threshold:

Global: £500Mill

UK: £25Mill

- a social media platform,
- search engine; and
- online marketplace



France

3%

## Threshold:

Global: €750Mill

FRA: €25Mill

- digital interface to enable users of platforms to interact with each other in order to exchange goods or services
- Advertising conducted on digital interfaces
- The resale and management of personal data for advertising purposes



Italy

3%

## Threshold:

Global: €750Mill

ITA: €5,5Mill

- advertising
- a digital multilateral interface
- Transmission of data collected from users

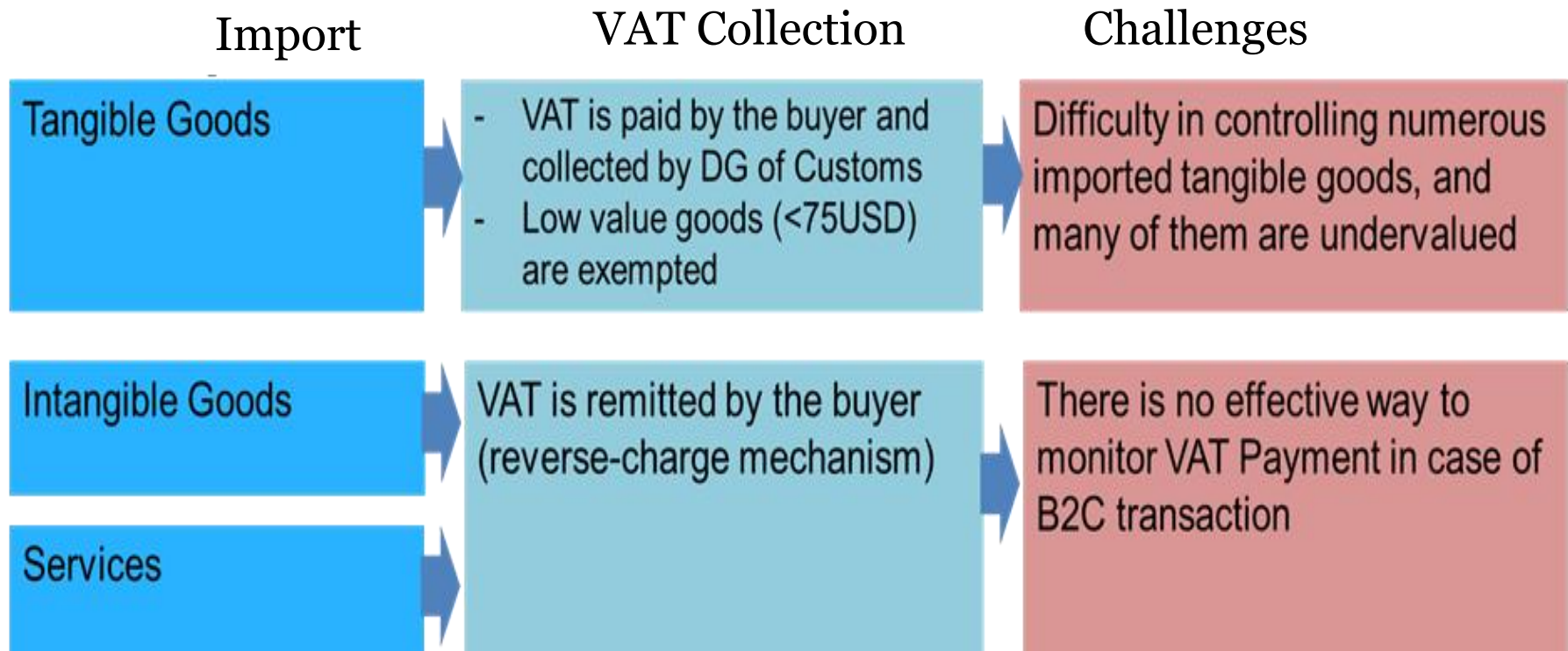
# Key issue of Taxing the Digital Economy : Value Added Tax

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Destination vs. Origin  
Based Sales Tax



# Challenges for Cross-border transaction: Indirect Tax



# Taxing the Digital Economy: ASEAN Countries



Philippines

**VAT:**

**12%**

\$37,316

**3%**

**Below  
threshold**



Thailand

**VAT:**

**7%**

\$45.76



Vietnam

**VAT:**

**10%**

\$4,300



Singapore

**GST:**

**7%**

\$290.17

**Starting  
1 January  
2020**



Malaysia

**DST:**

**6%**

\$120,000

**Starting  
1 January  
2020**

# - KEY ISSUES -



**Income tax**

**: Fair taxing right**



**VAT**

**: Level playing field**

## **Taxing the Digital Economy**

# **Indonesia's Existing Regulation**

# Indonesia e-Commerce Road Map

## 2017-2019

(Presidential Decree No. 74 Year 2017)

### SIMPLIFICATION:

- ✓ Simplification for e-commerce SME
- ✓ Incentive for e-commerce investor
  - Venture capital
  - Angel Investor (Individuals who voluntarily invest their personal money) and Other investor for start-up

### REGISTRATION PROCEDURE

- ✓ Regulation for Registration through electronic system

### EQUAL TREATMENT

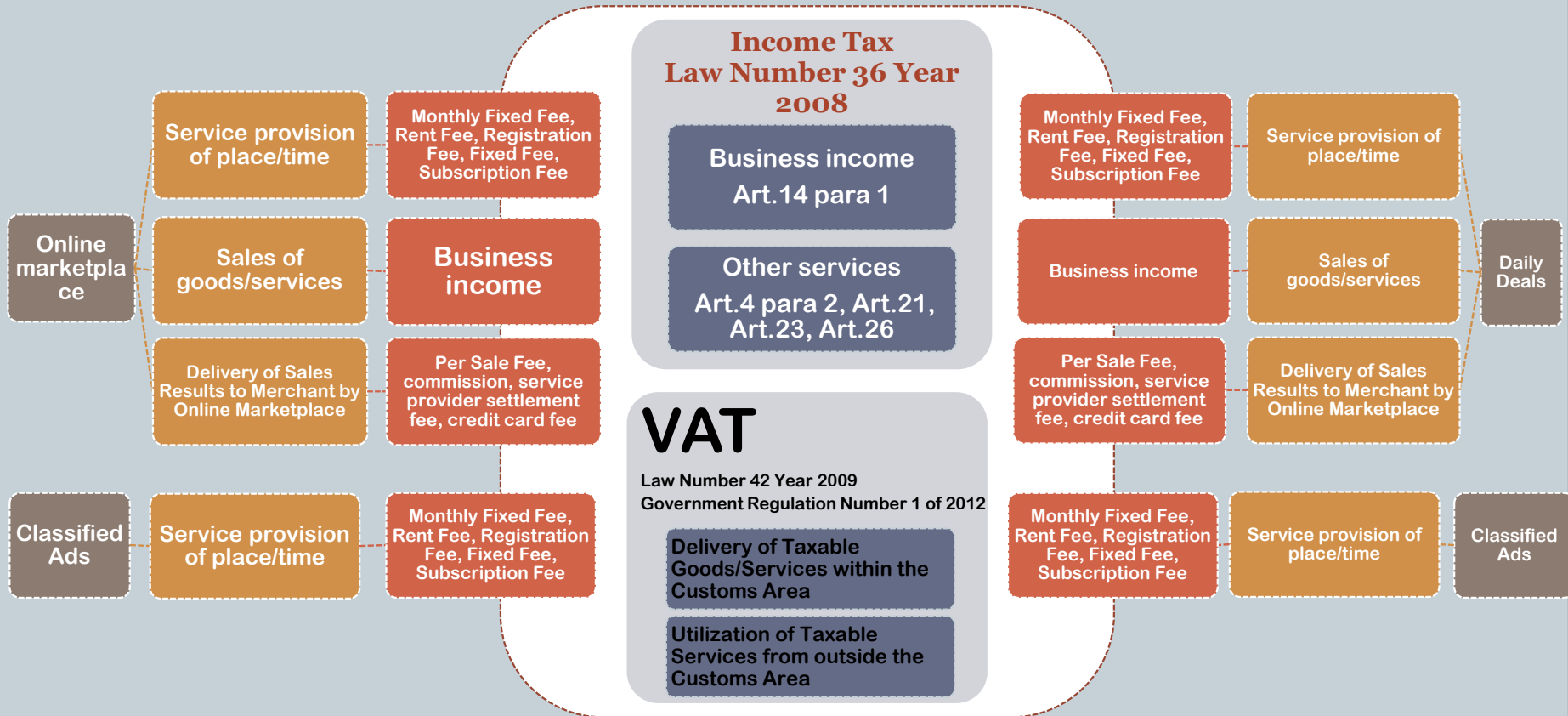
- ✓ Regulation to tax global e-commerce player as well as local player

### Tax Program





# Indonesia Existing Law and Regulation

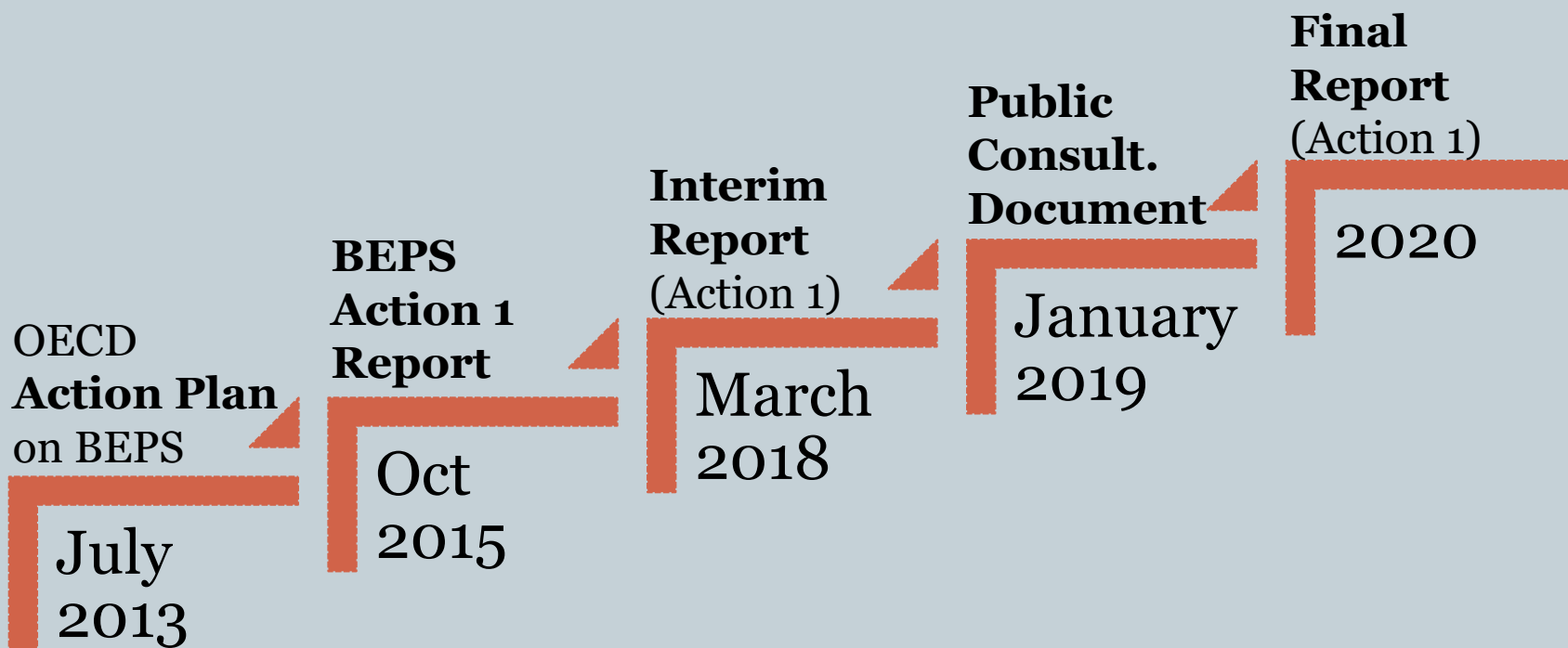


Circular Letter of Director General of Taxes No. SE-62/PJ/2013

## Taxing the Digital Economy

# Proposals: Long-term Solution

# TIMELINE



# Current Development Task Force on the Digital Economy

## 1st Pillar

Nexus & Profit Allocation

User Participation

Marketing Intangibles

Significant Economic Presence

## 2nd Pillar

Global anti-base erosion proposal

**1. Income inclusion rule** that would tax the income of a foreign branch or a controlled entity if that income was subject to a low effective tax rate in the jurisdiction of establishment or residence

**2. A tax on base eroding payments** that would deny a deduction or treaty relief for certain payments unless that payment was subject to an effective tax rate at or above minimum rate

**Taxing Income where value is created**

Public consultation document  
**Secretariat Proposal for  
a “Unified Approach”  
under Pillar One**

9 October 2019 – 12 November 2019



Public consultation document  
**Global Anti-Base Erosion  
Proposal (“GloBE”) -  
Pillar Two**

8 November 2019 – 2 December 2019





# Next Steps & Key Dates

Refine and agree on a  
Unified Approach

Work on development of a  
global solution

OCT/19

- UA Presented to G20 FMs

NOV/19

- Public Consultations

JAN/20

- IF Meeting

JUL/20

- G20 FM Meeting

NOV/20

- G20 Leaders' Summit

*Source: OECD*

**Part 2: UPDATES ON  
DIGITAL ECONOMY TAXATION**

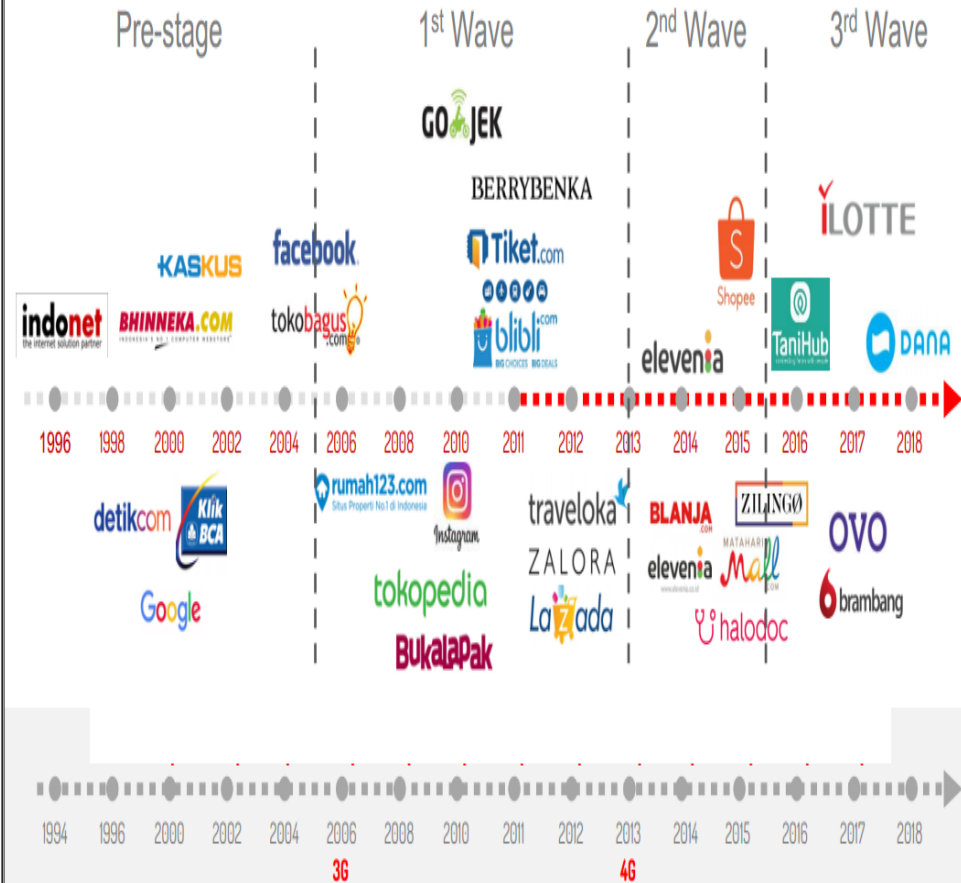
# Indonesia Position

# INDONESIAN CURRENT DIGITAL ECONOMY OVERVIEW

TOP 20 COUNTRIES WITH HIGHEST NUMBER OF INTERNET USERS - JUNE 30, 2019

#	Country or Region	Population, 2019 Est.	Population 2000 Est.	Internet Users 30 June 2019	Internet Users 31 Dec 2000	Internet Growth 2000 - 2019
1	<a href="#">China</a>	1,420,062,022	1,283,198,970	829,000,000	22,500,000	3,584 %
2	<a href="#">India</a>	1,368,737,513	1,053,050,912	560,000,000	5,000,000	11,100 %
3	<a href="#">United States</a>	329,093,110	281,982,778	292,892,868	95,354,000	207 %
4	<a href="#">Brazil</a>	212,392,717	175,287,587	149,057,635	5,000,000	2,881 %
5	<a href="#">Indonesia</a>	269,536,482	211,540,429	143,260,000	2,000,000	7,063 %
6	<a href="#">Japan</a>	126,854,745	127,533,934	118,626,672	47,080,000	152 %
7	<a href="#">Nigeria</a>	200,962,417	122,352,009	119,506,430	200,000	59,653 %
8	<a href="#">Russia</a>	143,895,551	146,396,514	109,552,842	3,100,000	3,434 %
9	<a href="#">Bangladesh</a>	168,065,920	131,581,243	94,445,000	100,000	94,345 %
10	<a href="#">Mexico</a>	132,328,035	101,719,673	88,000,000	2,712,400	3,144 %
11	<a href="#">Germany</a>	82,438,639	81,487,757	79,127,551	24,000,000	229 %
12	<a href="#">Turkey</a>	82,961,805	63,240,121	69,107,183	2,000,000	3,355 %
13	<a href="#">Philippines</a>	108,106,310	77,991,569	67,000,000	2,000,000	3,250 %
14	<a href="#">Vietnam</a>	97,429,061	80,285,562	64,000,000	200,000	31,900 %
15	<a href="#">United Kingdom</a>	66,959,016	58,950,848	63,356,621	15,400,000	311 %
16	<a href="#">Iran</a>	82,503,583	66,131,854	62,702,731	250,000	24,981 %
17	<a href="#">France</a>	65,480,710	59,608,201	60,421,689	8,500,000	610 %
18	<a href="#">Thailand</a>	69,306,160	62,958,021	57,000,000	2,300,000	2,378 %
19	<a href="#">Italy</a>	59,216,525	57,293,721	54,798,299	13,200,000	315 %
20	<a href="#">Egypt</a>	101,168,745	69,905,988	49,231,493	450,000	10,840 %
<b>TOP 20 Countries</b>		<b>5,187,499,066</b>	<b>4,312,497,691</b>	<b>3,131,087,014</b>	<b>251,346,400</b>	<b>1,145 %</b>
<b>Rest of the World</b>		<b>2,528,724,143</b>	<b>1,832,509,298</b>	<b>1,291,407,608</b>	<b>109,639,092</b>	<b>1,077 %</b>
<b>Total World</b>		<b>7,716,223,209</b>	<b>6,145,006,989</b>	<b>4,422,494,622</b>	<b>360,985,492</b>	<b>1,125 %</b>

## Milestone E-commerce Indonesia



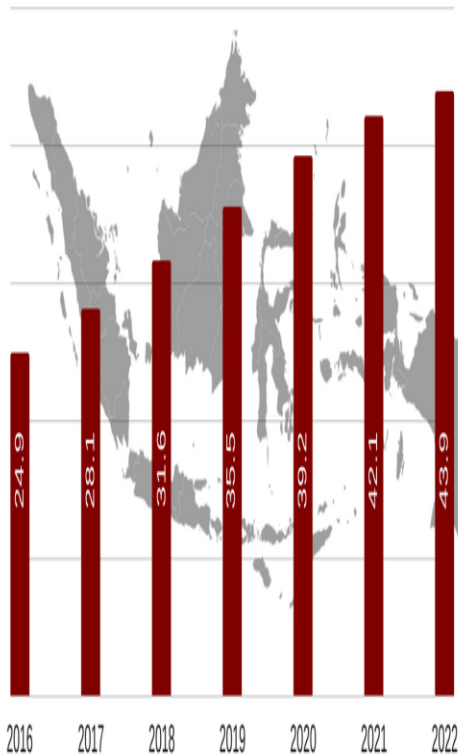
Source: <https://www.internetworldstats.com/top20.htm>

Source: idEA (indonesian E-commerce Association)



# INDONESIAN CURRENT DIGITAL ECONOMY OVERVIEW

NUMBER OF ONLINE SHOPPERS IN INDONESIA  
(in millions)



Source: Statista, eCommerce Indonesia, User in millions

eshopworld

## Retail Ecommerce Sales as a Percent of Total Retail Sales in Select Countries in Asia-Pacific and Worldwide, 2014-2019

	2014	2015	2016	2017	2018	2019
China*	12.4%	15.9%	19.6%	23.8%	28.6%	33.6%
South Korea	10.3%	11.2%	12.1%	13.0%	13.9%	14.7%
Japan	5.9%	6.7%	7.5%	8.2%	9.0%	9.7%
Australia	5.6%	5.9%	6.3%	6.6%	6.9%	7.2%
India	0.8%	1.7%	2.6%	3.6%	4.4%	4.8%
Indonesia	0.8%	1.4%	2.2%	3.1%	3.9%	4.4%
Other	3.0%	3.2%	3.4%	3.4%	3.7%	3.8%
<b>Asia-Pacific</b>	<b>8.2%</b>	<b>10.2%</b>	<b>12.4%</b>	<b>14.9%</b>	<b>17.6%</b>	<b>20.4%</b>
<b>Worldwide</b>	<b>6.3%</b>	<b>7.4%</b>	<b>8.6%</b>	<b>9.9%</b>	<b>11.4%</b>	<b>12.8%</b>

**Indonesia is the 6<sup>th</sup> largest retail e-commerce buyers in Asia-Pacific, with total purchase USD10.92 million in 2018.**

**However, retail e-commerce sales in Indonesia grows 22% annually, which is the highest.**

# INDONESIA POSITION

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## on Income Tax

Potential drawbacks of unilateral measures:

1. Double taxation
2. Dispute
3. Economic disruption
4. Legal & technical issues
5. Must be revoked when a global consensus is reached

# INDONESIA POSITION

## on VAT

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**THANK YOU**