

Current Update Taxation Aspect on Digital Economy

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Agenda

- Digital Business
- Companies with the largest market capitalization
- Characteristic of Digital Business
- How to create value from digital data?
- E-commerce in the landscape of digital platforms
- Taxes Challenges in Indonesia
- Consensus-based solution by the end of 2020 for Income Taxes

Example of Digital Business




... capitalizes on the widespread adoption of smartphones and does not own and maintain vehicles that allows them to maintain relatively low capital assets.



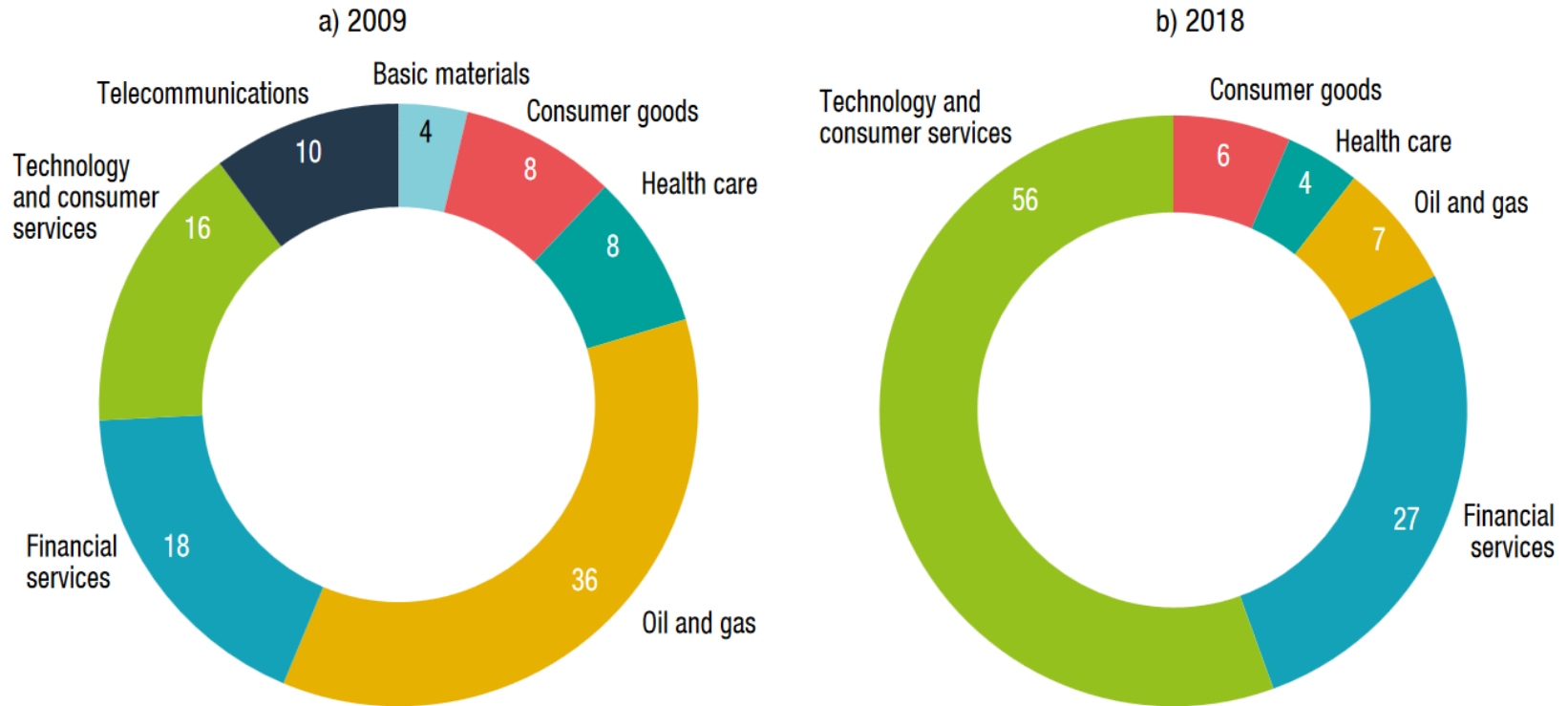
... stream video on demand, and transformed the way that people view film and television media.



... using Magic Band  in the park to improve Park experience: going to an attraction, staying in a hotel, dining at a restaurant, taking a photo and sending it to friends or family, and buying merchandise as a souvenir.

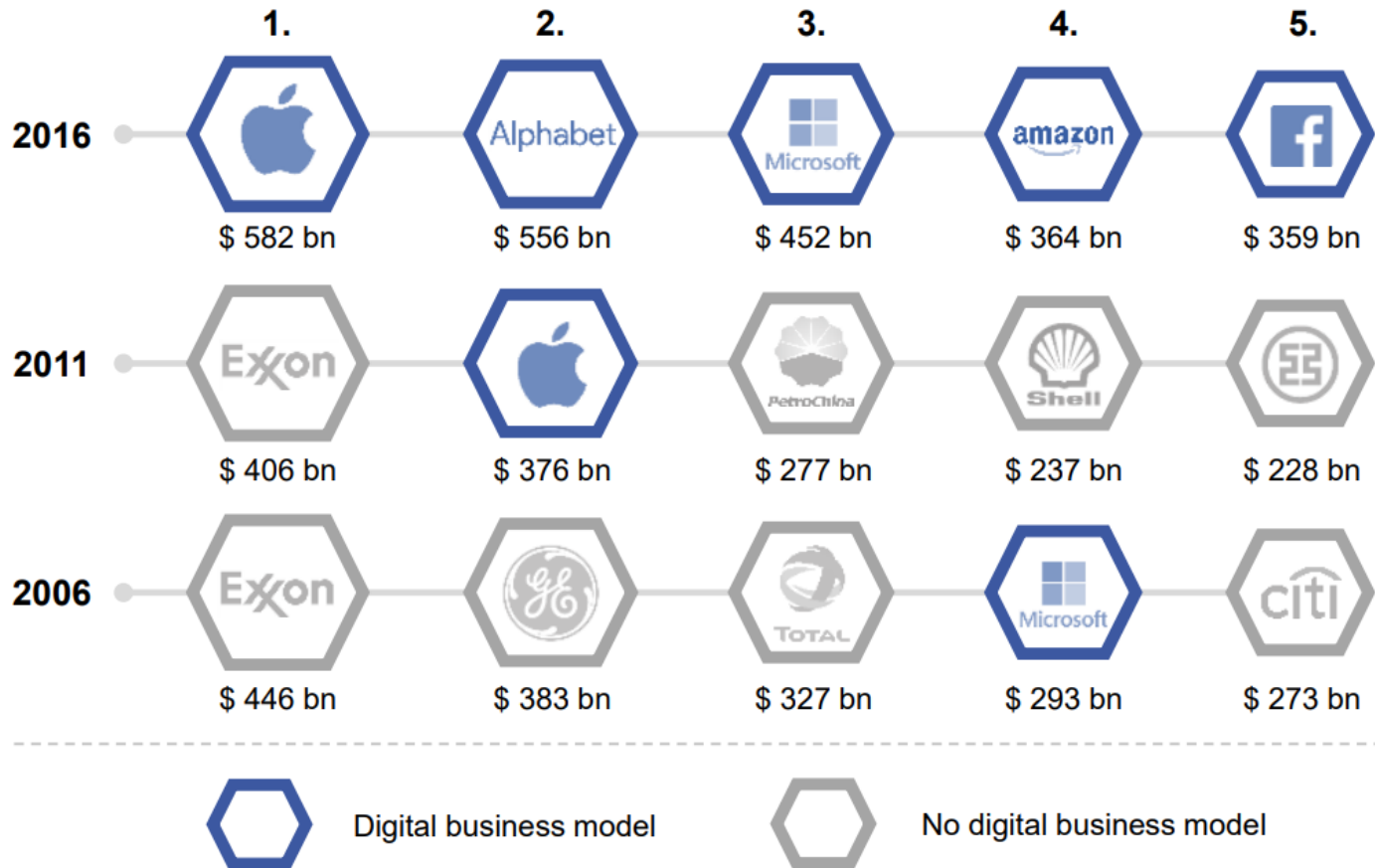


World's top 20 companies by market capitalization by sector (per cent)



Source: Digital Economy Report 2019 - Untac

Companies with the largest market capitalization



Source: Digital Business Model Innovations - International Association of Controllers

Characteristic of Digital Business

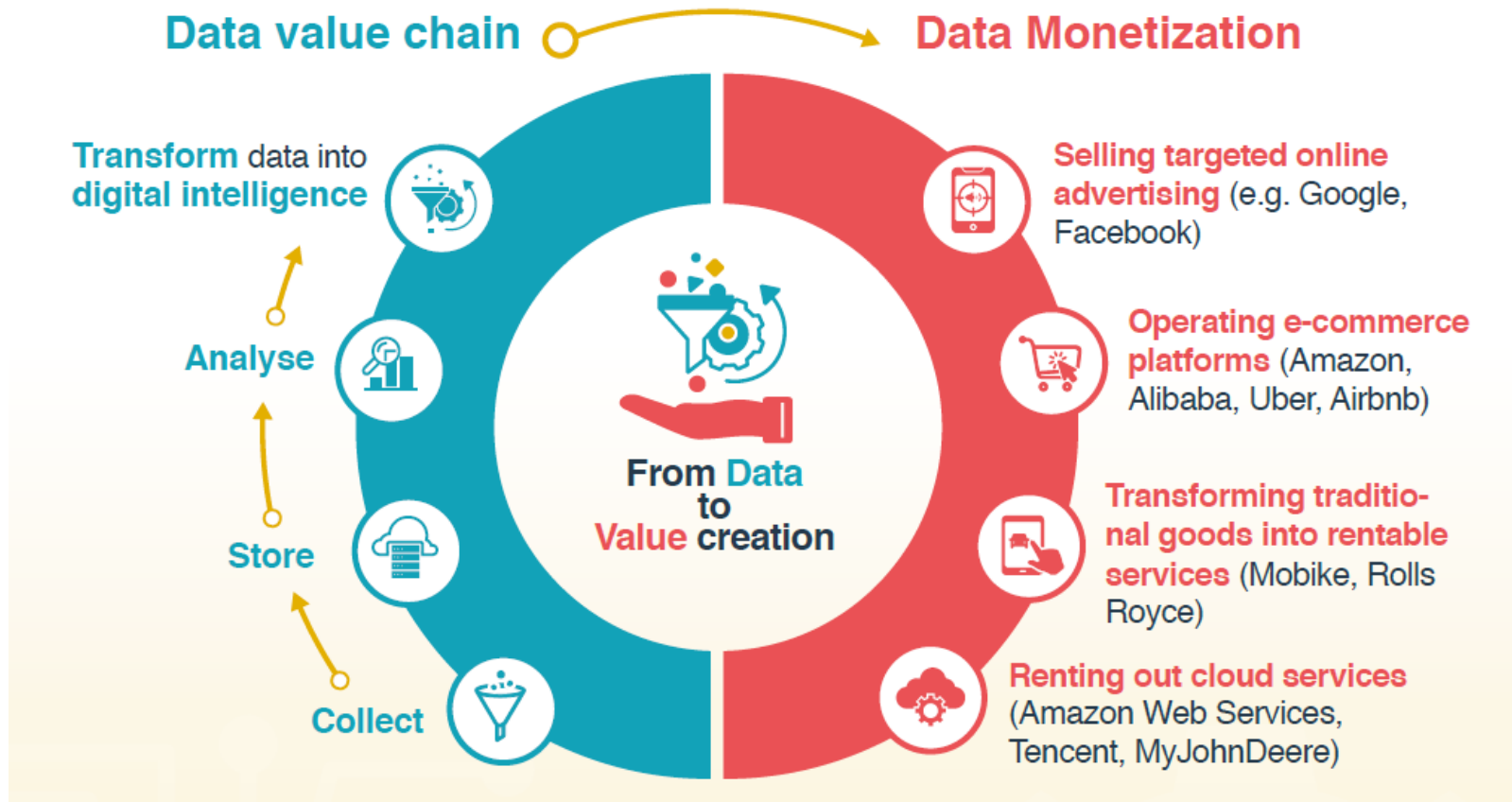
Cross jurisdictional scale without mass

Heavy reliance on intangible assets,
especially intellectual property (IP)

the importance of data, user participation
and their synergies with IP.

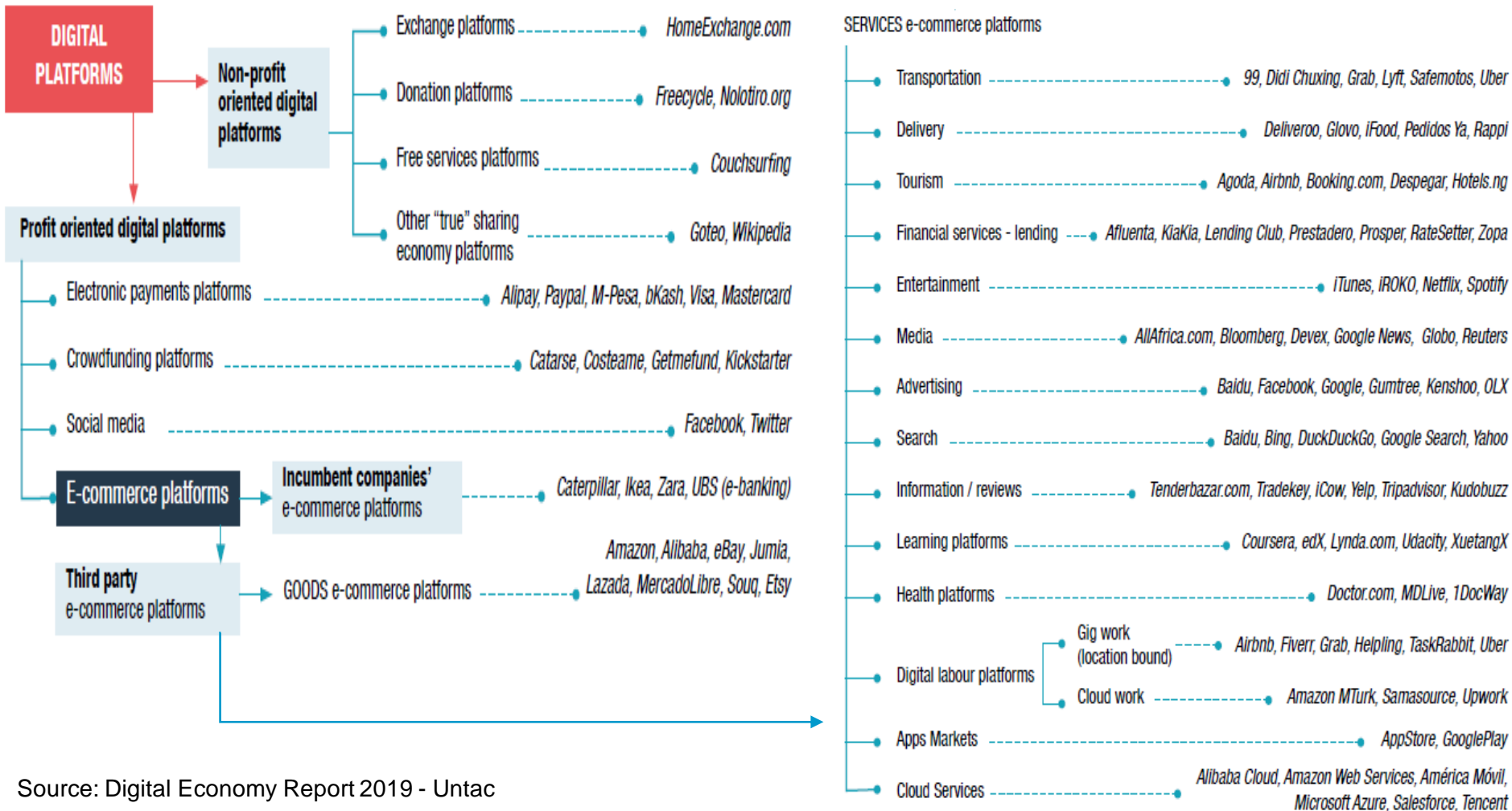


How to create value from digital data?



Source: Digital Economy Report 2019 - Untac

E-commerce in the landscape of digital platforms



Source: Digital Economy Report 2019 - Untac

Taxes Challenges in Indonesia

	Taxes Challenges	Draft of Omnibus Law
Income Taxes and Value Added Taxes on the domestic transaction	Determine the type of digital business	-
Income Taxes on the international transaction	Definition of permanent establishment in Tax Treaty only recognize physical presence	The government will expand the Permanent Establishment (PE) definition for digital companies conducting businesses in Indonesia. The PE will not be determined by physical presence but by Significant Economic presence.
Value Added Taxes on the international transaction	How to collect VAT for Cross-border transactions using digital platform, especially if the users are individual consumers?	The government will enforce digital companies (electronic based companies) to collect, pay and report VAT to Tax Authority in order to avoid tax avoidance.

Consensus-based solution by the end of 2020 for Income Taxes

OECD Proposals



Pilar 1

Re-allocation of profit and revised nexus rules

This pillar will explore potential solutions for determining where tax should be paid and on what basis ("nexus"), as well as what portion of profits could or should be taxed in the jurisdictions where clients or users are located ("profit allocation").

Pillar 2

Global anti-base erosion mechanism

This pillar will explore the design of a system to ensure that multinational enterprises – in the digital economy and beyond – pay a minimum level of tax. This pillar is intended to address remaining issues identified by the OECD/G20 BEPS initiative by providing countries with new tools to protect their tax base from profit shifting to jurisdictions which tax these profits at below the minimum rate.



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