

VAT on Foreign E-Commerce: New Regulations

by Michelle Noviangel



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To help redress the impact of Covid-19 on the national economy, the Government has introduced a value added tax of 10% on e-commerce transactions between Indonesia and other countries (Regulation No. 48).^{*} The new tax will be imposed on the purchase of intangibles goods and services, including digital products and services, delivered electronically to Indonesians from other countries.

Regulation No. 48 requires that VAT must be collected, deposited and reported by the foreign trader, foreign service provider, foreign and/or domestic trading organizer (**VAT collectors**). VAT Collectors are appointed by the Director General of Taxes based on the following criteria:

- value of transactions in Indonesia; and/or
- amount of traffic or access;

exceeds a certain amount in 12 months determined by the Director General of Taxes.

VAT Collectors shall make a proof of VAT collection in the form of commercial invoices, billing, order receipts, or similar documents, which state the collection of VAT and have made payments.

VAT Collectors must deposit collected VAT electronically to the state treasury. Regulation No. 48 also sets out reporting requirements for VAT Collectors.

Regulation No. 48 came into force on 1 July 2020.

^{*}Minister for Trade Regulation Number 48/PMK.03/2020 of 2020 concerning the Procedures for the Appointment of Collectors, Collections and Deposits, as well as the Reporting of Value Added Tax for the Use of Non-Material Taxable Goods and/or Taxable Services from Outside of Customs Territory within Custom Areas through Trade via Electronic Systems.

Construction Services: Clarifying the Regulations

by Woro Nastiti

The Minister for Justice and Human Rights issued new regulations to clarify the regulatory framework governing the construction industry (the **Regulations**).^{*} The Regulations clarify areas such as government authorities and the role of interested public in construction services, construction sources supply chain management, selection method of construction service providers, and construction standard agreements.



Image source: <https://encrypted-tbn0.gstatic.com/images?q=tbn%3AANd9GcSncYlyYoQxRaCV8L6WAT56GK34KnPwMx6t6uagp=CAU>

The Regulations introduce the role of the interested public by allowing certain government authorities to coopt the interested public for certain tasks in public construction projects for example, registration of construction service business and organizing training of construction experts.

The Regulations also ensure a clear focus on protecting the environment and ensuring sustainability throughout the constructions process and include areas such as the sourcing of construction materials, equipments, and technology and minimum standards in employment contracts. Although this Regulations prioritize local workers, hiring foreign workers is permitted for particular expertise area.

Another important factor that the Regulations introduce is transparency and the requirement of certain minimum standards of competency in the selection of construction service providers when carrying out state funded projects. One of selection methods is direct appointment, which can be applied to a project with these following conditions: small-scale project, confidential and concerning state safety, emergency response for public safety, only particular service providers are capable to carry out, and other conditions.

^{*} Regulation No. 22/2020 enacted on 23 April 2020 clarifies areas in Law No. 2/2017 enacted in 2017.

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