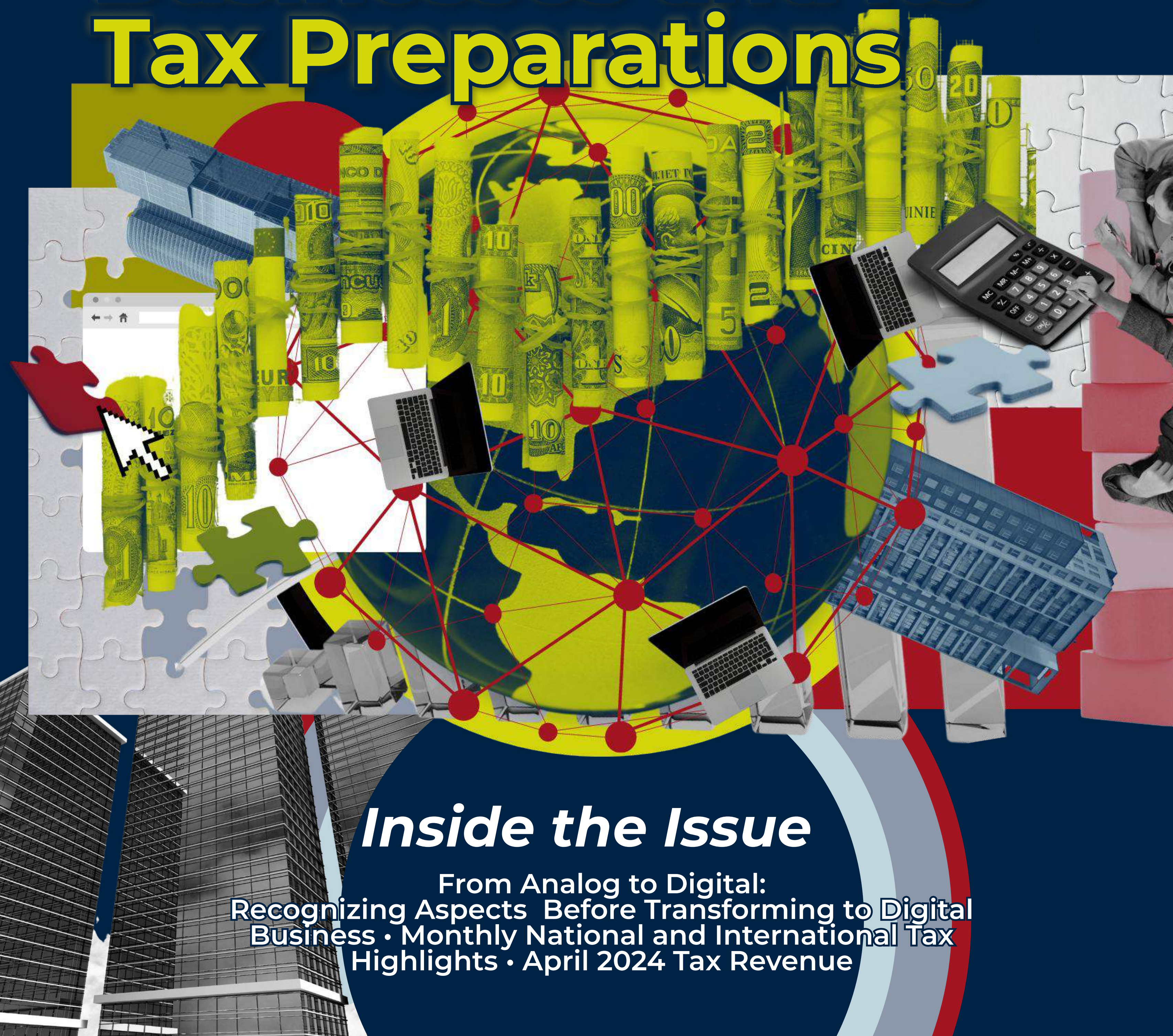




MIB Monthly Newsletter | May 2024



The Groundwork on the Digitalization of Businesses and its Tax Preparations



Inside the Issue

From Analog to Digital:
Recognizing Aspects Before Transforming to Digital
Business • Monthly National and International Tax
Highlights • April 2024 Tax Revenue



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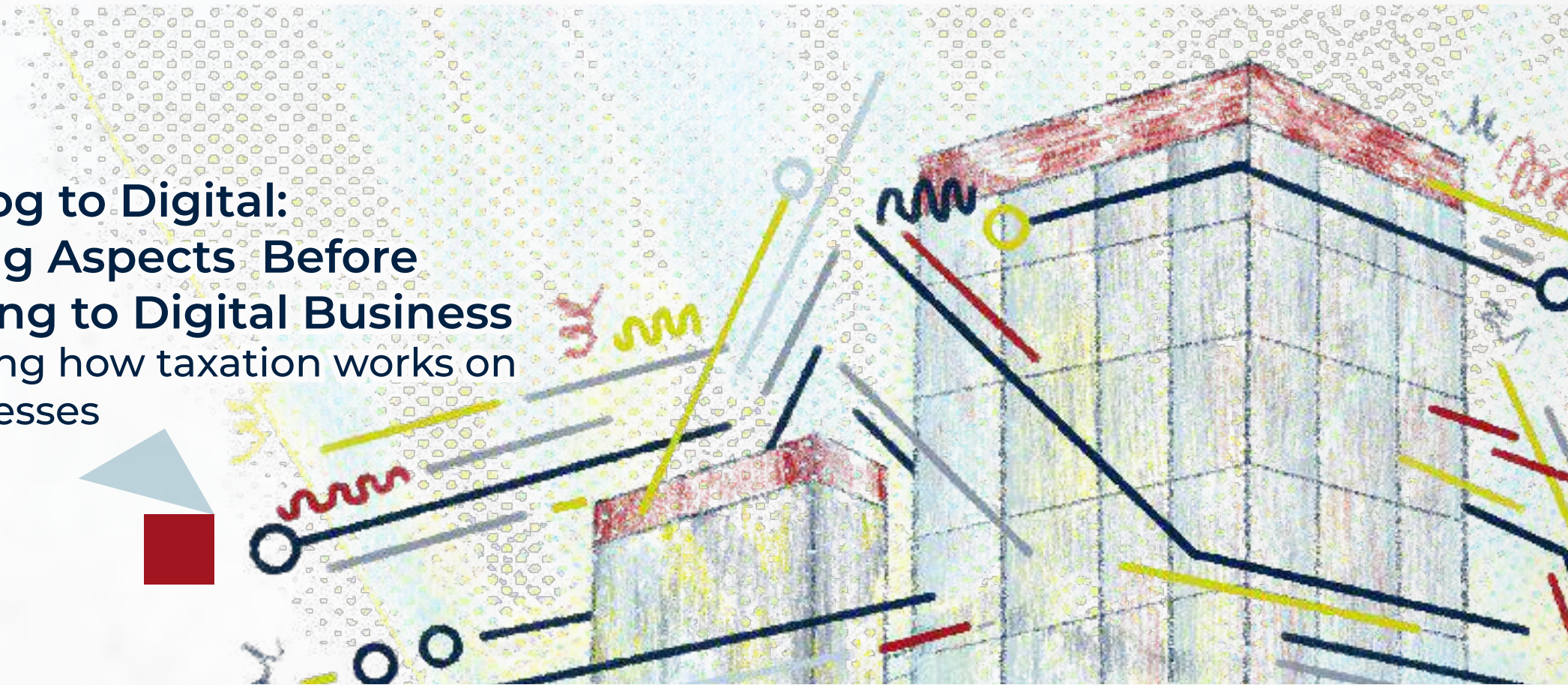


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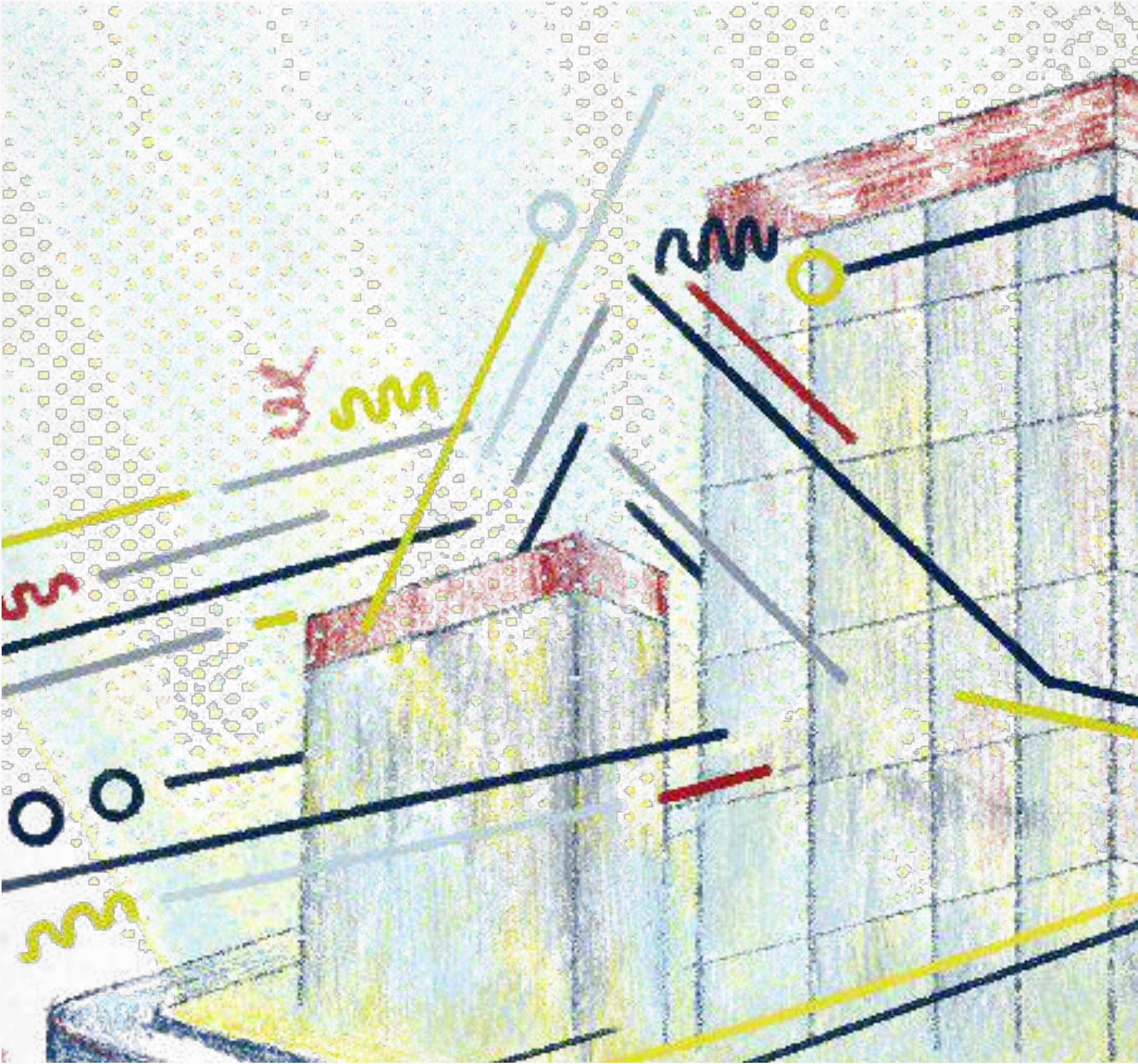
Insight Article

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Understanding how taxation works on digital businesses

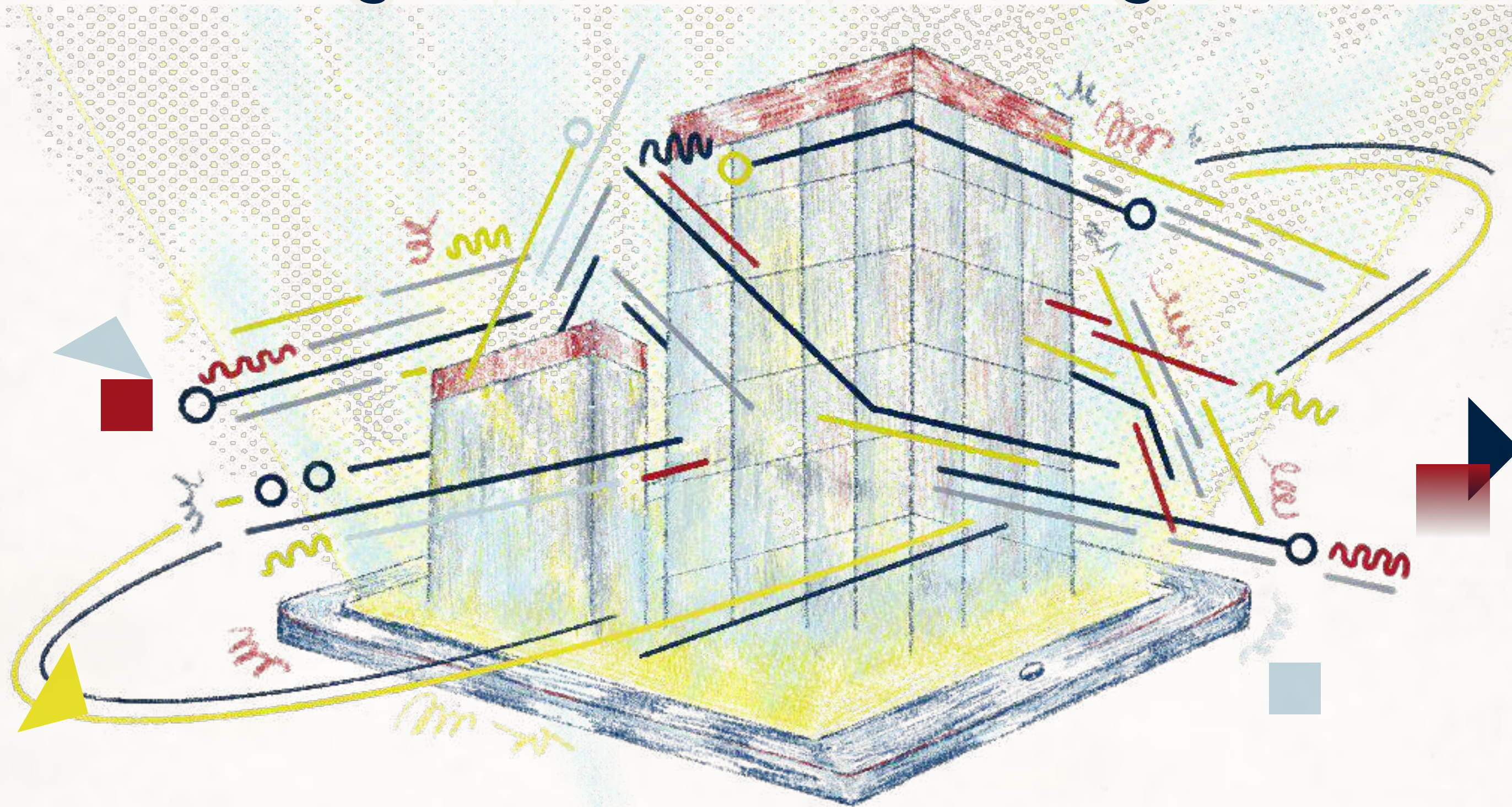
The pandemic and its physical limitations urges the growth of digital businesses around the world. However, a person or a team of people cannot just built a digital businesses and be free of any taxation because of their tangible products or services.

Learn more about digital business and how digital taxes are used to control them.



From Analog to Digital: Recognizing Aspects Before Transforming to Digital Business

Understanding how taxation works on digital businesses



Since the outburst of pandemic in 2020, the majority of worldwide operations have adapted to being a digital-based business, operating their daily tasks from behind the screens to ensure their ventures do not stop progressing even in the middle of a global lockdown.

However, the growing use and activities utilizing digital platforms and services have grown since then. Not only from emerging new businesses but also from traditional businesses gone digital, where Indonesia is regarded as one of the countries quick to adapt to digital needs.

With that being said, the process is not without hurdles. Companies aiming to go digital in Indonesia must take notes of several regulations and taxes before fully committing to the work. Find out how digital companies could prepare themselves before carrying out their businesses in the digital ecosystem.

Digital businesses and digital taxes: What and how do they work?

Indonesia has been implementing digital taxes, and the first kind of digital tax was introduced back in 2020. Digital tax in Indonesia itself is an umbrella term meant to address various taxes imposed on products and services that are digital-based, meaning that they offer digital products and services or do transactions on digital platforms.

Digital taxes are the kind of taxes imposed on various products and services, where they are used to target businesses providing them by using digital means and resources. Depending on the policy, there are a variety of taxes that could be imposed, such as value-added tax (VAT), sales tax on digital goods, digital services tax, or corporate tax.

Digital businesses, on the other hand, are a type of business that mainly use digital technologies as well as digital resources in order to conduct their daily operations and manage their performance, leading to them gaining revenue and profit. Being and using digital resources is an integral part of being a digital business as it provides a way for businesses to improve their ventures.

In addition to using digital resources, a digital business can also be categorized as a business selling digital products or services. In this case, digital resources are used as the primary profit-maker for these types of companies.

Digitalization helps and improves businesses in several aspects. For example, the use of digital resources can lower the cost that a business typically incurs for transactions. This is also beneficial for companies to try out a variety of business processes and variety as conducting these experiments digitally also means a lower risk of exposure to inefficiencies.

Businesses going digital may also be able to collect important data and analyze them due to the usage of cloud technologies and unlimited connectivity. The technology plays an important role in ensuring minimal risk and a safer environment for business owners and workers to conduct their operations.

Digital businesses in Indonesia

The government in Indonesia is currently focused on developing a digital ecosystem with the aim of evolving and expanding the current financial and monetary environment. Thus, the government puts out a budget to assist in the process of the Indonesian digital transformation.

Indonesia takes digital businesses by utilizing the combination of mobile internet, cloud technology, big data, and the connection between devices. For example, the growing e-commerce and start-up industries are just one of the many businesses taking advantage of the combination of digital resources before the pandemic, and its usage has been highlighted even more now.

Digital taxes in Indonesia

Indonesia is known to impose several types of digital taxes depending on what goods or services are taxable. For example, one of the taxes imposed on digital goods and services is the imposition of VAT on Trade Through Electronic System companies, which currently has managed to collect a tax revenue of IDR19.5 trillion until April 2024.

Appointed companies are obligated to collect a VAT of 11% for each goods or services it is selling in Indonesia and is bought by Indonesian citizens.

Another example is the imposition of taxes in the form of income tax and VAT on peer-to-peer (P2P) lending activities, where income tax article 23 and article 26, as well as domestic VAT is collected on its activities. This tax, which has been collected since 2022, has managed to amount to IDR2.03 trillion until April 2024.

Next, Indonesia also imposed taxes on crypto transactions, where income tax article 22 and VAT is implemented based on transactions done by the consumers and the exchanger. This tax has managed to collect an amount of IDR690.94 billion as their revenue.

Lastly, Indonesia imposes both income tax and VAT on the Government Procurement Information System, where the collected revenue amounts to IDR1.91 trillion until April 2024.

Digital Taxes Around the Globe

In comparison to Indonesia, several countries have also implemented the idea of imposing taxes on digital goods and services. Digital Service Tax or DST is a type of tax developed to target the large United States' enterprise, where tax is imposed on the gross revenue from a variety of digital services due to its activities in certain regions and jurisdictions.

DSTs are commonly found in the Europe region, with countries such as Austria, Poland, Hungary, Portugal, and Italy implementing the taxes, and others interested in enacting the policy. Austria, for example, imposed a DST on digital advertising and Poland imposed a DST on streaming services.

However, the implementation of DST might be revoked in favor of the proposed Global Minimum Tax developed by the Organization of Economic Cooperation and Development (OECD).

In the United States itself, sales taxes are imposed on digital goods. However, this is not the most common practice nor is it mandatory to implement, as not all states collect sales tax on digital goods sold by companies. Sales tax on digital goods are controlled by each state, which makes it complex for businesses to comply.

The tax that will be imposed on digital goods and services in the United States will depend on which definition of digital and tangible products that the states follow.

Global minimum tax by the OECD

To combat the growing digital environment and develop a fair playing field between businesses, the OECD has devised a plan named global minimum tax. Based on the description offered by the OECD, the global minimum tax is developed as a "major step forward in international cooperation on the taxation of multinational enterprises (MNEs)".

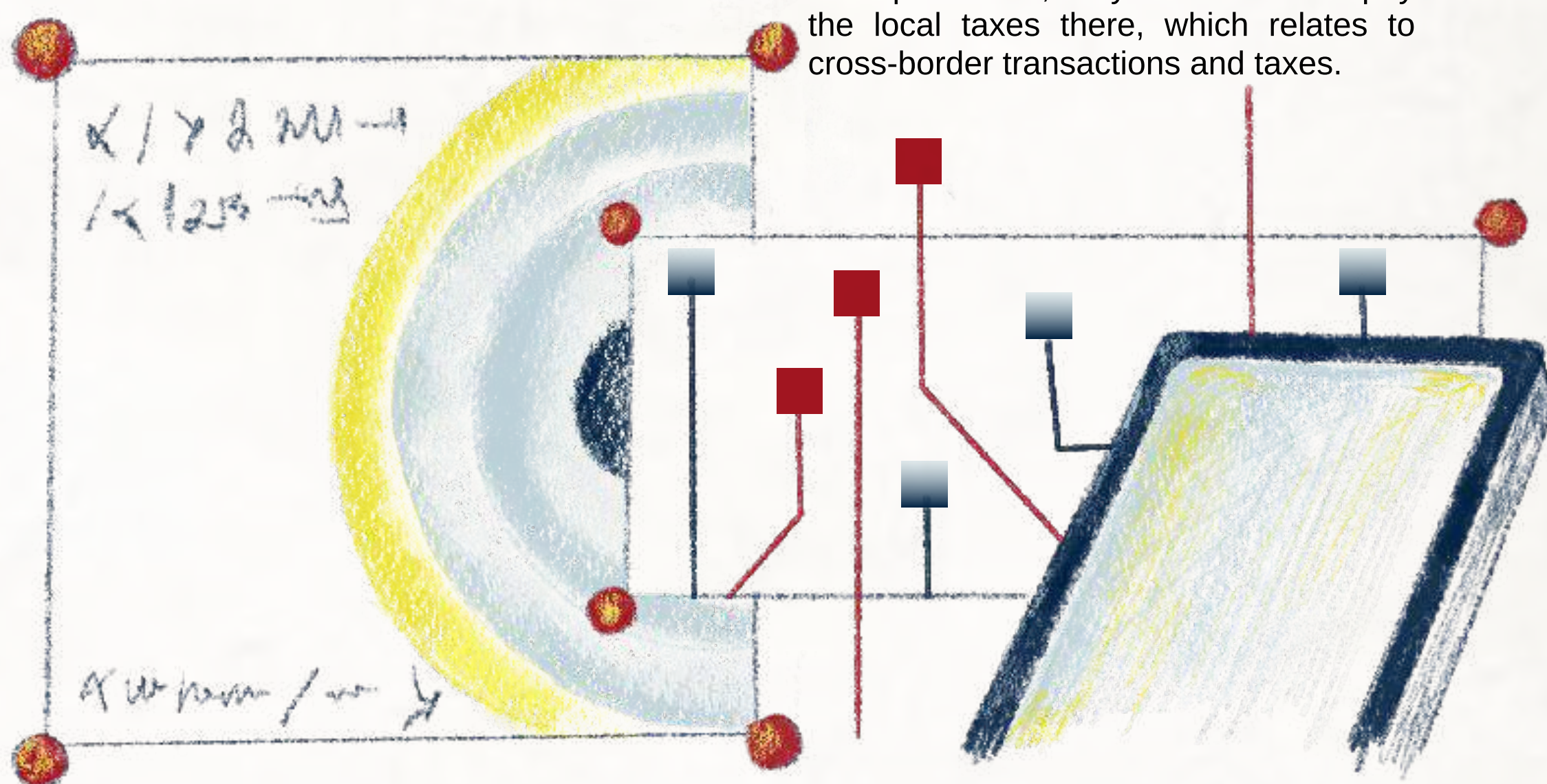
The taxation of MNEs is considered as a way to combat the on-going globalization and digitalization of the economy. Based on their calculations, the application of global minimum tax will be able to reduce global low-taxed profit by about 80%. MNEs will receive more profit based on where they have significant economic activities, which reportedly will also benefit developing countries more.

The global minimum tax should be imposed at a minimum rate of 15% across jurisdictions for MNEs that are subjected to the tax on their profits. Currently, around 140 members of the OECD have joined the framework development for global minimum tax.

Thus, there are several things that companies can do to prepare their digital businesses and optimize their earnings. In terms of taxation, businesses should take note of what kind of taxes are being imposed on each jurisdiction before expanding their digital businesses in different jurisdictions. Currently, the international tax laws on digital businesses are rapidly changing depending on where you are, where the need to stay updated will be needed if you want to develop your digital business.

Be clear on what kind of digital products and services you are offering, as any difference will have an effect on whether or not you need to pay the local taxes. Be mindful of the kinds of taxes you need to pay: is it sales tax? VAT? goods and services tax (GST)? or is it a special kind of tax with another rate such as the DSTs?

It is advisable for your company to first note where your starting jurisdictions will be when commencing the digital business, as there are different rates of taxes that should be paid. This is also including where you will be building your headquarters in, as you will need to pay the local taxes there, which relates to cross-border transactions and taxes.



What Businesses Should Prepare Before Transitioning to Digital?

Before going digital, businesses need to take note of several things. Why should you go digital in Indonesia?

Indonesia is made up of various islands with a prominent amount of distance between them. Developing and having a digital business is beneficial for the company as it shortens the distance between people and connects them without any restrictions. On the other hand, the use of digital resources will not only cut operations costs but also be able to improve efficiency and competitiveness due to how much connection can be made and how much work can be done.

Do you need to build or have a headquarters in the country or state you will be selling your digital products or services on? This requirement depends on the policy of the jurisdictions, but in Indonesia, it is a condition you must fulfill in order to fully operate in the country. This condition is essential as it will help you run your day-to-day operations, including those concerning taxation and legal proceedings.

Ensure you know what kind of products or services you will be selling and how much you will sell them as it may count as a tax liability. Digital business owners must also take notes of the tax threshold as some countries will only impose a tax on your business when it passes a certain requirement, for example, being able to collect a certain amount of revenue each year before being imposed with their digital tax.

The sensible thing to do before anything is check on how tax registration for businesses in general and for digital businesses is done in where your company is built. While some countries may need you to register your taxes even before a transaction is completed, others will take into account your annual revenue.

If as a business owner you need assistance in understanding and complying with a jurisdiction's digital tax laws, you may need the advantage of **having a tax consultant**, as they are prepped with knowledge and experience in handling international tax, as well as being updated with the latest improvements in the digital tax landscape.

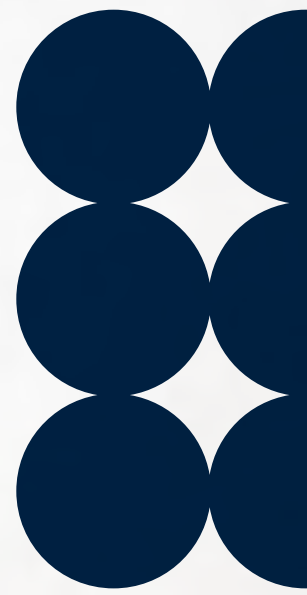
“The digital transformation across the globe is undeniably happening at a rapid pace. It is up for businesses to transition into digital business.

As a business owner, it is important to take into account taxation policies before expanding your businesses digitally and globally.”



Monthly Highlights

The government plans the offering of many incentives in order to increase economic activities as well as create an inviting financial environment for businesses to develop their business in and for investors to invest in. Across the globe, a variety of tax plans are currently concocted by their respective governments.



Exporters Able to Enjoy Tax Incentives on DHE SDA Stored in Indonesia

The government has set up tax incentives to cater to exporters storing their DHE SDA or foreign exchange proceeds from exports of natural resources. The offered tax incentives came in the form of the exemption of final income tax on income from DHE SDA.

Tax exemption rates are given based on the type and storage period of the DHE SDA. The government hopes that by offering this incentives, exporters are more interested in storing their DHE SDA in the country.

> Read more [here](#) & [here](#)



The Directorate General of Taxes and National Army Collaborate for Compliance

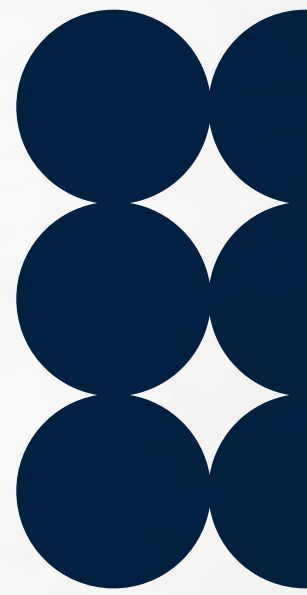
The Directorate General of Taxes and the National Army of Indonesia signs an agreement to collaborate in order to increase the compliance rate of taxpayers.

The agreement was signed on 29 April 2024, and the collaboration was done as a part of the tax reform program currently on going, where the aim of the reform is also to rectify synergies between governmental agencies.

> Read more [here](#)

Monthly Highlights

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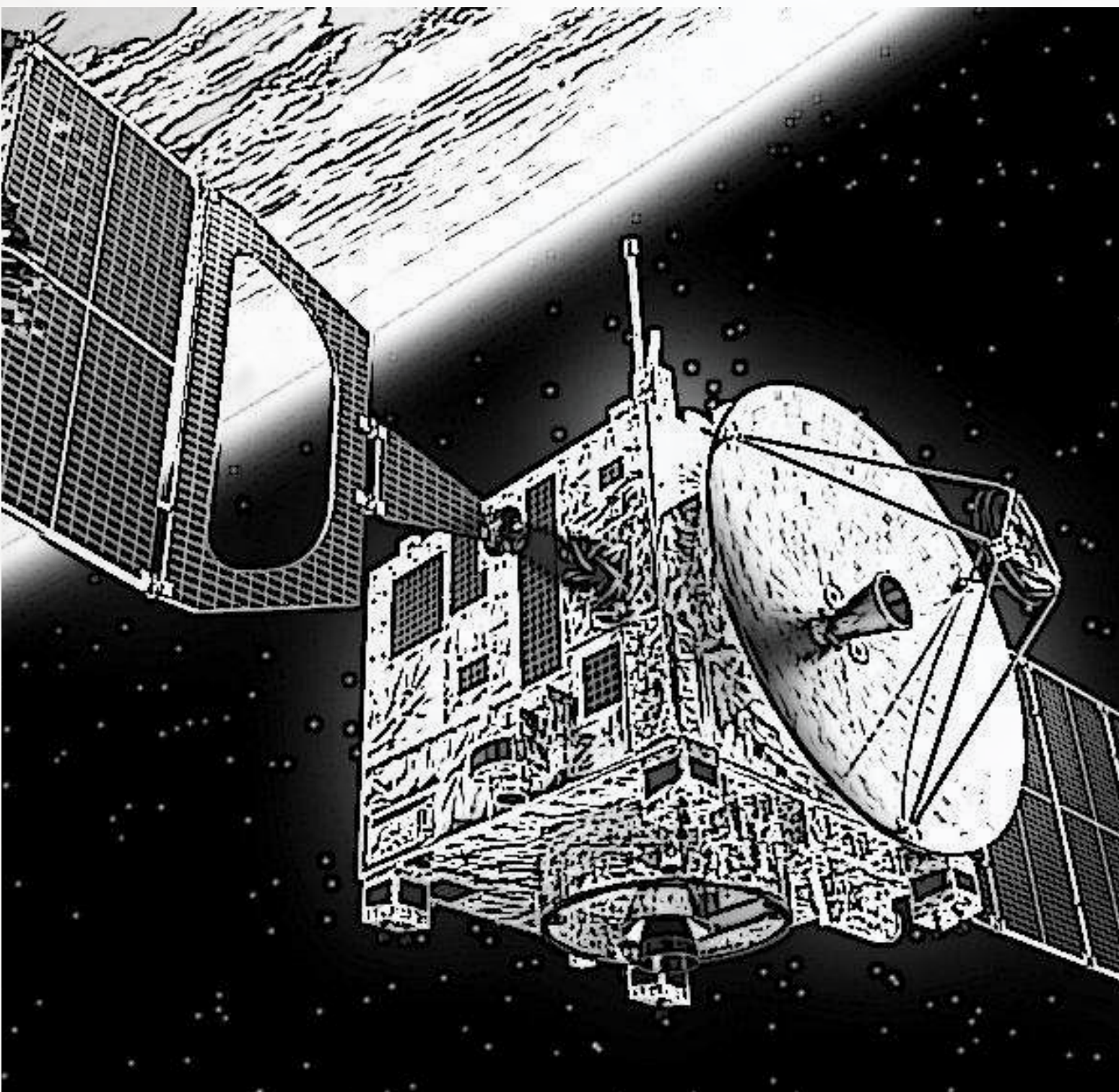


Government Plans on Offering Tax Incentives for Oil and Gas Investors

In relation to new working area of the oil and gas industry, the government is giving out tax incentives in order to showcase an exciting investment climate.

In the future, the Ministry of Energy and Mineral Resources (ESDM) will be in charge of every tax incentives given related to the development of oil and gas industry. Currently the government is opening chances for negotiations of a new working area in the oil and gas industry.

[> Read more here](#)



Elon Musk's Starlink Runs, Urged to Comply to Indonesian Tax

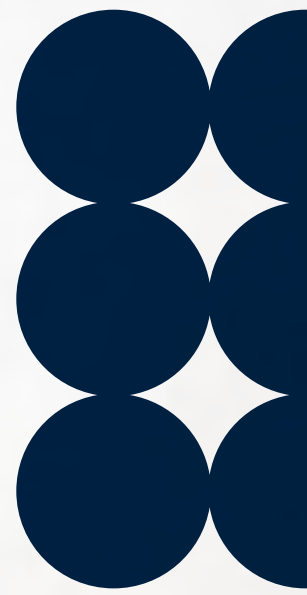
Starlink, a telecommunication company built by Elon Musk, has signed an agreement to provide assistance in connecting several public health centers in Bali. Using the help from Starlink, these public health centers also known as Puskesmas will now be able to reach each other as well as reach specialists in the city if needed.

However, the government through the Ministry of Communication and Information Technology reminds Starlink that building an operational office in the country is must to ensure all tax obligations and legal needs are served.

[> Read more here](#)

Monthly Highlights

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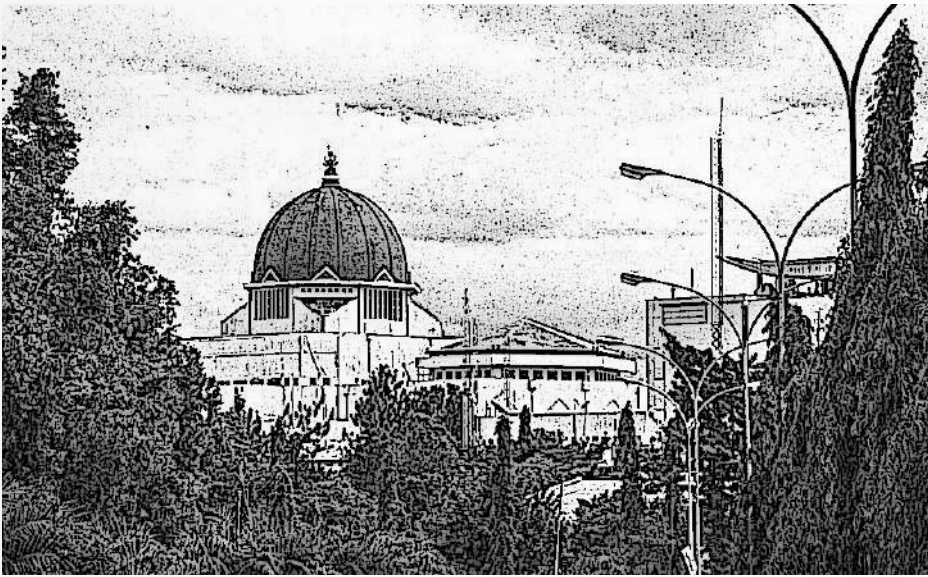


IKN Tax Incentives Officially Available for All Citizens to Benefit From

Through the issuance of the Ministry of Finance Regulation Number 28 Year 2024, the government offers several tax incentives for workers, investors, and business owners to enjoy if they live or work in the new IKN area. Incentives are given in order to invite people to live in IKN.

Among the offered tax incentives are the exemption of VAT on several chosen taxable goods and services deemed valuable for the development of the IKN area. Workers in the area can also enjoy income tax article 21 exemption, and many other incentives up for grabs for the citizen.

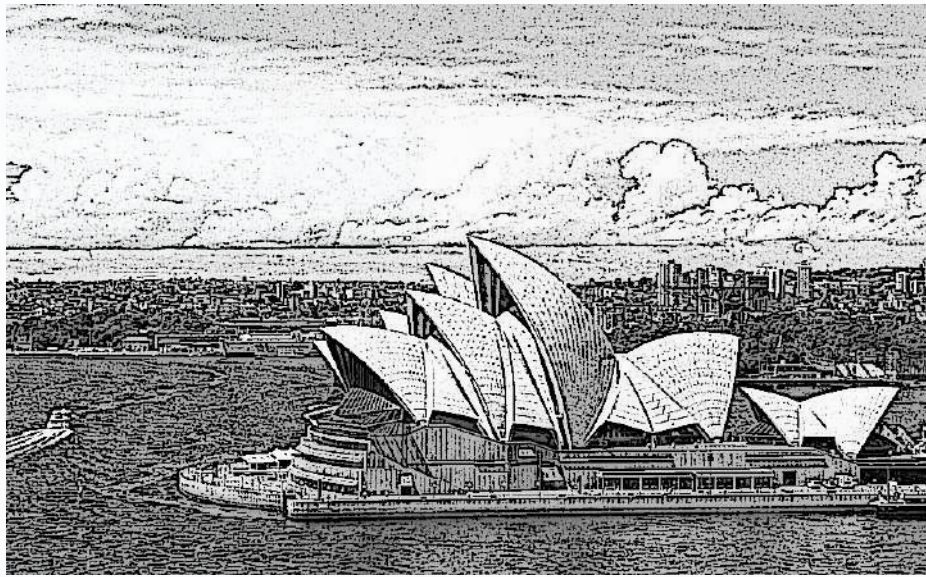
[> Read more here](#)



Nigerian Tax Panel Suggests Exemption of VAT on Basic Needs

The Nigerian tax panel headed by Taiwo Oyedele shares information on possibilities of exempting the imposition of VAT on items considered as basic necessities, including educational, health, and basic food.

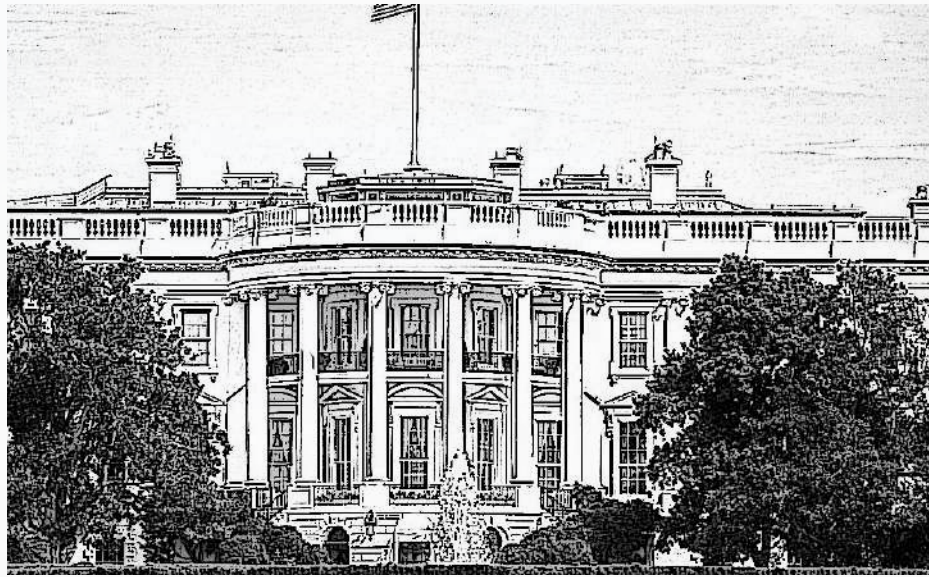
[> Read more here](#)



Australia Urged to Impose a Health Tax on Sweetened Beverages

Doctors and health reports suggest the need to implement a health tax on sweetened beverages in Australia due to the concerning number of consumption. Health tax may also be beneficial to the country's income.

[> Read more here](#)



Deficit Looms Over United States Amidst Positive Tax Growth

Based on the data owned by the Financial Department of the United States, the country is at risk of deficit in the middle of a positive growing tax revenue in 2024.

[> Read more here](#)

Monthly Tax Revenue

The current economic landscape of Indonesia has resulted in an amazing amount of collected tax revenue throughout the entirety of January to April 2024. Learn more about the growth and approximate earnings from the 2024 tax revenue in this page.

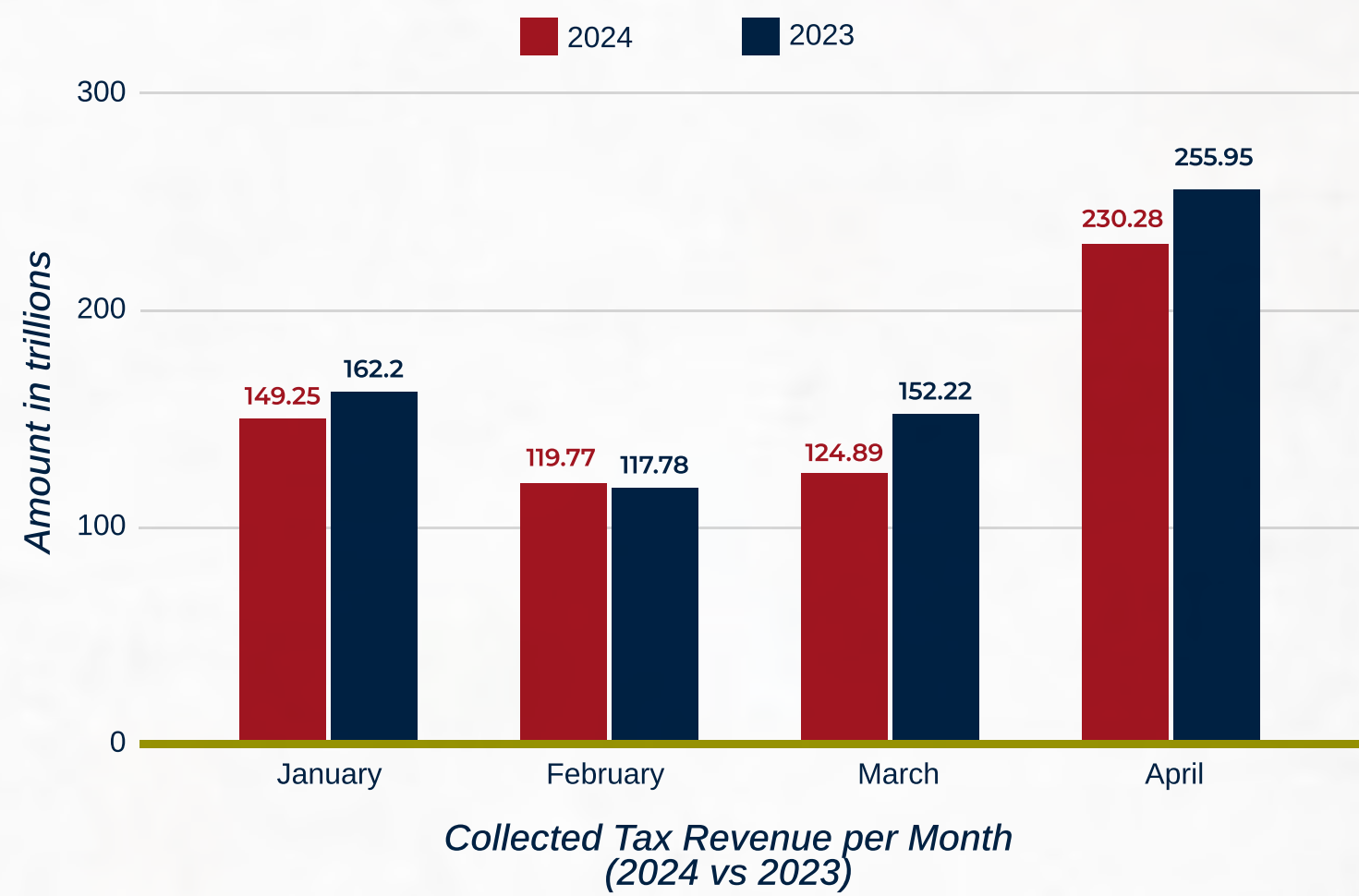
April 2024 Tax Revenue Exceeds IDR624.19 T



The Directorate General of Taxes reports a collected amount of IDR624.19 trillion for the tax revenue until April 2024. This amount reportedly contracted in yearly growth, with a decrease of 9.29% in comparison to 2023 tax revenue within the same period.

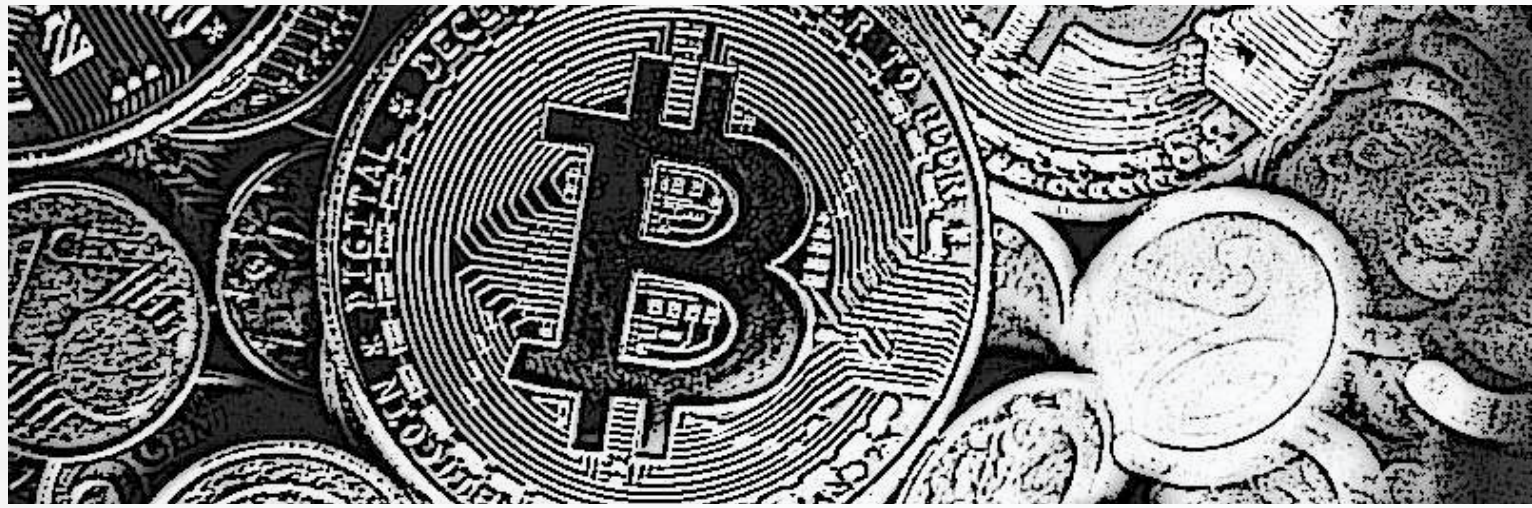
The highest contribution came from the Non-oil and gas income tax revenue, collecting an amount of IDR377 trillion, albeit having a negative growth of 5.43% in April 2024.

Collected Amount of Tax Revenue Until April 2024



[> Read more here](#)

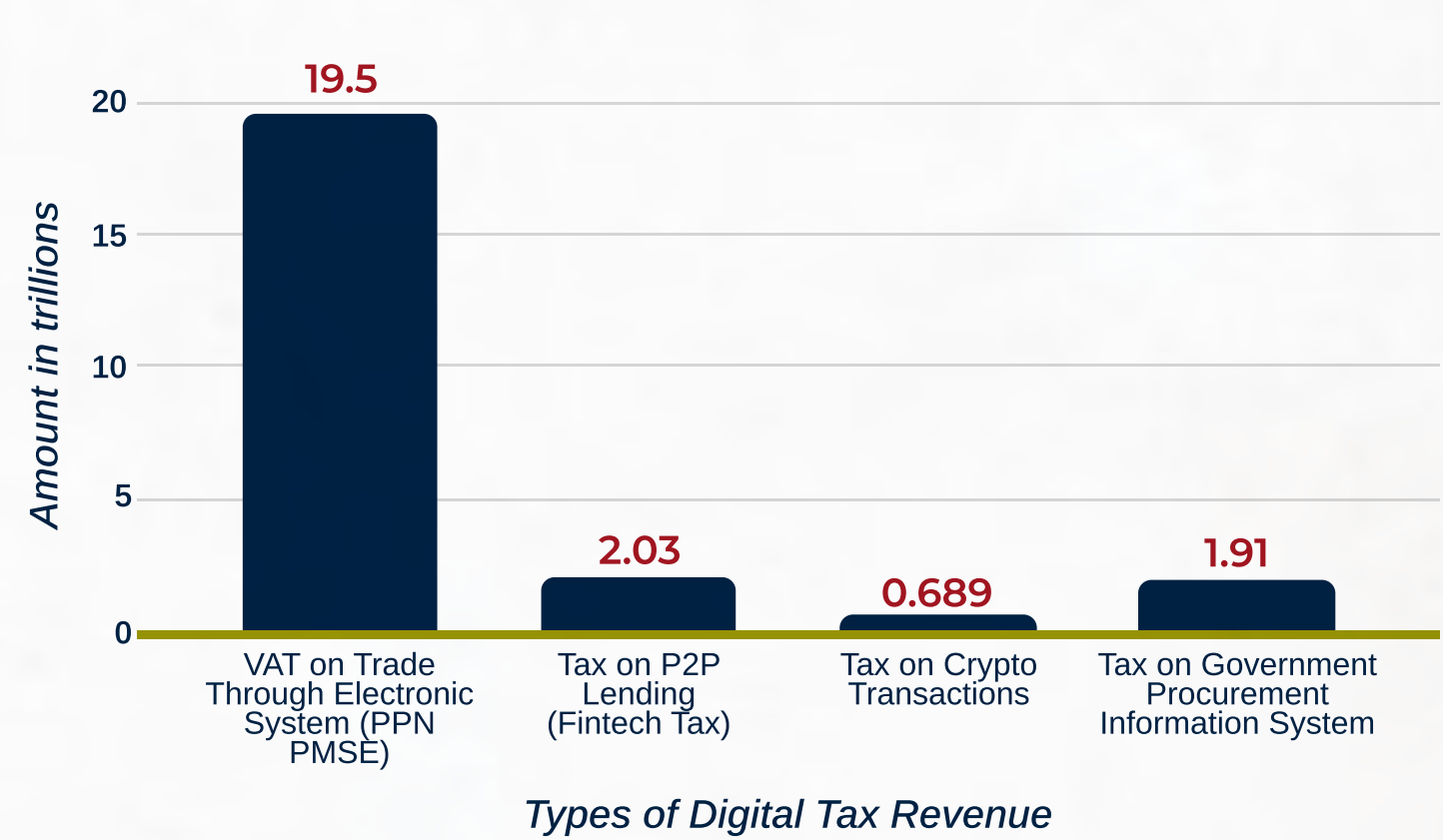
Collected Digital Tax Revenue Reached IDR24.12 T in April 2024



The Directorate General of Taxes reports an income of IDR24.12 trillion coming from the collected tax revenue of digital sectors. The amount that has been collected is an accumulation of revenue from its initial imposition in 2020, with VAT being imposed on Trade Through Electronic System companies.

The government is looking forward to expanding this source of tax revenue by appointing more companies to collect VAT and by reviewing crypto tax regulations.

Collected Amount of Digital Tax Revenue Until April 2024



[> Read more here](#)

Tax Calendar

June 2024



Tax Calendar

June 2024

MON	TUE	WED	THU	FRI	SAT	SUN
27	28	29	30	31	1 Pancasila Day	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17 Eid al-Adha	18	19	20	21	22	23
24	25	26	27	28	29	30
1	2	3	4	5	6	7

Reminders

- 1 June 2024 Pancasila Day
- 10 June 2024 Payment Deadline : May 2024 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax
- 17 June 2024 Eid al-Adha
- 19 June 2024 Payment Deadline : May 2024 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT
- 20 June 2024 Filing Deadline : May 2024 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax
- 1 July 2024 Payment and Filing Deadline : May 2024 VAT

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