

Article 22 Income Tax Collection on E-Commerce Transactions

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MOF REGULATION 37/2025

Transactions conducted through electronic devices and procedures (e-commerce) are becoming increasingly popular. For better tax administration and more effective tax collection from those engaged in e-commerce, the Minister of Finance issued Regulation No. 37/2025 (MoF-37) concerning the appointment of other parties as income tax collectors on domestic e-commerce transactions and procedures for collection and reporting.

This is not a new tax but simply a different scheme for collecting income tax on e-commerce transactions. As small and medium enterprises which engage in e-commerce transactions typically have low tax compliance, this new tax collection scheme is likely to increase government tax revenue from these sources. The impact of MoF-37 on e-commerce platform providers will be an additional administrative burden and possible sanctions for non-compliance. For online traders, there could be increased costs if they don't claim the income tax collected as a tax credit.

Below is a summary of MoF-37, which came into effect on 14 July 2025.

E-commerce platform providers as tax collectors

Under MoF-37, the Director General of Tax (DGT) can appoint a foreign or domestic party that provides the platform to carry out e-commerce activities as a collector of Art. 22 income tax for domestic traders' online sales if it:

1. Uses an escrow account to hold the income received from the transactions; and
2. Has a certain transaction value or number of users within 12 months.

The transaction limits and number of users are to be determined by the DGT.

On 5 August 2025, the DGT issued DGT Regulation No. 15/2025 setting out the threshold amounts:

- Transaction value with service users in Indonesia exceeds IDR 600 million in 12 months or IDR 50 million in 1 month
- Number of users in Indonesia exceeds 12,000 in 12 months or 1,000 in 1 month

Domestic traders subject to Art. 22 income tax

A domestic trader is an individual or entity who resides or is domiciled in Indonesia and conducts e-commerce with facilities that are created and managed directly or through the means owned by an e-commerce platform provider, or other electronic systems that provide e-commerce facilities, and:

1. Receives income using a bank account or similar financial account; and
2. Conducts transactions using an Internet Protocol (IP) address or an Indonesian telephone number (country code +62).

Domestic traders include delivery companies, insurance companies, and other parties who conduct transactions with buyers of goods or services through e-commerce.

A domestic trader must provide the following information to the appointed e-commerce platform provider:

- Tax ID number (NPWP) or national ID number (NIK)
- Correspondence address
- If applicable:
 - A statement letter if gross turnover is below IDR 500 million in the current tax year; resubmitted at the beginning of the following tax year if annual gross turnover is less than IDR 4.8 billion
 - A statement letter if gross turnover exceeds IDR 500 million in the current tax year, submitted by the end of the month when gross turnover exceeds that amount (collection of income tax by the e-commerce platform provider begins the following month)
 - Certificate of exemption (SKB) from withholding or collection of income tax

This information must be provided within one month after the e-commerce platform provider is appointed as a tax collector.

Art. 22 income tax

The Art. 22 income tax collected is 0.5% of gross turnover received by the domestic trader, excluding VAT and sales tax on luxury goods, and before deductions for sales discounts, cash discounts, or similar deductions. The income tax is payable when payment is received by the e-commerce platform provider.

The domestic trader's income tax which is collected can be credited as payment of income tax. If the trader is subject to final tax:

- The tax collected is treated as settlement of final income tax
- Any deficit must be paid by the domestic trader and reported in its unified income tax return
- Any excess can be claimed as a refund

Transactions conducted in a currency other than IDR are converted into IDR at the MoF-determined exchange rate applicable at the time payment was received by the e-commerce platform provider.

Exempt transactions

E-commerce platform providers do not collect Art. 22 income tax on the following transactions:

- Sales of goods or services by an individual domestic taxpayer with gross turnover of less than IDR 500 million in the current tax year who submitted a statement letter to the e-commerce platform provider
- Sales of courier or delivery services by an individual domestic taxpayer as a partner of a technology-based application company providing transportation services
- Sales of goods or services by a domestic trader who submitted a certificate of exemption (SKB) from withholding or collection of income tax
- Sales of prepaid phone credit and SIM cards
- Sales of gold jewelry/bullion, jewelry made entirely of non-gold materials, gemstones or similar stones, conducted by gold jewelry manufacturers, gold jewelry traders, or gold bullion entrepreneurs
- Transfer of rights to land or buildings or binding sale and purchase agreements on land or buildings and their amendments

The above transactions are subject to the normal tax treatment.

Obligations of the e-commerce platform provider

Domestic traders must create invoices for the sale of goods or services conducted through e-commerce. These invoices are generated through the electronic system provided by the e-commerce platform provider and serve as proof of Art. 22 income tax collection.

The invoice must include the following:

- Invoice number and date
- Name of the e-commerce platform provider
- Domestic trader's account name
- Name and address of the buyer of goods or services
- Type of goods or services, selling price, and discount
- Amount of Art. 22 income tax for each domestic trader

The e-commerce platform provider must collect and pay the Art. 22 income tax by the 15th of the following month and report it by the 20th of that following month.

The e-commerce platform provider must report the following in its unified income tax return:

- NPWP/NIK, correspondence address, name, account name, and country of domestic trader
- Statement of turnover, statement of change in turnover, or SKB of domestic trader
- Email address or telephone number of the buyer of goods/services
- Information contained in the invoice (see above)
- Art. 22 income tax that was collected and paid

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