

# INDONESIA – LOGIC CHANGES

## AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH

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### Introduction

The implementing regulation for the expansion of Value Added Tax has been recently issued by Indonesia's Minister of Finance to include cross-border digital transactions.

According to the regulation, Indonesian VAT applies to sales of digital products supplied by foreign businesses, which were appointed by the Director General of Taxes as VAT collectors, to Indonesian consumers and businesses.

The VAT collectors are responsible for collecting and payment of VAT at the rate of 10% on sales of digital products, such as streaming of apps, books, computer software, games, magazines, movies, music and newspapers, as well as all other kinds of online services.

Considering the above, some logic changes have been implemented for Indonesia authority, which are related to cross-border tax treatment of the transaction type of Electronic Services. With accordance to the latest amendments, the mentioned transaction type shall be used for the supplies of digital products.

## PART I – UPDATES TO DETERMINATION

### Logic Mappings

The authority logic group of Electronic\_Services was mapped effective 1 January 2021 with the highest order for the authority of Indonesia.

### Authority Options

The following authority option was added effective 1 January 2021 for the authority of Indonesia.

AUTHORITY OPTION	CONDITION	VALUE
CL – Customer Location Reverse Charge	Not Applicable	Not Applicable

## PART II – TAX RESULT EXAMPLES

### Test 1: Electronic Services provided by a foreign unregistered Seller to the Indonesian Buyer

WORKBENCH ELEMENTS	VALUES
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Indonesia
Seller Registration	DE123456789
Buyer Registration	Any

Results for a foreign SELLER:

Tax Calculation Results

Scenario INDONESIA - LOGIC CHANGES:

View Results: 1

Gross Amount: 100.00

Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00		
Country: INDONESIA	Indonesia	Not Liable	UN	O		0%	0.00		
							0.00 USD		
Authority	RuleOrder	Message							
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.							
Indonesia	5001	GCSC132: Seller cannot invoice VAT since seller is not registered in Buyer's country.							

Results for a foreign BUYER:

Tax Calculation Results										
Scenario INDONESIA - LOGIC CHANGES:										
View Results: <div>1</div>		Gross Amount: 100.00		Eff%: 0%						
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT	
Country: INDONESIA	Indonesia	Not Liable	UN	I		0%	0.00			
							0.00 USD			
<div><div></div> Authority Messages:</div>										
Authority	RuleOrder	Message								
Indonesia	5001	GCBCL48: Seller cannot invoice VAT since seller is not registered in Buyer's Country.								

## Test 2: Electronic Services provided by a foreign registered Seller to the Indonesian Buyer

WORKBENCH ELEMENTS	VALUES
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Indonesia
Seller Registration	123456789012345
Buyer Registration	Any

Results for a foreign SELLER:

Tax Calculation Results

Scenario INDONESIA - LOGIC CHANGES:

View Results: 1

Gross Amount: 100.00

Eff%: 10%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00		
Country: INDONESIA	Indonesia	VAT	S	O		10%	10.00		
							10.00 USD		

Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.
Indonesia	10000	GCSC14: Output VAT in Buyer's country.

Results for a foreign BUYER:

Tax Calculation Results										
Scenario INDONESIA - LOGIC CHANGES:										
View Results: <div>1</div>		Gross Amount: 100.00		Eff%: 10%						
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT	
Country: INDONESIA	Indonesia	VAT	S	I		10%	10.00			
							10.00 USD			
<div>Authority Messages:</div>										
Authority	RuleOrder	Message								
Indonesia	10000	GCBCL35: Input VAT in Buyer's country.								