The Government of Indonesia issued Government Regulation No. 80 Year 2019 (GR-80) on 25 November 2019 to regulate several aspects of e-commerce trading including compliance, legal and tax considerations. GR-80 covers both transactions between business to business (B2B) and/or business to consumer (B2C).

While GR-80 is not a tax regulation, this Tax Alert highlights the potential tax impacts for international e-commerce businesses.

**Introduction of thresholds to deem physical presence for international e-commerce businesses**

International e-commerce businesses that actively offer and/or conduct e-commerce activities to consumers domiciled in Indonesia may be deemed to have a physical presence and carry out business activities in Indonesia if they exceed certain thresholds with respect to:

- a. Number of transactions
- b. Transaction value
- c. Number of shipping packages
- d. Amount of traffic or access
The thresholds are to be set by subsequent regulations. If the thresholds are exceeded, an international e-commerce business is required to appoint a tax representative in Indonesia. Any local and international e-commerce activities in Indonesia are subject to prevailing tax laws and regulations.

The impact of GR-80 is likely to be wide reaching and it is unclear how GR-80 will interact with the current Income Tax Law and in particular, the definition of permanent establishment. The impact will be assessed after the new Income Tax Law is finalized which is expected to contain other digital tax changes including the introduction of a value-added tax collection mechanism. International e-commerce businesses should closely monitor these developments and consider the impacts on business models.

**Transition period**

Any e-commerce businesses that have conducted e-commerce activities in Indonesia before the enactment of GR-80 must comply within two years after the effective date, i.e., by 25 November 2021.

---

**Endnotes**

1. GR-80 is the implementing regulation for Law No 7/2014 in relation to Trading and Trading Activities through Electronic Systems.

2. An international e-commerce business is broadly defined to include international merchants, international e-commerce platform providers and international intermediary services providers in the form of companies and individuals.

3. Key features remain unclear until the implementing regulations are released. The Minister of Finance will issue an implementing regulation to provide further detail, including the thresholds.

4. The process to appoint a representative is to be undertaken in accordance with prevailing laws and regulations (which are not yet released).

For additional information with respect to this Alert, please contact the following:

**EY Indonesia, Jakarta**
- Santoso Goentoro  santoso.goentoro@id.ey.com
- Peter Ng  peter.ng@id.ey.com
- Peter Mitchell  peter.mitchell@id.ey.com

**Ernst & Young LLP (United States), Indonesia Tax Desk, New York**
- Puspitasari Sahal  puspitasari.sahal@ey.com

**Ernst & Young LLP (United States), Asia Pacific Business Group, New York**
- Chris Finnerty  chris.finnerty1@ey.com
- Bee-Khun Yap  bee-khun.yap@ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited. All Rights Reserved.

EYG no. 000227-20Gbl
1508-1600216 NY ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com