



**GLOBAL ALLIANCE
FOR TAX JUSTICE**

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Amount A: Overview and Implications for Developing Countries Indonesia's Perspective

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1. Digital Economy Outlook of Indonesia

- In 2023, the overall Gross Merchandise Value (GMV) of Indonesia's Digital Economy has increased by **925%** since 2015 (\$82 billion vs \$8 billion) and is projected to continue rising by **33%** in 2025 (\$109 billion) and **230%** in 2030 (\$210-\$360 billion) fueled by e-Commerce, Online Transportation & Food, Online Travel, & Online Media.*
- The ASEAN Digital Economy amounted \$194 billion in 2022; Indonesia accounted for **40%** of that value.**
- Indonesia's revenues from E-Commerce VAT have increased by **1985%** in September 2023 since enforced in mid-2020. It covers domestic consumptions on goods or services purchased from domestic and foreign marketplace/e-commerce.***
- Tax is a primary source of state revenue in Indonesia. Therefore, the management and planning must be prudent, including DGT's commitment to contribute to the international tax landscapes.

* Source: Google, Temasek, Bain & Company, e-Conomy SEA 2018 – 2023.

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2. Domestic Measures Undertaken

- Indonesia introduced the **Significant Economic Presence** PE (if no DTA) and the **Electronic Transaction Tax** (if there's DTA) via Law No.2 of 2020 as a policy response against the COVID-19 Pandemic.
- The technical provision has yet to be enacted, thereby enforcement is **suspended**.
- The **Constitutional Court of Indonesia** ruled that Law No.2 of 2020 would only be effective insofar as the COVID-19 Pandemic status remained in effect.
- The President of the Republic of Indonesia **omitted the COVID-19 Pandemic** status in June 2023.



3. Indonesia and the Two-Pillar Solution

- Indonesia reaffirmed its position via the G20 Bali Leader's Declaration, 15-16 November 2022, Para.31:

*"We are **committed** to the **swift implementation** of the OECD/G20 two-pillar international tax package. We **welcome the progress** on Pillar One... We call on the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) to **finalize Pillar One**, including remaining issues and by **signing the Multilateral Convention** in the **first half of 2023**."*

- Echoed in the G20 New Delhi Leader's Declaration, 9-10 September 2023, Para.62:

*"We **reaffirm our commitment** to continue cooperation towards a **globally fair, sustainable and modern international tax system appropriate to the needs of the 21st century**. We remain committed to the swift implementation of the two-pillar international tax package... We call on the Inclusive Framework to **resolve swiftly the few pending issues** relating to the MLC with a view to preparing the **MLC for signature in the second half of 2023**."*

4. Potential Implications of Amount A – Indonesia's Perspective

Revenue Implication

- The government has not declared the precise revenue impact figures.
- Availability of reliable data & the dynamics of the technical rules.

Legal Implications

- An MLC should be ratified (by Law or Presidential Decree).
- The process might require some time.

Administrative Impacts

- Finalisation of the Model Rules after the signing of the MLC?
- The adoption will require even more time.

Impacts on the System

- DGT is currently reforming its Core Tax systems. Deployment is scheduled for 2024/2025.

Beyond Amount A

- Tax Certainty constructed various new processes and bodies that challenged the current frameworks adopted by Indonesia.

Cost vs Benefit

- Given the uncertainty of potential revenue implications, there has been no reliable assessment of the “cost vs benefit” issue.

5. Going Forward?

- Global Issues necessitate (**immediate**) Global Solutions. Getting everyone on board is critical, and Pillar One needs to ensure this.
- Indonesia shares the same concerns about the potential “non-critical-mass” of the signatory of the MLC, and the potential implications for the reliability of Pillar One.
- Indonesia welcomes the approval of the UN’s draft resolution titled “*Promotion of inclusive and effective international cooperation on tax matters at the United Nations*” on 23 November 2023, while also emphasizing the importance of “not reinventing the wheel”.



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THANK YOU
TERIMA KASIH

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