



VAT & INCOME TAX ON CRYPTO ASSET TRADING TRANSACTIONS

RSM INDONESIA CLIENT ALERT – 31 MAY 2022

In recognition of increased crypto asset trading activity, the Ministry of Finance (MoF) issued regulation No. 68/PMK.03/2022 on 30 March 2022 (PMK-68) to regulate the taxation of these transactions.

WHEN IS IT EFFECTIVE?

PMK-68 is effective on 1 May 2022.

WHAT IS CRYPTO ASSET?

PMK-68 defines crypto asset as an intangible commodity in the form of a digital asset that uses cryptography, peer-to-peer networks and a distributed ledger to manage the creation of new units, verify transactions and secure transactions without the intervention of other parties.

VAT TREATMENT OF CRYPTO ASSET TRANSACTIONS

Transactions subject to VAT

PMK-68 imposes VAT for the delivery of:

- (i) Crypto asset by a seller, where the seller and/or the buyer are located in Indonesia's customs area, via an electronic channel (*Sarana Elektronik*) operated by an e-commerce trading organiser/marketplace (*Penyelenggara Perdagangan Melalui Sistem Elektronik - PPMSE*),
- (ii) Services by a PPMSE to provide an electronic channel for crypto asset trading, and/or
- (iii) Services for verification of crypto asset transactions and/or management of a mining pool by a crypto asset miner.

Key implementing provisions for VAT

Provision	Seller of crypto asset	PPMSE	Crypto asset miner
VAT object	<ul style="list-style-type: none">• Sale and purchase of crypto asset using fiat currency.• Swap between a crypto asset and another crypto asset.• Exchange between crypto asset and goods or services other than crypto asset.	Amongst others, the provision of an electronic channel to facilitate: <ul style="list-style-type: none">• Sale and purchase of crypto asset using fiat currency.• Swap between a crypto asset and another crypto asset.• E-wallet covering deposit, withdrawal, or transfer of crypto assets and providing and/or managing crypto asset storage media.	Service for verification of crypto asset transactions and/or management of mining pool.
VAT rate	Specific rate: <ul style="list-style-type: none">• 1% x general VAT rate (if the PPMSE is a Physical Crypto Asset Trader ¹), or 0.11% at 1 April 2022.	General VAT rate	Specific rate: 10% x general VAT rate, or 1.1% at 1 April 2022.

¹ A Physical Crypto Asset Trader is defined as a party that has been authorised by the responsible institution for the management of commodity trading (i.e., Bappebti) to undertake crypto asset transactions in its own name and/or to facilitate the transactions of crypto asset sellers or crypto asset buyers.

	<ul style="list-style-type: none"> • 2% x general VAT rate (if PPMSE is not a Physical Crypto Asset Trader) or 0.22% at 1 April 2022. 		
Tax Base	Transaction value. Refer “Tax base” for details regarding how the value is determined at the time of VAT collection.	Commission or fee, in whatever name, including commission or fees received by the PPMSE to be passed on to a crypto miner. Refer “Tax base” for details regarding how the value is determined at the time of VAT collection.	Value of the crypto asset received by the crypto asset miner, including any block reward received from the crypto asset system. Refer “Tax base” for details regarding how the value is determined at the time of VAT collection.
Who is responsible to collect the VAT?	PPMSE ² If the PPMSE is an Indonesian tax resident then it must register for VAT. If the PPMSE is located overseas then it can be appointed as an e-commerce VAT Collector in accordance with MoF regulation No. 60/PMK.03/2022. The procedures for collection, settlement and reporting of the VAT shall follow that regulation.		Crypto miner.
Time for collection of VAT	<ul style="list-style-type: none"> • When payment is received by the PPMSE (if the transaction uses fiat money). • When the crypto asset is swapped into the other party’s account (if there is a swap of crypto asset). • When the crypto asset is transferred to the other party’s account (if there is an 	Subject to the general VAT regulations.	Subject to the general VAT regulations.

² The PPMSE is only responsible to collect VAT if it performs service activities to facilitate crypto asset transactions. These activities must include one or more of:

- The sale and purchase of crypto asset using fiat money
- Swaps between different crypto asset
- Provision of an e-wallet including deposit, withdrawal of funds, transfer of crypto assets to another party’s account, and the provision or management of storage media for crypto asset

	exchange of a crypto asset for another asset or service).		
Time of settlement and reporting the VAT	<ul style="list-style-type: none"> • Transfer to the State Treasury by PPMSE no later than 15th of the following month after the end of the tax period. • Report to the Indonesian Tax Authority (ITA) no later than the 20th of the following month after the end of the tax period. 	Transfer to the State Treasury and report to the ITA in accordance with the general VAT regulations.	Transfer to the State Treasury and report to the ITA by the crypto asset miner in accordance with the general VAT regulations.
Administrative obligations	<ul style="list-style-type: none"> • PPMSE shall issue a document as evidence of VAT collection that is equivalent to a Unified Collection Evidence, with certain minimum information. • Seller shall issue a <i>Faktur Pajak</i> (if the Seller is VAT registered). • Seller (if VAT registered) will then report any VAT collected by the PPMSE in the VAT Return as “VAT collected by another party”. • Seller cannot credit Input VAT credit for the acquisition of goods/services related to the delivery of crypto asset. 	<ul style="list-style-type: none"> • PPMSE shall issue a <i>Faktur Pajak</i>. • The invoice/receipt for delivery of the services is equivalent to a <i>Faktur Pajak</i>, provided it contains certain minimum information. 	<ul style="list-style-type: none"> • Crypto asset miner shall issue a <i>Faktur Pajak</i>. • The <i>Faktur Pajak</i> can follow the simplified format used for retail transactions.

Tax base

The tax base subject to VAT is the value of the transaction.

This is:

- (a) The monetary value paid by the crypto asset buyer, excluding VAT or Luxury Goods Tax, if the buy-sell transaction uses fiat money.
- (b) The value of each crypto asset exchanged in the event of a swap.
- (c) The value of the crypto asset transferred to the account of the other party if there was an exchange of a crypto asset with goods or services other than crypto asset.
- (d) In the case of (b) or (c), the value of the crypto asset will be as stipulated by the Exchange that is managing the crypto asset trading or that is stated in the PPMSE system, consistently applied.

Where the value is denominated in a foreign currency it shall be converted to Rupiah using the exchange rates stipulated by the MoF at the time of the transaction (e.g., at the time of collection of the VAT, charging of the fee).

If the fee is received in crypto asset, the value will be the rate stipulated by the Exchange that is managing the crypto asset trading or that is stated in the PPMSE/crypto miner's system, consistently applied.

INCOME TAX TREATMENT OF CRYPTO ASSET TRANSACTIONS

Transactions subject to Income Tax

Income connected to crypto asset transactions will be subject to income tax for the following:

- (i) Sellers of crypto asset,
- (ii) PPMSE, or
- (iii) Crypto asset miners.

Key implementing provisions for Income Tax

Income gained by sellers of crypto asset		
	Transaction conducted using electronic channel provided by PPMSE.	If conducted through a PPMSE that only provides e-wallet, only brings together crypto asset sellers and buyers, and/or does not facilitate crypto asset trading.
Tax object	All income from crypto asset transactions covering: <ul style="list-style-type: none">• Sale and purchase of crypto asset using fiat currency.	All income from crypto asset transactions covering: <ul style="list-style-type: none">• Sale and purchase of crypto asset using fiat currency.• Swap between a crypto asset and another crypto asset.

	<ul style="list-style-type: none"> • Swap between a crypto asset and another crypto asset. • Any crypto asset transaction other than the above transactions. 	<ul style="list-style-type: none"> • Any crypto asset transaction other than the above transactions.
Article 22 tax rate	<ul style="list-style-type: none"> • 0.1% Final Tax – if the PPMSE is a Physical Crypto Asset Trader. • 0.2% Final Tax – if the PPMSE is not a Physical Crypto Asset Trader³. 	<ul style="list-style-type: none"> • 0.1% Final Tax – if the PPMSE is a Physical Crypto Asset Trader. • 0.2% Final Tax – if the PPMSE is not a Physical Crypto Asset Trader³.
Income tax base	<ul style="list-style-type: none"> • Transaction value, excluding VAT and Luxury Goods Tax. Refer “Tax base” for details regarding how the value is determined at the time of Article 22 collection. 	<ul style="list-style-type: none"> • Transaction value, excluding VAT and Luxury Goods Tax. Refer “Tax base” for details regarding how the value is determined at the time of Article 22 collection.
Administrative obligation	<ul style="list-style-type: none"> • Collected by PPMSE by using document that is equivalent to a Withholding Evidence. • Paid by PPMSE to the State Treasury no later than the 15th of the following month after the end of the tax period. • Reported to the ITA no later than the 20th of the following month after the end of the tax period. 	<ul style="list-style-type: none"> • Self-assessed by the crypto asset seller. • Paid to the State Treasury no later than the 15th of the following month after the end of the tax period. • The crypto asset seller who has paid the tax and received the validation through the state revenue transaction number (NTPN) is deemed to have submitted the required periodic tax return.

³ In the event the crypto asset seller is not a tax resident of Indonesia and is domiciled in a country that has a tax treaty with Indonesia, then no Article 22 tax will apply if that seller can provide evidence of tax residence to the PPMSE (i.e., DGT Form and Certificate of Residence, if the foreign tax authority will not endorse the DGT Form).

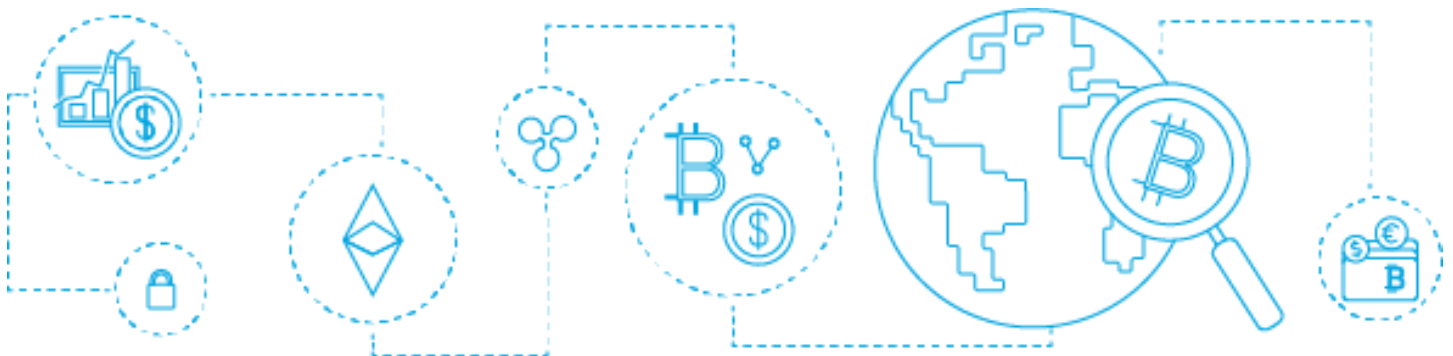


Income earned by PPMSE	
Tax object	<ul style="list-style-type: none"> • Provision of electronic channel for crypto asset transactions. • Withdrawal service. • Deposit service. • Service for the transfer of crypto asset through e-wallet. • Service for the provision and/or management of storage media for crypto asset and/or e-wallet. • Any other service connected with crypto asset.
Applicable Tax	<p>a. Income earned by the PPMSE from crypto asset transactions in its own name through electronic channel provided by another PPMSE are subject to:</p> <ul style="list-style-type: none"> • 0.1% Article 22 Final Tax – if the PPMSE is a Physical Crypto Asset Trader, • 0.2% Article 22 Final Tax – if the PPMSE is not a Physical Crypto Asset Trader. <p>b. Income earned by PPMSE from the provision of electronic channel and income other than listed above, shall be subject to normal tax rate under the Income Tax Law.</p>
Income tax base	Transaction value, excluding VAT and Luxury Goods Tax. Refer “Tax base” for details of how the value is determined.
Administration obligations	<ul style="list-style-type: none"> • Income earned by PPMSE from own crypto asset transactions: <ul style="list-style-type: none"> ➢ PPMSE shall issue proof of collection/Unification collection for Article 22. ➢ Income tax shall be deposited no later than the 15th of the month after the end of the tax period. ➢ Income tax shall be reported to the ITA no later than the 20th of the month after the end of the tax period. • Income earned by PPMSE from the provision of electronic channel and other services listed above: <ul style="list-style-type: none"> ➢ Income tax shall be paid to the State Treasury no later than the 10th of the month after the end of the tax period. ➢ Income tax shall be reported no later than the 20th of the month after the end of the tax period.

In the event the PPMSE is a non-resident and has been appointed as an e-commerce VAT Collector then that PPMSE shall be deemed to also be appointed as a collector of income tax.

Income gained by crypto miner

Tax object	<p>Income includes:</p> <ul style="list-style-type: none"> • Block reward. • Fee for transaction verification. • Other income from crypto asset system. • Income other than mentioned above, connected with crypto asset.
Article 22 Tax rate	<ul style="list-style-type: none"> • 0.1% Final Tax (for income from objects per above). • 0.1% Final Tax (if income is gained from crypto asset sales transactions and the PPMSE is a Physical Crypto Asset Trader). • 0.2% Final Tax (if income is gained from crypto asset sales transactions and the PPMSE is a not a Physical Crypto Asset Trader).
Income tax base	<p>Transaction value, excluding VAT and Luxury Goods Tax.</p> <p>Refer "Tax base" for details of how the value is determined.</p>
Administrative obligation	<ul style="list-style-type: none"> • Income tax shall be paid to the State Treasury no later than the 10th of the month after the end of the tax period. • Income tax shall be reported no later than the 20th of the month after the end of the tax period.





RSM COMMENTS:

1. PMK-68 confirms the Government's position that crypto asset is VATable goods and that income generated from crypto asset transactions is subject to income tax. The regulation then provides a preferential system for imposing VAT and income tax on crypto asset transactions involving Indonesian tax residents if those transactions are undertaken through a PPMSE; with lower rates if the PPMSE is registered with the licensing authority (Bappebti). This suggests that any transactions not conducted through a PPMSE would be subject to the general VAT and income tax regulations.
2. Non-residents that do not have a permanent establishment in Indonesia, are not a PPMSE and are not conducting crypto asset transactions through a PPMSE should not be subject to PMK-68.
3. General service income earned by PPMSE from facilitating crypto asset transactions are subject to the general VAT and income tax regulations.

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