



May 4, 2020

H.E. Sri Mulyani Indrawati
Minister of Finance
Djuanda I Building, 9th Floor
Jl. Dr. Wahidin Raya No. 1
Jakarta, Indonesia 10710

Dear Minister Sri Mulyani:

Our associations are a collection of the world's most innovative companies, representing every part of the technology sector. Many of our companies are indigenous to Indonesia, and we are substantial contributors to a vibrant Indonesian information and communication technology (ICT) sector. For all of us, Indonesia is an essential market.

These are exceptionally challenging times globally for individuals, governments, and businesses. We appreciate that the current priority of the Government of Indonesia, and of governments around the world, must be to mount the strongest possible economic and public health response to the outbreak of COVID-19. At a time when governments and firms alike are under immense economic strain, we applaud President Widodo and other G20 leaders for their commitment to realizing a free, fair, non-discriminatory, transparent, predictable, and stable trade and investment environment, and to keep global markets open. We are further encouraged by G20 leaders' reaffirmed support for the ongoing, multilateral negotiations at the Organisation for Economic Cooperation and Development (OECD) on the taxation challenges arising from the digitalization of the global economy.

In line with these international commitments and recent recommendations from multilateral institutions to refrain from the introduction of legislation that fundamentally alters existing taxation practices, we write to respectfully request **a delay of the introduction of implementing measures for the income tax and “electronic transaction tax” provisions under Articles 6 and 7 of Government Regulation in lieu of law No. 1/2020 in order to allow governments to reach multilateral agreement in ongoing OECD negotiations.** Among other changes, the identified articles enact three new tax measures that would solely target non-Indonesian businesses with Indonesian customers: (1) a Value Added Tax on foreign-originating intangible taxable goods and services; (2) a new concept of “significant economic presence” to subject certain foreign suppliers to income tax on a deemed permanent establishment (PE) basis; and (3) an “electronic transaction tax” applicable to these foreign suppliers when a deemed PE cannot be established under Indonesia’s income tax treaty arrangements. To help address current economic conditions, we would encourage a formal stakeholder consultation process to take place for the implementation of the VAT measures while delaying the implementation of the income tax and “electronic transaction tax” measures.

In the current circumstances, the timeframe within which these expansive new measures were approved allowed for neither the dialogue nor the significant structural changes that would be necessary for impacted firms to effectively implement changes of this scope and complexity. Beyond underscoring Indonesia’s continued support for ongoing OECD negotiations, a delay in the introduction of implementation measures would permit the necessary dialogue to take place, facilitate clarifications for impacted firms, and play a meaningful role in ensuring that the Government of Indonesia can most effectively and equitably achieve its short- and long-term policy objectives.

Our associations, and our constituent memberships, share your Government’s goal of fostering a dynamic and vibrant ICT sector.

We greatly appreciate your consideration of this request and stand ready to work with you and your Government.

Sincerely,

American Chamber of Commerce in Indonesia

Asia Internet Coalition

Asia Pacific MSME Trade Coalition (AMTC)

DIGITALEUROPE

Eurocham Indonesia

Federation of Korean Industries

Information Technology Industry Council

Japan Electronics and Information Technology Industries Association (JEITA)

Korea International Trade Association

U.S. Chamber of Commerce