

Summary of PMK 37 Year 2025 - the appointment of other parties as income tax collection agents as well as procedures for the collection, remittance and filing of income tax collected by other parties on income received or accrued by domestic merchants using electronic commerce mechanisms

In an effort to improve the overall efficiency and effectiveness of Indonesia's tax collection regime, particularly as it relates to income taxes (*Pajak Penghasilan* – “**PPh**”), the Minister of Finance (“**Minister**”) has decided to introduce an applicable mechanism for the appointment of other parties as PPh collectors, as well as a set of applicable procedures for the collection, deposit and reporting of PPh collected by these other parties on income that is received or earned by domestic merchants via Electronic System-Based Trading Activities (*Perdagangan Melalui Sistem Elektronik* – “**PMSE**”) through the issuance of Regulation No. 37 of 2025 (“**Regulation 37/2025**”), which has been in force since 14 July 2025.

Regulation 37/2025 has been introduced in order to respond to prevailing dynamics within Indonesia's marketplace ecosystem through the provision of facilities by Organizers of PMSE (*Penyelenggara PMSE* - “**PPMSE**”) for use by merchants, which should hopefully smooth compliance with said merchants' taxation obligations. Specifically, PPMSE will now be able to collect PPh from their merchants directly. In this regard, the new framework of Regulation 37/2025 now places the burden of PPh collection on domestic or foreign PPMSE as third parties appointed by the Minister. Although taxation obligations within the PMSE sector are addressed under Regulation of the Government No. 80 of 2019 (“**Regulation 80/2019**”), the framework has yet to mandate PPMSEs to be held liable for the taxation obligations of other business actors, including merchants.

thereby replacing the previous framework of Regulation of the Government No. 80 of 2019 (“**Regulation 80/2019**”), which required business actors operating within the PMSE sector, including merchants, to assume liability for their own taxation obligations.

It should be noted in this context that the appointment of PPMSE as third-party tax collectors is, practically speaking, not a new concept under Indonesia's regulatory taxation regime. Indeed, under the framework of Regulation of the Minister No. 81 of 2024 (“**Regulation 81/2024**”), PPMSE have been included on the list of parties that may be appointed as collectors of Value-Added Tax (*Pajak Pertambahan Nilai* – “**PPN**”) on taxable goods/services, provided that they meet certain requirements, which bears similar concept to those now feature under Regulation 37/2025.

Given the importance of the above-described PPh collection by PPMSE, particularly for businesses that operate within the PMSE sector, this edition

summarizes the new provisions that have been introduced under Regulation 37/2025, specifically as they relate to the following matters:

1. Applicable Criteria for PPh Collectors and Merchants Collected from;
2. Mandatory Provision of Information by Merchants; and
3. Article-22 PPh Collection: Amount, Procedures and Exemptions.

Applicable Criteria for PPh Collectors and Merchants Collected from

As briefly outlined above, PPMSE can now be appointed as third parties responsible for the collection, deposit and reporting of any Article-22 PPh that is earned by their domestic merchants. In this regard, PPMSE will be subject to the new Article-22 PPh collection mandate if they utilize escrow accounts to collect incomes and if they also meet the following criteria:

1. Generate transaction values within Indonesia through the use of electronic facilities that exceed a specified threshold within a 12-month period; and/or
2. Have a total number of users or traffic amount that exceeds a specified threshold within a 12-month period.

The above-mentioned specified thresholds for transaction values and/or traffic amounts will be further determined by the Director-General of Taxes (**"Director-General"**) on behalf of the Minister. By way of comparison, it should be noted that in terms of the transaction and/or traffic values that apply to the collection of PPN by PPMSE, Regulation of the Director-General No. PER-12/PJ/2025 (**"Regulation 12/2025"**) sets the following thresholds:

1. Transaction value: exceeds Rp. 600 million within a 12-month period or Rp. 50 million within a one-month period; and/or
2. Traffic amount: exceeds 12,000 accesses within a 12-month period or 1,000 accesses within a one-month period.

Meanwhile, in terms of domestic merchants that will be subject to the above-described PPh collection, Regulation 37/2025 affirms that said merchants also include couriers, delivery service companies, insurance companies and other parties that complete transactions with buyers of goods and/or services via PMSE. These types of merchants will be subject to Regulation 37/2025 if they fulfil the following criteria:

1. Receive income through a bank account or similar financial account; and
2. Engage in transactions using an Internet Protocol (IP) address that is located in Indonesia or a telephone number that features the Indonesian country code.

Additionally, it is important to note that the domestic merchants that will be subject to the abovementioned PPh collection comprise merchants with gross turnovers (earned incomes prior to the completion of relevant deductions) that value more than Rp. 500 million during the ongoing tax year. In this regard, any merchants that do not meet this value threshold will not be subject to any PPh collection, as specifically addressed under the framework of Law No. 7 of

1983 on Income Tax, as most recently amended by Law No. 7 of 2021 on the Harmonization of Tax Regulations (collectively referred to as “**Law 7/1983**”).

Mandatory Provision of Information by Merchants

As a consequence of the shift in responsibility for PPh collection to PPMSE as appointed third-party PPh collectors, Regulation 37/2025 requires all domestic merchants to submit information relating to PPh collection (i.e. taxpayer identification numbers or citizenship identification numbers and correspondence addresses) to their respective PPMSE. Additionally, merchants with gross turnovers that are valued at up to Rp. 500 million during the ongoing tax year must also submit statement letters that confirm said gross turnovers for individual taxpayers.

The above-described information and letters must be resubmitted at the beginning of each tax year, provided that relevant domestic merchants generate gross turnovers that amount to less than Rp. 4.8 billion within a given one-year tax period. However, if a merchant secures a tax exemption certificate that releases them from PPh withholding and/or collection (“**Exemption Certificate**”), then said merchant must resubmit the above-described information and statement letter upon the securing of their Exemption Certificate.

It should also be noted that the above-outlined submission of information and letters to the relevant PPMSE for the 2025 tax year must be completed within one month of any third-party PPh collector being appointed by the Minister.

Article-22 PPh Collection: Amount, Procedures and Exemptions

Pursuant to Regulation 37/2025, the amount of Article-22 PPh that should be collected by PPMSE has been set at 0.5% of the relevant domestic merchant’s gross turnover, as outlined in relevant billing documents (excluding PPN and luxury goods sales tax). Any final PPh subject to this collection will be considered part of the respective merchant’s final PPh settlement. However, any underpayment that arises in relation to a merchant’s final PPh and the amount collected by their PPMSE will require the merchant in question to independently deposit their final PPh.

It should be noted that Regulation 37/2025 also affirms that the above-described Article-22 PPh collection will not be imposed upon certain types of income that are generated by domestic merchants. In this regard, the relevant PPh will remain payable and/or must be withheld and/or collected, paid and reported in accordance with prevailing tax Laws and Regulations. The types of domestic merchant incomes that are exempted from the above-described PPh collection are generated through the following types of transactions:

1. Sales of goods and/or services by an individual domestic taxpayer with a gross turnover	4. Sales of mobile phone credits and starter packs;
--	---

<p>that does not exceed Rp. 500 million during the ongoing tax year and who has submitted the relevant statement letter;</p> <p>2. Sales of delivery or courier services by an individual domestic taxpayer who is a partner of a technology-based application company that provides transportation services;</p> <p>3. Sales of goods and/or services by a domestic merchant who has submitted an Exemption Certificate;</p>	<p>5. Sales of gold jewelry, gold bullion, jewelry not made entirely of gold, gemstones and/or similar stones, as conducted by a manufacturer of gold jewelry, trader in gold jewelry and/or gold bullion business; and/or</p> <p>6. Transfers of rights over land and/or buildings or binding sale and purchase agreements relating to land and/or buildings (including any amendments).</p>
---	---

While specific examples of the above-described collection of domestic merchant PPh by PPMSE are outlined comprehensively under the Appendix to Regulation 37/2025, in essence, this new framework mandates that relevant PPMSE deposit and report PPh that they have collected from merchants with/to the state treasury. Said deposits should be completed with the submission of various types of information and details relating to the domestic merchants that the deposits were collected from (in addition to the information submitted by the merchant, PPMSE should also provide other types of information, such as the account name of the merchant and the email addresses of goods/service buyers). Said information and details should be submitted to the Director-General as integral attachments to unified income periodic tax returns.

Although the process of collecting PPh-related data and information from domestic merchants may seem straightforward, this new mandate represents its own unique set of challenges, as PPMSE will be required to establish dedicated systems and/or procedures in order to collect merchants' data. However, with Regulation 37/2025 lacking clarity on exactly how the required data and information should be collected, the Secretary-General of the Indonesian E-Commerce Association (idEA) has noted that up to a year may be needed in order to develop an adequate mechanism that enables merchants to upload their PPh-related data and information through the relevant PPMSE.

Key Takeaways

The facilitation of Article-22 PPh collection, deposits and reporting, as provided by PPMSE to domestic merchants, is expected to further improve and encourage proper tax compliance by merchants across the country. However, this new mandate requires PPMSE to ensure they are capable of providing such facilities, including helping domestic merchants to prepare billing information on their transactions, as this type of document is

among those that PPMSE are now required to submit to the Director-General. Ultimately, it will be essential for PPMSE, as appointed third-party collectors of Article-22 PPh, to familiarize themselves thoroughly with the new framework of Regulation 37/2025, as any non-compliance may result in the imposition of administrative sanctions in accordance with relevant Laws and Regulations that apply within the taxation and private electronic system organizer sectors.