

Implementation of Investment Management

A. Legal Basis

The legal sources underlying this tax guide are as follows:

- (i) Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods stdtd Law Number 7 of 2021 concerning Harmonization of Tax Regulations (VAT Law)
- (ii) Minister of Finance Regulation Number 69/PMK.03/2022 (PMK 69/2022)

B. Background

The treatment of value added tax (VAT) on the implementation of financial technology, which includes the implementation of investment management, is regulated in PMK 69/2022. This Minister of Finance Regulation (PMK) was issued to provide legal certainty and administrative convenience in fulfilling tax obligations on transactions in the implementation of financial technology.

C. Definition

Based on PMK 69/2022, what is meant by **the implementation of investment management** is in the form of services for providing electronic communication facilities used to manage investments which can be in the form of: *advanced algorithms, cloud computing, sharing capabilities, open source information technology, automated advice and management, social trading, and retail algorithmic trading* .

D. Tax Treatment

D.1 VAT treatment

D.1.1 VAT object

The implementation of investment management is a taxable service (JKP) so that VAT is payable on the delivery.

D.1.2 VAT Collector

Entrepreneurs who carry out investment management activities that have been confirmed as taxable entrepreneurs (PKP) are required to collect, deposit, and report the VAT payable on the submission of JKP in the form of implementing investment management.

D.1.3 Exceptions

Fund placement services by investors/investors to issuers of securities or other financial instruments through electronic communication facilities provided by entrepreneurs who carry out investment management activities, including types of financial services that are **exempt from the imposition of VAT** .

In addition, securities and other financial instruments which are securities in accordance with statutory provisions, including types of **goods that are not subject to VAT** .

In this context, securities are securities, namely debt acknowledgments, commercial securities, shares, bonds, proof of debt, units of participation in collective investment contracts, futures contracts for securities, and any derivatives of securities.

D.1.4 VAT calculation

VAT payable is calculated by multiplying the rate of Article 7 paragraph (1) of the VAT Law with the tax base (DPP). DPP for VAT on the implementation of investment management

is a replacement, namely in the amount of fees, commissions, or other rewards in any name and in any form received by the organizer.

D.1.5 VAT Invoice Creation

PKP who carry out investment management activities as mentioned above are required to make a tax invoice as regulated in the VAT Law. Tax invoices are required to be in electronic form (e-invoice) using an application or system provided and/or determined by the Directorate General of Taxes (DGT) and an electronic signature is included. PKP must make a tax invoice for each submission of JKP and this tax invoice must be made on:

- (i) at the time of submission of JKP; or
- (ii) the time of receipt of payment in the event that the receipt of payment occurs before the submission of JKP.

D.1.6 VAT Collection and Deposit

PKPs who carry out investment management activities as mentioned above are required to collect and deposit VAT as regulated in the VAT Law. Payment of VAT payable by PKP must be made no later than the end of the following month after the end of the tax period and before the notification letter (SPT) of the VAT Period is submitted.

D.1.7 VAT Period SPT Report

PKP submitting JKP as mentioned above, must report the VAT Period SPT as stipulated in the VAT Law.

The VAT Period SPT is submitted no later than the end of the following month after the end of the tax period.

D.1.8 Sample case

PT Save (PKP) is a company that carries out investment management activities, namely the provision of electronic communication facilities used to manage investments using *open source information technology* facilities.

PT Put uses investment management services from PT Save. PT Put pays a fee of IDR 1,500,000,000.00, excluding VAT, to PT Save for the September 2022 tax period.

Based on the above case, the following is the VAT treatment.

- (i) PT Save collects VAT with the following calculations:

$$\begin{aligned} \text{PPN} &= 11\% \times \text{DPP (Fee)} \\ &= 11\% \times \text{Rp1.500.000,00} \\ &= \text{Rp165.000,00} \end{aligned}$$

- (ii) PT Put pays a fee plus VAT in the amount of Rp. 1,665,000.00 to PT Save;
- (iii) PT Save is required to issue a tax invoice and deposit the collected VAT and report the VAT Period SPT every month.

E. Special Terms

Currently, there are no special provisions related to VAT on the implementation of investment management.