Implementation of MoF Regulation No. 37 of 2025: Indonesia Appoints Four Marketplaces as Article 22 Income Tax Collectors

Effective 1 July 2026, the Indonesian Government, through the Directorate General of Taxes (DGT), has commenced the implementation of Minister of Finance Regulation No. 37 of 2025 (*PMK-37/2025*) by appointing four electronic commerce platform operators *(Perdagangan Melalui Sistem Elektronik/PMSE*) as collectors of Article 22 Income Tax (*PPh Pasal 22*) on income earned by domestic merchants through online marketplaces.

The implementation forms part of the Government's broader initiative to simplify tax administration, enhance legal certainty, and improve tax compliance within Indonesia's rapidly expanding digital economy. According to the DGT, PMK-37/2025 does not introduce a new tax obligation. Instead, the regulation establishes a new tax collection mechanism whereby designated marketplace operators collect Article 22 Income Tax on behalf of qualifying domestic sellers. As such, the existing income tax obligations of taxpayers remain unchanged, while the collection process is intended to become more efficient and administratively streamlined.

In addition to simplifying tax administration, the regulation seeks to establish a more level playing field between businesses operating through digital platforms and those conducting transactions through conventional business channels. By integrating the tax collection process into marketplace transactions, the Government aims to facilitate voluntary tax compliance while providing greater certainty for taxpayers.

PMK-37/2025 also preserves the existing tax relief available to small businesses. Domestic individual taxpayers with annual gross turnover not exceeding IDR 500 million remain exempt from Article 22 Income Tax collection by marketplace operators, provided that they submit the required declaration letter in accordance with the applicable regulations. Accordingly, eligible small business taxpayers continue to benefit from the existing tax incentives provided under Indonesian tax law.

Under the regulation, designated marketplace operators are required to collect Article 22 Income Tax at the rate of 0.5% of the seller's gross turnover, excluding Value Added Tax (VAT) and Sales Tax on Luxury Goods (PPnBM). The tax collected does not constitute an additional tax burden. Rather, the amount collected may be credited against the taxpayer's annual income tax liability or treated as part of the settlement of Final Income Tax, where applicable under the prevailing tax regulations.

The implementation of PMK No. 37 of 2025 introduces new administrative requirements for marketplace operators and domestic merchants. WTS Indonesia can assist businesses in assessing the regulation's impact, reviewing tax compliance obligations, advising on the applicable withholding and reporting requirements, and supporting the implementation of practical compliance measures in accordance with Indonesian tax regulations.

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