



THE PEER-TO-PEER (P2P) ECONOMY IN INDONESIA

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P2P Economy & The Advantages over Incumbents

What is P2P Economy?

- The P2P, the direct transaction of goods and services between buyers and sellers, is not a new model of business.
- With an advanced technology platform, the P2P is one of the business models that have eliminated transaction costs.
- In this context, intermediation P2P activities over digital platforms may allow greater access and formalization of informal economic activity.

Reducing transaction costs

- the process to find the best counterparts easier and more efficient than conventional
- as the service could be provided by smartphones, it might be eliminated some specialized equipment
- reducing the uncertainty associated with waiting time

Improving the allocation of resources

- optimize the usage of a assets
- in transportation digital platform, it offers the other potential efficiencies including less time driving without a passenger and less time waiting both of which can save the time and fuel that cut prices to consumers.

Information efficiencies, reputations, and accountability

- it is easier to get the feedback or comment from the customers about services or from the service providers about the customers.

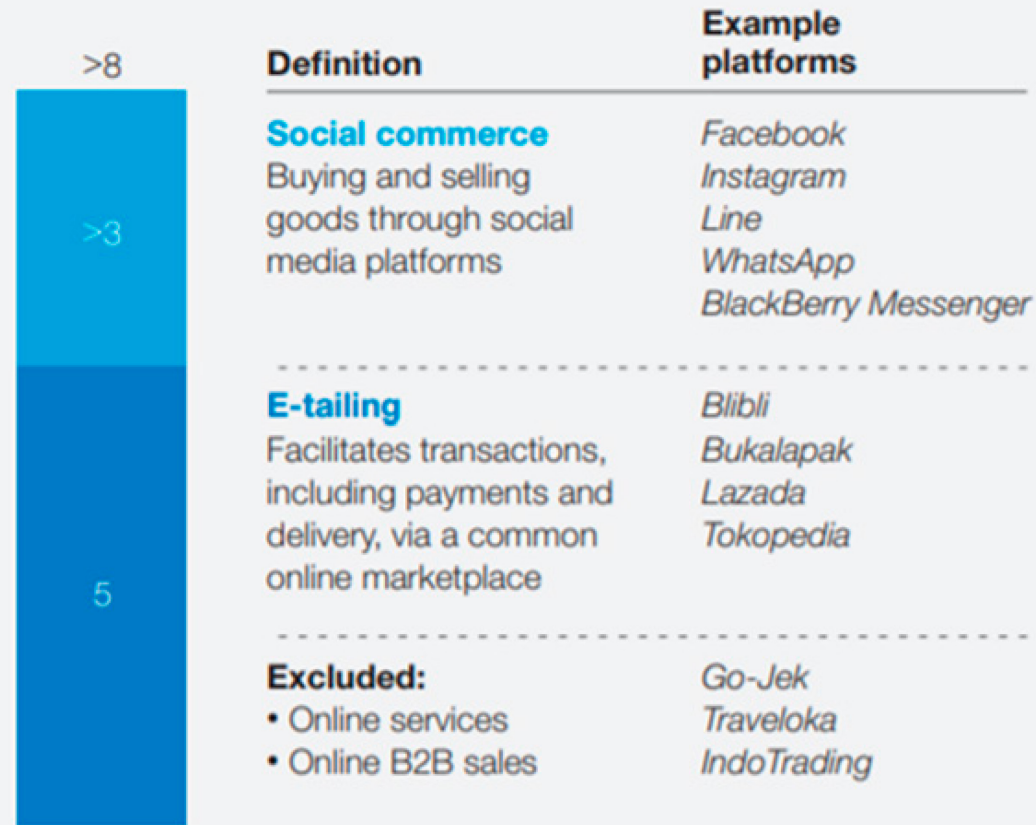
Pricing efficiencies

- In digital platforms, the price of the service could be adjusted based on real-time information about market conditions



Indonesian P2P Economy *e-Commerce Market Size*

Online commerce market size, 2017
GMV,¹ \$ billion

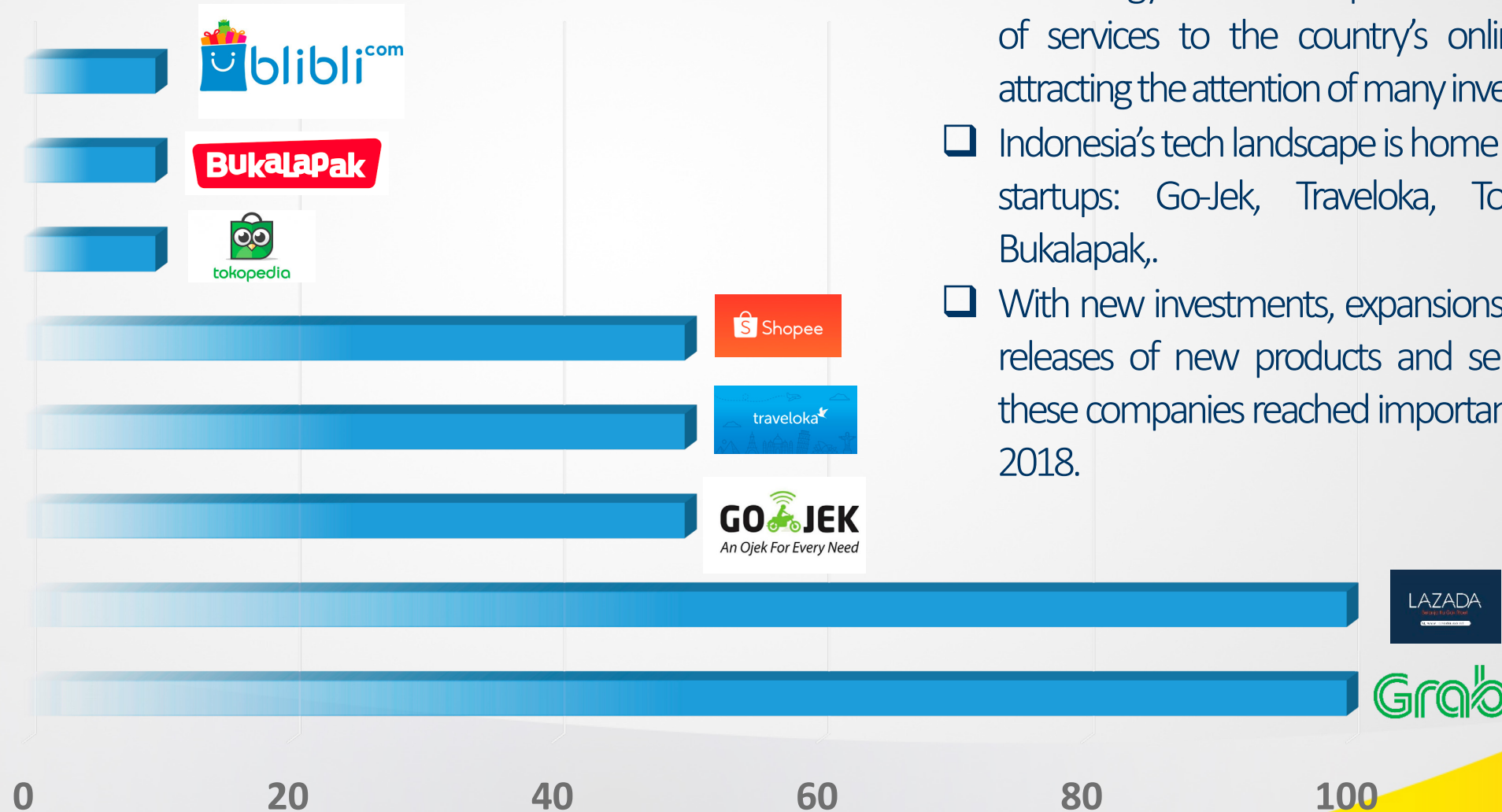


- ❑ Indonesia's online commerce market is at least \$8 billion gross merchandise value, including more than \$3 billion of social commerce.
- ❑ The informal market—social commerce—involves the transactions of physical goods through social media platforms such as Facebook & Instagram;
- ❑ Formal e-tailing is physical goods transactions through an online platform that facilitates transactions by displaying products and enabling payment and delivery.



Indonesian P2P Economy

Number of Users on Indonesia's P2P Platforms (millions)



- ❑ Technology-based startups are offering a plethora of services to the country's online population, attracting the attention of many investors;
- ❑ Indonesia's tech landscape is home to four unicorn startups: Go-Jek, Traveloka, Tokopedia, and Bukalapak,.
- ❑ With new investments, expansions, as well as the releases of new products and services, each of these companies reached important milestones in 2018.



Indonesian P2P Economy

The penetration of Smartphone and lower cost of mobile data

Smartphone users steadily increasing, reaching approximately 105 million in 2017

Number of smartphone users, millions

	2015	2017	CAGR ¹
China	822.6	988.1	10%
United States	200.9	296.6	27%
India	184.5	247.0	11%
Indonesia	74.8	105.6	19%
Vietnam	31.2	46.4	22%
Thailand	29.5	44.1	22%
Malaysia	13.8	20.2	21%
Singapore	3.6	3.9	5%

¹) CAGR = Compound Annual Growth Rate

Source: McKinsey Global Institute, 2018

- ❑ Indonesia has 184.5 million mobile subscribers whose 40 percent of them own smartphones;
- ❑ With 19 percent growth of smartphone users, the penetration of smartphone in Indonesia is expected to keep rising;
- ❑ Mobile data in Indonesia is at half the cost of peers in the ASEAN region and among the lowest in the world.

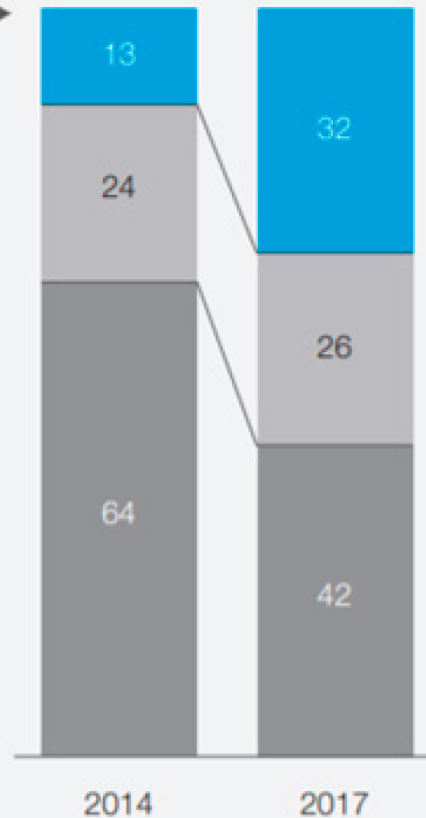


Indonesian P2P Economy: *young “digital” consumers*

% of banked population

Indonesia

100% →



Digitally active

Uses digital banking at least fortnightly

Made an e-tailing purchase in the past 6 months

Moderately digital

Uses digital banking at least some of the time

Does not make online purchases

Nondigital

Does not use digital banking

- In term of social media users, Indonesia is the fourth-largest Facebook users in the world and the largest Instagram audience in the region.
- Related to the huge social media users, Indonesia also has 100 million people expanding the banked population who make the number of smartphone transactions in 2017 increase 2.6 times from 2014.

Indonesian P2P Economy: *Presidential Regulation No. 74 of 2017: E-Commerce Road Map 2017-2019*

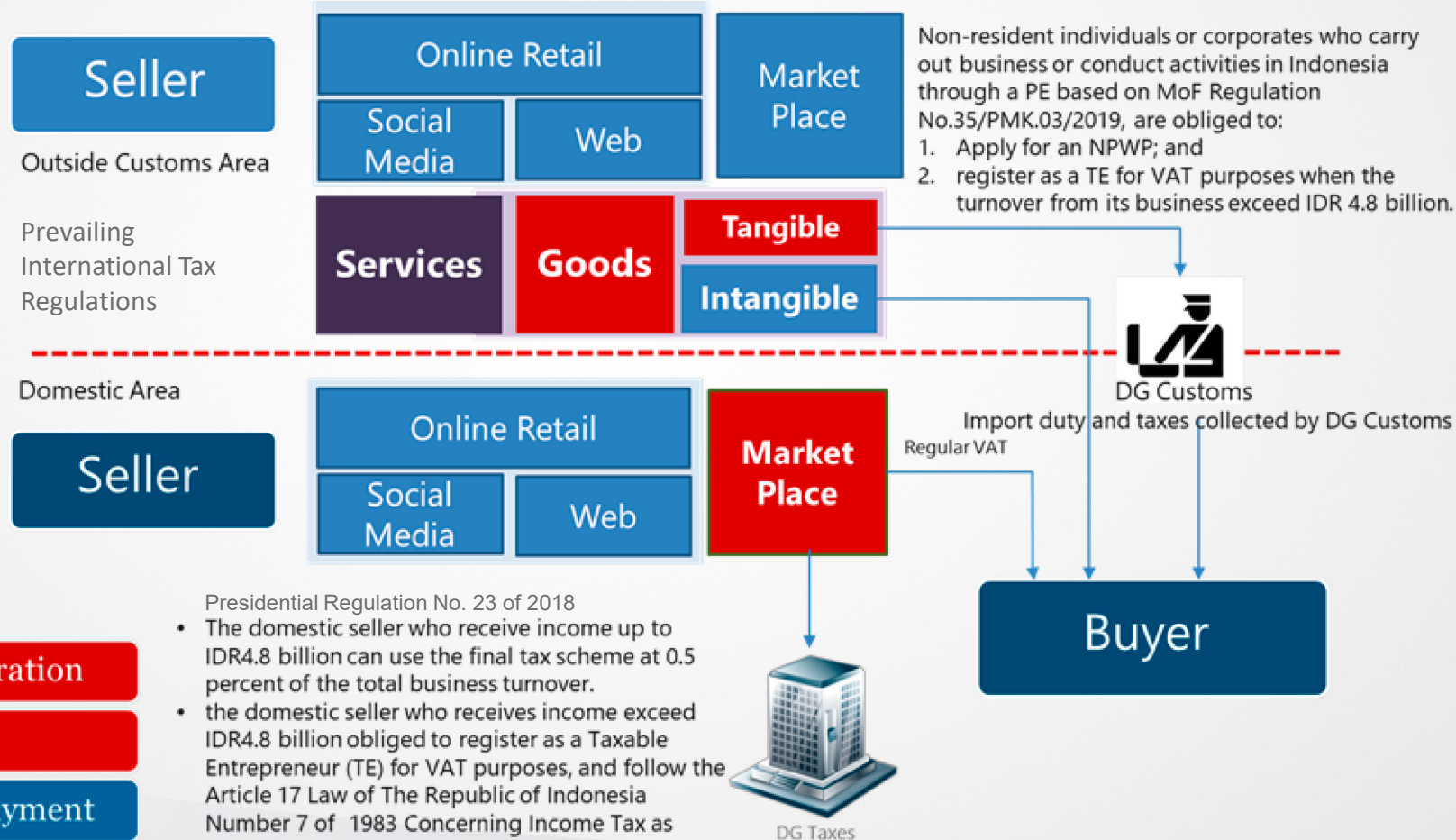


Regarding taxation, Indonesian government plans including:

- (i) tax redemption for local investors who invest in startup;
- (ii) simplification in license/ tax procedures for e-commerce startup whose profit below IDR.4.8 billion; and
- (iii) Tax regulation equality for all e-commerce entrepreneurs.



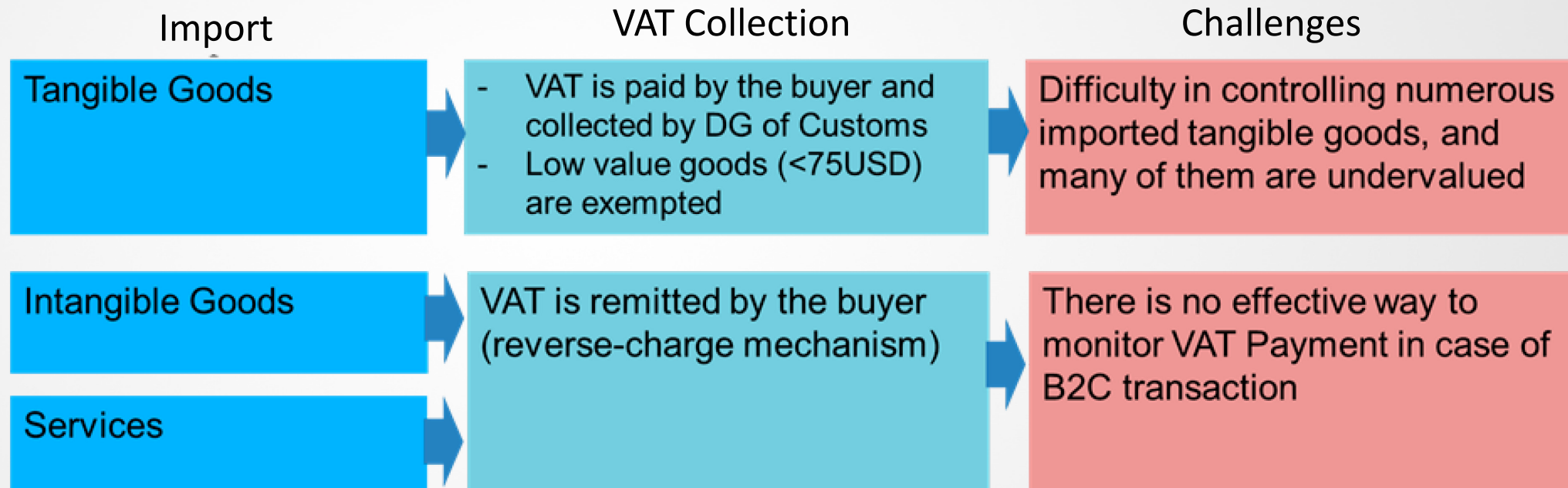
How is Indonesia Taxing the P2P Economy?



- ❑ In Indonesia, there is no specific income tax regulation regarding the P2P economy.
- ❑ The taxation treatment for domestic actors still refers to the existing tax regulations.
- ❑ In term of cross-border marketplaces, it might involve the establishment of a Permanent Establishment (PE).
- ❑ The issuance of MoF Regulation No.35/PMK.03/2019 was intended to provide further guidance specifically for the determination of PE.



Challenges for Cross-border transaction in P2P Economy





THANK YOU