Deloitte.

Celebrating 25 years Deloitte Indonesia

Indonesian Tax Info August 2015

In this issue:

1. Investment Benefit on Life Insurance is Not Subject to Withholding Tax
2. Update on Exchange of Information between Governments
3. VAT Exemption for Delivery of Clean Water
4. Tax Identification Number Structure and Application of Tax Identification Number
5. Payment Procedure for Non-Oil and Gas Tax in US Dollar Currency
6. Update on Article 22 Withholding Income Tax on Sales of Goods Categorized as Very Luxurious Goods
7. Format, Content, and Procedure for Completion and Submission of Periodic Value Added Tax (VAT) Return
8. Implementing Regulation on MoF Regulation regarding Cancellation of Interest
9. Customs Focus:
   a. Update on Second Pilot Project of ASEAN Self-certification System
   b. Update on Procedure for Issuing Certification of Origin for Indonesia Originating Goods
   c. Update on System for Classifying Goods and Charging Duties on Imported Goods
   d. Update on Import Procedure
   e. Amendment of Stipulation on Import of Tires
   f. New Procedure for Temporary Import/ Export using Carnet

Investment Benefit on Life Insurance is Not Subject to Withholding Tax

The Directorate General of Taxation ("DGT") has issued Circular letter number SE-56/PJ/2015 ("SE-56"), which revokes SE-09/PJ.42/1997 ("SE-09").

In summary, SE-56 states that:

1. Effective 24 July 2015, SE-56 revokes SE-09. SE-09 stated that pursuant to Government Regulation number 131 of 2000 ("PP-131"), investment benefit, which is the difference between the premium and paid the amount received, will be considered as interest subject to 15% final withholding tax if a policy holder surrenders the policy before three years. SE-56 confirms that SE-09 actually contradicts PP-131.
2. Income tax treatment on investment benefit shall follow the prevailing income tax law.

Update on Exchange of Information between Governments

As part of the efforts to prevent tax avoidance, tax evasion, and tax treaty abuse, the Ministry of Finance ("MoF") has recently issued an amendment to the Guidance on Exchange of Information ("EoI") through MoF Regulation number 125/PMK.010/2015 ("PMK-125"), to provide further guidance on EoI procedures based on the relevant tax treaties, Tax Information Exchange Agreements (TIEA), or multilateral agreements. PMK-125 serves as an amendment to MoF Regulation number 60/PMK.03/2014 ("PMK-60").

Significant updates made under PMK-125 are among others:

- PMK-125 elucidates the scope of EoI and implements the Convention on Mutual Administrative Assistance in Tax Matters ("convention") and other bilateral and multilateral agreements. The convention governs that the government of a tax treaty partner country cannot refuse to provide the data/document solely on the grounds that the data/document is owned or kept by a bank, financial institution, person/entity acting as an agent or proxy, or other party which has an interest related to the information.
- Additional circumstances that could trigger request for or spontaneous exchange of information are added below, in addition to tax audit, initial evidence, and tax investigation (which are already stipulated in PMK-60):
  1. Monitoring Tax Compliances
  2. Analysis and development of information, data, report and complaint received by DGT
  3. Verification
  4. Tax Collection
  5. Reduction or cancellation of tax assessment
  6. Tax Objection
  7. Tax Appeal
  8. Tax Reconsideration
  9. Mutual Agreement Procedure and/or Advance Pricing Agreement

  In addition to the conditions as stipulated in the earlier regulation, exchange of information upon request cannot be performed if there is no effort made by the respective tax authority to seek the information inside the country.
- In performing the automatic EoI, the DGT units that systematically and periodically manage and administer tax information will furnish certain detailed information to Director of Tax Regulations II, which may include withholding tax information of income which is paid to the tax subject in the partner country and financial information.

PMK-125 is effective from 7 July 2015.

VAT Exemption for Delivery of Clean Water

Pursuant to Article 16B (1) (b) of VAT Law Number 42 of 2009 and its elucidation letter (n), which mentions "guaranteeing the availability of clean water', the President of the Republic of Indonesia has issued Government

Regulation number 40 of 2015 (“PP-40”) regarding the VAT exemption for delivery of clean water. PP-40 revokes the earlier Government Regulation number 12 of 2001 (“PP-12”) Article 1 (1) (g) and Article 2 (2) (g) and is effective from 23 June 2015.

PP-12 already stipulated that clean water which is delivered by entrepreneurs is exempted from the imposition of VAT. Now, PP-40 specifies the type of water whose delivery is exempted from the imposition of VAT, as follows:

1. Clean Water not ready to drink;
2. Clean Water ready to drink (drinking water), other than bottled/ packaged drinking water.

Input Tax on the acquisition of Taxable Goods and/or Taxable Services in connection with the delivery of the aforementioned clean water shall not be creditable.

Tax Identification Number Structure and Application of Tax Identification Number

The DGT has issued Circular Letter number SE-44/PJ/2015 (“SE-44”) regarding Tax ID number structure and the application of Tax ID number. There is no change in the numbering structure of the Tax ID number; it contains 15 digits. The first 9 digits are the unique information of the taxpayer, the next 3 digits are the tax office code, and the last 3 digits are the taxpayer status code, either headquarters or branch.

Based on this SE-44, the Tax ID number will not change when a Taxpayer moves its residence/ domicile/ place of business or is transferred to another tax office from where the Taxpayer is now registered. Further, the fulfillment of the tax rights and obligations for such Taxpayers should be carried out by the Tax Office where the Taxpayer is registered (i.e. the new Tax Office).

SE-44 is effective from 1 July 2015.

Payment Procedure for Non-Oil and Gas Income Tax in US Dollar Currency

The DGT and the Director General of Treasury (“DGTR”) have issued a joint Regulation number PER-26/PJ/2015 dated 19 June 2015 (“PER-26”) concerning Payment Procedure for Non-Oil and Gas Income Tax in US Dollar currency.

PER-26 is the implementing regulation for Article 14 (7) of MoF Regulation number 242/PMK.03/2014.

A Taxpayer that has obtained USD bookkeeping approval from the DGT shall pay Article 25 Income Tax, Article 29 Income Tax and Final Tax (self-remitted) and underpaid Tax Assessment Notices and Tax Collection Notices issued in US Dollar currency, other than Income Tax on crude oil and/or natural gas in US Dollar currency, to the State Treasury through a Foreign Currency Receiving Bank.

PER-26 stipulates that the DGTR, through the Director of State Treasury Management, will close the State Treasury Giro Account on 31 July 2015. Therefore, any payment of Non-Oil and Gas Income Tax which is made to the State Treasury Giro Account after 30 July 2015 will not be considered as a tax payment.

Update on Article 22 Withholding Income Tax on Sales of Goods Categorized as Very Luxurious Goods

The DGT has issued Regulation number PER–24/PJ/2015 (“PER–24”) to provide legal certainty and to prevent inconsistencies in the implementation of Article 22 withholding income tax on sales of goods categorized as very luxurious goods. PER-24 amends the previous DGT Regulation number PER-19/PJ/2015 (“PER-19”) dated 30 May 2015.

PER-24 was issued to correct the typo error made in PER-19 in relation to the term of Sales Price for sale of Very Luxurious Goods as defined in the regulation. In PER-19, the Sales Price is stated as inclusive of VAT and Sales Tax on Luxury Goods, while it should be exclusive of VAT and Sales Tax on Luxury Goods.

Format, Content, and Procedure for Completion and Submission of Periodic Value Added Tax (VAT) Return

The DGT has issued Regulation number PER-29/PJ/2015 ("PER-29") on 23 July 2015 regarding Format, Content, and Procedure for Completion and Submission of Periodic VAT Returns. PER-29 provides more details and direction on how to complete the VAT Return forms, the website where taxpayers can download the e-invoice, the exemption for certain VAT-able Individuals from submitting electronic documents, the issuance of combined tax invoice in the periodic VAT returns, procedures for cancellation of tax invoice, etc.

The previous Regulation number PER-44/PJ/2010 as most recently amended by PER-25/PJ/2014 is effective for VAT returns from January 2011 to June 2015. All provisions that are not contrary to the new regulation will remain valid.

This regulation comes into force on the date it is stipulated (23 July 2015) and is applied for completion and reporting of VAT Returns starting from the July 2015 tax period.

Implementing Regulation on MoF Regulation regarding Cancellation of Interest

The DGT has issued Circular Letter number 52 of 2015 ("SE-52") on 6 July 2015 as an implementing regulation and to provide guidance to the Tax Offices and Regional Tax Offices in connection with the cancellation of administrative penalty in the form of interest as referred to in article 19 (1) of the Law on General Provisions and Procedures for Taxation ("KUP Law") and MoF Regulation number 29/PMK.03/2015.

SE-52 also provides clarification on cases and the action to be taken by the tax offices for cancellation of the administrative penalty.

Customs Focus

Update on Second Pilot Project of ASEAN Self-certification System

Vietnam and Thailand have now been added to the list of countries participating in the second pilot project of the ASEAN self-certification system under the ASEAN Trade in Goods Agreement (ATIGA). Previously, Indonesia, the Philippines and Laos were the only participating members of the second pilot project.

The self-certification system allows ASEAN originating products to flow freely within the region, as exporters who satisfy certain requirements to be Certified Exporters are authorized to make invoice declaration on the origins of the goods exported. It supports and strengthens the trade relations among ASEAN countries.

This addition is reflected in Minister of Trade (“MoT”) regulation number 23/M-DAG/PER/3/2015 (effective 1 April 2015) which amends Regulation number 39/M-DAG/PER/8/2013.

Update on Procedure for Issuing Certificate of Origin for Indonesia Originating Goods

The MoT has issued a new Regulation number 22/M-DAG/PER/3/2015 (“MoT-22”) to govern the issuance of the Preferential and Non-Preferential Certificate of Origin (“CoO”) for Indonesia-originating goods.

MoT-22 focuses on streamlining the administrative procedures in order to provide improved public service that is easy, fast, accurate, and transparent. No significant changes are governed under this regulation.

The following regulations are revoked by MoT-22:

1. MoT Regulation number 33/M-DAG/PER/8/2010 concerning certificates of origin for Indonesian export goods, and
2. MoT Regulation number 59/M-DAG/PER/12/2010 concerning provisions for the issuance of certificates of origin for Indonesian export goods.

MoT-22 is effective from 1 April 2015.

Update on System for Classifying Goods and Charging Duties on Imported Goods

The Ministry of Finance (“MoF”) has issued Regulation number 132/PMK.010/2015 (“PMK-132”) which serves as the third amendment of MoF Regulation number 213/PMK.011/2011 to update the system for classifying goods and charging duties on imported goods.

The Government observed that public consumption of imported goods is on the rise. Therefore, a policy aiming to protect producers of domestic products from facing a highly competitive market of imported goods is considered necessary.

Through PMK-132, the Government now increases duties imposed on a variety of imported goods, such as processed food and beverages, household appliances, health equipment and alcoholic beverages, ranging from 0 (zero) to 150 (one hundred and fifty) percent.

This regulation is effective from 23 July 2015.

Update on Import Procedure

The MoT has issued Regulation number 48/M-DAG/PER/7/2015 ("MoT-48") to update its previous policy, 54/M-DAG/PER/10/2009. This update is prompted because some importers fail to submit their import permits at the time of customs clearance.

Under MoT-48, for an importer whose goods have arrived at the customs area without a permit, its API (Importer Number) will be suspended and it will be subject to penalties based on the prevailing legislation, and the goods must be re-exported by the importer.

This regulation is effective from 1 January 2016.

Amendment of Stipulation on Import of Tires

The MoT has issued Regulation number 45/M-DAG/PER/6/2015 ("MoT-45") to revoke MoT regulation number 40/M-DAG/PER/12/2011 regarding tire importation. Pursuant to MoT-45, importation of tires is restricted except when it is imported by a company which is recognized as an Importer Producer of Tires ("IP-Ban") or designated as a Registered Importer of Tires ("IT-Ban").

MoT-45 stipulates that importation of tires is only for completing the process of goods production (e.g. car assembly), and not to be traded and/or transferred to another party.

The categories of tires that are allowed to be imported are as follows:

1. Goods for the purpose of technological research and development;
2. Goods for the purposes of exhibitions;
3. Goods for the purposes of motor sports;
4. Sample goods not for trade;
5. Goods with special specifications for government needs; and/or
6. Export goods rejected by a foreign buyer and later re-imported in the same quantity.

MoT-45 limits the destination ports for import of tires, as follows:

1. Seaports: Belawan (Medan), Tanjung Priok (Jakarta), Tanjung Perak (Surabaya), Semayang (Balikpapan), Soekarno Hatta (Makassar) and Sorong (Papua); and/or
2. Airports: all international airports in Indonesia.

The regulation is effective from 29 September 2015.

New Procedure for Temporary Import/ Export using Carnet

The Directorate of General Customs and Excise ("DGCE") has issued Regulation number PER-9/BC/2015 ("PER-9") regarding new procedures for temporary import or export of goods intended to be re-imported within a certain period of time using carnet (ATA carnet or CPD carnet). A carnet is an international customs and temporary export-import document used for customs clearance in 85 countries and is effective for up to one year.

Customs clearance for temporary import and export using carnet shall meet certain DGCE requirements imposed through the following process:

1. Document verification;
2. Goods examination; and
3. Approval issuance.

ATA carnets and CPR carnets can be changed or amended.

The regulation is effective from 5 June 2015.

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

Melisa Himawan	Tax Managing Partner	mehimawan@deloitte.com
Firdaus Asikin	Senior Tax Partner	firdausasikin@deloitte.com
Carlo Llanes Navarro	National Transfer Pricing Leader	canavarro@deloitte.com
Connie Chu	Senior Technical Advisor	cchu@deloitte.com
Roy David Kiantiong	Tax Partner	rkiantiong@deloitte.com
Cindy Sukiman	Tax Partner	csukiman@deloitte.com
Dionisius Damijanto	Tax Partner	ddamijanto@deloitte.com
Heru Supriyanto	Tax Partner	hsupriyanto@deloitte.com
Irene Atmawijaya	Tax Partner	iatmawijaya@deloitte.com
John Lauwrenz	Tax Partner	jlauwrenz@deloitte.com
Nazly Siregar	Tax Partner	nsiregar@deloitte.com
Turmanto	Tax Partner	tturmanto@deloitte.com
Balim	Tax Director	bbalim@deloitte.com
Dany Hamdan Karim	Tax Director	dkarim@deloitte.com
Heru Widayanto	Tax Director	hwidayanto@deloitte.com
Reinhard Daniel Aritonang	Tax Director	redaniel@delotte.com
Soenari Chasan	Tax Director	csoenari@deloitte.com
Vivi Karwito	Tax Director	vkarwito@deloitte.com
Yan Hardyana	Tax Director	yhardyana@deloitte.com
Koji Sugimoto	Technical Advisor	kojisugimoto@deloitte.com
Sachin Tewari	Technical Advisor	satewari@deloitte.com

Deloitte Tax Solutions

The Plaza Office Tower, 32nd Floor

Jl. M.H. Thamrin Kav 28-30

Jakarta 10350, Indonesia

Tel: +62 21 2992 3100

Fax: +62 21 2992 8303

Email: iddttl@deloitte.com

www.deloitte.com/id

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 220,000 professionals are committed to making an impact that matters.

About Deloitte Southeast Asia

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising over 270 partners and 7,000 professionals in 25 office locations, the subsidiaries and affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

All services are provided through the individual country practices, their subsidiaries and affiliates which are separate and independent legal entities.

About Deloitte Indonesia

In Indonesia, services are provided by Deloitte Tax Solutions.

This newsletter is prepared based on the prevailing Laws, regulations and publications available as at 31 July 2015. These materials and the information contained herein are provided by Deloitte Tax Solutions and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, any of its member firms, or any of the foregoing's affiliates (collectively the "Deloitte Network") are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2015 Deloitte Tax Solutions