

## Indonesian Tax Info

### August 2016 edition

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### New Tax Audit Policy in Relation to Tax Amnesty Program

The Director General of Taxation ("DGT") has issued an instruction letter number INS-03/PJ./2016 dated 3 August 2016. This letter is addressed to the Directorate of Tax Audit and Collection, Heads of Regional Tax Offices, and Heads of Tax Service Offices. In principle, the Director General has instructed officers during the period of the Tax Amnesty program, i.e., until 31 March 2017:

- Not to issue new tax audit instruction letters to taxpayers, with the exception of tax audits triggered by tax overpayment, request for tax refund filed by a taxpayer, and other tax audit in the course of provision of services to taxpayers;
- To recommend cancellation of tax audits for which the instruction/ approval/ assignment has been issued but the tax audit process itself has not started.

This policy is effective from the date of its issuance until 31 March 2017.



## **New Procedure for Issuance of Tax Collection Notices for Land and Building Tax**

The DGT has issued regulation number 78/PMK.03/2016 concerning the Procedure for the issuance of Land and Building Tax Collection Notice (STP PBB) which has applied effectively since 11 May 2016. Below are the key features of this regulation:

### **1. Basis for issuing STP PBB**

The DGT will issue STP PBB for Land and Building Tax (PBB) which is unpaid or underpaid by the due date of payment stated in the PBB Notification Notice (SPPT) or in a PBB Tax Underpayment Notice (SKP PBB).

### **2. Time limit for issuance of STP PBB**

The DGT will issue STP PBB at the latest 5 (five) years after the end of the fiscal year (January – December).

### **3. Payment due of STP PBB**

The STP PBB should be settled within 1 (one) month after the date of its receipt. The receiving date shall be:

- a. Date of receipt, in the event that STP PBB is delivered directly by the official; or
- b. Date of delivery stamped in the mail, in the event the STP PBB is delivered via post or by other courier.

### **4. Administrative penalty**

The DGT shall impose administrative penalty of 2% per month (maximum 24 months) from the due date of SPPT or SKP PBB payment until the settlement date, with conditions as follows:

#### **a. After the settlement date of the PBB principal amount payable:**

- In the event a STP PBB has not been issued by the time the PBB principal amount is paid, the administrative penalty shall be calculated from the date the payment is due as stated in the SPPT or SKP PBB until the date the PBB principal amount is paid; or
- In the event the STP PBB has been issued before the PBB principal amount is paid, the administrative penalty shall be calculated from the date the payment is due as stated in the STP PBB until the date the PBB principal payable is paid.

#### **b. In the event of issuance of any of the following: Decision letter on amendment of SPPT or SKP PBB, PBB reduction, reduction of incorrect PBB assessment, reduction or cancellation administration penalty, and tax dispute result i.e. objection, appeal or judicial review:**

The administration penalty shall be calculated from the PBB payment due date as stated in the SPPT or SKP PBB until the date the STP PBB is issued. In the event the STP PBB has already been issued, the DGT should amend the STP ex-officio.

# Customs Focus

## Recommendation Letter for Import of Complementary Goods, Market Test Goods, and/or Goods for After-Sales Service

The Minister of Industry ("MoI") has issued regulation number 19/M-IND/PER/3/2016 ("MIND-19") which newly stipulates additional requirements that must be satisfied for import of complementary goods, market test goods, and/or goods for after-sales service. MIND-19 is intended to support Minister of Trade regulation number 118/M-DAG/PER/12/2015 ("MoT-118").

Under MoT-118, manufacturing companies (API-P holders) may import manufactured/finished goods that are tradeable and transferable to other parties, subject to certain conditions. The conditions are, among others, that the goods shall be utilized only for its business development and investment, the goods shall not be used in production processes, and shall solely be used as complementary goods, market test goods, and/or goods for after-sales service.

MIND-19 specifies the requirements for each type of goods as shown in the table below:

REQUIREMENTS	IMPORTED GOODS		
	Complementary	Market Test	After-Sales Service
The goods are in new condition	√	√	√
The goods cannot be produced by the API-P holder	√	√	√
The goods are consistent with the industrial license held by the API-P holder	√	√	√
The goods are produced by a company located outside Indonesia which has a special relationship with the API-P holder	√		

The goods mentioned above can only be imported by an API-P holder that has obtained an Import Approval from the Ministry of Trade.

To get the Import Approval, MIND-19 requires a recommendation letter from the Director General of Industrial Development. The API-P holder shall submit a request to the Director General of Industrial Development, attaching certain required documents, which vary depending on the purpose of the goods. MIND-19 also further specifies restrictions on the quantity and time limit on the Import Approval.

As previously stipulated in MoT-118, an API-P holder that has received an Import Recommendation must submit quarterly reports on implementation of imports, both realized and unrealized. For the purpose of supervision of import activity, the Director General of Industrial Development may conduct a post audit on an API-P holder which has obtained a recommendation letter. Moreover, the imported manufactured goods must comply with the laws and regulations concerning restrictions on certain imported goods.

The regulation is effective from 22 March 2016.

### **Revised Regulation on Requirement for Import of Cellular Telephones, Handheld Computers and Tablet Computers**

The MoT has issued regulation number 41/M-DAG/PER/5/2016 ("MDAG-41") as the third amendment of MoT regulation number 82/M-DAG/PER/12/2012 ("MDAG-82"), which was last amended by regulation number 48/M-DAG/PER/12/2012. The MoT intends to stimulate domestic investment in the related sector.

MDAG-41 removes the obligation for a Registered Importer to establish a cellular telephone, handheld computer and tablet computer industry within 3 (three) years. Previously, under the second amendment of MDAG-82, i.e., 38/M-DAG/PER/8/2013, a Registered Importer which has an Import Permit was obliged to develop a production line within a maximum period of 3 (three) years since the Registered Importer license is issued.

Compared with MDAG-82, MDAG-41 contains significant changes, as it further revises the requirements to apply to be a Registered Importer ("IT") of Cellular Telephones, Handheld Computers and Tablet Computers. MDAG-41 makes a distinction for devices that are within:

1. 3G network and below; and
2. 4G LTE network.

Below are the requirements and documents that need to be obtained in order to apply for IT status:

<b>IT requirement for devices within 3G network and below</b>	<b>IT requirement for devices within 4G LTE network</b>
Only General API (API-U) or Producer API (API-P) is eligible to apply	Only Producer API (API-P) is eligible to apply
Letters of Cooperation issued by the Importer with minimum 3 (three) Distributors	Letters of Cooperation issued by the Importer with minimum 3 (three) Distributors
Recommendation from Director General of Metals, Machinery, Transportation Equipment and Electronics Industry	Industry investment recommendation from Director General of Metals, Machinery, Transportation Equipment and Electronics Industry <sup>*)</sup>

<sup>\*)</sup> The Industry Investment Recommendation that shall be obtained from the Director General of Metals, Machinery, Transportation Equipment and Electronics Industry in order to import 4G LTE network

devices shall contain information concerning:

1. Evidence of establishment of a domestic Cellular Telephone, Handheld Computer and Tablet Computer industry; or
2. Evidence of cooperation with a domestic Cellular Telephone, Handheld Computer and Tablet Computer industry, for a company engaging in manufacturing, design house, and/or development and research businesses activities.

The regulation is effective from 1 July 2016.

### **Inland Free Trade Arrangement for Certain Industries**

In the context of implementing Presidential Instruction number 13 of 2015 ("PI-13") concerning the Inland free trade arrangement facility policy, the MoI has issued regulation number 38/M-IND/PER/6/2016 ("MIND-38"). The Government uses this facility to accelerate and increase investment and development of national industries which utilize domestic products and resources, in order to strengthen the competitiveness of the national economy.

The MoI introduced this facility in 2015 for industries located in certain zones with a local content level certificate for their manufactured goods.

Under MIND-38, the list of industry sectors that can apply for the Inland Free Trade Arrangement is as follows:

No	KBLI	Industry
1	28210	Agricultural and Forestry Machinery Industry - Two-wheeled tractor and irrigation pump industries
2	28112	Internal Combustion Engine Industry - Internal combustion engine industry
3	32501	Surgery, medical, and dental care furniture industry - Hospital bed industry
4	47726	Retail trade in laboratory, pharmacy and medical equipment - Blood pressure monitor Industry
5	29100	Four or more wheel vehicle industry - Engine, transmission and chassis industries
6	29300	Parts and accessories of motor vehicles with four or more wheels industry - Steering system, braking system, suspension system, fuel system, air intake system, engine cooling system, clutch, and cabin industries
7	30200	Locomotive and train carriage industry - Train components (carriage and rail) industry
8	20122	Single artificial fertilizer primary macronutrient industry - NPK fertilizer industry
9	20123	Compound artificial fertilizer primary macronutrient industry - Urea fertilizer industry

To reiterate, PI-13 provides the following facilities to an Importer that has been granted the Inland Free Trade Agreement facility:

- Postponement of duty on import of raw materials, components, and auxiliary goods to be used for manufacturing products.
- Non-collection of VAT on delivery of raw materials, components, and auxiliary goods originating from domestic production and between the zones.
- Imposition of 0% duty rate on the above imported goods that has been converted into manufactured product in the areas and industries having

IFTA facility, which is then sold to local market, as long the product has local content of at least 40%.

In order to obtain the facility, the Importer shall submit an application form to the Ministry of Finance. Beforehand, the Importer shall obtain a Manufactured Local Content Level or *Tingkat Kandungan Dalam Negeri* (TKDN) certificate that will be issued by the Ministry of Trade. The calculation of TKDN will soon be regulated by the Ministry of Trade.

This regulation is effective from 1 July 2016 and it will be evaluated once a year.



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