

Indonesian Tax Info

December 2015 edition

In this issue:

1. [Special Tax Audit Settlement Prior to 31 December 2015](#)
2. [Update on Requirement to Claim Bad Debt Write-off](#)
3. [Tax Regulation on CIC-REI](#)

Special Tax Audit Settlement Prior to 31 December 2015

The Directorate General of Taxation (“DGT”) has issued Instruction No. INS-04/PJ/2015 (“INS-04”) dated 3 November 2015, which stipulates that a taxpayer that is undergoing a special tax audit can submit an amendment of its tax return or submit a tax return (if not yet submitted) and the tax office will then complete and terminate the audit, provided that:

- The tax audit process has not started yet or, if the tax audit has started, the preliminary tax audit result (“SPHP”) has not yet been issued;
- The taxpayer has an intention to submit the amendment of tax return or tax return and to utilize the reduction or waiver of administrative sanction as stipulated in Minister of Finance Regulation number 91/PMK.03/2015 (“PMK-91”);
- The taxpayer’s draft amendment of tax return needs to be discussed and agreed with the tax authority and the tax auditor team. Further, it is stated that the taxpayer’s tax payable computation should not be smaller than the tax auditor’s findings or computation;
- The taxpayer settles the tax payable based on its discussion and agreement with the tax authority as stated in the minutes of discussion.

The tax audit process will be discontinued only if the taxpayer has paid the tax payable based on the minutes of discussion with the tax authority.

This regulation is effective until 31 December 2015.

Update on Requirement to Claim Bad Debt Write-off

The Ministry of Finance (“MoF”) recently issued a new Regulation, number 207/PMK.010/2015 (“PMK-207”), which is a second amendment of MoF Regulation 105/PMK.03/2009 concerning requirements for bad debt write-off.

Below is a summary of the changes:

- a. A nominative list of debts being written off must be submitted in both hardcopy and softcopy along with the submission of the Corporate Income Tax Return (CITR), while previously it could be in hardcopy and/or softcopy.
- b. The debt ceiling amount should be stated in the nominative list.
- c. For a small-scale debtor with debt ceiling amount up to IDR 50.000.000 (fifty million rupiah), there is no requirement to disclose the debtor’s Tax ID number.

PMK-207 is effectively applicable from fiscal year 2015 onward.



Tax Regulation on CIC-REI

The MoF has recently issued a new Regulation number 200/PMK.03/2015 regarding Collective Investment Contract (Kontrak Investasi Kolektif) – Real Estate Investment (“CIC-REI”) which addresses several tax issues. Below is the summary of the tax treatment for CIC-REI:

No	Transaction	Tax Implication	
		Normal Transaction	PMK-200
1.	Transfer of land and/or building to Special Purpose Company (PT SPC) <i>Note: PT SPC is a limited liability company with at least 99% of its paid up capital owned by CIC-REI</i>	a. Final Tax of 5% on sale of Land & Building at seller side	a. Final Tax of 5% on sale of Land & Building at seller side is excluded from final tax . However, the capital gain is subject to ordinary corporate income tax at 25% (subject to available tax loss)
2.	Acquisition of land and/or building by PT SPC	5% BPHTB at PT SPC side	5% BPHTB at PT SPC side
3.	Dividend income received by CIC-REI from PT SPC	a. Article 23 Withholding Income Tax of 15% b. Dividend income is subject to ordinary corporate income tax at 25%	a. Exempted b. Exempted
4.	Value Added Tax (VAT)	10% VAT	10% VAT is applicable. However, preliminary VAT refund is possible, as it is categorised as a low-risk VATable entrepreneur

In order to obtain the income tax exemption facility and VAT preliminary refund, PT SPC must submit an application to the tax office with the following attachments:

- a. Copy of effective registration of CIC-REI from the Financial Services Authority (OJK);
- b. Letter from the OJK stating that the transfer of assets is in the CIC-REI scheme;
- c. Copy of letter submitted to tax office regarding transfer of assets to SPC; and
- d. Statement letter on transfer of assets in CIC-REI.

This regulation is effective as of 10 November 2015.

Contact Persons

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