



Indonesia Tax Info December 2021

Preparation for upcoming corporate income tax return filing obligation for Fiscal Year 2021

As Fiscal Year 2021 (FY2021) is coming to a close for most corporate taxpayers, we would like to highlight some of the required corporate income tax (CIT) calculations and CIT return documentation that taxpayers may need to start preparing, along with a few reminders. For more detailed explanations on each of the items listed below, please refer to our previous publications accessible from the links below:

As FY2021 is coming to a close for most corporate taxpayers, we should start preparing the required CIT calculations and CIT returns.

1. Realization reports on utilization of tax incentives related to COVID-19

Tax incentive realization reports need to be submitted along with the CIT return for taxpayers utilizing tax incentives under Government Regulation Number 29 of 2020 (in which the incentives are extended to 31 December 2021 by the Minister of Finance (MoF) Regulation Number 83/PMK.03/2021). This includes additional deduction for taxpayers producing certain medical equipment and/or household health supplies and/or deduction for donations to certain organizations (please refer to [Tax Alert June 2020](#), [Tax Info November 2020](#), [Tax Info January 2021](#), and [Tax Alert July 2021](#)).

2. Tax rate for FY2022 monthly tax installment remains the same

Under Law Number 2 of 2020, the CIT rate was initially set to reduce to 20% as from FY2022. However, following the issuance of Law Number 7 of 2021 regarding Harmonization of Tax Regulations (UU HPP), the CIT rate for FY2022 is maintained at 22%. As such, the monthly tax installment for FY2022 should be calculated using the rate of 22% (please refer to [Tax Info October 2021](#) and [Tax Alert November 2021](#)).

3. Debt-to-Equity (DER) ratio and foreign loan requirements

To deduct loan-related costs as stipulated in MoF Regulation Number 169/PMK.010/2015 and Directorate General of Taxation (DGT) Regulation Number PER-25/PJ/2017, taxpayers need to submit a DER Report and a Foreign Loan Report (please refer to [Tax Info December 2017](#)).

4. Controlled foreign corporation (CFC) rule requirements

In the event a taxpayer (separately or together with other taxpayers) has a minimum of 50% capital participation in a foreign business entity, such taxpayer needs to calculate income tax on the deemed dividend as stipulated in MoF Regulation Number 107/PMK.02/2017, which has been amended by MoF Regulation Number 93/PMK.02/2019 (please refer to [Tax Alert July 2019](#)).

5. Creditable foreign income tax

Taxpayers may credit their relevant fiscal year's foreign income tax that has been paid or withheld. In particular, to claim a foreign tax credit, several requirements should be met as stipulated in MoF Regulation Number 192/PMK.03/2018 (please refer to [Tax Info January 2019](#)).

6. Transfer pricing documentation requirements

A summary of the master file and local file, as well as the receipt of submission of the notification or country-by-country report as stipulated in MoF Regulation Number 213/PMK.03/2016, are required (please refer to [Transfer Pricing Alert January 2017](#)).

Taxpayers utilizing tax incentives during FY2021 which realization reports due in April 2022 should start preparing the reports accordingly.

7. Attachments to CIT return

To claim deductions for certain expenses (such as promotional expenses, entertainment expenses, and bad debt expense), taxpayers must submit the relevant nominative lists or reports in accordance with the DGT prescribed format. DGT Regulation Number PER-02/P/2019 provides a list of documents and reports that have to be attached to CIT returns (please refer to [Tax Info February 2019](#)).

Pursuant to Government Regulation Number 9 of 2021 and MoF Regulation Number 18/PMK.03/2021, dividend income from overseas sources, profit after tax of a permanent establishment (PE), and income from a foreign active business without a PE may qualify for tax exemption if certain amount of the income is reinvested into Indonesia. Corporate taxpayer utilizing the tax exemption treatment must submit a reinvestment realization report by the end of the fourth month after the fiscal year ends (please refer to [Tax Info March 2021](#)).

8. Tax reporting requirements

The following taxpayers should submit their CIT return via the e-filing system:

- a. Taxpayers that have already submitted their tax return via the e-filing system; and
- b. Taxpayers that are registered in medium tax offices, the special Jakarta regional tax office, and the large taxpayer regional tax office.

To date, no regulation has been issued informing taxpayers to use a new or updated CIT return form; hence, taxpayers may still use last year's form. Taxpayers are advised to continue monitoring any update to the form in the future.

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