

Indonesian Tax Info

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Procedures for Calculation and Refund of Tax Overpayment

Minister of Finance (“MoF”) Regulation number 244/PMK.03/2015 stipulates new procedures for claiming refund of overpaid tax, cancelling the previous Regulations number 16/PMK.03/2011 and number. 185/PMK.03/2015.

The regulation mentions the types of overpaid taxes which can be refunded, which include income tax, VAT, luxury sales tax, and Land and Building Tax. Such overpaid taxes may arise, among others, as the result of an Overpaid Tax Assessment Notice, approved tax objection, tax appeal or judicial review, etc.

Before the overpaid tax can be refunded to the taxpayer, several procedures need to be fulfilled. First, the excess tax paid must be offset against any current tax payables. Such current tax payables include, among others, Tax Collection Notices, Underpaid Tax Assessment Notices, Tax Objection Decision, or Court Verdict. Second, the remaining amount may, upon the taxpayer’s request, be offset against upcoming tax payable in the name of the taxpayer or tax payable in the name of another taxpayer. Last, if there is any remaining balance, it will be refunded to the taxpayer's bank account.

After the review process by The Directorate General of Tax (“DGT”), the Head of the Tax Office will issue an Overpaid Tax Refund Decision letter which later will be followed by the issuance of a Payment Order. The deadline for the tax office to refund the excess tax paid is one month after the tax decision letter is issued. However, the taxpayer must provide its domestic bank account number to the tax office for fund transfer purposes. Further, for tax paid in USD, the refund will be in IDR.

VAT Not Collected for Anode Slime

On 28 December 2015, the President of Indonesia issued Government Regulation (“GR”) number 106 of 2015 (“PP 106”) concerning Delivery of certain strategic taxable goods on which Value Added Tax is not collected. The Strategic taxable goods on which VAT is not collected is Anode Slime.

Input Tax on the acquisition of Taxable Goods and/or Taxable Services in connection with anode slime can be claimed as a tax credit. However, in the case of delivery of anode slime on which VAT was previously not collected which is then transferred from the VATable entrepreneur that received this facility to another party, the input tax on acquisition of anode slime must be paid and shall not be creditable.

This regulation became effective on 28 January 2016.

Change in Income Tax Rates on Interest from Time Deposits and Savings Accounts as well as Discounts of Bank Indonesia Certificates

As part of the effort to develop and enhance the Indonesian economy, the President has issued GR number 123 of 2015 (“PP 123”), which amends the previous Regulation number 131 of 2000 (“PP 131”) concerning Income Tax on interest from time deposits and savings accounts as well as discounts on Bank Indonesia certificates.

Under PP-123, the income tax on interest from time deposits and savings accounts as well as discounts of Bank Indonesia Certificates shall be as follows:

- a. Interest from deposits denominated in US dollars with funds derived from Foreign Exchange as a result of Exports which are placed within the country in a bank established or domiciled in Indonesia or a branch of a foreign Bank in Indonesia is subject to final income tax at the following rates:

1. 10% of the gross amount, for deposits with maturity of 1 month;
 2. 7.5% of the gross amount, for deposits with maturity of 3 months;
 3. 2.5% of the gross amount, for deposits with maturity of 6 months;
 4. 0% of the gross amount, for deposits with maturity more than of 6 months.
- b. Interest from time deposits denominated in Rupiah with funds derived from Foreign Exchange as a result of Export which are placed within the country in a bank established or domiciled in Indonesia or a branch of a foreign bank in Indonesia is subject to final income tax at the following rates:
 1. 7.5% of the gross amount, for deposits with maturity of 1 month;
 2. 5% of the gross amount, for deposits with maturity of 3 months;
 3. 0% of the gross amount, for deposits with maturity more than of 6 months.
 - c. Interest from savings accounts and discount of Bank Indonesia certificates, as well as interest from time deposits other than those mentioned above, is subject to final income tax at the following rates:
 1. 20% of the gross amount, for a resident taxpayer or permanent establishment;
 2. 20% of the gross amount or the rate based on the applicable double taxation avoidance agreement, in the case of a non-resident taxpayer.

This regulation became effective on 28 December 2015.



VAT on Tobacco Products

The DGT has issued Regulation number PER-49/PJ/2015 to implement MoF Regulation number 174/PMK.03/2015 concerning procedure for calculation and collection of Value Added Tax on delivery of tobacco products. The previous MoF Decree number 62/KMK.03/2002 on the same subject is revoked. Under PER-49:

- All imported tobacco products, whether with or without excise bands, will be subject to VAT even though they enjoy the facilities in the form of excise taxes not collected or exempted.
- The VAT rate on tobacco products is now 8.7% (previously 8.4%). The VAT imposition base and timing for VAT compliance are differentiated between two types of deliveries, which take place at only the manufacturer level or at the importer level.

The value of the VAT is levied at 8.7% multiplied by the retail selling price of tobacco for normal deliveries, or retail selling price minus gross profit for the same types and brands for delivery as free gifts.

The taxable event for the normal deliveries is when ordering the excise bands, while for

delivery as free gifts, the taxable event occurs at the time of delivery.

This regulation became effective on 1 January 2016.

Procedures for Granting Facility of Exemption from Value Added Tax on the Import and/or Delivery of Certain Strategic Taxable Goods and Procedures for Payment of Value Added Tax on Certain Strategic Taxable Goods that had been Exempted, as well as Imposition of Penalties

The MoF has issued Regulation number 268/PMK.03/2015 to revoke the previous Regulation number 31/PMK.03/ 2008.

This regulation is the implementing regulation for GR number 81 of 2015 dated 2 November 2015.

Please refer to the January 2016 Tax Info for details of GR-81.

This regulation became effective on 8 January 2016.



Customs Focus

Import Duty Borne by Government for Certain Industry Sectors in Fiscal Year 2016

The Indonesian Ministry of Finance ("MoF") has issued MoF Regulation number 273/PMK.010/2015 ("PMK-273") in order to promote production of goods and/or services for the public interest and to increase the competitiveness of certain industry sectors in fiscal year 2016.

PMK-273 was issued to complement MoF Regulation number 48/PMK.011/2014 ("PMK-248"), which governs government-borne duties on imports of goods and materials for manufacturing goods and/or services of certain industrial sectors.

According to PMK-273, the following industrial sectors which are granted import duty borne by government facility:

- Those serves under to the Director General for Chemical, Textiles and Miscellaneous Industry (plastic packaging, carpets, resins, stationery, sandpaper, blowing agent, catalysts and neutralizing waste water chemicals manufacturer industry); and
- Industries under the Director General for Metal, Machinery, IT, and Transport Equipment (modes of transport components, medical devices, agricultural equipment, electronics, smart card and telecommunications manufacturer industry).

Animal feed manufacturers and pharmacy industries Utilizing this facility will help

these industrial sectors to reduce their cost.

The import duty borne by Government stipulated in this PMK-273 applies to importations with the following criteria:

1. Importation by Certain industrial sectors under the list of subsidized customs duties in the attachment of PMK-273.
2. Importation of goods and materials by companies in certain industrial sectors as listed in the attachment of PMK-273.

Meanwhile, the importation of the following goods and materials in which such facilities shall not apply are as follows:

- a. goods and materials that are subject to import duty of 0% (zero percent);
- b. goods and materials that are subject to import duty of 0% (zero percent) based on international agreements;
- c. goods and materials that are subject to Anti-Dumping Duty / Temporary Anti-Dumping Duty, Safeguard Duty / Temporary Safeguard Duty, Countervailing Duty, or Retaliatory Duty; or
- d. Goods and materials intended to be stockpiled in Bonded Storage.

The application procedure to obtain the facility under the PMK-248 remains unchanged.

The regulation is effective from 1 January 2016 to 31 December 2016.

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:

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