



Indonesian Tax Info July – August 2014 edition

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Stamped Signatures on Withholding Tax Slips for Payment of Dividends

The Directorate General of Taxation (“DGT”) has released a new regulation to allow a taxpayer that has more than 6,000 shareholders to use stamped signatures on withholding tax slips for payment of dividends to shareholders. Based on this DGT Regulation No. PER-15/PJ/2014, a qualified taxpayer can submit a request to the

Tax Office where it is registered to obtain an approval letter granting permission to use stamped signatures on withholding tax slips for dividend payments.

The request letter should specify the number of dividend recipients and the name of the official who is authorized to sign the withholding tax slips. The Tax Office should issue its decision

within 14 working days from when the taxpayer's request letter is received by the Tax Office.

This regulation reduces administration burden and gives certainty to taxpayers such as public companies with large numbers of shareholders to use stamped signatures on their withholding tax slips.

This regulation is effective as of 16 May 2014.

Implementation of Supreme Court Decision regarding VAT imposition on Certain Agricultural Products

The DGT issued a circular letter No. SE-24/PJ/2014 ("SE-24") on 25 July 2014 regarding the implementation of Indonesian Supreme Court decision No. 70P/HUM/2013, which granted the judicial review requested by the Indonesian Chamber of Commerce and Industry regarding the imposition of VAT on certain agricultural products. Based on the court decision, certain provisions in regulation No. 12 of 2001 as most recently amended by regulation No. 31 of 2007, which originally stipulated that certain agricultural products from agriculture, plantation and forestry businesses are taxable strategic goods and exempted from imposition of VAT, were declared invalid.

SE-24 clarifies the VAT treatments for agricultural products as the result of the court ruling, as follows;

1. Agricultural products which are considered basic needs, such as fruits, vegetables, rice, corn, sago and soybeans, as stipulated in Article 4A of VAT Law No. 42 of 2009, remain as goods not subject to VAT.
2. Agricultural products which are not included in article 4A of VAT Law No. 42 of 2009, i.e., plantation products (e.g. cocoa, coffee, coconut palm, tea, tobacco, etc.), decorative plants, medicinal herbs, food crops, and forestry products are subject to VAT.

An entrepreneur that imports or delivers agricultural products which are subject to VAT shall register as a VATable entrepreneur if its annual turnover has reached the IDR4.8 billion threshold. Once registered, any local deliveries would be subject to 10% VAT, while exports can enjoy zero-rated VAT. VAT inputs paid by those entrepreneurs for purchases of goods and/or services may be creditable once they have registered for VAT.

VAT Input Credit for VAT Entrepreneurs (PKP) Delivering VATable Goods/ Services that Are Subject to VAT and Also Delivering VATable Goods/ Services that Are Not Subject to Tax

Following the above Supreme Court decision, the Minister of Finance ("MoF") issued regulation No. PMK-135/PMK.011/2014 ("PMK-135") on 18 June 2014. PMK-135 serves as the second amendment to the previously issued guidelines on the above, i.e., MoF Regulation No. 78/PMK.03/2010. The first amendment was stipulated in MoF regulation No. 21/PMK.011/2014 ("PMK-21"), which was just released early this year (please refer to our Tax Info March 2014 Edition). Under PMK-21, the criteria of VATable Entrepreneurs (PKP) who can claim VAT input as credit are as follows:

1. The PKP produced VATable goods whose delivery is considered a Non-VATable transaction; and
2. The said VATable goods will be processed further, either through internal processing units or subcontracted (maklon) to other PKP, and thus qualify as VAT-able goods whose delivery is considered as VAT-able delivery.

PMK-135 states that for such PKP, where the amount of Input VAT for VATable deliveries cannot be known exactly, the Input VAT that has been paid can be credited in accordance with the provisions in the VAT Law.

PMK-135 also adds one article, i.e., article 9A, to stipulate that this regulation shall apply retroactively since 1 January 2014.

Use of E-VAT Invoices

The DGT aims to implement the use of electronic VAT invoice (e-VAT invoice) by issuing several regulations on this topic, namely, PER-16/PJ/2014, PER-17/PJ/2014, KEP-136/PJ/2014, Circular Letter No. 21/PJ/2014, and PENG-01/PJ.02.2014. These regulations are effective as of 1 July 2014.

An announcement of 45 VAT Payers (“PKP”) who are obligated to issue e-VAT invoices starting from 1 July 2014 has been released by the DGT; all parties who purchase taxable goods and/or use taxable services from these PKP will receive electronic VAT invoices. The DGT has also issued a list of PKP registered in 17 Regional Tax Offices of the DGT, who will be required to issue e-VAT invoices starting 1 July 2015. The remaining PKP will be required to apply e-VAT invoices as of 1 July 2016.

The procedure for requesting an electronic certificate and e-VAT serial number, and thus being able to create e-VAT invoice, is as follows:

- The PKP must submit a request for an electronic certificate to the tax office where it is registered. PKP who has already centralized its VAT registration can also apply through the dedicated website.
 - Once the electronic certificate is received, the PKP should activate its electronic tax service online (PKP account), which is already available in the DGT’s website.
 - The DGT will activate ex officio any PKP that has received an activation code and password before 1 July 2014.
 - At its discretion, the DGT will grant the electronic certificate ex-officio to a PKP which is required to prepare electronic VAT invoices before 1 July 2015.
- The e-VAT invoices shall be produced through an electronic system designated by the DGT, including generating the replacement or cancellation of VAT invoices.

Salient points in the procedures for creating and administering e-VAT invoices, including cancellation, amendment or replacement, are as follows:

- The information required to be stated in an e-VAT invoice is similar to that in a hardcopy VAT invoice.
- All e-VAT invoices shall use IDR; hence, any delivery using currency other than IDR should be converted to IDR.
- No signature is required on an e-VAT invoice.
- The e-VAT invoice is not required to be printed in hardcopy; however, the electronic file should be reported through the DGT’s electronic system for its approval. An e-VAT invoice that is not approved shall not be considered a valid tax invoice.
- If a hardcopy of an e-VAT invoice is requested by the seller and/or the buyer, the invoice can be printed.
- The format of the e-VAT invoices which are printed either in .pdf form and/or paper is regulated in the attachment of the announcement. If the e-VAT invoice is printed on particular paper (printed with the company’s logo, address or other information) it will also be treated as VAT invoice.
- Retail entrepreneurs and entrepreneurs that issue documents treated as VAT invoices are exempted from the obligation to issue e-VAT invoices.
- In the event of a damaged or lost tax invoice, the PKP can submit a request for an electronic copy from the tax office. The request shall be limited to the e-VAT invoices that have been uploaded to the DGT.

Reduction of Export Duty Tariffs for Mining Companies

The MoF has released PMK-153/PMK.011/2014 (“PMK-153”) which serves as the third amendment of MoF Regulation No. 75/PMK.011/2012 (“PMK-75”). The second amendment of PMK-75, i.e., MoF Regulation No. 6/PMK.011/2014, which initially introduced duty for export of mining products with tariffs ranging from 20% to 60%, was just released early this year (please refer to our Tax Info January 2014 Edition).

Under PMK-153, the Government has reduced the duty tariffs on export of certain mineral products for mining companies that have committed to build smelting facilities in Indonesia. The construction progress is classified into three phases, as follows:

- a. Phase I : construction progress of up to 7.5% (including the placement of refundable deposit)
- b. Phase II : construction progress of more than 7.5% up to 30%
- c. Phase III : construction progress of more than 30%

The above construction progress shall include placement of refundable deposit, Conditional Sales and Purchase Agreement (CSPA) or documents that indicate the availability of raw material supply, study phase, permits, control of location, infrastructure preparation, basic engineering, equipment procurement, construction, mechanical completion, commissioning, and production.

Below is a summary of the reduced export tariffs between 1 August 2014 and 12 January 2017, depending on the smelter facility’s construction progress.

No	Construction Progress	Export Duty Tariff (%)				
		2014	2015		2016 - 2017	
		1 Aug - 31 Dec	1 Jan - 30 Jun	1 Jul - 31 Dec	1 Jan 2016 - 30 Jun 2016	1 Jul 2016 - 12 Jan 2017
1	Phase I	7.5	7.5	7.5	7.5	7.5
2	Phase II	5	5	5	5	5
3	Phase III	0	0	0	0	0

PMK-153 was issued on 25 July 2014 and is effective from 1 August 2014.

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