



Indonesia Tax Info

Update on Exchange of Information

A. Notification of Effectiveness of Agreement between the Government of the Republic of Indonesia and the Government of Bermuda for Exchange of Information related to Tax Matters

The Director General of Tax issued Circular number 08/PJ/2018 ("SE-08") on 11 May 2018 in connection with implementation of exchange of data and information relating to tax matters/ TIEA between Indonesia and Bermuda.

SE-08 is the implementation of the agreement between the Government of the Republic of Indonesia and the Government of Bermuda dated 22 June 2011, which was ratified through Regulation of the President of the Republic of Indonesia number 95 of 2014, which set the effective date as 23 November 2017.

The important matters in SE-08 are the authority of the Government of Indonesia to:

1. Conduct Exchange of Information on Request with the Government of Bermuda; and
2. Conduct Tax Examination Abroad with the Government of Bermuda or vice versa.

In this regard, SE-08 states the scope of type of taxes that are regulated in the Indonesia-Bermuda TIEA, as follows:

1. Indonesian taxes :
 - a. Income Tax; and
 - b. Value Added Tax.
2. Bermuda taxes:
 - a. Direct taxes of any time and in any name.

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- b. Of the same type or substantially the same type as those imposed after signing of the Indonesia-Bermuda TIEA.

B. Implementation Instructions for Exchange of Information Based on Request in the Context of Implementation of International Agreements

As the implementation instructions for Minister of Finance Regulation number 19/PMK.03/2018 and Director General of Tax Regulation number PER-28/PJ/2017 concerning Procedures for Exchange of Information Based on Request in the Context of Implementation of International Agreements, the Director General of Tax issued Circular number 09/PJ/2018 ("SE-09") on 6 June 2018.

SE-09 is the technical instruction guideline for the DGT in conducting exchange of information, which describes the flow of business process, time for resolution, and formats of letters and documents, together with examples of cases.

Update on Procedures for Calculation and Granting of Interest Compensation

On 28 June 2018, the Minister of Finance issued regulation number 65/PMK.03/2018 ("PMK-65") as the second amendment of Minister of Finance Regulation number 226/PMK.03/2013 concerning Procedures for Calculation and Granting of Interest Compensation. This regulation came into force on 29 June 2018.

The important changes are as follows:

1. Adds objects of Land and Building Tax (PBB) which include tax objects in the plantation sector, forestry sector, mining sector and other sectors into interest compensation related to PBB before and after Tax Year 2008.
2. Interest compensation provided to a Taxpayer must first take into account any tax payable and/or tax that will become payable. Settlement of tax payable and/or tax that will be payable through calculation of excess from interest compensation shall be recognized at the time of issuance of a SKPPIB (Decision Letter on Calculation of Granting Interest Compensation).
3. For a Taxpayer that conducts its bookkeeping using United States Dollar currency, the granting of interest compensation in US Dollars will be granted in Rupiah currency, which shall be calculated using the exchange rate set by the Minister of Finance that applies at the time of:
 - a. Issuance of Overpaid Tax Assessment Notice as mentioned in Article 17B of the Law on General Provisions and Procedures for Taxation ("KUP Law").
 - b. Issuance of Decision Letter on Objection or reading out of Verdict on Appeal or Verdict on Judicial Review.
 - c. Issuance of Decision Letter on Correction.
 - d. Issuance of Decision Letter on Reduction of Administrative Penalty or Decision Letter on Cancellation of Administrative Penalty.
 - e. Issuance of Decision Letter on Reduction of Tax Assessment Notice or Decision Letter on Cancellation of Tax Assessment Notice, or
 - f. Issuance of Decision Letter on Reduction of Tax Collection Notice or Decision Letter on Cancellation of Tax Collection Notice.

Income Tax on Income Received or Earned by Taxpayers with Certain Gross Income

Government Regulation number 23 of 2018 ("PP-23") was issued on 8 June 2018, revoking the previous Government Regulation number 46 of 2013 ("PP-46") on Income Tax from business earned or received by Taxpayers with certain gross turnover. This regulation came into force as of 1 July 2018.

This regulation is intended to encourage the public to participate in formal economic activities and also to provide convenience and greater fairness to Taxpayers that have income with gross turnover not exceeding IDR 4.8 billion in one Tax Year for a certain period of time.

The main changes in PP-23 compared with PP-46 are as follows:

1. Reduced final Income Tax rate from 1% to 0.5%.
2. Set limitation of period for applying the final income tax, i.e. 7 Tax Years for Individual Taxpayer, 3 Tax Years for Corporate Taxpayer in the form of Limited Liability Company, and 4 Tax Years for Corporate Taxpayer in the form of cooperative, limited partnership, or firm.
3. A Taxpayer may opt to be subject to Income Tax based on the normal rates with an obligation to submit a notification to the Director General of Tax.

4. Certain Taxpayers and types of income are exempted from being subject to Final Income Tax.
5. For a married couple, the gross turnover of IDR 4.8 billion in one Tax Year is determined based on the combined gross turnover from business of the husband and wife.
6. The final Income Tax that is payable shall be settled through monthly deposits by the Taxpayer; or withheld or collected in the case of engaging in transactions with parties assigned as Tax Withholders or Collectors by submitting a request for a certificate to the Director General of Tax ("DGT").

PP-23 does not govern the treatment for fiscal losses held before application of PP-23.

Transitional provisions

For a Taxpayer that has been carrying out PP-46 from the beginning of Tax Year 2018 but does not fulfil the provisions based on PP-23:

1. Income from business from the beginning of the Tax Year through 30 June 2018 is subject to Income Tax at the rate of 1% of the monthly gross turnover;
2. Income from business which is earned from 1 July 2018 through the end of Tax Year 2018 is subject to Income Tax at the rate of 0.5% of the monthly gross turnover;
3. Business income received or earned starting in Tax Year 2019 is subject to Income Tax at the normal rates.

Indirect Tax and Customs Focus

Control of Import or Export of Intellectual Property Rights

The Minister of Finance has issued regulation number 40/PMK.04/2018 ("PMK-40") as the implementing regulation of Government Regulation Number 20 of 2017 ("PP-20"). In PP-20, Customs and Excise Officials shall control the import or export of goods suspected of originating from violation of intellectual property rights ("IPR") in the form of brands and copyrights through prohibition and postponement. In PMK-40, the system of prohibition and postponement is explained in more detail as follows:

a. Recordation

To control exports or imports that are suspected of constituting or originating from violation of IPR, the Owner or Holder of IPR that is protected in Indonesia under the laws and regulations in the field of intellectual property ("Owner or Holder of IPR") must submit a request for recordation. The Customs and Excise Officials will then perform formal and material examination on whether the request is approved or rejected.

b. Prohibition

A Customs and Excise Official may impose prohibition on imported or exported goods suspected of constituting or originating from violation of IPR based on sufficient evidence in the recordation system.

If a suspected violation of IPR is found, the Owner or Holder of IPR must:

1. Surrender a bond to a Customs and Excise Official in the amount of Rp 100 million in the form of a bank bond or bond from an insurance company;
2. Submit a request for postponement through a request to the Presiding Judge of the Commercial Court at the District Court; and
3. Submit evidence of the submission of the request for postponement in the form of hardcopy and/or submitted through an application system or email.

c. Bond

The Owner or Holder of IPR is responsible for all operational expenses that are incurred. A bond in the form of a bank bond or bond from an insurance company shall be surrendered to a Customs and Excise Official.

d. Postponement

The Customs and Excise Official shall convey notification of postponement no later than 1 (one) day after stipulation of the postponement order is received to the Importer/Exporter, the Owner or Holder of IPR, and the Directorate General of Intellectual Property. The Customs and Excise Official shall perform the postponement no longer than 10 (ten) working days from when the postponement order or stipulation letter is received.

e. Monitoring and evaluation:

The Customs and Excise Officials shall perform monitoring and evaluation at least 1 (one) time in 1 (one) year by conducting a field inspection.

This regulation came into force 60 days after PMK-40 was enacted on 16 April 2018.

Online Single Submission

The government has issued Government Regulation Number 24 of 2018 ("PP-24") regarding electronic integrated business licensing services (Online Single Submission) for the purpose of acceleration and enhancement of business investment. Through PP-24, the government intends to provide faster services to entrepreneurs and prospective investors through One-Stop Services.

As is stated in PP-24, for every entity or business operator that performs registration, the Online Single Submission Institution will issue a Business Identification Number (NIB) as the business identity to obtain a business permit and commercial/ operational permits (standards, certificates, and licenses). The NIB also serves as the Company Registration Certificate (TDP), Importer Identity Number (API), and right to access customs for the business operator or entity. The commercial/ operational permit can be operated after the business operator fulfills all commitments. The fulfilment of commitments in this PP-24 include location permit, location permit in waters, environmental permit, and building permit.

If a business operator or entity intends to employ foreign workers, it must first propose a Foreign Manpower Utilization Plan ("RPTKA") through the OSS website. The foreign workers may be used in certain positions and for a certain time. The OSS system then processes ratification of the RPTKA and it is approved by the minister who handles governmental affairs in the field of manpower.

This regulation became effective from 21 June 2018.

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 Tax Partners:

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