



Indonesian Tax Info March 2015 edition

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Waiver of Interest Sanctions for Certain Taxpayers

The Ministry of Finance (“MoF”) has issued a new Regulation, number 29/PMK.03/2015 (“PMK-29”). PMK-29 stipulates that a taxpayer can enjoy waiver

of the administrative penalty in the form of interest as mentioned in article 19 (1) of Law number 6 of 1983 concerning General Provisions and Procedures for Taxation (“KUP Law”) as amended most recently by Law number 16 of 2009. That penalty is the 2% per month interest as stipulated

in a Tax Collection Letter (“STP”) issued due to late settlement of an unpaid tax assessment letter. This interest should not be confused with the interest related to Article 13 of the KUP Law as stated in the tax assessment products.

The taxpayers that are eligible to request cancellation of such administrative sanctions are those who have any tax liabilities that arose before 1 January 2015 and settled the principal amount of their tax liabilities prior to 1 January 2016. One cancellation request should be made for one STP, except in the case that more than one STP was issued in connection with the issuance of an Underpaid Tax Assessment Letter or Additional Underpaid Tax Assessment Letter, Amendment Decision Letter, Objection Decision Letter, Tax Appeal Decision Letter or Judicial Review Decision Letter.

The government expects that PMK-29 will encourage taxpayers to pay their outstanding tax assessments. PMK-29 became effective on 13 February 2015.

Update on Income Tax on Gifts, Prizes or Awards

The Directorate General of Taxation (“DGT”) has issued Regulation number PER-11/PJ/2015 (“PER-11”) regarding the imposition of income tax on gifts or prizes or awards, which serves as the implementing regulation of Government Regulation number 132 of 2000 regarding Income Tax on Lottery Prizes. PER-11 revokes DGT Decree No. KEP-395/PJ./2001.

The key changes are as follows:

- Withholding tax is no longer imposed on instant gifts (i.e., without a drawing or lottery)

received by buyers or end consumers in connection with and at the time of their purchase of goods or services. However, PER-11 stipulates that the respective end consumers must report these instant gifts in their personal Annual Tax Returns as their additional income, using its market price.

- PER-11 includes an attachment which gives examples for calculating income tax on prizes and awards. The attachment provides more clarity in defining gifts, prizes, or awards, as well as what constitutes activities in providing prizes and awards, along with the respective withholding tax treatments. One of the examples given in PER-11 provides a new official view of the DGT concerning gifts provided by a bank to its customers in relation to deposit of money in the bank in a certain amount and period, whereby such gifts are considered as interest and hence would be subject to 20% Article 4(2) final withholding tax. This implies that a bank would have to bear the cost of this 20% withholding tax when providing gifts to customers related to deposit of money in the bank in a certain amount and for a certain period.

This regulation is effective as of 1 May 2015.

Tax Audit Plan and Strategy in 2015

The DGT has recently issued its audit plan and strategy for 2015 in order to support the achievement of the Tax revenue target as well as to improve taxpayers’ compliance.

Tax revenue from tax audit activities alone in 2015 is projected at IDR 73.5 trillion, which is a

significant increase by 206.25% from the 2014 target of IDR 24 trillion.

The focuses of the tax audit strategy this year are:

1. Special audits, of which the main targets are the following corporate taxpayers:
 - a. Coal Mining and Oil & Gas taxpayers – with minimum target of 50 taxpayers;
 - b. Taxpayers with related-party transactions – with minimum target of 30 taxpayers;
 - c. Taxpayers that are members of a group – with minimum target of 10 company groups;
 - d. Taxpayers engaged in wholesale trading.
2. Joint audit with other audit office such as Directorate General of Customs and Excise, BPKP, SKK Migas, TOPN and OJK.

This 2015 tax audit plan and strategy is stipulated in the DGT's Circular number SE-09/PJ/2015, issued on 13 February 2015.

Update on Withholding Income Tax Obligation in E-commerce Transaction

The DGT has issued Circular Letter number SE-06/PJ/2015 ("SE-06") to further regulate withholding income tax for e-commerce transactions, due to the rapid development of e-commerce. SE-06 now stipulates the obligations of Withholders in more detail, for each of type of e-commerce previously stipulated in Circular Letter number SE-62/PJ/2013:

1. Online Marketplace

The withholder, i.e., the Online Marketplace Merchant, must withhold Article 21/23/26 tax

from the following payments made to an Online Marketplace Operator:

- a. Payment of compensation in connection with the provision of a place and/or time in the mass media, outdoor media or other media to deliver information.
- b. Agency Fee for the payment of compensation in connection with a payment intermediary or transaction fee to the Online Marketplace Operator.

2. Classified Ads

The withholder, i.e., the Advertiser, must withhold Article 21/23/26 tax from payments made to Classified Ads Operator for providing space and/or time in the mass media, outdoor media or other media to deliver information.

3. Daily Deals

Similar to the withholding obligations for Online Marketplace, the withholder, i.e., Daily Deals Merchant, must withhold Article 21/23/26 tax from payments made to Daily Deals Operator for:

- a. Service of providing space and/or time in the mass media, outdoor media or other media to deliver information.
- b. Agency Fee for the payment of compensation in connection with a payment intermediary or transaction fee to the Daily Deals Operator.

4. **Online Retail** – there is no additional guidance provided in SE-06 for the withholding obligations on this type of e-commerce.

Under SE-06, the following shall apply for all types of e-commerce:

- If a service provider requires other services to be provided by a third party, the service recipient is obligated to withhold, settle the

payment, and submit Article 21 income tax (if the third party is an individual) or Article 23/26 income tax (if the third party is a corporate taxpayer) for the other services provided by the third party.

- On purchase of goods and/or services made by a buyer or service recipient that is appointed as collector of Article 22 Income Tax, the buyer is obligated to collect, settle the payment, and submit the Article 22 income tax.

Update on Procedures for Application of Certain Bookkeeping in Foreign Currency and Foreign Language

The MoF has issued Regulation number 1/PMK.03/2015 (“PMK-01”) which serves as the second amendment of MoF Regulation number 196/PMK.03/2007 regarding the use of Bookkeeping in foreign language and currency other than Rupiah.

The changes are mainly additional procedures for re-application of permits under the following conditions:

1. Reissuance of bookkeeping permit by the Central Tax Office upon submission of new application by a taxpayer that has misplaced, lost, or damaged its permit and still wishes to maintain bookkeeping in English language and USD currency.
2. For Taxpayers which are bound by Government Contracts which require them to maintain bookkeeping using English language and USD currency; in the event such contract has expired and the taxpayer still wishes to continue the same bookkeeping treatment, it can submit an application no later than one month after this MoF regulation becomes

effective, or one year after the Contract has expired, to replace the given permit.

PMK-01 stipulates that a further implementing regulation will be issued.

Update on VAT Treatment on Catering Business

The MoF has issued Regulation number 18/PMK.010/2015 (“PMK-18”) to revoke MoF Decree number 418/KMK.03/2003 (“KMK-418”) regarding VAT treatment on catering business. Pursuant to PMK-18, Catering Service is not subject to VAT, which is in accordance with the amended VAT Law of 2009. Previously, under KMK-418, catering service was subject to 10% VAT, following the VAT Law of 2000.

Update on Electronic Tax Returns

The DGT has issued Regulation number PER-03/PJ/2015 (“PER-03”) to amend previous DGT Regulations PER-47/PJ/2008, PER-6/PJ/2009, PER-36/PJ/2013, PER-1/PJ/2014, and PER-6/PJ/2009 regarding the submission procedures of tax returns/ electronic tax returns. PER-03 also serves as the implementing regulation of Article 26(e) of Government Regulation number 243/PMK.03/2014 governing tax return submission procedures.

PER-03 stipulates that the following taxpayers must submit their annual income tax returns in electronic form:

1. Taxpayers who are obliged to report their annual income tax returns and are required by the tax law to submit monthly Article 21 tax returns in electronic form;

2. Taxpayers who are obliged to report their annual income tax returns and are required to submit monthly VAT returns in electronic form;
3. Taxpayers who have previously submitted electronic tax returns; or
4. Taxpayers who are registered in Medium Tax Offices, Tax Offices within the area of the Special Jakarta Regional Tax Office, and Tax Offices within the area of the Large Taxpayer Regional Tax Office. Taxpayers that are

registered in these Tax Offices must also submit their monthly income tax and VAT returns in electronic form.



Customs Focus

Revamp on Customs Area and Temporary Stockpile Regulation

The Ministry of Finance (MoF) has issued Regulation No. 23/PMK.04/2015 ("PMK-23") to govern Customs Areas and temporary stockpiles, effective in April 2015, which revokes the previous MoF Regulation No. 70/PMK.04/2007 ("PMK-70"). The objectives of PMK-23 are to increase the effectiveness of Customs supervision and service in Customs Areas and to increase the discipline and legal certainty for stockpiling activity in Temporary Stockpiles.

Customs Area

Under this new regulation, an area within a seaport, airport or other area that is used for export and/or import activities must be designated as a Customs Area.

In the event that the Customs Area in a seaport or airport can no longer accommodate the volume of export and import activities, and/or no special place is available to stockpile consolidation goods, dangerous goods, goods likely to damage or contaminate other goods, and/or goods that require a special installation or special handling, a supporting area of the seaport or airport which will be used to handle export and/or import activities may be stipulated as a Customs Area.

The application for designation as a Customs Area shall be submitted by the Seaport Authority, Airport Authority, or Other Designated Places Authority to the Head of the Regional Customs Office through

the Head of a Customs Office, or to the Head of a Main Office, and a decision shall be issued within 30 days.

Temporary Stockpile

Import goods awaiting release from the Customs area or export goods awaiting loading may be stored in a Temporary Stockpile. The place used as a temporary stockpile must be designated as such by the Head of Regional Customs Office/ Head of a Main Office on behalf of the Minister of Finance.

The application for designation of a Temporary Stockpile shall be submitted by the Temporary Stockpile Entrepreneur to the Head of the Regional Customs Office through the Head of Customs Office, or to the Head of a Main Office, and a decision shall be issued within 30 days.

The computer system in the temporary stockpile must be accessible to the computer system in the Customs Office 24 hours every day, seven days a week (on-line computer). The Temporary Stockpile Entrepreneur is responsible for customs duty and/or excise and also for the outstanding import taxes on the goods stockpiled in the Temporary Stockpile.

PMK-23 is effective from 7 April 2015. A Customs Area and/or Temporary Stockpile permit that was issued based on regulation no. 70/PMK.04/2007 shall remain valid until the date of expiration or no later than 12 months from the date that this regulation comes into force.

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