

Indonesian Tax Info

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Amendment in Criteria of Livestock, Feed Material for the Production of Animal and Fish Feed as Strategic Goods which are exempted from VAT

The Minister of Finance (“MoF”) issued Regulation number 5/PMK.010/2016 (“PMK-5”) on 26 January 2016 to amend MoF Regulation number 267/PMK.010/2015 (“PMK-267”) regarding Criteria of Livestock, Feed Material for the Production of Animal and Fish Feed which are exempted from VAT. The amendment is only related to the definition of livestock, which now includes all kinds of livestock, i.e. cow, buffalo, goat, pig, and other livestock.

The mechanism of VAT exemption refers to Government Regulation (“GR”) number. 81 of 2015 (“PP-81”) whereby the taxpayer shall apply for a VAT Exemption Certificate.

PMK-5 is effective retroactively as of 8 January 2016.

Reporting of Annual Tax Return

Director General of Tax (“DGT”) Regulation number PER-01/PJ/2016 (“PER-01”), issued on 18 January 2016, governs annual tax return receipt and processes. PER-01 revokes and replaces the previous regulation, PER-29/PJ/2014 (“PER-29”). Most of the provisions are still the same as in PER-29, except for the following changes:

1. New format of the Corporate Income Tax Return (“CITR”) acknowledgement receipt and envelope information.
2. For reporting of the annual tax return through courier or forwarding service, the taxpayer shall enclose the information page on the envelope as stipulated in Attachment 1 of PER-01.
3. The mechanism of e-filing for the reporting of annual tax returns has been updated into certain channels appointed by the DGT.
4. PER-01 emphasizes the types of Annual Tax Return that must be submitted directly to the Integrated Service Post (“TPT”) in the tax office where the taxpayer is registered.

5. PER-01 also emphasizes Tax Identification Number (“NPWP”) validity. If during the validation process, the Tax ID Number of Taxpayer is found to be invalid, the Taxpayer shall validate itself at the registered tax office before submitting the annual tax return.
6. PER-01 also stipulates detailed conditions whereby the annual tax return is considered as incomplete.
7. In the case that the reporting through the post office, forwarder, or courier service is considered incomplete, the tax office will send an annual tax return completeness application to the taxpayer’s address. The taxpayer shall respond to the letter within 30 days from the date of issuance. Otherwise, the tax office will consider that the taxpayer did not report the annual tax return. In addition, if the letter is not received by the taxpayer/ returned to the tax office, then the tax office will issue and declare that the annual tax return is considered as not reported.

PER-01 is effective as of 18 January 2016.

Withholding Tax on Interest from Deposits, Savings and Discount on Certificates of Indonesian Central Bank related to Export Proceeds

The MoF has issued Regulation number 26/PMK.010/2016 (“PMK-26”) dated 19 February 2016 which is the implementation regulation of GR number 123 of 2015 (“GR-123”) which further stipulates the withholding tax on interest from deposits, saving and discount on certificates of the Indonesian Central Bank related to proceeds from exports. There are additional provisions in addition to GR-123 as follows:

1. Interest from deposits in US dollar currency which is generated from export proceeds and deposited in an Indonesian bank will be taxed at progressive rates from the gross amount and considered as final tax. The prevailing tax rates are as follows:
 - a. 10% for deposit with tenor of 1 month;

- b. 7.5% for deposit with tenor of 3 months;
 - c. 2.5% for deposit with tenor of 6 months; and
 - d. 0% for deposit with tenor more than 6 months.
2. Interest from deposits in IDR currency which is generated from export proceeds and deposited in an Indonesian bank will be taxed at progressive rates from the gross amount and considered as final tax. The prevailing tax rates are as follows:
 - a. 7.5% for deposit with tenor of 1 month;
 - b. 2.5% for deposit with tenor of 3 months; and
 - c. 0% for deposit with tenor of 6 months or more.

The criteria of interest on deposit which is taxed at the above tax rates are as follows:

- a. Source of fund is from export proceeds received after GR-123 becomes effective;
 - b. Source of fund is from the overbooking of fund from export proceeds;
 - c. Deposit is placed at the same bank where the fund of export proceeds is received; and
 - d. The availability of exporter statement
3. Interest which is generated from a deposit with a certain tenor which is already subject to final tax but then re-deposited will be taxed at a rate of 20% of the gross amount.
4. In the case that the deposit is withdrawn before the maturity, the interest shall be subject to final tax of 20%, which shall be withheld at the time the deposit is withdrawn.

PMK-26 is effective as of 22 February 2016.

Update on MoF Regulation number 191/PMK.010/2015 regarding Revaluation of Fixed Assets for Tax Purpose for Applications Submitted in 2015 and 2016

The MoF has issued Regulation number 29/PMK.03/2016 (“PMK-29”) in order to facilitate taxpayers that intend to apply fixed asset revaluation with certain criteria. In this regulation, every taxpayer that meets the

category of certain criteria can settle the income tax referring to Article 1 paragraph (2) and/or Art. 6 paragraph (2) of MoF Regulation number. 191/PMK.010/2015 by 31 December 2016 at the latest.

The certain criteria as mentioned above consist of:

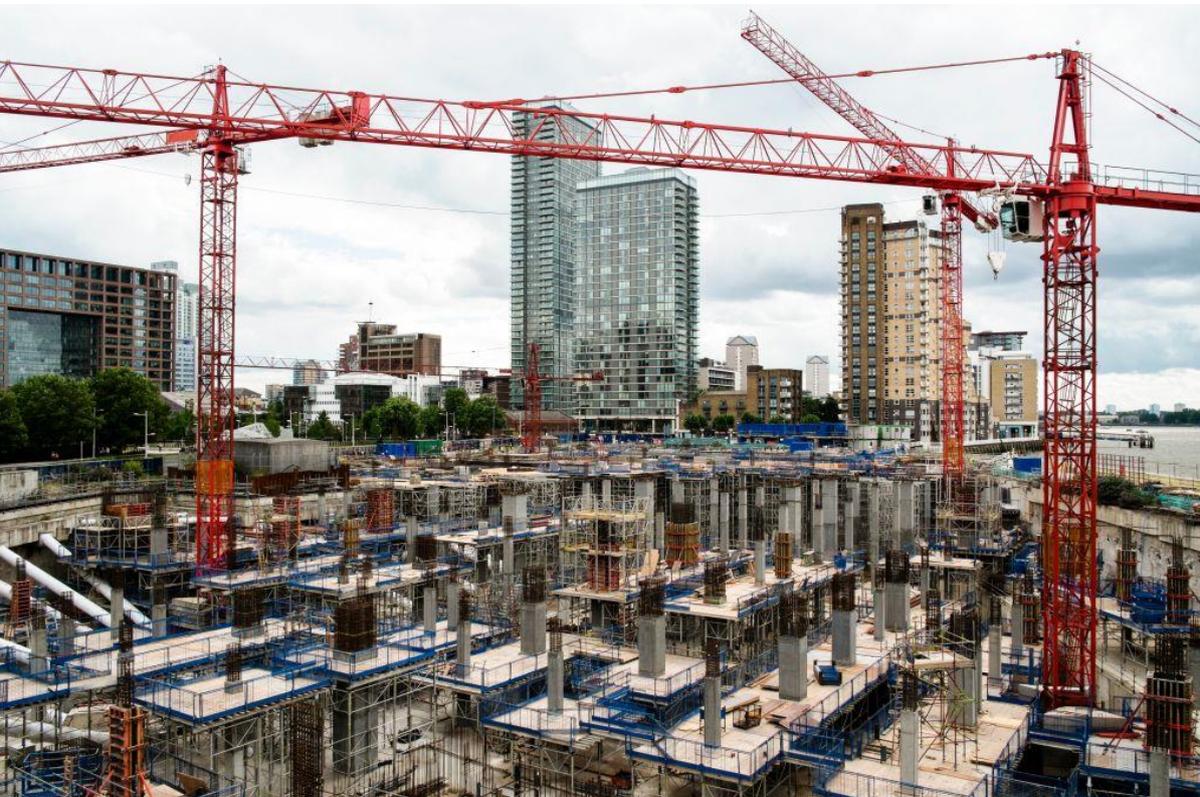
1. The income tax which is payable due to the excess value from the difference between revaluation and fiscal book value of the fixed asset is at least IDR 3,000,000,000,000 (three trillion rupiah); and
2. The taxpayer has submitted the report of fixed asset revaluation:
 - a. On 31 March 2016 at the latest, for an application for fixed asset revaluation that is submitted with the estimated value.

- b. At the time of the submission of fixed asset revaluation, for an application for fixed asset revaluation submitted after the effective date of this regulation.

The taxpayer who meets the certain criteria as mentioned above does not have to attach a Tax Payment Slip ("SSP") of the income tax settlement at the time of submission either of the application or of the associated documents. Then, 30 days after the properly completed application is received, the DGT may issue the decision letter granting approval for the fixed asset revaluation.

The excess on the difference of fixed asset revaluation over the book value will be taxed at the prevailing tax rate at the time the application is submitted. Any late payment of the income tax payable will be subject to an administration charge of 2%.

PMK-29 is effective as of 23 February 2016.



Customs Focus

Bonded Logistics Center Procedures

The Directorate General of Customs and Excise (DGCE) has issued regulation number PER-01/BC/2016 (“PER-01”) concerning Procedures for Bonded Logistic Centers, in order to implement the provisions of Article 45 of Minister of Finance (“MoF”) Regulation number 272/PMK.04/2015 (“PMK-272”) concerning Bonded Logistic Centers and Government Regulation Number 85/2015 (“PP-85”) concerning Bonded Storage.

A Bonded Logistics Center (PLB) is a place for Bonded Storage which may also conduct one or more simple activities that are not processing activities which generate new products that have a different nature, characteristics, and/or function from the original goods, within a certain period of time for later removal.

The purpose of the PLB is to provide flexibility to investors to take their supplies of raw material and/or supporting material. It is hoped that manufacturing companies can stockpile their commodities in Indonesia so they can be accessed more easily and cost effectively.

To register as a PLB entrepreneur, the company shall fulfill the following criteria:

1. Is an Indonesian legal entity (including permanent establishment) and is domiciled in Indonesia
2. Has proof of ownership or control of a place, or buildings that have clear boundaries following location maps, places, and plan of the layout or plan in the PLB
3. Has a business license
4. Has been confirmed as a taxable entrepreneur and has filed an annual income tax return for the most recent tax year

The time limit for stockpiling goods in the bonded logistics center is three years and (for certain goods) can be extended, while at a Bonded Warehouse the stockpiling period is only one year.

Various facilities are available for goods that enter into a PLB, as follows:

- postponement of import duty;
- non-collection of Value Added Tax (VAT), Sales Tax on Luxury Goods and/or Article 22 income tax on import; and/or
- exemption from excise.

These facilities will be given based on where the goods originate from.

The regulation is effective from 29 January 2016.

Procedures for Releasing Imported Goods from Customs Area to be Stored in Bonded Logistics Center

The DGCE has issued regulation number PER-02/BC/2016 (“PER-02”) regarding Procedures for Releasing Imported Goods from Customs Area to be Stored in Bonded Logistics Centers, in order to implement the provisions of MoF Regulation number 272/PMK.04/2015 regarding Bonded Logistic Centers and Government Regulation Number 85/2015 (“PP-85”) concerning Bonded Storage.

In regulation number 85/2015, the government reclassified bonded storage places by adding a new category of Bonded Logistics Center (PLB).

Imported goods may be released from the Customs Area or other places similar to temporary stockpiling sites to be stored in a PLB in the case that:

- a. the PLB Operator, PLB Entrepreneur, or Entrepreneur in PLB (PDPLB) acts as consignee in the document of transportation of the goods; or
- b. the party acting as consignee in the goods transportation document has a contract to store goods with a PLB Operator, PLB Entrepreneur, or PDPLB.

The release of imported goods from the Customs Area or other place similar to a temporary stockpiling site to be stored in a PLB shall be declared using customs document of BC 1.6 through electronic data interchange (PDE) system. The PLB provides facilities such as postponement of import duty, exemption from excise, and/or non-collection of import taxes.

The release of imported goods in the case of short shipment shall be performed using the original BC 1.6 document no later than 60 (sixty) days from the date of the Approval Letter of Good Delivery (SPPB) at Bonded Logistic Center. Other procedures for release of goods from a Bonded Logistic Center are not significantly different from those for other Bonded Storage Areas.

This regulation is effective from 29 January 2016.

Procedures for Releasing Imported Goods from Bonded Logistics Center to be Used

The DGCE has issued regulation number PER-03/BC/2016 (“PER-03”) regarding Procedures for Releasing Imported Goods from Bonded Logistics Center to be Imported for Use, in order to implement the provisions

of Article 45 of MoF Regulation number 272/PMK.04/2015 regarding Bonded Logistic Centers and Government Regulation Number 85/2015 (“PP-85”) concerning Bonded Storage.

To release imported goods from a Bonded Logistic Center (PLB) to be consumed, the importer shall submit customs declaration form BC 2.8 or supplementary customs documents. The supplementary customs documents are used to release certain goods such as electricity, liquid or gases that are transported through transmission or pipelines, and/or imported goods that need rapid and concise movement.

Import duty, excise, and import taxes shall be paid in cash or through periodic payments. Payment by cash shall be made before the issuance of a registration number for BC 2.8, except for goods that receive facilities of postponement or exemption of import duty and/or import taxes and/or exemption from or non-collection of excise.

The import duty to release imported goods from PLB to be imported for use is calculated based on the customs value, which in turn is calculated based on Cost Insurance Freight (CIF).

The regulation is effective from 29 January 2016.

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