

Indonesian Tax Info

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Tax Verification No Longer Exists

The Minister of Finance (“MoF”) has issued Regulation number 184/PMK.03/2015 concerning Tax Audit Procedures, dated 30 September 2015, to amend the existing MoF Regulation number 17/PMK.03/2013.

The main amendment in this regulation is the elimination of the verification process. The basis for a tax audit, however, now includes an additional criterion, i.e. “if there is any other concrete information”.

Tax audit on other concrete information is performed through Office Audit or Field Audit. An office audit on other concrete information is limited to audit on other concrete information; in contrast, a field audit is not limited in this way.

A taxpayer can request discussion with the Quality Assurance team but only limited to disagreement concerning the legal basis, except for [audit on other concrete information performed through office audit](#).

An office audit on other concrete information must be conducted within one month at the longest, and followed by closing a maximum of 10 working days thereafter.

This MoF regulation came into force as of 30 September 2015.

Changes in Regulation Regarding Restitution Procedure

On 30 September 2015, the MoF issued Regulation number 185/PMK.03/2015 (“PMK-185”) to amend Regulation number 16/PMK.03/2011 (“PMK-16”) regarding procedure for calculation and restitution of tax overpayment

Tax overpayment is offset against any tax payable. In the case that there is no tax payable, the total tax overpayment will be refunded to the taxpayer.

PMK-185 became effective as of 30 September 2015.

Changes in Regulation Regarding Granting of Interest Compensation

On 30 September 2015, the MoF issued Regulation number 186/PMK.03/2015 (“PMK-186”), to amend MoF 226/PMK.03/2013 regarding the procedure for calculation and granting of interest compensation

A taxpayer may submit a request for interest compensation on tax overpayment resulting from an objection letter, appeal verdict or judicial review decision. The Directorate General of Taxation (“DGT”) should issue a notice of interest compensation provided that:

1. An appeal is not being pursued for an Objection Decision Letter;
2. An appeal verdict has been received by the DGT;
3. A Judicial Review decision has been received by the DGT.

In addition, interest compensation must be offset first against any other tax payable.

New forms are attached in these new regulations.

PMK-186 came into force as of 30 September 2015.



Revision on Procedure for Restitution of Tax Overpayment Which Should Not Be Payable

The MoF has issued Regulation number 187/PMK.03/2015 (“PMK-187”), which revokes and replaces MoF Regulation number 10/PMK.03/2013 (“PMK-10”) regarding procedure for restitution of tax overpayment which should not be payable.

PMK-187 stipulates an additional criterion for a restitution request, i.e. in the case of excess withholding or collection of income tax in connection with the application of a tax treaty.

Such overpayment may arise from:

- a. An error in applying the tax treaty;
- b. Delay in fulfilling administrative requirements for applying the tax treaty, after the withholding or collection has occurred; or
- c. Mutual Agreement.

If the foreign tax subject has a Permanent Establishment (“PE”) in Indonesia, the request can be submitted through the PE. If the foreign tax subject does not have a PE in Indonesia, it can claim restitution through the taxpayer that withheld or collected the tax. In the event that the tax withholder or collector does not exist, for instance because it has been liquidated, the request may be submitted directly by the foreign tax subject.

The DGT will examine the validity of the tax payment. If the application is approved, the DGT shall issue an Overpaid Tax Assessment Notice; if the application is rejected, the DGT will issue a notification to that effect.

PMK-187 came into force as of 30 September 2015.

Reduction of Administrative Penalties

In MoF Regulation number 197/PMK.03/2015 (“PMK-197”) regarding reduction of administrative penalty for tax assessment notices (“SKP”), land and building tax assessment notices (“SKP PBB”), and/or tax collection notices (“STP”) that are issued based on the result of tax audit, verification, or examination of land and building tax, an incentive is granted in the form of reduction of administrative penalties by 50%.

This incentive is limited to the administrative penalty in SKP, SKP PBB and/or STP which are issued in 2015 where the penalty was caused by the taxpayer’s oversight and not because of the taxpayer’s fault.

The taxpayer must submit a request to the DGT using a certain format as stated in the regulation. There are certain requirements, as follows:

- a. The tax principal must be settled
- b. The taxpayer does not pursue any legal remedy on:
 - The SKP, SKP PBB or STP for which the reduction of administrative penalty is requested;
 - SKP for VAT, in the case that reduction of administrative penalty has been requested for STP of 2% penalty from the tax base related to the SKP;
 - STP for VAT, in the case that reduction of administrative penalty has been requested for SKP of 2% penalty from tax base related to the STP.

The relevant legal remedies include objection, request for reduction or cancellation of SKP/SKP PBB or STP, request for cancellation of the result of audit, verification, or examination of PBB, and/or submitting a lawsuit.

- c. The Taxpayer is not in the process of applying for reduction or waiver of administrative penalty, except for those stipulated in this MoF regulation.
- d. One application shall be submitted for each SKP, SKP PBB or STP, written in Bahasa Indonesia, and must be signed by the Taxpayer. The application is submitted to the Tax Office where the Taxpayer and/or VATable enterprise is registered or the PBB object is administered.

The DGT should issue its decision within no longer than six months. The collection

process for the administrative penalty will be deferred as long as the principal has been paid and the taxpayer requests the reduction.

In the case that the DGT rejects the request, the taxpayer may submit another application, except in the following circumstances:

- a. The administrative penalty is caused by the taxpayer's fault or not because of the taxpayer's oversight.
- b. The taxpayer did not settle the tax principal before submitting the request.
- c. The taxpayer pursued a legal remedy as mentioned above.
- d. The taxpayer is in the process of applying for reduction or waiver of administrative penalty other than those stipulated based on this MoF regulation.

PMK-197 became effective as of 2 November 2015.



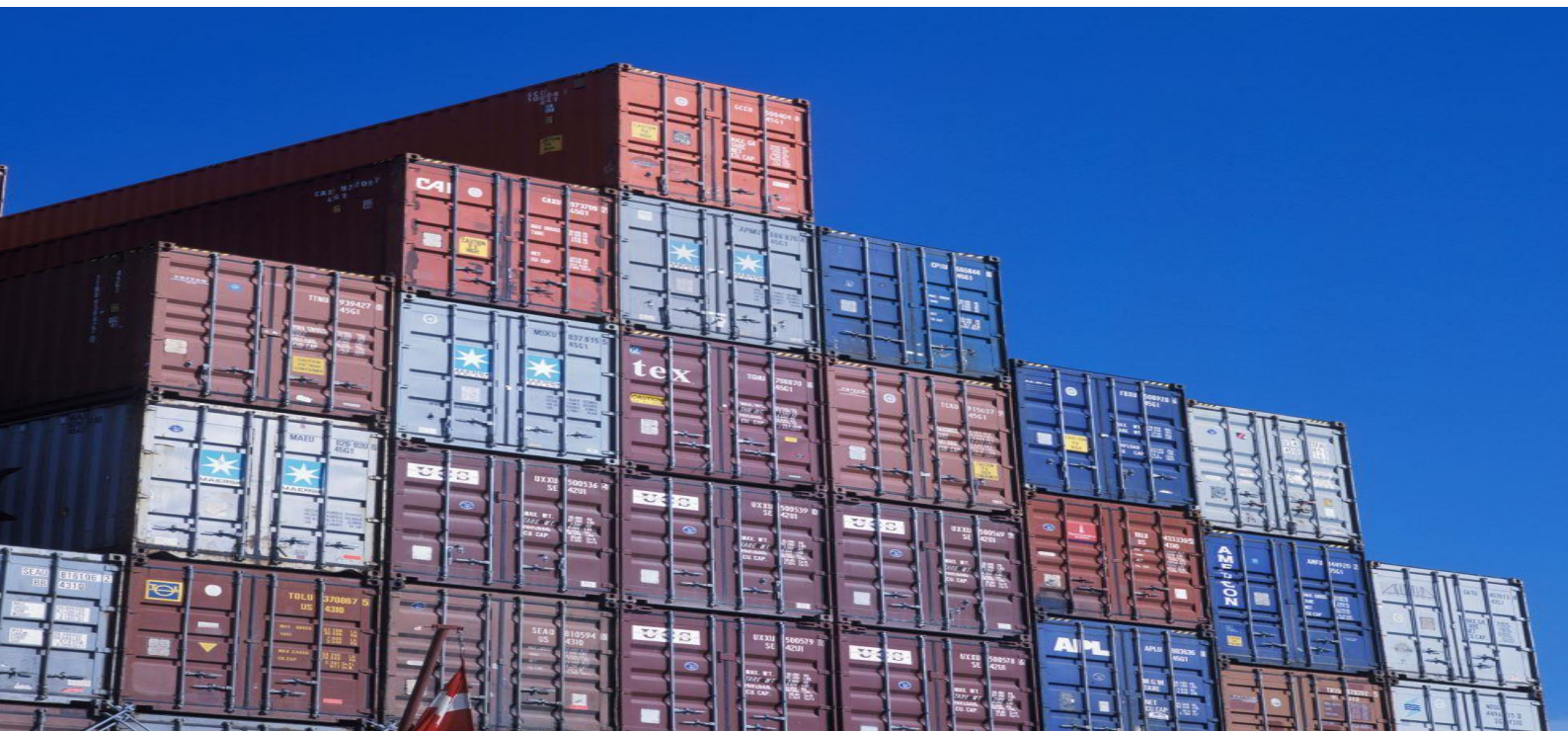
Customs Focus

Import of Certain Products

The Minister of Trade (“MoT”) has issued Regulation number 87/M-DAG/PER/10/2015 (“MoT-87”) to encourage the improvement of national competitiveness by simplifying trade licensing, especially for imports of certain products such as electronic products, ready-made garments, toys, footwear, food and drink products, cosmetic products, and traditional and herbal medicines (“Certain Products”).

Certain Products which previously could only be imported by a company that has obtained status as a Registered Importer of Certain Products (ITPT) can now be imported by a company that holds a General Importer Identification Number (API-U). Although the Registered Importer requirement for certain products has been revoked, a Surveyor Report (LS) is still required for Certain Products except for cosmetic goods.

Pursuant to letter of the Director General of Foreign Trade number 1827/DAGLU/SD/10/2015, MoT-87 is effective as of 1 January 2016 and will expire on 31 December 2018. MoT-87 revokes MoT Regulation number 83/M-DAG/PER/12/2012 as most recently amended by MoT Regulation number 73/M-DAG/PER/12/2014.



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:

Melisa Himawan	Tax Managing Partner	mehimawan@deloitte.com
Firdaus Asikin	Senior Tax Partner	firdausasikin@deloitte.com
Carlo Llanes Navarro	Senior Technical Advisor – Transfer Pricing	canavarro@deloitte.com
Connie Chu	Senior Technical Advisor	cchu@deloitte.com
Roy David Kiantiong	Tax Partner	rkiantiong@deloitte.com
Heru Supriyanto	Tax Partner	hsupriyanto@deloitte.com
Cindy Sukiman	Tax Partner	csukiman@deloitte.com
Dionisius Damijanto	Tax Partner	ddamijanto@deloitte.com
Irene Atmawijaya	Tax Partner	iatmawijaya@deloitte.com
John Lauwrenz	Tax Partner	jlauwrenz@deloitte.com
Turmanto	Tax Partner	tturmanto@deloitte.com
Balim	Tax Director – Transfer Pricing	bbalim@deloitte.com
Heru Widayanto	Tax Director	hwidayanto@deloitte.com
Soenari Chasan	Tax Director	csoenari@deloitte.com
Vivi Karwito	Tax Director	vkawrito@deloitte.com
Yan Hardyana	Tax Director	yhardyana@deloitte.com
Koji Sugimoto	Technical Advisor	kojisugimoto@deloitte.com
Sachin Tewari	Technical Advisor	satewari@deloitte.com

Deloitte Tax Solutions

The Plaza Office Tower, 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 2992 3100
Fax: +62 21 2992 8303
Email: iddttl@deloitte.com
www.deloitte.com/id

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