



Indonesia Tax Info November 2024

PMK-81 harmonizes various tax regulations affected by Coretax implementation

On 14 October 2024, Indonesia’s Minister of Finance (MoF) issued Regulation Number 81 (PMK-81) to synchronize and revoke various regulations that will be affected by the Directorate General of Taxes’ introduction of the Core System of Tax Administration portal (Coretax) as from 1 January 2025. This web-based portal will enable taxpayers to fulfill their tax obligations electronically and integrate all the core tax administration processes, from registration, submission of tax returns, and settlement of tax due, through tax audits and tax collection by the tax authorities.

PMK-81 contains 642 pages with 484 articles and 83 attachments, and revokes (either wholly or partially) 42 existing regulations with effect as from 1 January 2025. This article provides Deloitte Indonesia’s preliminary high-level observations on the content of the regulation addressing the following selected income tax and VAT topics:

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Topic	Previous MoF regulation being revoked
Procedures for income tax exemption on dividends or other income	Articles 37 to 41, and Article 109 of MoF Regulation Number 18/PMK.03/2021 (please refer to Tax Info March 2021)
Article 26 income tax on gains from transfers of shares by foreign taxpayers	MoF Decision Number 434/KMK.04/1999
Article 22 income tax	MoF Regulation Number 34/PMK.010/2017, as lastly amended by MoF Regulation Number 41/PMK.010/2022 (PMK-34)

Topic	Previous MoF regulation being revoked
Procedures for settling and reporting income tax arising from transfers of land and/or building rights	MoF Regulation Number 261/PMK.03/2016
Procedures for creation and revision of VAT invoices and VAT related to returns of goods or cancellations of services	Articles 69 to 78 of MoF Regulation Number 18/PMK.03/2021 and MoF Regulation Number 65/PMK.03/2010, respectively (please refer to Tax Info March 2021)
Procedures for claiming VAT credit	Articles 62 to 68 of MoF Regulation Number 18/PMK.03/2021 (please refer to Tax Info March 2021)
VAT on self-construction activities	MoF Regulation Number 61/PMK.03/2022 (please refer to Tax Info May 2022)
VAT on the utilization of taxable intangible goods and/or taxable services from overseas	Article 6(2) of MoF Regulation Number 40/PMK.03/2010
VAT on exports of taxable services	MoF Regulation Number 32/PMK.010/2019 (please refer to Tax Alert April 2019)

Subsequent articles will address other topics contained in PMK-81.

In general, PMK-81 focuses on the relevant tax administration, settlement, and reporting processes affected by the implementation of Coretax, and therefore, its technical content is broadly similar to the regulations that will be revoked. PMK-81 also emphasizes that noncompliance with PMK-81 will be subject to sanctions in accordance with the Law of General Provisions and Procedures for Taxation.

Income tax

Tax exemption on dividends and certain other income

PMK-81 confirms that to be eligible for a tax exemption, domestic-source dividends received by individual taxpayers as well as foreign-source dividends and other income received by individual or corporate taxpayers must meet specific requirements related to the type, investment procedures, and period of the investment. Additionally, an investment realization report must be submitted.

Dividend or other income that does not meet these criteria is subject to income tax at the time the income is received or earned.

Article 22 income tax

Under PMK-34, if a party subject to Article 22 income tax does not have a tax identification number (*Nomor Pokok Wajib Pajak*), the tax rate will be 100% higher than the standard article 22 income tax rate. Even though PMK-81 does not contain any provision on this surcharge, the higher tax legislations still govern the surcharge imposition.

Under PMK-81, if the Article 22 income tax self-assessed by an importer or a coal and mineral commodity exporter, or assessed by the Directorate General of Customs and Excise (DGCE) is settled in bulk (*digunggung*), the amount may be credited in the taxpayer's annual income tax return by using any of a letter of determination of excise duty and/or tax payments issued by the DGCE, proof of payment, a consignment note, or other relevant documents issued by the DGCE. Such

documents are treated as equivalent to a tax withholding or collection slip if the Article 22 income tax due has been paid to the treasury.

Article 26 income tax on gains from transfers of shares by foreign taxpayers

The deadline for settlement of Article 26 income tax related to shares transferred by foreign taxpayers will be extended to the 15th of the following month (from the 10th of the following month).

Income tax arising from the transfer of land or building rights

Under the regulations in place prior to 1 January 2025, the income tax on the transfer of land or building rights generally is due at the place where the land is located. However, under PMK-81, the tax will become due at the location where the transferring individuals reside or the place where the transferring entity's annual income tax return is administered. For transfers of land or buildings to government institutions, the tax will be due at the place where the government institution is administered for tax purposes.

PMK-81 provides transitional provisions, particularly relating to the income tax rates applicable to these transactions, which depend on the timing of the transfer, payment, settlement of the relevant income tax, and recognition of such income in the taxpayer's annual income tax return.

VAT

Until the introduction of Coretax, taxpayers must access three separate systems to comply with their VAT obligations, as follows:

- E-Nofa website: Used to request VAT invoice serial numbers;
- E-Faktur application: Used to create VAT invoices and credit input VAT invoices; and
- DJP online website: For submission of the VAT returns.

Under PMK-81, all these activities will be carried out through Coretax, providing taxpayers with a more efficient and effective VAT administrative system. However, we highlight below some significant developments and potential challenges on VAT administrations.

VAT invoices

As from 1 January 2025, the creation of VAT invoices for the delivery of taxable goods to tourists and notification of the export declaration of taxable intangible goods and/or taxable services, and tax payment slip treated as equivalent to VAT invoice for self-assessed VAT on the utilization of taxable intangible assets and/or taxable services from overseas must be done using Coretax, as manually created documents for these transactions will no longer be permitted. Therefore, affected taxpayers have to ensure that their systems will be able to accommodate these changes.

Return notes (*nota retur*, used to cancel a sale of taxable goods) and cancellation notes (*nota pembatalan*, used to cancel a sale of taxable services) that are not created electronically and integrated through Coretax will not be valid, and the cancellation will not be effective.

Coretax provides taxpayers with a more efficient and effective VAT administrative system.

Furthermore, during the simulation of Coretax system organized by the tax authorities, we noticed that the harmonized system (HS) code of the products must be included when creating a VAT invoice or other documents treated as equivalent to a VAT invoice in the system.

Input VAT credit

Currently, all input VAT that has not been credited in the VAT return within the same period as that in which the VAT invoice or equivalent document is created is creditable in the VAT return no later than three months after the month when the relevant document is issued, provided the input VAT has not been expensed or capitalized. This three-month grace period accommodates any delay in the VAT or commercial invoice reaching the recipient, or any other delay. However, as from 1 January 2025, only documents treated as equivalent to VAT invoices may apply the three-month grace period. The challenge is where there are timing differences between the receipt of commercial invoices or VAT invoices and the recognition of the expense in the taxpayer's books of account, forcing the taxpayer to maintain a continuous reconciliation and reducing the time available to review the accuracy of transactions recorded in both commercial and VAT invoices, including the transaction amounts. Ideally, these details should be reviewed and approved by the respective user at an early stage before determining whether to claim the VAT credit or to expense or capitalize the VAT. There is also a potential risk of increasing number of VAT invoices being revised or cancelled if the taxpayer claims the VAT credit before the vendor has been paid, particularly if the amount due or the sales/order itself is disputed.

Proper arrangement and planning for Coretax are crucial to ensure all taxation rights and obligations of taxpayers can be carried out effectively.

Place of supply of self-construction activities

Self-construction activities that are defined as the construction of buildings, whether new structures or expansions of existing ones, carried out not as part of a business or occupation activity by an individual or entity, with the results intended for personal use or use by another party (*kegiatan membangun sendiri*), are subject to VAT. Under the existing PMK-61, the VAT is due at the place where the construction is carried out; whereas under PMK-81, the VAT will be due at the location where the individual or entity performing the self-construction activities resides or domiciles. As a result of this change, the information to be stated in *surat setoran pajak* (the tax payment slip that is treated as document equivalent to a VAT invoice) will need to be updated, that is, by providing the tax object identification number used for land and building tax (*nomor objek pajak*). This additional information requirement will ensure improved data integration and monitoring by the tax authorities.

Given the implementation date of 1 January 2025, taxpayers should familiarize themselves with the contents of the regulation or reach out to their regular Deloitte Indonesia's contact to discuss on how to prepare for Coretax. Proper arrangement and planning are crucial to ensure that all taxation rights and obligations of taxpayers can be carried out effectively.

Customs Focus

Regulation on anti-dumping import duty for certain iron and steel products is issued

To protect the domestic industry from dumping practices in import of certain iron and steel products, on 9 October 2024, the MoF issued Regulation Number 71 (PMK-71). PMK-71 imposes antidumping import duty on certain H-section and I-section iron and steel products imported from China. The antidumping import duty rate is 11.93%.

The imposition of anti-dumping import duty is based on the respective HS codes of the products. As such, companies that import the relevant products from China should review PMK-71, especially on whether their imported products are subject to this additional import duty, and anticipate any duty imposition accordingly. For domestic companies manufacturing the relevant products, the imposition of this additional import duty is expected to drive their competitiveness.

PMK-71 comes into effect as from 29 October 2024 and is valid for five years since the effective date.

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