

Indonesian Tax Info

Vol. October 2015

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New Regulation on Electronic Certificates

The Directorate General of Taxes (“DGT”) has issued a Regulation number 28/PJ/2015, which provides guidance for VATable entrepreneurs (“PKP”) for issuing and cancelling electronic certificates.

An electronic certificate is a certificate with electronic nature that contains an electronic signature and identification showing the legal subject status of a party in an Electronic Transaction. This electronic certificate is issued to a PKP upon its request to the tax office as evidence of authentication as a user of online tax applications for the following purposes:

1. Request for Tax Invoice Serial Numbers through a website designated and/or provided by the DGT; and
2. Request for use of the electronic application or system designated and/or provided by the DGT for producing electronic Tax Invoices.

The Taxpayer must meet the following qualifications in order to apply for an electronic certificate:

- a. Registered as Taxable Entrepreneur;
- b. Has obtained an activation code and password;
- c. Has activated its Taxable Entrepreneur account.

The electronic certificate can be requested through a visit to tax office using the request form that can be obtained online through the DGT’s website starting from 22 July 2015. An electronic certificate is valid for two years from the date it is obtained. The taxpayer shall request renewal of the certificate before it expires.

This regulation provides more comprehensive guidance for PKP to obtain, revoke or extend the electronic certificate, which is necessary for the PKP to comply with the prevailing electronic tax invoice requirements.

Revocation of Land and Building Tax Facility for Investment in Certain Areas

The Minister of Finance (“MoF”) has issued Regulation number 161/PMK.010/2015 (“PMK-161”) to revoke MoF Decree number 748/KMK.04/1990 (“KMK-748”) concerning imposition of Land and Building Tax for Investment in Certain Areas.

This regulation is generally to revoke the Land and Building Tax reduction facility for investment in certain areas, especially in provinces in the eastern part of Indonesia. The facility is revoked because it is no longer appropriate, considering the current development of the areas that were previously provided with the facility.

Taxpayers that were granted the facility under KMK-748 shall continue to use the facility until it expires.

PMK-161 is effective as of 20 August 2015.

Update on Income Tax Rate Reduction for Local Public Listed Companies

The Indonesian Government has issued Regulation number 56 of 2015 (“GR-56”) to amend GR number 77 of 2013 regarding income tax rate reduction for Indonesian public listed companies.

Under GR-56, a company listed in the Indonesian Stock Exchange can obtain a reduction of the income tax rate to 5% (five percent) lower than the general income tax rate for corporate taxpayers, even if its minimum 40% (forty percent) of the total number of paid-up shares listed to be traded on a stock exchange in Indonesia is not included in collective custody at the depository and settlement institution.

Through this regulation, the government is trying to encourage companies in Indonesia to go public and to foster the role of the capital market as the source of financing.

This regulation is effective as of 4 August 2015.



Update on Import and/or Delivery of Certain Taxable Goods/ Services Exempted from VAT

The Indonesian Government has issued Regulation number 69 of 2015 ("GR-69") to partly revoke several clauses of Government Regulation number 38 of 2003 concerning Import and/or Delivery of Certain Taxable Goods and/or delivery of Certain Taxable Services which are Exempted from VAT.

Certain Taxable Goods on whose importation and/or delivery VAT now not collected, are:

- a. Water, underwater, air means of transportation and trains including their spare parts imported by and/or delivered to the Defense Ministry, Armed Forces, and National Police;
- b. Sea, river, and lake vessels, ferry, fishing vessel, pilot boat, tug boat, barge and their spare parts, personal and shipping safety equipment which are imported by and/or delivered to and used by a national trade shipping company, national fishing company, national port service management company or national river, lake and ferry transportation services company, in accordance with their business line.
- c. Airplane and its spare parts, personal and air safety equipment, airplane repair and maintenance equipment which are imported by and/or delivered to and used by national commercial airline and spare parts and repair and maintenance equipment acquired by any party appointed by a national commercial airline for repairing and maintaining its aircraft; and
- d. Train and its spare parts as well as its repair and maintenance equipment which are imported by and/or delivered to and used by a public train operator and/or public train infrastructure operator, and components or materials imported by and/or delivered to any party appointed by them for producing their trains, spare parts, repair and maintenance equipment and its infrastructure.

Certain Taxable Services on whose delivery VAT now not collected, are:

- a. Services received by a national trade shipping company, national fishing company, national port service management company or national river, lake and ferry transportation services company which include:
 1. Ship rental services;
 2. Port services including pilot, tug, mooring and port services; and
 3. Ship repair and docking services;
- b. Services received by a national commercial airline including:
 1. Airplane rental services; and
 2. Airplane repair and maintenance services; and
- c. Train repair and maintenance services received by a public train operator.

The important changes are as follows:

- a. On the above-mentioned taxable services whose now VAT is not collected; formerly, under GR-38, they were exempt from VAT.
- b. Input Tax that are paid after this regulation comes to force on the acquisition of Taxable Goods and/or Taxable Services on whose delivery VAT is not collected now can be credited.
- c. In the case that the equipment on whose importation and/or delivery VAT is not collected under this regulation is used not in accordance with its intended purposes, or is partially or wholly transferred to another party within four (4) years (previously 5 years) since the acquisition and/or importation, the VAT that was deferred must be paid and cannot be credited.

This regulation became effective on 16 October 2015.

Implementation of Income Tax Treatment under Provisions of International Agreements

The MoF has issued Regulation number 157/PMK.010/2015 ("PMK-157") in order to implement Article 26 paragraph (3) of GR number 94 of 2010 regarding the calculation of taxable income and income tax payment in the current year.

This regulation essentially stipulates the income tax treatment for the agreements made between the Indonesian government and International Organizations as designated in this regulation. The international agreements will apply as *lex specialis*, overriding the general Income Tax Law.

The provisions on income tax under an international agreement up to its expiration will

only apply and be valid when:

- a. The implementation of the international agreement is approved by the Ministry of Finance;
- b. Such agreement is aligned with the Law on International Agreements;
- c. There is no reservation or declaration regarding the provision on income tax treatment in the agreement; and
- d. It has been legalized in the form of ratification, accession, acceptance and/or approval under the Law on International Agreements.

An exemption will apply for an Indonesian citizen who receives income in the form of salary or other remuneration from an international organization, which will be taxed in accordance with prevailing tax regulation unless stated otherwise in the International Agreement.

This regulation became effective on 13 August 2015.



Customs Focus

Safeguard Duties on Imports of Coated Paper and Paper Board Products

The Ministry of Trade (“MoT”) has issued a new Regulation number 165/PMK.010/2015 (“MoT-165”) to impose safeguard duties on imports of coated paper and paper board products. This imposition is triggered by the result of an investigation made by the Indonesian Trade Committee on actual or potential serious losses suffered by the industry due to the surge in the amount of imports of coated paper and paper board.

The new safeguard import duty will be imposed for three consecutive years, as follows:

No	Period	Percentage of Safeguard Import Duty relative to Import Value
1	First year	9%
2	Second year	7%
3	Third year	5%

This Safeguard Import Duty will be:

- a. an addition to the general import duty (Most Favored Nation); or
- b. an addition to the preferential import duty based on the schemes of prevailing international trade agreements, if the import originates from countries covered in the schemes and in compliance with the provisions of the schemes.

For imports of coated paper and paperboard products originating from countries that are exempted from the Safeguard Customs Duty (as mentioned in the Appendix to MoT-165) and countries that have trade cooperation with Indonesia, the importer shall submit a Certificate of Origin (CoO).

This regulation is valid for three years and effective from 7 September 2015.

Deferred Payment of Import Duty for Release of Imported Goods to be Used Using Guarantee

The Minister of Finance (“MoF”) has issued Regulation number 167/PMK.04/2015 (“PMK-167”) in order to improve its service and the monitoring of the release of goods to be used using guarantee. PMK-167 serves as an update to MoF Regulation number 160/PMK.04/2007.

Significant updates made under PMK-167 are among others:

1. Deferral is classified as deferral of:
 - Import duty;
 - Import duty and tax on import; or
 - Import duty, tax on import and excise, due to awaiting a decision on import tax exemption or relief.
2. PMK-167 specifies the required content of the deferral request form and its supporting documents, such as the tax exemption or relief request receipt and the copy of invoice and/or packing list. The request shall be addressed to the Directorate General of Customs and Excise under the MoF.

3. PMK-167 elucidates the assessment process and the timeline of each step. Import duty and other import taxes may be deferred for a maximum period of 30 (thirty) days with an additional period of 30 (thirty) days if needed, which requires an additional request letter.
4. PMK-167 also elucidates the specifications of guarantee for the clearance of import goods as well as the clearance process. The Import Declaration Form shall be submitted within 14 (fourteen) days from the MoF decision.
5. Deferral may be terminated by submitting the MoF decision letter granting exemption or relief to the Directorate General or the customs officials or submitting the rejection letter of deferral request letter.

The regulation will be effective from 4 November 2015.

Update on the Use of Letter of Credit for Export of Certain Goods

As part of the efforts to improve the effectiveness of the implementation of MoT Regulation number 04/M-DAG/PER/1/2015 ("MDAG-04"), the MoT has recently issued Regulation number 67/M-DAG/PER/8/2015 ("MDAG-67") to amend MDAG-40.

Previously, MDAG-04 classified export goods which require the use of letter of credit ("L/C") into 4 (four) categories: mineral, coal, oil and natural gas, and palm oil. Now, under MDAG-67, the oil and natural gas category is excluded from the requirement to use L/C. As a consequence, the price of oil and natural gas exports no longer needs to be at least equal to the world market price. In addition, 3 (three) kinds of lead are also added to the list of exports requiring L/C.

The administrative procedures on the use of L/C for the export of certain goods remain the same.

MDAG-67 is effective from 31 August 2015.

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