Deloitte.

Employment Creation Law No 11 of 2020 (Omnibus Law) was signed by the President on 2 November 2020, which comprises all laws that the government is amending to improve the business climate in Indonesia by providing greater ease of doing business. This Law now includes amendments to Indonesian tax laws as described on pages 86 and 87 of Deloitte Indonesia Tax Guide 2020-2021.

Law Number 11 of 2020 regarding Employment Creation (Omnibus Law)

Effective from 2 November 2020

What are the main changes related to tax?

Reference to Deloitte Indonesia Tax Guide 2020-2021:
7 refers to page 7 of Deloitte Indonesia Tax Guide 2020 - 2021

Income Tax

Dividend income from a domestic source earned by an individual recipient is subject to a 10% WHT or is tax exempt if the dividend is reinvested in Indonesia within a certain period.

43

Dividend income from a domestic source earned by a corporate recipient is tax exempt.

24

Dividend income from an offshore company and PE's net profit after tax (NPAT) is subject to current CIT rate, or the income is tax exempt if the dividend/PE's NPAT is reinvested in Indonesia or used to support other business in Indonesia within a certain period and:

- Such reinvested dividend and NPAT is at least 30% of the total NPAT; or
- The dividend sourced from an offshore non-listed company is reinvested in Indonesia before the DGT issues a tax assessment letter on CFC.

If the reinvestment of dividend from offshore non-listed company or PE's NPAT is less than 30% of NPAT, the invested dividend and/or PE's NPAT is not taxable; however, the difference between the reinvested amount and 30% of NPAT is taxable. Tax that has been paid in the source country cannot be credited against the Indonesian CIT payable, claimed as expense, or refunded.

24

Income from foreign active businesses without a PE is subject to current CIT rate, or the income is tax exempt if it is reinvested in Indonesia within a certain period and subject to meeting certain requirements.

7

An **Indonesian citizen staying outside Indonesia** for more than 183 days can be treated as a foreign tax resident if he/she can fulfill certain requirements.

35

A **foreign citizen staying in Indonesia** for more than 183 days within 12 months is treated as a domestic tax resident and taxed on Indonesia-sourced income only if he/she has certain skills and does not benefit from a tax treaty. This facility is valid for the first four years.

7

20% WHT on **interest paid to an offshore party** can be reduced under a government regulation.

49

New items are treated as **nontaxable income**:

- Distributions of net income of a cooperation;
- Hajj funds and income from hajj financial developed by *Badan Pengelola Keuangan Haji*; and
- Amount received by registered social and religious bodies meeting certain criteria.

19

Value Added Tax

Delivery of taxable goods on consignment arrangements is not subject to VAT.

58

***Inbreng* (in-kind capital contribution)** is VAT exempt if both the transferor and transferee are PKPs.

58

Coal products extracted directly from the source are subject to VAT.

58

Input VAT on procurement of taxable goods and/or taxable services before being registered as a PKP is creditable up to 80% of the output VAT that is supposed to be collected.

63

Creditable input VAT during pre-production is provided for all procurements of taxable goods and/or taxable services, imports of taxable goods, and utilization within the Customs Area of taxable intangible goods and/or taxable services from outside the Customs Area, provided the requirements under the VAT Law are met.

The creditable input VAT during pre-production is limited to three years, or more for certain business sectors.

63

Input VAT that has not been reported in the VAT return or notified/discovered in a tax audit, and input VAT collected through a tax assessment is creditable, as long as it meets the general requirements for crediting input VAT, the assessment has been paid, and the assessment is not in dispute.

64

Input VAT can be credited within three months as long as the input VAT has not been expensed or capitalized.

63

Where the purchaser does not have an NPWP, the following information must be presented in the VAT invoice:

- National identity number, for individual purchasers;
- Passport number, for individual foreign nationals; or
- Name and address, for foreign corporations.

61

Administrative Sanction and Interest Compensation

Monthly administrative sanction: Reference interest rate plus an uplift (i.e., 0%, 5%, 10% or 15%) divided by 12 months, for a maximum of 24 months.

9 10 11 14

Monthly interest compensation: Reference interest rate divided by 12 months, for a maximum of 24 months.

11 66

Penalty arising from a request to halt a tax investigation is three times the underpaid tax amount.

16

Incremental penalty for voluntary disclosure during a tax audit is 100%.

10

Where a VAT audit results in an interest penalty for VAT underpayment and incremental penalty for input VAT that should not be credited or subject to 0%, **only the higher of the two penalties will be imposed.**

Tax penalty of 1% of the tax imposition base will be imposed on **the issuance of a VAT invoice in the following cases:**

- **A PKP does not/is late in issuing a VAT invoice; or**
- **A PKP issues an incomplete VAT invoice (except for a retail PKP).**

14

Statute of limitations for issuing an STP is five years.

14