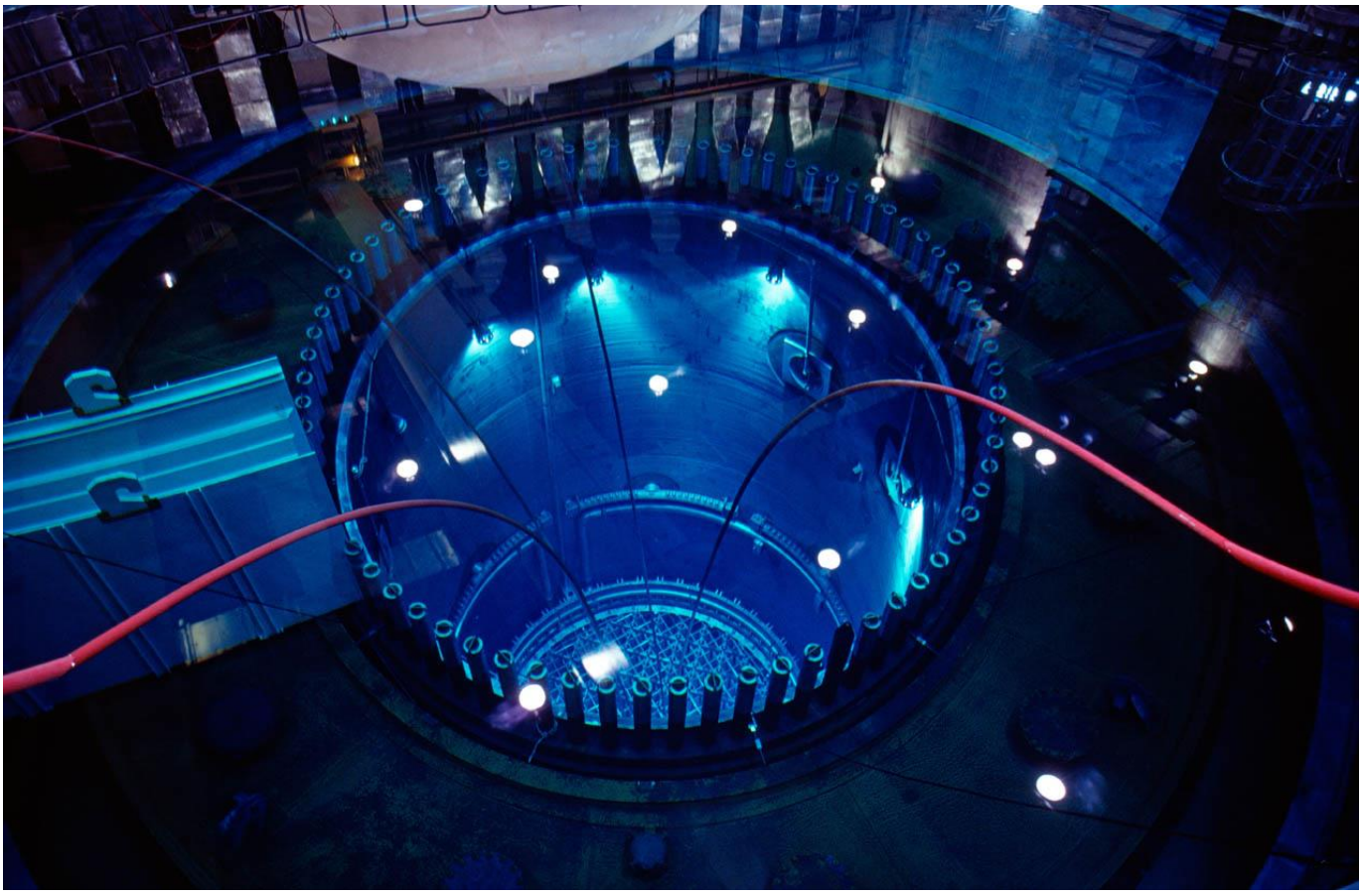
Deloitte.

2 February 2017
January 2017 edition



Indonesian Tax Info

General Requirements and Procedures for Regional Tax Collection

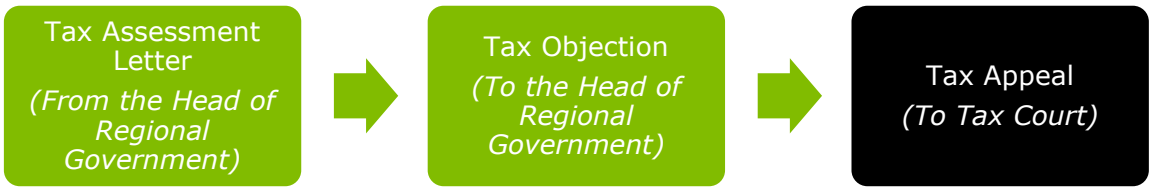
In accordance with Law number 28 of 2009 concerning Regional Taxes, a Regional Government can collect regional taxes. The Government issued regulation number 55 in 2016 ("GR-55") to replace Government regulation number 91 of 2010 ("GR-91) which stipulates the general requirements and procedures for regional tax collection.

GR-55 provides more details on the tax base, payment due date, and return submission due date (if any). It divides regional taxes into two types:

1. Collected by regional government, which is payable after the regional government issues a formal letter. For example, the payment of Land and Building Tax (urban and rural area) is due within 6 (six) months after the issuance of the Tax Payable Collection Notice. For this tax, no tax return submission is required; and
2. Self-collected, which is payable no later than 30 (thirty) working days after the end of the month. For each type of self-collected taxes, a tax return must be submitted. However, no specific due date is mentioned. An example of self-collected tax is Restaurant tax.

In this issue:

GR-55 also regulates the process of tax assessment issuance and the subsequent tax objection and appeal process for taxpayers regarding regional taxes, as described below:



GR-55 was issued on 21 November 2016 and became effective on 22 November 2016. With the issuance of GR-55, GR-91 is revoked.

Update on Tax Amnesty

The Director General of Taxation ("DGT") has issued the following implementing regulations of Law number 11 of 2016 concerning Tax Amnesty:

a. Second amendment of DGT regulation number PER-07/PJ/2016 regarding Documents and Technical Guidance to Fill in Documents for Tax Amnesty as stipulated in DGT regulation number PER-26/PJ/2016 ("PER-26"); and
b. Procedures for Transfer of Assets in the form of Funds into Indonesian Territory for Tax Amnesty Purpose as stipulated in DGT Regulation No. PER-28/PJ/2016 ("PER-28").

a) Documents and Technical Guidance to Fill in Documents for Tax Amnesty

Tax amnesty participants should follow this new tax amnesty format effective from 19 December 2016. PER-26 changes the document formats and technical guidelines in filling in documents for Tax Amnesty application. The details of the changes and the instructions are further explained in the attachment of PER-26.

b) Procedures for Transfer of Assets in the form of Funds into Indonesian Territory for Tax Amnesty Purpose

PER-28 became effective from 22 December 2016 and covers the due date to transfer and report the repatriated fund for Tax Amnesty.

A taxpayer that intends to transfer assets in the form of funds into Indonesia and has not yet received the Statement Letter can transfer the assets by opening an account at a receiving bank appointed by the Ministry of Finance as a gateway in relation to the Tax Amnesty.

Below are the due dates related to the transfer of assets in the form of funds into Indonesia:

Tax Amnesty Statement Letter/Certificate	Tax Amnesty period	
	Up to Period II	Period III
Received	5 working days after the letter/certificate is received	
Not yet received	31 December 2016	31 March 2017

After the assets have been transferred, the taxpayer should submit a notification letter to the tax office where it is registered no later than:

- 31 January 2017 for a taxpayer participating in tax amnesty up to period II.
- 30 April 2017 for a taxpayer participating in tax amnesty period III.

PER-28 also reconfirms the obligation to invest the repatriated funds within Indonesia territory for at least 3 (three) years.

Customs Focus

Amendment of Regulation on Customs Main Partner (MITA)

The Ministry of Finance ("MoF") has revised its regulation that governs the special services in relation to customs inspection process, for certain importers and/or exporters classified as Customs Main Partners (MITA). The update is stipulated in regulation number 211/PMK.04/2016 ("PMK-211"), which amends regulation number 229/PMK.04/2015 ("PMK-229") dated 17 December 2015.

PMK-211 mainly amends certain criteria for MITA as depicted below:

PMK-229	PMK-211
Has a good compliance reputation over the last six months	Has a good compliance reputation over the last six months, which covers: a. The company has import/export activity. b. The company never registered wrong type and quantity of the goods or its customs value c. The company never misused the facilities granted. d. The company has not received any bad internal control system report from the customs auditor. e. The company has not lent the EDI system to another party.
Not having any arrears of customs, excise, and/or other import taxes	No change
Never committed a criminal offense in the field of customs and/or excise.	No change
Has had green lane determination for six months	No change
Has a clear and specific field of business	No change
Has obtained stipulation as a compliant taxpayer from the Directorate General of Taxation	Not having tax arrears from the tax office
Willing to be designated as a main partner of customs	No change

In addition, under PMK-211, the Directorate General of Customs and Excise ("DGCE"), which is authorised to ensure that MITA importers and/or exporters continue to meet the above requirements, is now required to send a warning letter first to MITA importers and/or exporters prior to freezing or revoking their MITA status.

PMK-211 is effective from 30 December 2016 and further implementing guidelines will be stipulated by the DGCE.

Updates on Procedures for Classification Ruling (PKSI)

The MoF has issued regulation number 194/PMK.04/2016 ("PMK-194") to update the procedure for filing and determination of imported goods classification before the delivery of customs declaration as briefly mentioned in several MoF regulations.

The salient points of the updates under PMK-194 are as follows:

- The applicant shall submit an application letter attaching the technical data for the purpose of goods identification.
- The DGCE is authorized to stipulate the goods classification and customs value of import goods as the basis for calculation of import duty before the submission of a customs declaration.
- The decision of the DGCE regarding stipulation of goods classification before importation (PKSI) shall be valid for 3 (three) years from the specified date as long as all of the imported goods have identification in accordance with the identification of goods listed in the PKSI.
- If the applicant is not satisfied with the classification stipulation, it can apply for a review.

PMK-194 is effective from 20 January 2017, and as of that date, MoF regulation number 51/PMK.04/2008 as amended by MoF regulations number 147/PMK.04/2009 and 122/PMK.04/2011 is no longer effective.

Voluntary Declaration of Customs Value for Calculation of Certain Import Duty

Amid the increasingly rigorous Customs Audit on importers, we would like to encourage our readers to consider the voluntary declaration where relevant, by reference to MoF Regulation number 67/PMK.04/2016 ("PMK-67") and DGCE circular number SE-09/BC/2016 ("SE-09") issued last year regarding voluntary declaration of customs value for futures prices, royalties, license fees and proceeds.

Under the general Customs regulations, all goods entering the Customs Territory are treated as imported goods and subject to import duty and taxes. The duty and taxes are based on the customs value, which in turn is calculated on the transaction value. Transaction value is defined as the price actually paid or payable.

For certain goods such as futures prices, royalties and proceeds, not all components of the customs value can be determined by the time of Import Declaration ("PIB") submission. MoF regulation number 34/PMK.04/2016 in conjunction with 160/PMK.04/2010 has stipulated that the importer shall declare the undetermined value through Voluntary Declaration, but the mechanism of the reporting is not clearly governed. PMK-67 and SE-09 aim to provide the detailed mechanism for submission of Voluntary Declaration, as summarised below:

- If the goods' value could not be determined by the time of PIB submission, the importer shall declare a Voluntary Declaration which serves as a supporting document of and is delivered along with the hardcopy PIB once the goods are cleared at the destination port.

- It shall acknowledge all the goods imported with the estimated prices that should be paid and/or costs which must be added to the value of a transaction.
- Upon the Voluntary Declaration, the importer shall settle a Voluntary Payment of import duty and other taxes no later than 7 (seven) days from the future settlement date of the prices, royalties, license fees and proceeds.
- An Importer which has issued a PIB prior to this regulation without issuing a Voluntary Declaration may complete a Voluntary Payment, which will be calculated based on the documents of payment.

By participating in this voluntary declaration program, companies can minimize the risk of administrative fines due to determination of customs value relating to futures prices, royalties and license fees, and proceeds. In general, the administrative fines related to determination of customs value entail very high risk, as the amount can be as much as 1000% of the import duty that is underpaid.

What to do

To ensure timely and accurate voluntary declaration, importers are strongly encouraged to:
1. Proactively self-review any agreements regarding their import activities (e.g. distribution agreements, technical assistance agreements, and royalty agreements).
2. Proactively self-review the Customs Valuation methodology and determine the potential risk exposure.

How we can support

In preparation for the submission of voluntary declaration to Indonesian Customs, Deloitte Tax Solutions can support importers in the following areas:
1. Review of the agreements on futures prices, royalties and license fees, or proceeds;
2. Determining the dutiable base which will be declared as the voluntary declaration; and
3. Providing on-going consultancy on Customs Valuation.

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
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
Yan Hardyana	Tax Partner	yhardyana@deloitte.com
Heru Widayanto	Tax Director	hwidayanto@deloitte.com
Liana Supandi	Tax Director	lsupandi@deloitte.com
Reggy Widodo	Tax Director	rwidodo@deloitte.com
Roedy Andrianto	Tax Director	randrianto@deloitte.com
Soenari Chasan	Tax Director	csoenari@deloitte.com
Vivi Karwito	Tax Director	vkarwito@deloitte.com
Balim	Tax Director – Transfer Pricing	bbalim@deloitte.com
Amit Sharma	Technical Advisor – Transfer Pricing	asharma2@deloitte.com
Shivaji Das	Technical Advisor – Transfer Pricing	shivdas@deloitte.com
Koji Sugimoto	Technical Advisor	kojisugimoto@deloitte.com
Wisesasari	Tax Director	wisesasari@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