



Indonesia Tax Info April 2020

Designated Tax Office for E-commerce Business

On 17 April 2020, the Directorate General of Taxation (“DGT”) issued Regulation Number PER-07/PJ/2020 (“PER-07”). PER-07 aims to rearrange the designated tax office registration of certain taxpayers and VATable Entrepreneurs’ (“PKP”). This regulation replaces PER-25/PJ/2013 and PER-10/PJ/2018.

The foreign corporate and expatriate tax office (*KPP Badora*) is now designated to service the following taxpayers:

1. Permanent establishments (“PEs”) domiciled in Jakarta;
2. Expatriates living in Jakarta;
3. PEs of e-trading platforms (*Penyelenggara Perdagangan Melalui Sistem Elektronik* (“PPMSEs”)) domiciled outside Jakarta;
4. Domestic PPMSEs;
5. Foreign traders;
6. Offshore service providers;
7. International organizations that are income tax subjects.

The foreign traders, offshore service providers, and foreign PPMSEs that perform business electronically shall be registered with *KPP Badora* in case:

1. They are appointed by the Minister of Finance (“MoF”) to be VAT and Luxury Sales Tax (“LST”) collectors; and/or
2. They meet the Significant Economic Presence (“SEP”) condition to be imposed with the income tax or tax obligation on electronic transaction.

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In the case of a foreign trader, offshore service provider, or foreign PPMSE that perform business electronically is deemed by the DGT to be registered with *KPP Badora*, the DGT must issue a decision letter, which explains at least the following information:

1. The name of the foreign trader, offshore service provider, or foreign PPMSE;
2. The tax identification number that will be used to carry out the taxation rights and obligations in Indonesia;
3. The currency used to settle the tax with the Tax Office; and
4. List of the tax obligations (VAT, income tax (if a PE is deemed to have been established) or electronic transaction tax (if imposition of income tax is not possible)).

We are of the view that PER-07 functions as the starting point for the DGT to impose tax on foreign trading through electronic system. Considering this fact, we expect that further implementing regulations on trading through electronic system will be issued soon. As such, traders and service providers that conduct business electronically and PPMSEs should closely monitor the developments in this area.



Customs Focus

Excise Exemption of Ethyl Alcohol as Further COVID-19 Prevention Measures

On 17 March 2020, the Director General of Customs and Excise (“DGCE”) has issued Circular Letter Number SE-04/BC/2020 (“SE-04”) as implementation guidelines for entrepreneurs who wish to claim exemption from excise of ethyl alcohol products as further measure in COVID-19 prevention, under the following scenarios:

1. Application of exemption as the ethyl alcohol products are used for social purposes; and
2. Application of exemption as the ethyl alcohol products serves as raw material or auxiliary material in the manufacturing of end products that are exempted from excise (“EPEE”).

SE-04 serves as implementation of the previously issued regulations below:

1. MoF Regulation Number 109/PMK.04/2010, as amended by MoF Regulation Number 40/PMK.04/2014, and MoF Regulation Number 172/PMK.04/2019 (“PMK-172”) (please refer to [Tax Info January 2020](#)); and
2. DGCE Regulation Number 46/BC/2012, as most recently amended by DGCE Regulation Number 43/BC/2017 (“PER-46”).

The further guidance under SE-04 for each of the above scenario, is shown in the following table (in comparison with the related provisions in PMK-172 and PER-46 it intends to clarify):

1. Excise Exemption of Ethyl Alcohol for Social Purposes

Description	Main Regulation (PMK-172 and PER-46)	Further Guidance under SE-04
Definition of social purposes	<p><u>PMK-172</u></p> <p>Ethyl alcohol for social purposes shall cover:</p> <ol style="list-style-type: none"> 1. Ethyl alcohol for hospital needs or natural disaster mitigation effort; or 2. Beverage containing ethyl alcohol for general worship purposes. 	The coverage of social purposes is expanded in SE-04, so that it also covers efforts to prevent and handle COVID-19 outbreak.
Qualified parties	<p><u>PMK-172</u></p> <ol style="list-style-type: none"> 1. Entrepreneur of ethyl alcohol factory, entrepreneur of ethyl alcohol storage, or importer of ethyl alcohol; or 2. Entrepreneur of beverage factory, whose products contain ethyl alcohol. 	Specifically for entrepreneur of ethyl alcohol factory or storage, application for exemption may be submitted upon receiving orders from governmental institution and non-governmental organization for COVID-19 prevention effort.
Application procedures	<p><u>PMK-172 and PER-46</u></p> <ol style="list-style-type: none"> 1. Entrepreneur shall file application to the MoF c/o Director General of Customs and Excise through Head of Customs Main Service Office (“KPUBC”) or Customs Service Office (“KPPBC”) by using PMCK-3 document; 2. The application that is filed upon request from <u>hospitals</u> or <u>organizations</u> in relation to disaster mitigation effort should be supplemented with 	<p>Specifically for order of goods from <u>organizations</u> that are related to COVID-19 prevention effort, SE-04 requires the following additional documents to be submitted during the application of exemption:</p> <ol style="list-style-type: none"> 1. A statement letter from the relevant head of governmental institution, which indicates that the ethyl alcohol shall only be used for prevention and handling of COVID-19 outbreak, if the application is made in relation to orders from governmental institution;

Description	Main Regulation (PMK-172 and PER-46)	Further Guidance under SE-04
	<p>details of ethyl alcohol amount requested for exemption and its purposes.</p> <p>3. Specifically for request from <u>organizations</u> that are related to disaster mitigation a recommendation letter from the relevant government institution must also be obtained.</p>	<p>2. A recommendation letter from governmental institution that is responsible for natural disaster mitigation effort, if the application is made in relation to orders from non-governmental institution.</p>

2. Excise Exemption of Ethyl Alcohol as Raw Material or Auxiliary Material in Manufacturing EPEE

Description	Main Regulation (PMK-172 and PER-46)	Further Guidance under SE-04
Definition of EPEE	EPEE constitutes goods that entail the use of ethyl alcohol as raw material and auxiliary material for their manufacturing. The end product would no longer contain organic substance with chemical formula of C ₂ H ₅ OH.	EPEE in relation to COVID-19 are specifically stipulated as follows: hand sanitizers, surface sanitizers, antiseptics, and the likes that are used as further measures for prevention and handling of COVID-19 outbreak.

SE-04 comes into force starting from 17 March 2020.

Temporary Ban on Export of Antiseptics, Raw Material for Face Masks, Personal Protection Equipments, and Face Masks

On 16, 24, and 31 March 2020 consecutively, the Minister of Trade (“MoT”) has issued MoT Regulation Number 23 Year 2020, which is subsequently amended by MoT Regulation Number 31 Year 2020 and MoT Regulation Number 34 Year 2020 (“PER-23”). This series of regulations represent basis for temporary ban on export of antiseptics, raw material for face masks, personal protection equipments, and face masks, in order to ensure the availability of those goods that are currently highly necessary to prevent and handling of COVID-19 outbreak within the country.

In summary, PER-23 imposes temporary ban on export with details as follows:

Description	Provisions	Effective Date
Type of goods subject to temporary ban on export	<ol style="list-style-type: none"> 1. Antiseptics; 2. Raw material for face masks; 3. Personal protection equipments; and 4. Face masks, <p>in accordance with goods description and Tariff Post/ Harmonized System (“HS”).</p>	18 March 2020

Description	Provisions	Effective Date
Exemption from temporary ban on export	The MoT may waive the provisions stipulated in PER-23 after coordinating with relevant non-ministerial governmental institution. Once exporter obtain MoT approval, exporter must file application of exemption to the Director General of Foreign Trade through online channel at website http://inatrade.kemendag.go.id .	18 March 2020

Note that some of the above-mentioned type of goods may fall under HS Code 2207.10.00, 2207.20.11 and ex.2207.20.19 (under “other fuel” category). Hence, export of other goods under “other fuel” category that are not related to COVID-19 prevention effort, may be impacted by the provisions of temporary ban on export as stipulated in PER-23 as of 27 March 2020.

Customs and/or Excise and Taxation Facilities for Importation of Goods for Prevention and Handling of COVID-19 Outbreak

With the aim to support faster service in provision of fiscal facilities on importation of goods necessary for prevention and handling of COVID-19 outbreak, on 16 April 2020, the MoF has issued Regulation Number 34/PMK.04/2020 (“PMK-34”). Under PMK-34, the customs and/or excise and taxation treatment on importation under this facility are regulated as follows:

Description	Details
Type of goods covered under the facility	<ol style="list-style-type: none"> Hand sanitizers and products containing disinfectants; Test kit and laboratorium reagents; Virus transfer media; Medicines and vitamins; Medical equipments; and Personal protection equipments (APD); <p>Details of goods, HS Codes, and goods description are stipulated in Attachment A of PMK-34.</p>
The customs and/or excise facility and qualification	<ol style="list-style-type: none"> Goods imported for prevention and handling of COVID-19 outbreak may be subject to the following facilities: <ol style="list-style-type: none"> Exemption from import duty and/or excise; Non-collection of VAT or Sales Tax on Luxury Goods; and Exemption from Article 22 Income Tax on Import; Importation of goods for domestic purposes from Bonded Logistics Center (“PLB”) which the entry of goods was previously granted deferred customs duty and non-collected import taxes shall be provided with customs and/or excise Customs and/or excise and taxation facilities shall be provided for release of imported goods from: <ol style="list-style-type: none"> Bonded Zone or Bonded Warehouse; Free Trade Zone or Special Economic Zone; and/or Companies that obtain facility of Import Duty Exemption or Restitution on Import of Goods and Materials to be Processed, Assembled, or Installed to Other Goods for the Purposes of Export (“KITE”), which are not yet paid at the moment of importation; Exemption from import duty shall cover: <ol style="list-style-type: none"> Antidumping import duty; Remuneration import duty; Security measure import duty; and/or Reciprocity import duty.

Description	Details
Period of Facility	<p>5. The application of procedures for import or export of goods for which the customs and/or excise and taxation facilities has been obtained shall refer to the relevant provisions of goods importation for consumption, goods importation through PLB, Bonded Zone, Bonded Warehouse, Free Trade Zone, Special Economic Zone, KITE, delivery goods, and passenger goods.</p>
Procedures for application of facility	<p>The provisions of PMK-34 shall apply towards imported goods whose import declaration already obtains arrival notification date or goods export document registration date, until the end of COVID-19 prevention period as stipulated by Disaster Mitigation National Board (<i>Badan Nasional Penanggulangan Bencana</i>/"BNPB").</p> <ol style="list-style-type: none"> 1. The application shall be filed to the Head of Customs and Excise Service Office of the place where import or export occurred through online channel at DGCE Portal or Indonesian National Single Window. 2. Exemption from the requirement to file such application are given to delivery goods or passenger goods with customs value not exceeding FOB of USD 500 per recipient per shipment, or per person per arrival. 3. The application must be supplemented with the following documents at a minimum: <ol style="list-style-type: none"> a. Identity of applicant; b. Copy of Tax Identification Number (NPWP) card; c. Details of type and amount of goods requested for the facility along with estimated customs value; and d. Details of goods utilization purposes. 4. Approval or rejection for the application shall be granted in the following timeline: <ol style="list-style-type: none"> a. Two working hours after the application is received, if application is filed electronically. b. Two working days after the application is received, if application is filed manually.
Customs documents required for the importation of goods for prevention and handling of COVID-19 outbreak, which are granted with the facility	<ol style="list-style-type: none"> 1. A Special Customs Declaration for Import (PIBK). This document must also be used for importation of delivery goods or passenger goods with customs value exceeding FOB of USD 500 per recipient per shipment, or per person per arrival; 2. A letter of recommendation for exemption from import procedures issued by BNPB. This must be shown at the moment of goods import.
Release of import of goods using guarantee	<p>For importation of goods for prevention and handling of COVID-19 outbreak that is still waiting for approval on the facility, the imported goods may be permitted for release from the customs zone (e.g., sea port or airport) for utilization by using written guarantee, which must be delivered to Head of Customs Service Office where the goods importation occur. The written guarantee shall follow the prescribed format as stipulated in Attachment B of PMK-34.</p>
Monitoring and sanction for non-compliance	<p>Unlawful utilization of imported goods granted with the customs and/or excise and taxation facilities shall be imposed with sanction in the form of import duty, excise, and import taxes (PDRI) payable, plus administrative sanction in the form of fine with minimum amount of 100% - 500% from import duty payable pursuant to the applicable laws and regulations in the field of customs, and may be imposed further with additional sanction pursuant to the applicable laws and regulations in the field of excise and/or taxation.</p>

PMK-34 comes into force starting from 17 April 2020.

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