



Indonesia Tax Info August 2020

Regulations on COVID-19 Tax Incentives Updated

Last month, the Minister of Finance (MoF) issued Regulation Number 86/PMK.03/2020 (PMK-86), which improved the previous regulations regarding a range of tax incentives introduced in response to the COVID-19 pandemic, and extended the incentive period until December 2020 (please refer to [Tax Info July 2020](#)).

On 14 August 2020, the MoF issued Regulation Number 110/PMK.03/2020 (PMK-110) to amend PMK-86 by providing the additional tax incentives as summarized below.

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1. Change in reduction of monthly tax installment

Under PMK-110, the required monthly tax installments are reduced by 50% (increased from 30% under PMK-86).

For taxpayers that have already submitted notifications to the tax office in order to utilize this incentive before the issuance of PMK-110 (i.e., 14 August 2020), the 50% reduction of monthly tax installment applies automatically from the July 2020 fiscal period. Meanwhile for notification submitted after issuance of PMK-110, the 50% reduction of monthly tax installment will be effective from the time the notification is submitted to the tax office until December 2020 fiscal period.

Under PMK-110, the required monthly tax installments are reduced by 50% (increased from 30% under PMK-86).

2. Article 4(2) final income tax on certain construction services borne by the government

Under the general rule, construction services are subject to Article 4(2) final income tax. The Article 4(2) final income tax is either withheld by the party receiving the service or through self-assessment by the service provider.

PMK-110 introduces a new incentive that provides for Article 4(2) income tax on certain construction activities to be borne by the government. The taxpayers that are eligible for this incentive are those that are instructed by the relevant government institution to carry out a specific labor-intensive program considered as vital for agricultural sector, i.e., the Program to Accelerate Irrigation Water Use Improvement (*Program Percepatan Peningkatan Tata Guna Air Irigasi (P3-TGAI)*).

PMK-110 introduces a new incentive that provides for Article 4(2) income tax on certain construction activities to be borne by the government.

Taxpayers that have already submitted applications or notifications in order to utilize the tax incentives under MoF regulations 23/PMK.03/2020 (PMK-23), 44/PMK.03/2020 (PMK-44), and/or PMK-86 do not need to re-apply or re-notify under PMK-110. Furthermore, taxpayers that have been granted incentives under PMK-23, PMK-44, and/or PMK-86 may continue to benefit from the incentives until December 2020.

Tax Authorities Introduce Electronic Objection Procedures

On 29 July 2020, the Directorate General of Taxation (DGT) issued PER-14/PJ/2020 (PER-14), which provides guidelines for the submission of objection requests through the DGT's e-Filing system (e-Objection). PER-14 is the long pending regulation on e-Objection, which was referred to in Minister of Finance Regulation Number 9/PMK.03/2013. E-Objections can be submitted as from 1 August 2020, and the process aims to provide convenience for taxpayers to carry out their objection rights, especially during the COVID-19 pandemic.

E-Objections can be submitted as from 1 August 2020.

To be able to submit an e-Objection, the taxpayer must fulfil the following requirements:

- Have an active Electronic Filing Identification Number (EFIN);
- Be registered with DJP Online (the DGT's e-Filing platform); and
- Have an active electronic certificate (e-certificate).

When filing an e-Objection, a taxpayer can choose to either fill in the reasons for the objection directly in the e-Objection application or attach a soft file of the objection letter (no larger than 5 MB) in the *.pdf format. The e-Objection is to be signed electronically, which requires the taxpayer to input a passphrase and upload a valid e-certificate.

The e-Objection system will evaluate whether the objection request meets the above requirements. If it meets the requirements, the system will issue to the taxpayer an electronic proof of submission, while if the requirements are not met, the system will issue a notification.

Taxpayers may submit an e-Objection 24 hours a day, seven days a week with the Indonesian Western Time Region (*Waktu Indonesia Barat*) as the standard.

Customs Focus

Post-Border Import Inspection and Supervision

On 29 May 2020, the Minister of Trade (MoT) issued MoT Regulation Number 51 Year 2020 concerning Post-Border Import Inspection and Supervision (MoT-51) to replace the previous regulation, i.e., MoT Regulation Number 28 Year 2018. MoT-51 imposes stricter sanctions and stipulates comprehensive provisions on the MoT's supervision and inspection of imported goods that have passed the customs at the entry point.

Salient points of MoT-51 are as follows:

1. It revokes the mandatory self-declaration obligation provisions governed under 19 different MoT regulations.
2. Importers are required to correctly state the number and date of document in the Customs Import Declaration (PIB) based on the following documents:
 - a. Import Approval; and/or
 - b. Surveyor Report.
3. More thorough post-border supervision and inspection provisions are enacted. For certain items that has entered the Customs Area, the MoT is authorized to conduct:
 - a. Examination of PIB data;
 - b. Special examination of import documents; and/or
 - c. Supervision of import trade system obligation.Compliance and examination as indicated above shall be performed on PIB data received from the Indonesian National Single Window System.
4. Exhaustive sanctions against importers that violate the provisions:
 - a. Importers shall be subject to administrative sanctions if the following conditions are not met:
 - (i) The data on import requirements in PIB are correctly stated;
 - (ii) The amount or volume of the imported goods between PIB and Import Approval is consistent and there are no discrepancies.

MoT-51 imposes stricter sanctions and comprehensive provisions on MoT's supervision and inspection of imported goods.

- b. Administrative sanctions shall be imposed in the following forms:
 - (i) Written warning; and
 - (ii) Import License (API) suspension recommendations on Business Identification Number (NIB) to Online Single Submission institutions by the Director General of Customs and Excise.

MoT-51 comes into force starting from 25 August 2020.

Provisions on the Import of Non-Hazardous and Toxic Waste as Industrial Raw Material

In order to provide more certainty for the importers' conduct of business in this line of industry, the MoT issued Regulation Number 58 Year 2020 (MoT-58) on 17 June 2020. MoT-58 is the second amendment to MoT Regulation Number 84 Year 2019, (MoT-84), which was previously amended by MoT Regulation Number 92 Year 2019 (MoT-92).

MoT-58 changes the procedures of Import Approval amendments.

The changes are highlighted below:

1. Based on MoT-58, the Import Approval amendment application should also be attached with recommendation letter from the relevant ministry.
2. In order to amend Import Approval, the company shall upload original documents of:
 - a. Import Approval and new company identity (if the company wish to amend its Company identity).
 - b. Import Approval (if the company wish to amend type or quantity of goods, goods classification/HS Code, country of origin, and/or destination port).
 - c. Import Approval and the evidence of change issued by the authorized official in country of origin, which is legalized by an overseas representative of the Republic of Indonesia (if the company wish to change the evidence of Registered Exporter Registration).
 - d. Import Approval and the evidence of exporter registration issued by the authorized official in country of origin, which is legalized by an overseas representative of the Republic of Indonesia (if the company wish to change the Registered Exporter Registration).
3. Import Approval that is issued based on the previous regulations shall be valid for one year from the issuance date (as opposed to 6 months under previous regulation).

MoT-58 is effective starting from 1 October 2020.

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