



Indonesia Tax Info December 2020

Preparation for upcoming corporate income tax (CIT) return filing obligation for Fiscal Year 2020 (FY 2020)

As FY 2020 is coming to a close for most corporate taxpayers, we would like to highlight some of the required CIT calculations and CIT return documentation that taxpayers may need to start preparing, along with a few reminders. For more detailed explanation on each of the items listed below, please refer to our previous publications, which can be accessed from the given links below:

1. Realization reports on utilization of tax incentives related to COVID-19

Tax incentive realization reports need to be submitted along with the CIT return for taxpayers utilizing tax incentives under Government Regulation Number 29 of 2020, i.e., the additional deduction for taxpayers producing certain medical equipment and/or household health supplies and/or the deduction for donations to certain organizations (please refer to [Tax Alert June 2020](#) and [Tax Info November 2020](#)).

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2. Lower CIT rate for FY 2020 and 2021

Following the issuance of Law Number 2 of 2020, the CIT rate for FY 2020 and FY 2021 has been lowered from 25% to 22%. Taxpayers should take the lower CIT rate into account when calculating their annual CIT for FY 2020 and their monthly tax installments for FY 2021 (Please refer to [Tax Alert April 2020 – 4th edition](#)).

3. Debt-to-Equity (DER) ratio and foreign loan requirement

To deduct loan-related costs as stipulated in Minister of Finance (MoF) Regulation Number 169/PMK.010/2015 and Directorate General of Taxation (DGT) Regulation Number PER-25/PJ/2017, taxpayers need to submit a DER Report and a Foreign Loan Report (Please refer to [Tax Info December 2017](#)).

4. Controlled foreign corporation (CFC) rules requirement

In the event a taxpayer (separately or together with other taxpayers) has a minimum 50% capital participation in a foreign business entity, such taxpayer needs to calculate income tax on the deemed dividend as stipulated in MoF Regulation Number 107/PMK.02/2017 as amended by MoF Regulation Number 93/PMK.02/2019 (Please refer to [Tax Alert July 2019](#)).

5. Creditable foreign income tax

Taxpayers may credit their relevant fiscal year's foreign income tax that has been paid or withheld. In particular, to claim a foreign tax credit, several requirements should be met as stipulated in MoF Regulation Number 192/PMK.03/2018 (Please refer to [Tax Info January 2019](#)).

6. Transfer pricing documentation requirement

A summary of the master file and local file as well as the receipt the submission of the notification or country-by-country report as stipulated in MoF Regulation Number 213/PMK.03/2016 are required (Please refer to [Transfer Pricing Alert January 2017](#)).

7. Attachments to CIT return

To claim deductions for certain expenses (such as promotional expenses, entertainment expenses, and bad debt expense, among others), taxpayers must submit relevant nominative lists or reports in accordance with the DGT prescribed format. DGT Regulation Number PER-02/P/2019 provides a list of documents and reports that have to be attached to the CIT return (Please refer to [Tax Info February 2019](#)).

8. Tax reporting requirement

The following taxpayers should submit their CIT return via the e-filing system:

- a. Taxpayers that have already submitted their tax return via the e-filing system; and
- b. Taxpayers that are registered in medium tax offices, the special Jakarta regional tax office, and the large taxpayer regional tax office.

As FY2020 is coming to a close for most corporate taxpayers, we should start preparing the required CIT calculations and CIT returns.

To date, no regulation has been issued informing taxpayers to use a new or updated CIT return form; hence, taxpayers may still use last year's form. Taxpayers are advised to continue monitoring any update to the form in the future.

Updates on procedures for collecting tax underpayments

On 27 November 2020, the MoF issued Regulation Number 189/PMK.03/2020 (PMK-189) regarding the procedures for collecting tax underpayments. Through PMK-189, the MoF aims to provide legal certainty and to simplify the administration procedures concerning tax collection. PMK-189 stipulates step-by-step procedures for collecting tax underpayments, and is more detailed compared to the preceding regulations.

PMK-189 replaces MoF Decree Number 563/KMK.04/2000 and MoF Regulation Number 24/PMK.03/2008 as amended by MoF Regulation Number 85/PMK.03/2010.

Customs Focus

Customs, excise and tax facilities on imports of COVID-19 vaccines

In the effort to expedite the services in providing customs, excise, and tax facilities during COVID-19 pandemic, MoF has issued a new Regulation Number 188/PMK.04/2020 (MoF-188) to govern the importation of vaccines, vaccine raw materials, and equipment to manage the COVID-19 pandemic.

The salient points of MoF-188 are as follows:

1. Customs, excise and/or taxation facilities

- a. Central and/or regional government, legal entities and/or non-legal entities (e.g., individuals, CVs, firms) assigned and appointed by the Ministry of Health (MoH) for importation of vaccines may utilize the following facilities upon importation of vaccines:
 - (i) Exemption from import duty and/or excise;
 - (ii) Non-collection of import value added tax (Import-VAT) or luxury goods and sales tax (LGST); and
 - (iii) Exemption from Income Tax Article 22.
- b. Imports of vaccines performed by Bonded Zone entrepreneurs, Bonded Warehouse entrepreneurs, Free Trade Zone entrepreneurs, business actors in Special Economic Zone, or companies that utilized import facility for export purpose may utilize the following facilities as well:
 - (i) Exemption from import duty, excise, and taxes in the context of import; and/or
 - (ii) Exemption from the value added tax (VAT) or LGST.

2. Application submission procedure

Importer shall submit a request to the MoF through the Head of the Customs and Excise Office where the goods have been entered or released, in writing or electronically via Indonesia National Single Window (INSW) by attaching:

- a. Details of the requested quantity, type of goods, and estimated customs value; and
- b. Import approval from the related authority, if the imported goods falls under prohibition and/or restriction categories.

For importation of vaccine by a legal and/or non-legal entity, additional documents must be submitted as follows:

- a. Photocopy of Business Identification Number (NIB) or Tax Identification Number (NPWP);
- b. Letter of assignment or appointment from the MoH; and
- c. Recommendation letter from the MoH that the applicant is eligible to obtain customs and/or excise and tax facilities.

The decision from the Head of the Customs and Excise Office on behalf of the MoF shall be given within the maximum period of:

- a. Three working hours after the application is completely and correctly received (if the application is submitted via INSW); or
- b. Three working days after the application is completely and correctly received, (if the application is submitted in writing).

3. Release of goods with 'rush handling'

The import of vaccines may be released with 'rush handling' by submitting a request along with a guarantee to the Head of the Customs and Excise Office where the goods are entered.

The guarantee shall be in the amount of payable import duty and/or excise, Import-VAT, and Income Tax Article 22. However, guarantee is excluded if the importer had already obtained a Ministerial Decree for customs and/or excise and tax facilities on the importation of vaccines and release of vaccines.

4. Administrative sanctions

If the importer has misused the facilitated vaccine (i.e., not for COVID-19 pandemic management purposes), the following sanctions shall apply:

- a. Payment of the import duty and/or excise that were previously been exempted;
- b. Penalty for a minimum of 100% (one hundred percent) and a maximum of 500% (five hundred percent) from the import duty that should be paid; and
- c. Other sanctions as stipulated under applicable customs, excise, and/or taxation regulations.

MoF-188 came into force on 26 November 2020

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