



Indonesia Tax Info

Reminder for Upcoming Filing of FY2019 Corporate Income Tax (CIT) Return

As the filing of CIT Return for Fiscal Year 2019 is coming soon for most corporate taxpayers, we would like to bring to your attention some of the required calculations and documentations that taxpayers may need to start preparing. For more detailed explanation on each of the items listed below, please refer to our previous Tax Info/Tax Alert editions through the given link:

1. [Debt-to-Equity Ratio and Foreign Loan Requirement](#)
In order to allow tax deductibility of the loan-related costs as stipulated in the 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 DER Report and Foreign Loan Report ([Tax Info December 2017](#)).

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2. CFC Rules Requirement

In the event a taxpayer (or together with other taxpayer) has a minimum 51% capital participation in a foreign business entity, such taxpayer need to calculate the income tax on the deemed dividend as stipulated in the MoF Regulation Number 107/PMK.02/2017 as amended by MoF Regulation Number 93/PMK.02/2019 ([Tax Alert July 2019](#)).

3. Creditable Income Tax

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

4. Transfer Pricing Documentation Requirement

A summary of master file and local file as well as receipt for submission of Notification or Country-by-Country Reports as stipulated in the MoF Regulation Number 213/PMK.03/2016 are required ([Tax Alert January 2017](#) and [Tax Alert February 2019](#)).

5. Tax Reporting Requirement

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

- a. Taxpayers who have already submitted its tax return via e-filing system;
- b. Taxpayers who are registered in Medium Tax Offices, Special Jakarta Regional Tax Office, and Large Taxpayer Regional Tax Office.

In addition, taxpayers are still required to submit several documents along with CIT Return, as stipulated in the DGT Regulation Number PER-02/PJ/2019 ([Tax Alert](#) and [Tax Info February 2019](#)).

Currently, there is no regulation governing the usage of newly prescribed CIT Return form, hence Taxpayers may still use last year's prescribed form. Taxpayers are advised to continue monitoring any update in the form.

Clarification on Crediting Input VAT Invoice in Different Fiscal Period

The DGT has issued Circular Letter Number 02 Year 2020 ("SE-02") on 21 January 2020 to provide clarification on the treatment of crediting Input VAT in a different fiscal period. SE-02 provides guidance on different scenarios of crediting Input VAT and the relevant VAT Returns amendment.

SE-02 clarifies treatment for crediting Input VAT, which is received in a different fiscal period from the period when the Input VAT Invoice was issued, which are:

1. Creditable Input VAT that has not yet been credited by VAT-able Entrepreneur against its Output VAT, may be credited in the VAT Return of the fiscal period relevant to the date when the Input VAT invoice was issued, or in the VAT Return of maximum three fiscal periods after the relevant fiscal period has ended (no changes from previous treatment);
2. In the event that such three fiscal periods threshold has passed, VAT-able Entrepreneur may report the VAT Invoice as Creditable Input VAT in the VAT Return relevant to the date of VAT invoice issuance, or in the VAT return of maximum three fiscal periods after the relevant fiscal period has ended, by filing amended VAT Return (this is a clarification from previous treatment where there may be interpretation that such Input VAT can be credited only in the VAT Return relevant to the date when the Input VAT Invoice was issued).

Guidelines on Procedures for the Issuance of Statement Letter on the Utilization of Taxable Services for the Purpose of VAT Exemption on Temporary Import

The DGT has issued Circular Letter Number 34 Year 2019 ("SE-34") on 12 December 2019 as an implementation of PER-12/PJ/2019 ("PER-12") regarding procedures for the issuance of Statement Letter on the Utilization of Taxable Services ("SKJLN") for goods temporarily imported for the purpose of utilization of taxable services from outside customs area.

Highlights from SE-34 are as follows:

1. Stipulates more detailed procedures for the application, issuance, and cancellation of SKJLN.
2. Reiterates requirements stipulated in PER-12, where Taxpayer must fulfil the following requirements to obtain SKJLN:
 - a. File a written application through online application available from the DGT's website or directly to the tax office where the taxpayer is registered; and
 - b. Submit Annual Income Tax Return of the past two fiscal years and/or submit Monthly VAT Return (if VAT-able Entrepreneur) of the past three months.
3. Reiterates consequences in case DGT finds data indicating that Taxpayer is not entitled to obtain the SKJLN, i.e.:
 - a. DGT will issue SKJLN Cancellation Statement;
 - b. Taxpayer must pay VAT Import and/or LGST payable within one month since the issuance of SKJLN Cancellation Statement; and
 - c. DGT may issue Tax Collection Letter to impose 2% penalty per month for the late VAT Import payment, which is calculated from the importation date until the payment date of the VAT Import payable.

Taxpayer must obtain SKJLN before the goods related to the utilization of taxable services from outside Customs Area are imported.

Updates on Tax Objects and Assessment of Sales Value for Land and Building Tax

The MoF has issued Regulation Number 186/PMK.03/2019 ("PMK-186") to provide legal certainty for tax objects of Land and Building Tax and to simplify the determination of the tax object sales value ("NJOP") as the basis to impose Land and Building Tax.

Some of the key features of PMK-186 are highlighted below:

1. PMK-186 now stipulates the classification of tax object and procedures to determine NJOP of Land and Building Tax for all industry sectors. Previously, there were separate tax regulations for each industry sector.
2. New Land and Building Tax object categories (under previous regulations: plantation, forestry, oil and gas mining, geothermal concession, minerals and coal mining) are now covered under the other sector covering objects within Indonesian Waters Territory, which cover the following:
 - a. Capture fisheries;
 - b. Fish aquaculture;
 - c. Pipelines;
 - d. Cable networks;
 - e. Toll road sections;
 - f. Storage and processing facilities, covering the following:
 - Floating Storage and Offloading (FSO)
 - Floating Production System (FPS)
 - Floating Processing Unit (FPU)
 - Floating Storage Unit (FSU)
 - Floating Production Storage and Offloading (FPSO)
 - Floating Storage Regasification Unit (FSRU).

PMK-186 is effective from 1 January 2020. It revokes PMK 139/PMK.02/2014 and partially revokes PMK 76/PMK.03/2013 as amended by PMK 131/PMK.03/2017.

Implementing Guidelines for Tax ID Registration via DGT Online System

The Circular Letter Number 35 Year 2019 ("SE-35") has been recently issued to implement DGT Regulation Number 20 Year 2018 ("PER-20") regarding Tax Identification Number (*Nomor Pokok Wajib Pajak/NPWP*) registration made through Legal Entity Administration System ("SABH") and Online Single Submission System ("OSS") ([Tax Info October 2018](#)). SE-35 is intended to supplement Government's "ease of doing business" program for taxpayers.

Key points of SE-35:

1. Taxpayer with a "Head Office" status, via a Notary, may file for Tax ID registration through SABH, an electronic corporate information technology services managed by the Directorate General of General Law Administration, or, through OSS, similar technology services that are integrated with the DGT's online system.
2. The Tax ID registration and the required supporting documentation must be completed and submitted in accordance with DGT Regulation Number 02 Year 2018 ([Tax Info February 2018](#)).

More Lenient Criteria for Industrial Business Sectors to Qualify for Tax Allowance Facility

The issuance of Government Regulation Number 78/2019 ("GR-78") in November 2019 concerning Tax Allowance Facility has echoed the Indonesian Government's desire to attract business expansion and new investments into Indonesia. One of major changes in GR-78 includes the expansion of the number of business sector and business sectors in certain areas eligible for this facility, i.e. from 71 and 74 to 166 and 17, respectively ([Tax Alert December 2019](#)).

Corresponding to the issuance of GR-78, the Minister of Industry issued Regulation ("MoI Regulation") Number 47 ("MoI-47") before end of 2019, in order to provide a detailed list of qualitative criteria that taxpayers in covered business sectors have to satisfy in order to qualify for the facility. MoI-47 (effective from 31 December 2019) revokes MoI Regulation Number 1 previously issued in 2018 ("MoI-1").

1. More lenient qualitative criteria in general

In general, the requirements that an eligible taxpayer has to fulfill have been relaxed. For example:

- a. The minimum investment value requirement for iron and steel industry (Indonesia Standard Industrial Classification or "KBLI" No. 24101) is reduced from IDR 500 billion to IDR 200 billion;
- b. Minimum employment requirement for new investment in television industry (KBLI No. 26410) is reduced from 400 people to 50 people;
- c. Fiber/yarn/artificial strip filament industry (KBLI No. 20301) does no longer have minimum local content requirement.

The specific minimum requirements will depend on specific product in the covered industry.

2. Potential change in interpretation of the regulation by the Ministry of Industry

GR-78 stipulates that in addition to meeting the list of business sectors and/or region requirements under the regulation, taxpayer applying for tax allowance facility is also required to fulfil the following criteria:

- a. Having high investment value or designation for export purposes;
- b. Having high employment rate; or
- c. Having high local content.

Under MoI-1, one of the following criteria must be fulfilled:

- a. Minimum investment value requirement; or
- b. Minimum number of employment requirement; or
- c. Minimum local content requirement of 20%.

However, MoI-47 omits a certain word in most of the list that it may leave an uncertainty on whether it still allows for the criteria fulfillment to be chosen among the three criteria above like MoI-1, or whether it intends to combine the requirements for minimum investment value and the minimum number of employees requirement. Considering that criteria are now relaxed, one might argue that this might be the Indonesian Government's intention all along to achieve its goal, i.e. attracting expansion and new investments while creating new jobs at the same time.

3. Omission of articles on Certification Letter

One of the documents that has to be submitted to Investment Coordinating Board ("BKPM") when applying for tax allowance facility is Certification Letter from the authorized ministry. This Certification Letter serves as proof that the taxpayer fulfils the qualitative criteria.

MoI-47 has omitted articles related to Certification Letter. Although GR-78 stipulates that all implementing regulations under previous tax allowance regulation are still valid as long as they do not contradict GR-78, since MoI-1 has been revoked by MoI-47, it is doubtful that articles related to Certification Letter under MoI-1 is still valid. Therefore, it is unclear whether such Certification Letter is still required for the application of tax allowance facility or whether there will be a new regulation issued to address this matter.

Despite some uncertainty in MoI-47 as described above, considering the progress and eagerness of the Indonesian Government to push for tax allowance facility to attract investments, one may expect that there may be more regulations issued in near future that hopefully can provide more guidance and clarity on issues that remain unclear. In due course, it is worth for business players who plan to expand business or have new investment in Indonesia to check whether they can take advantage of this facility and to keep an eye on its development.

CUSTOMS FOCUS

Updates on Procedures for Excise Exemption of Ethyl Alcohol

On 22 November 2019, MoF issued Regulation Number 172/PMK.04/2019 Year 2019 ("PMK-172"), which constitutes second amendment to Regulation Number 109/PMK.04/2010 as last amended by Regulation Number 40/PMK.04/2014 ("Previous Regulation") concerning Procedures for Excise Exemption.¹

PMK-172 introduces some leniencies of excise provisions, generally and specifically for certain producers, which can be described as follows:

1. Excise exemption for ethyl alcohol products used for social purposes² without minimum content

In Previous Regulation, excise exemption for ethyl alcohol for social purposes shall be granted with minimum content of 85%. Meanwhile in PMK-172, the minimum content requirement is revoked; hence, ethyl alcohol and beverages containing ethyl alcohol shall be exempted from excise, insofar as for social purposes.

¹ In general, excise is imposed on tobacco, alcohol, and beverages containing ethyl alcohol.

² Social purposes include medical use, disaster relief, and general religious purposes.

2. Procedures for stockpiling site and recording system for certain producers

In Previous Regulation, entrepreneurs of end products using ethyl alcohol³ as raw or auxiliary material for the manufacturing of end products which are exempted from excise, are required to stockpile ethyl alcohol in separate places within their premise, in the event such entrepreneurs are also manufacturing end products imposed with excise. As part of the Government’s effort to encourage biofuel business which is part of national program, PMK-172 revokes this requirement if the following conditions are met:

- a. End product exempted from excise is biofuel product; and
- b. The place used to stockpile ethyl alcohol and manufacture biofuel product has obtained permit/recommendation from authorized institution for energy and mineral resources.

Moreover, other than to record the receipt and utilization of ethyl alcohol using BCK-10 document as governed under Previous Regulation, the entrepreneurs must also implement computerized inventory information system (IT Inventory) for receipt and utilization of ethyl alcohol, making it easier for Customs and Excise officers to monitor and access in real time through online channel.

Pronounced on 25 November 2019, PMK-172 came into force 7 (seven) days therefrom.

Amendment to the Regulation Governing Import of Consigned Goods

MoF issued Regulation Number 199/PMK.010/2019 (“PMK-199”) concerning Customs, Excise, and Tax Provisions for Import of Consigned Goods, which constitutes the most recent amendment to the MoF Regulation Number 112/PMK.04/2018 regarding amendment to MoF Regulation Number 183/PMK.04/2016 concerning Import of Consigned Goods. PMK-199 was issued in order to realize fair taxation treatment as well as to protect domestic small and medium-scale industries, which will significantly impact e-commerce business.

PMK-199 stipulates several new provisions, among others:

- 1. Change of excise exemption requirements in terms of excisable goods amount for each recipient per consignment; and
- 2. Change of exempted value (*de minimis*) on consigned goods from USD 75 to USD 3 per consignment (referring to FOB value stipulated in consignment note) for import duty and import VAT. However, special treatment is applied for several types of goods, which are described in the following table:

Description of Changes	PMK No.112/PMK.04/2018 (Previous Regulation)	PMK-199
Import duty exempted value (<i>de minimis</i>) on consigned goods	Consigned goods that are imported for further utilization may be granted with exemption of import duty and import tax (PDRI, i.e., VAT Import and WHT Art. 22) with FOB customs value of maximum USD 75. However, in the event the FOB value of the goods exceeds USD 75, import duty and PDRI on <u>total</u> goods value shall be imposed.	Exempted value (<i>de minimis</i>) of consigned goods is amended to USD 3 per consignment (referring to FOB value stipulated in consignment note) for import duty and import VAT (similar treatment applies, i.e. in the event the FOB value of the goods exceeds USD 3, import duty and PDRI on <u>total</u> goods value shall be imposed). Please note that Import WHT Art. 22 is no longer imposed.

³ Ethyl alcohol is used as raw or auxiliary material in the manufacturing of products that are not Excisable Goods, for example biofuel.

Description of Changes	PMK No.112/PMK.04/2018 (Previous Regulation)	PMK-199
Special import duty rate for 4 (four) commodities, which are: books, bags, shoes, and garment (textile) products	Import duty rate is 7.5%, VAT Import of 10% and Import WHT Art.22 of 10% (with Tax ID Number) or 20% (without Tax ID Number).	<p>Special import duty rate is imposed on several commodities, among others:</p> <p>a. Books and other goods (included in HS Code 4901, 4902, 4903, and 4904), on which import duty, VAT, and Import WHT Art.22 are all lowered to 0%;</p> <p>b. Bag, suitcase, and the likes (included in HS Code 4202), on which import duty is increased to 15 - 20%, VAT Import remains at 10% and Import WHT Art.22 is lowered or same at the level of 7.5% - 10%;</p> <p>c. Textile, garment, and the likes (included in HS Code 61, 62, and 63), on which import duty is increased to 25% - 30%, VAT Import remains at 10% and Import WHT Art.22 is lowered or same at the level of 7.5% - 10%;</p> <p>d. Footwear, shoes, and the likes (included in HS Code 64), on which import duty is increased to 15% - 25%, VAT Import remains at 10% and Import WHT Art.22 is lowered or same at the level of 7.5% - 10%.</p>
Limitation of excisable goods granted with excise exemption	<p>Import duty, excise, and/or tax for each goods recipient are exempted with maximum goods amount of:</p> <p>a. 40 cigarette sticks, 10 cigar sticks, 40 gram of sliced tobacco/other tobacco products, or 40 ml of other tobacco products;</p> <p>b. 350 ml of beverage containing ethyl alcohol.</p>	<p>Excisable goods are granted with excise exemption for each goods recipient per consignment with maximum goods amount of:</p> <p>a. 40 cigarette sticks, 5 cigar sticks, 40 gram of sliced tobacco and other tobacco products with the amount of:</p> <ul style="list-style-type: none"> • 20 sticks, in stick form; • 5 capsules, in capsule form; • 30 ml, in liquid form; • 4 cartridges, in cartridge form; • 50 gram or 50 ml, in other forms. <p>b. 350 ml of beverage containing ethyl alcohol.</p>

PMK-199 shall come into force 30 (thirty) days after 26 December 2019, under which goods that arrived in sea port post office on and after 25 January 2020 shall be subject to this regulation.

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