Indonesia Tax Info July 2021

Implementing regulation on e-signatures issued

On 7 June 2021, the Minister of Finance (MoF) issued Regulation Number 63/PMK.03/2021 (PMK-63) to facilitate taxpayers' compliance with their taxation rights and obligations via electronic means and to regulate the issuance of tax letters electronically by the Directorate General of Taxation (DGT). PMK-63 serves as the implementing regulation for the relevant issue raised in government Regulation Number 9 of 2021 (please refer to *Tax Info March 2021*).

Use of e-signatures by taxpayers

Under PMK-63, taxpayers may carry out their taxation rights and obligations electronically and use electronic signatures (e-signatures). The DGT will determine the specific tax documents which are eligible for the use of e-signatures.

There are two types of e-signature:

- Certified e-signature, which is issued by an approved e-signature issuer. The issuer will determine the application procedure and the e-signature validity period; and

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- Noncertified e-signature, which is in the form of an authorization code issued by the DGT (*kode otorisasi DJP*). An application for a code can be made to the DGT through the designated online portal together with the registration of a tax identification number, or separately after obtaining a tax identification number.

The DGT's online system will automatically verify and either approve or reject the application for a DGT authorization code. If an online application cannot be made, the taxpayer may submit a paper-based application for the code to the tax office and the tax office will approve or reject the application by the next working day.

A document that have been signed using an e-signature has the same legal standing as a tax document signed manually by a taxpayer.

A taxpayer may amend its e-signature after notifying the DGT; for example, to change from using an e-certificate to using a DGT authorization code (or vice versa) or to change the e-certificate issuer.

A document that has been signed using an e-signature (an e-document) has the same legal standing as a tax document signed manually by the taxpayer. The e-document must be submitted to the DGT via the electronic platform and the DGT will issue a proof of document submission (*bukti penerimaan elektronik* (BPE)). The date printed on the BPE serves as the date of document submission.

PMK-63 regulates whose e-signature to be used based on the type of taxpayer, as follows:

Status of taxpayer	Eligible signatory
Individual taxpayer	Taxpayer
Taxpayer other than an individual	Representative of the taxpayer, e.g., a director, liquidator, etc.
Taxpayer's proxy appointed to carry out its taxation rights or obligations	Proxy

Use of e-signatures by the DGT

The DGT can issue and sign tax assessment letters, tax decision letters, and other tax documents electronically using a certified e-signature. These letters have the same legal standing as hardcopy letters; hence, for letters issued electronically, the tax authority does not need to issue a hardcopy version with manual signature. Further detailed guidance related to e-signatures will be issued by the DGT.

For letter issued electronically, the tax authority does not need to issue a hardcopy with manual signature.

PMK-63 provides a grace period up to 31 December 2022 to allow both the taxpayers and the DGT to adjust to the new e-signature requirements. In the meantime, the following transitional provisions shall apply:
- E-certificates that have been issued by the DGT under MoF Regulation Number 147/PMK.03/2017, e.g., tax identification registration certificates, are valid until 31 December 2022;
- Tax administrative procedures carried out electronically in accordance with MoF Regulation Number 29/PMK.03/2020 (PMK-29) (i.e., tax administration during COVID-19) are to follow PMK-29, provided that they do not contradict PMK-63;
- Provisions regarding tax documents that are required to be submitted electronically but not regulated by PMK-63 remain valid;

- The Electronic Filling Identification Number (issued based on PER-41/PJ/2015 as most recently amended by PER-06/PJ/2019) and verification code (issued based on PER-02/PJ/2019) using noncertified e-signatures may continue to be used until 31 December 2022;
- Government institutions may use the DGT authorization code until they convert to a certified e-signature;
- The DGT may continue to issue and sign its letters using the DGT authorization code until 31 December 2022; and
- Third parties currently appointed by the DGT as tax-related software application service providers may continue to provide their services for six years from the date of their appointment by the DGT.

Update on luxury-goods sales tax borne by government facility for sales of vehicles

To expedite the economic recovery process during the COVID-19 pandemic, the MoF has provided a tax incentive for the automotive industry in which the luxury-goods sales tax (LST) payable on sales of certain types of vehicle is borne by the government (as opposed to the purchaser), through the issuance of MoF Regulation Number 31/PMK.010/2021 (PMK-31) (please refer to *Tax Info April 2021*). The MoF considers that the incentive continues to be necessary to maintain the national purchasing power in the automotive sector.

100% LST borne by the government facility for some types of vehicles are extended to 31 August 2021.

Therefore, on 28 June 2021, the MoF issued Regulation Number 77/PMK.010/2021 (PMK-77) updating the rate of LST borne by the government as follows:

<table>
<tr><th rowspan="2">Type of vehicle
(diesel or semi diesel)</th><th rowspan="2">LST rate</th><th colspan="2">LST borne by the government</th></tr>
<tr><th>Under PMK-31</th><th>Under PMK-77</th></tr>
<tr><td>Sedans or station wagons with cylinder capacity of up to 1,500 cc</td><td>30%</td><td rowspan="2">• 100%
(1 April to 31 May 2021)
• 50%
(1 June to 31 August 2021)
• 25%
(1 September to 31 December 2021)</td><td rowspan="2">• 100%
(1 April to 31 May 2021)
• 100%
(1 June to 31 August 2021) (changed)
• 25%
(1 September to 31 December 2021)</td></tr>
<tr><td>Vehicles with a capacity of less than 10 people (other than sedans or station wagons), single-axle drive system, and cylinder capacity of up to 1,500 cc</td><td>10%</td></tr>
<tr><td>Vehicles with a capacity of less than 10 people (other than sedans or station wagons), single-axle drive system, and cylinder capacity of more than 1,500 cc up to 2,500 cc</td><td>20%</td><td>• 50%
(1 April to 31 August 2021)
• 25%
(1 September to 31 December 2021)</td><td>• 50%
(1 April to 31 August 2021)
• 25%
(1 September to 31 December 2021)</td></tr>
<tr><td>Vehicles with a capacity of less than 10 people (other than sedans or station wagon), double-axle drive system, and cylinder capacity of more than 1,500 cc up to 2,500 cc</td><td>40%</td><td>• 25%
(1 April to 31 August 2021)
• 12.5%
(1 September to 31 December 2021)</td><td>• 25%
(1 April to 31 August 2021)
• 12.5%
(1 September to 31 December 2021)</td></tr>
</table>

Since PMK-77 comes into effect as from 1 June 2021, Value Added Tax (VAT) invoices issued on or after that date, which are affected by the change introduced by PMK-77, must be amended and the excess VAT collected from purchasers must be repaid.

Luxury-goods sales tax bases for certain electric vehicles to be amended

To expedite the process of lowering vehicle exhaust emissions and to encourage the development of battery-based electric vehicles (EV), the Indonesian government has revisited the imposition of luxury-goods sales tax (LST) on sales of hybrid and other types of EV. On 2 July 2021, the government issued Regulation Number 74 of 2021 (PP-74) updating the imposition of LST on several EVs that was previously regulated by Regulation Number 73 of 2019.

Some of the major changes made by PP-74 are as follows:

- The LST imposition base (i.e., percentage of selling price) for certain vehicles with a cylinder capacity of up to 3,000 cc using full hybrid technology that was initially set between 13 1/3% and 33 1/3%, is to be increased to between 40% and 46 2/3%. The LST imposition base for plug-in hybrid EVs that was previously set at 0% is to be raised to 33 1/3%. These changes will come into effect as from 16 October 2021, recognizing the fact that such vehicles continue to have environmental benefits compared to vehicles powered by conventional technologies (for which the LST imposition base is 100% of the selling price), but are not fully battery-based.
- The LST imposition base for several types of EVs due to apply at rates between 33 1/3% and 80% as from 16 October 2021 will be increased to between 53 1/3% and 93 1/3% once investment in the battery-based EV industry of a minimum of IDR 5 trillion is realized and one of the following conditions is met:
  - Two years have passed since the investment was made; or
  - The battery-based EV industry commences commercial production.

Taxpayers producing EVs should refer to PP-74 to verify the impact of the changes introduced by PP-74 since the selling prices of EVs will be increased as a result of the additional LST. PP-74 contains various other provisions not highlighted above that also starts coming into effect as from 16 October 2021.

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Contact Persons

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