

Indonesian Tax Info

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Update on Tax Amnesty

The Ministry of Finance (MoF) and Directorate General of Taxes (DGT) have recently issued several regulations to implement Law Number 11 of 2016 concerning Tax Amnesty. The updates and relevant regulations covered in this month's topic are as follows:

- a. Re-registration and re-activation of Individual Taxpayers in connection with tax amnesty as stipulated in DGT regulation number PER-08/PJ/2016;
- b. Exclusion from Tax Amnesty participation as stipulated in PER-11/PJ/2016 ("PER-11") dated 29 August 2016;
- c. Appointment of certain places to accept submission of Declarations of Assets in the context of Tax Amnesty as stipulated by MoF regulations 658/KMK.03/2016 dated 19 August 2016 and 656/KMK.03/2016;
- d. Revision of the Documents and Technical Guidelines in the Guide for Completion of Assets Declaration Form as stipulated in PER-10/PJ/2016 ("PER-10").

a. Re-registration and Reactivation of Individual Taxpayers

Effective from 1 August 2016, individual taxpayers who do not have a Tax Identification Number (NPWP), or those who are granted Non-Effective Taxpayer status ("NE") or those who have deregistered taxpayer status ("DE"), can apply for a Tax ID Registration or reactivation at the following locations:

- the Consulate General of the Republic of Indonesia in Hong Kong;
- the Indonesian Embassy in Singapore;
- the Indonesian Embassy in London; and
- other places as appointed by the Minister of Finance.

Such applications must be submitted in person by the individuals concerned.

In the event that the individual's domicile cannot be ascertained by the tax officer handling the registration/ reactivation process, the individual will be registered at Jakarta Kebayoran Baru Tax Office One by default. The taxpayer must later provide information of the Taxpayer's actual domicile within 30 days from the registration date. Otherwise, Jakarta Kebayoran Baru Tax Office One may deem the Taxpayer as a Non-Effective Taxpayer.

b. Exclusion from Tax Amnesty Participation

Under PER-11, the following categories of individuals may choose not to exercise their right to participate in the Tax Amnesty and will not be subject to the penalty provisions of the Tax Amnesty Law (Article 18 paragraph 2) if they do not participate in the Tax Amnesty:

- a. certain individual such as farmer, fisherman, retiree, migrant worker, or an undivided inheritance whose income in the latest Tax Year is below the Non-Taxable Income threshold;
- b. Indonesian Resident who does not reside in Indonesia for more than 183 (one hundred and eighty-three) days within a period of twelve (12) months and does not have income from Indonesia (i.e., a Foreign Tax Subject);
- c. inheritance received by persons who have no income or whose income is below the Non-Taxable Income threshold, and inheritance that has been reported in the testator's Annual Tax Return.

PER-11 also stipulates that taxpayers who does not exercise their right to participate in the Tax Amnesty may choose to file for or amend the

Annual Tax Return to report their unreported assets, as long as they were acquired from income which has been subjected to income tax or from non-taxable income and has not been reported in the Annual Tax Return.

To reiterate, if the DGT identifies assets acquired from 1 January 1985 up to 31 December 2015 which have not been reported in the Annual Tax Returns of the above Taxpayers, such Taxpayer will be subject to an additional tax surcharge of 200% from the tax underpayment (the penalty provisions of the Tax Amnesty Law - Article 18 paragraph 2).

c. Locations for Tax Amnesty Submission

The MoF has appointed the following locations as places for submission of the statements of assets in the context of tax amnesty:

- a. The Head Office of the DGT and Regional Tax Offices throughout Indonesia. For this purpose, teams for Receipt and Follow-Up of Tax Amnesty Statement Letters are formed at the Head Office and at each Regional Tax Office.
- b. The following National Banks:
 1. Head Office of Bank Mandiri at Corporate Lounge Lobby Utara, Gedung Plaza Mandiri Jalan Jenderal Gatot Subroto Kavling 36-38, Jakarta.
 2. Special Branch Office of Bank Rakyat Indonesia (BRI) at Sentra Layanan Prioritas Jalan Jenderal Sudirman Kavling 44-46, Jakarta.
 3. Central Jakarta Branch Office of Bank Negara Indonesia (BNI) at Jalan Jenderal Sudirman Kavling 1, Jakarta.

d. Revision on Guide for Completing the Declaration of Assets

PER-10 revises and adds some parts of the Instructions for Completion of the Declaration of Assets, as follows:

- a. Revises the explanation regarding the Letter of Acknowledgement of Nominee. This document is prepared and signed by the party that is vested with assets in the form of additional shares, savings, car, boat, land and/ or buildings. In the event that such nominee has passed away, the Nominee Acknowledgement Letter shall be produced and signed by one of the nominee's heirs or bequeathees.
- b. Revises the explanation regarding Letter of Acknowledgement of Assets. The Letter of Acknowledgment of Assets is a stamped letter which is made and signed by the taxpayer in the case the taxpayer has additional assets but has no evidence of any supporting documents on the additional assets.
- c. Adds an explanation on filling in Single Identity Number (NIK)/ Trading Business License (SIUP) / Notarial Deed of Establishment for a corporate Taxpayer that does not have SIUP and NIK or an Individual Taxpayer. The NIK and SIUP should be filled in with 0000000000000000.
- d. Adds an explanation on filling in the Tax Period and Tax Year of payment of redemption money.
- e. Adds 18 names of countries and country codes to the list of country codes i.e. Cyprus, Czech Republic, Equatorial Guinea, etc.

Further Implementing Guideline on Exemption Facility from VAT on Import and/ or Delivery of Certain Strategic Taxable Goods

The DGT has issued Circular Letter number SE-32/PJ/2016 ("SE-32") to provide additional procedures of implementation and administration for granting the facility of exemption from Value Added Tax (VAT) on import and/or delivery of certain strategic taxable goods. SE-32 serves as an implementing regulation for Government regulation (GR) number 81 of 2015 ("PP-81" – please refer to our January 2016 Tax Info) and MoF regulation number 268/PMK.03/2015 ("PMK-268").

There are no material additions in SE-32 to those previously stipulated in PP-81 and PMK-268. SE-32 is effective from 18 July 2016.



Reduced Income Tax on Income Derived from Transfer of Titles to or Sale/ Purchase Agreement of Land and/ or Buildings

The Government has issued GR number 34 of 2016 ("GR-34") to reformulate the policy on Income Tax on income from the transfer of titles to land and/or buildings and sales and purchase agreement of land and/or buildings. One of the objectives of this revision is to provide protection to those with low-incomes. GR-34 is issued to revoke previous regulation no GR number 48 of 1994 ("GR-48"). GR-34 is effective from 7 September 2016.

The following table depicts comparisons of the salient changes:

No.	Description	GR-48 (old)	GR-34 (New)
1	Income Tax Object	Income from transfer of title to land and/ or buildings	Income from transfer of title to land and/ or buildings; and
		N/A	Income from binding sale and purchase agreement including its amendment
2	Final Income Tax rate	5% (from gross income from transfer of titles to land and/ or buildings)	2.5% (from gross income from transfer of titles to land and/ or buildings other than below)
		N/A	1% (from gross income from transfer of title to Simple House or Simple Flat by a Taxpayer whose main business is transfer of titles to land and/or buildings)
3	Income tax on income from the transfer of title to land and/ or buildings to Government, state-owned enterprise, and regional owned enterprise as per the prevailing law regarding land acquisition for the sake of development for public interest.	Final income tax is exempted	Subject to 0% final income tax

No.	Description	GR-48 (old)	GR-34 (New)
4	Additional transaction which is exempted from final income tax	N/A	<ol style="list-style-type: none"> 1) Transfer of asset in the form of land and/ or building in the context of business merger, consolidation or expansion based on book value as determined by the MoF. 2) Transfer of building in order to implement an agreement for build/operate/transfer, build/transfer/operate, or use of state property in the form of land and/or buildings. 3) Transfer of building in order to implement an agreement for build/operate/transfer, build/transfer/operate, or use of state property in the form of land and/or buildings by a non-income tax subject.
5	Income Tax Settlement	N/A	In the event there is income received from amendment of the binding sale and purchase agreement, the income tax must be settled by the buyer (and have its name stated in the agreement before the date of the addendum of binding sale and purchase agreement)



Customs Focus

Updates on Administration of Movements of Goods from and to Bonded Stockpiling Site and between Bonded Storage Place and Other Indonesian Customs Area

The Director General of Customs and Excise ("DGCE") has issued regulation number PER-26/BC/2016 ("PER-26") and number PER-27/BC/2016 ("PER-27") to implement Minister of Finance ("MoF") regulation number 147/PMK.04/2011 ("PMK-147") regarding Bonded Zones as amended by number 120/PMK.04/2013 ("PMK-120").

With these implementing regulations, the DGCE aims to improve services and supervision of the release of goods from one bonded stockpiling site ("TPB") to another bonded stockpiling site and entry of goods originating from other Indonesian Customs Area ("TLDPP") to Bonded Storage Place and re-release of goods originating in TLDPP from Bonded Storage Place.

Under PMK-147 as amended by PMK-120, the submission of import declarations for the above-mentioned release of goods (i.e., the use of form BC 2.7, BC 4.0 and BC 4.1) by the owner of the imported goods and review of submitted documents by the Customs Officer is done manually. Under PER-26 and PER-27, such procedures are now done via a Service Computer System (SKP) using an electronic data exchange (PDE) system.

In addition, for monitoring purposes, PER-26 and PER-27 have also introduced

a new classification of TPB entrepreneurs based on their risk profile (red, yellow or green service category) and new classification of lane (red or green) for importer which was previously only applicable for regular import (the use of form BC 2.0), goods imported to Bonded Zone (form BC 2.3), and regular export schemes (form BC 3.0).

Both PER-26 & PER-27 are effective from 30 July 2016.

Update on Customs Area

The MoF has issued regulation number 133/PMK.04/2016 ("PMK-133") to amend MoF regulation number 23/PMK.04/2015 by adding a new clause to govern the status of border crossings or border controls. Certain places such as a border area in which there are border crossings or border controls can be designated as a customs area.

Determination of a border area as customs area is subject to meeting the following criteria at a minimum:

- a. No application has previously been made for the border area concerned to be designated as a customs area;
- b. There are activities of export and/or import of goods in the border area concerned; and
- c. The border area concerned has certain boundaries for the traffic of export and/or import of goods.

This regulation is effective from 2 September 2016.

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