



Indonesia Tax Info

Update on Basic Commodities not Subject to VAT

The Minister of Finance ("MoF") has expanded the type of basic commodities (which its import and/or local delivery are not subject to VAT) so that now it covers rice and grain, corn, sago, soybean, salt for consumption, meat, egg, milk, fruits, vegetables, tubers, ingredients, and sugar for consumption. Each of the basic commodities above comes with specific details/ criteria, which may be revisited based on inputs from the relevant Ministers.

The above update is stipulated in the MoF's Regulation number 116/PMK.010/2017 ("PMK-116"). PMK-116 revokes the previous regulations number 653/KMK.03/2001 and 521/KMK.1/2001, with the aim to provide certainty on VAT treatment on scope of basic commodities that are vital for public as well as to harmonize its treatment towards the judicial review verdict issued by the Constitutional Court number 39/PUU-XIV/2016.

PMK-116 enters into force 30 days after it was enacted on 16 August 2017.

Updated Procedures in the Electronic State Revenue System

Regulation number 32/PMK.05/2014 regarding electronic state revenue system has been amended by the MoF through issuance of Regulation number 115/PMK.05/2017 ("PMK-115") on 15 August 2017.

In this issue:

1. Update on Basic Commodities not Subject to VAT
2. Updated Procedures in the Electronic State Revenue System
3. The Effective Date of Indonesia-Armenia Tax Treaty
4. Regulation on Access to Financial Information for Tax Purposes, Becomes a Law
5. Updates on Entry/Release of Goods into and from Bonded Logistic Centre for Export/Transshipment
6. Update on DGCE Reassessment of Import Tariff, Customs Value and Export Duty

Among others, some new procedures are introduced for cancellation of State Revenue transaction which can be done by a specific division of the State Treasury (hereinafter referred to as “KPPN Khusus Penerimaan”), in the event of a nominal error in billing code made by the taxpayer or a negligence made by Bank/Post officers in executing the billing code.

In order to cancel an incorrect tax payment, the taxpayer should prepare a replacement of the previous State Revenue transaction by using the correct billing code and nominal value. The taxpayer would then have to submit a request to KPPN Khusus Penerimaan via the designated Bank/Post office for approval.

PMK-115 is effective from 16 August 2017.

The Effective Date of Indonesia-Armenia Tax Treaty

Following completion of ratification procedures of the Indonesia-Armenia Double Taxation Avoidance Agreement (“Tax Treaty”), the Director General of Tax (“DGT”) issued a Circular Letter number SE-19/PJ/2017 (“SE-19”) on 26 July 2017 to provide clarity on the effective date of the Tax Treaty. The DGT advised that the Tax Treaty has entered into force on 8 April 2016 and it shall be effective for:

- taxes collected in the source country on income earned on and after 1 January 2017; and
- taxes on other income and capital on the tax year commencing on and after 1 January 2017.

Summary of tax rates agreed in the Tax Treaty is as follows:

Country	Dividends		Interest	Royalties	PE Tax
	For Investor Companies*	Other			
Armenia	10%	15%	10%	10%	10%

*) the recipient owns directly at least 25 per cent of the capital of the company paying the dividends

Regulation on Access to Financial Information for Tax Purposes, Becomes a Law

The Government Regulation in Lieu of Law Number 1 Year 2017 issued in early May this year (“Perppu 1/2017” - please refer to our June and July 2017 Tax Info Editions) has been enacted as a law through Law number 9 Year 2017 (“Law 9/2017”). This move has strengthened the Directorate General of Tax’s right to gain access to financial information from the financial service institutions, and shows a strong commitment of the Indonesian Government in its participation to the Automatic Exchange of Information agreement that will come into effect next year.

Law 9/2017 is effective from 23 August 2017.

Indirect Tax and Customs Focus

Updates on Entry/Release of Goods into and from Bonded Logistic Centre for Export/Transshipment.

The Directorate General of Customs and Excise ("DGCE") has issued PER-10/BC/2017 ("PER-10") to implement Minister of Finance Regulation number 272/PMK.04/2015 regarding Bonded Logistic Centre ("PLB"). PER-10 clarifies the procedures for entry and release of goods into and from PLB made in the context of export and/or transshipment.

The updates in PER-10 are among others:

- The mandatory use of form BC 3.3, for export made through or from PLB. The submission of BC 3.3 should be made no sooner than 7 days before the estimated time of arrival of the goods and no later than before the goods enter the PLB. Except for bulk goods, liquid, gaseous or other goods whose quantities can only be known after the goods enter the PLB (transferred e.g., through pipeline, transmission, conveyor belt), the BC 3.3 can be submitted either upon every entry or on a monthly basis. BC 3.3 may be revised and cancelled, except when there is evidence of customs violation;
- Payment for exported goods that are subject to export duty and income tax, shall be made no later than the time when the BC 3.3 is registered to the DGCE office;
- Goods entered to and released from PLB are subject to restrictions and limitations as stipulated by the DGCE;
- The PLB allows stuffing, unification, splitting, or transportation of the exported and transhipped goods.

Update on DGCE Reassessment of Import Tariff, Customs Value and Export Duty

DGCE has issued PER-08/BC/2017 ("PER-08") to provide further guidelines on the reassessment conducted by the DGCE to redetermine import tariff, customs value and calculation of export duty within two years since registration date of import or export declaration. PER-08 sets out the planning, implementation, follow-up and evaluation phases in more detail.

Reassessment on import declaration documents shall be 30 days after its registration date. While reassessment on export declaration documents shall be within 30 days since its registration date except for oil, gas or fuel export which shall be within 45 days since its registration date.

The DGCE's decision shall be made no later than two years since the registration date.

The issuance of PER-08 revokes DGCE Regulation number PER-45/BC/2011.

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