



Indonesia Tax Info

In this issue:

1. [Update on Priority in Tax Audit Target List](#)
2. [Update on Income Tax Treatment for Taxpayers Earning Certain Gross Income](#)

Update on Priority in Tax Audit Target List

The Director General of Taxation (“DGT”) issued Circular No. SE-15/PJ/2018 (“SE-15”) regarding Tax Audit Policy on 13 August 2018, revoking the previous DGT Circulars No. SE-06/PJ/2016 regarding Audit Policy and SE-25/PJ/2015 regarding Audit and Inspection in Land and Building Tax.

Under SE-15, corporate taxpayers that may be included as priority among the DGT’s target list for future tax audits will be based on some new criteria, as below:

- Taxpayers who have not been tax audited for all types of taxes in the last 3 (three) years, including those who declare tax underpayment in their tax returns.
- Taxpayers who issued tax invoices to buyers without Tax ID number (NPWP) of more than 25% of their total tax invoices issued in one tax period;
- Taxpayers who claimed unnecessary expenses;
- Taxpayers who undertook aggressive tax planning;
- Taxpayers with significant tax payment potential.

Some of the criteria below that were exercised in the previous years, continue to apply:

- Non-compliance with tax payments and submission of tax return;
- Have transactions with related parties, especially with affiliates domiciled in countries that have an effective tax rate that is lower than the effective tax rate in Indonesia;
- Taxpayers do not report actual turnover.

SE-15 also sets out new provision on joint audit between DGT and SKK Migas on oil and gas production sharing contracts with cost recovery scheme, by reference to Minister of Finance Regulation No. 34/PMK.03/2018.

Update on Income Tax Treatment for Taxpayers Earning Certain Gross Income

The Indonesian Ministry of Finance ("MoF") issued Regulation No. 99/PMK.03/2018 ("PMK-99") on 24 August 2018 regarding implementation of Government Regulation No. 23 Year 2018 ("PP-23"). PMK-99 provides further guidelines for Taxpayers with certain gross income (i.e. small and medium enterprises). As mentioned in our Tax Info July 2018 edition, PP-23 is intended to set out special income tax treatment for individual and corporate Taxpayers that have income with gross turnover not exceeding IDR 4.8 billion in a fiscal year (with a few exceptions). PMK-99 also regulates Taxpayers that choose to be subject to the normal income tax based on the general provisions on income tax (i.e. non-final tax regime).

PMK-99 stipulates several administrative procedures with the following key points:

1. Notification letter for Taxpayers that choose to apply the normal tax regime

The deadlines for submission of notification to the Directorate General of Taxation ("DGT") for Taxpayers that choose to apply the normal tax regime rather than the final tax regime and the effective dates when it will be applied are shown in the table below:

Description	Notification Submission Deadline	Effective Date of Commencement of Use of Normal Income Tax
Existing Taxpayers	31 December 2018	2019
Taxpayers registered between 1 July 2018 - 31 December 2018	31 December 2018	Taxpayer's registration date
Taxpayers registered starting from 1 January 2019	-	Taxpayer's registration date

The normal Article 25 Income Tax installment system applies to these Taxpayers.

2. Withholding tax mechanism

PMK-99 provides the following withholding tax mechanism:

- a. For a customer as Tax Withholder that pays remuneration/service fee to a vendor that qualifies to use the final tax regime, the customer has an obligation to withhold 0.5% final tax instead of the normal withholding tax rate.
- b. Specifically for Article 22 Income Tax, the withholding tax should not be applied on either importation or purchase of certain goods.

In order to apply both points above, the Taxpayer must provide a Statement Letter from the DGT to the withholder.

3. Procedure for application the Statement Letter

Statement Letter is a letter issued by DGT to verify that Taxpayer entitled to use the final tax regime. The application for obtaining the Statement Letter must be submitted to the tax office where the Taxpayer is registered using the prescribed template provided in PMK-99. To obtain the statement letter, the Taxpayers must have submitted the latest Annual Income Tax Return, except newly registered Taxpayer, or Taxpayer who has no obligation to submit the Annual Income Tax Return.

The validity period of the Statement Letter follows the time limit for applying final tax regime period (i.e. 7 years for individuals, 4 years for corporate Taxpayer in the form of cooperative, limited partnership, or firms, and 3 years for corporate Taxpayer in the form of limited liability companies).

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following Tax Partners:

Melisa Himawan Tax Managing Partner	Business Tax and Corporate License	mehimawan@deloitte.com
Balim	Transfer Pricing	bbalim@deloitte.com
Cindy Sukiman	Business Tax	csukiman@deloitte.com
Dionisius Damijanto	Business Tax	ddamijanto@deloitte.com
Heru Supriyanto	Business Tax	hsupriyanto@deloitte.com
Irene Atmawijaya	Global Employer Services and Business Process Solutions	iatmawijaya@deloitte.com
John Lauwrenz	Business Tax	jlauwrenz@deloitte.com
Roy David Kiantiong	Transfer Pricing	rkiantiong@deloitte.com
Roy Sidharta Tedja	Business Tax and Business Process Solutions	roytedja@deloitte.com
Turmanto	Business Tax, Indirect Tax and Custom & Global Trade	tturmanto@deloitte.com
Yan Hardyana	Business Tax	yhardyana@deloitte.com

Deloitte Touche Solutions

The Plaza Office Tower, 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 5081 8000
Fax: +62 21 2992 8303
Email: iddttl@deloitte.com
www.deloitte.com/id

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 264,000 people make an impact that matters at www.deloitte.com.

About Deloitte Southeast Asia

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising approximately 340 partners and 8,800 professionals in 25 office locations, the affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

All services are provided through the individual country practices and their affiliates which are separate and independent legal entities.

About Deloitte Indonesia

In Indonesia, services are provided by Deloitte Touche Solutions.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.