



Indonesia Tax Info September 2023

Guidance issued on Directorate General of Taxation's appraisals for tax purposes

On 24 August 2023, Indonesia's Minister of Finance (MoF) issued Regulation Number 79 of 2023 (PMK-79), which provides guidance for the Directorate General of Taxation (DGT) in conducting appraisals to determine the value of items for tax purposes. PMK-79 is effective as from 22 September 2023 (i.e., 30 days from issuance).

Background

In fulfilling its functions to supervise, audit, process tax objections, handle requests for reduction or cancelation of assessments, seek preliminary findings, or investigate taxpayers, the DGT may need to conduct appraisals to determine the value of an item for tax purposes. Such items include land and buildings, tangible assets (e.g., transportation equipment, machinery, etc.), intangible assets (e.g., technology, research and development progress, goodwill, etc.), or businesses (e.g., business entities, equity participations in a company, etc.).

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Upon receiving a request for an appraisal, the DGT will appoint a team to carry out either an office or field appraisal procedure to be performed within three months. The appraised value of the item will then be used as the calculation basis for various tax purposes. If the value of an item cannot be determined, the appraisal team will create a report ending the appraisal procedure with no decision on the value.

Details provided on appraisal procedures and steps.

Overview of guidance on appraisal procedures

PMK-79 provides detailed guidance on the DGT's appraisal procedures, which consists of the following steps:

- Preparing the appraisal materials;
- Collecting the item to be appraised and any supporting data;
- Analyzing the item to be appraised and any supporting data;
- Adopting an appropriate appraisal approach, such as:
 - The applicable approach under MoF Regulation Number 186/PMK.03/2019 as amended by MoF Regulation Number 234/PMK.03/2022 (for appraising the value of land and buildings);
 - The market approach (for appraising the value of tangible and intangible assets and the value of businesses);
 - The income approach (for appraising the value of tangible and intangible assets and the value of businesses);
 - The expense approach (for appraising the value of tangible and intangible assets); and
 - The asset approach (for appraising the value of businesses); and
- Preparing an appraisal report.

Deloitte Indonesia comments

Since the procedures for appraisals are now regulated in detail in PMK-79, the DGT will take a more streamlined approach when conducting appraisals. PMK-79 also provides insights for taxpayers needing to carry out an appraisal for tax purposes, such as for tax planning or business transaction purposes. As such, taxpayers planning to carry out an appraisal for tax purposes should review PMK-79 in detail to ensure that their approach is in line with the DGT's approach to minimize value discrepancy.

President issues decision ending COVID-19 force majeure period

Indonesia's president issued Decision Number 17 of 2023 (KEPPRES-17), stipulating that the COVID-19 pandemic has ended as of 21 June 2023. KEPPRES-17 revokes Decision Number 12 of 2020 (KEPPRES-12), which set forth that the COVID-19 pandemic was regarded as a national "force majeure". The DGT had issued an Official Memorandum Number ND-262/PJ/2021 on 27 June 2021, confirming the force majeure period for tax purpose due to COVID-19 pandemic was still valid and that the force majeure period would end when KEPPRES-12 is revoked (please refer to [Tax Info June 2021](#)).

Regulations related to deadline extensions for tax administrative procedures are no longer valid.

Following the end of the COVID-19 force majeure period, regulations related to the extension of deadlines for tax administration processes listed below are no longer valid:

- Law Number 2 of 2020 (includes deadline extension provisions in response to COVID-19 pandemic);
- MoF Regulation Number 29/PMK.03/2020 (authorizes the DGT to extend deadlines for tax administration processes during force majeure period);
- DGT Circular Letter Numbers 22/PJ/2020, 26/PJ/2020, 32/PJ/2020 (provides detailed guidance on deadline extensions during force majeure period); and
- DGT Decision Letter Number KEP-178/PJ/2020 (extends deadlines for tax administration processes during force majeure period).

Customs Focus

Comprehensive Economic Partnership Agreement between the governments of Indonesia and United Arab Emirates

Similar to other Free Trade Agreements (FTA) or Comprehensive Economic Partnership Agreements (CEPA), there is a preferential tariff system in place for imports of goods from the United Arab Emirates (UAE) into Indonesia, as recently regulated under MoF Regulation Number 87 of 2023 (PMK-87). Nonetheless, it must be noted that for certain imported goods, specific rules shall apply in relation to the determination of “tariff quota”.

PMK-87 regulates in-quota and out-quota preferential tariffs for import of goods from the UAE into Indonesia.

The salient points of PMK-87 are as follows:

1. Tariff quota is implemented as follows:
 - a. In-quota preferential tariffs: Applicable to imported goods within the tariff quota scheme whereby the import does not exceed the annual quota allocated under this scheme.
 - b. Out-quota preferential tariffs: Applicable for imports within the tariff quota scheme that exceeds the annual quota. The allocation of import quotas subject to tariff quota is carried out in compliance with the relevant laws and regulations in the field of trade and industry.
2. For certain imported goods, specific rules shall apply in relation to the determination of “tariff quota”.

PMK-87 has taken effect as from 1 September 2023.

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