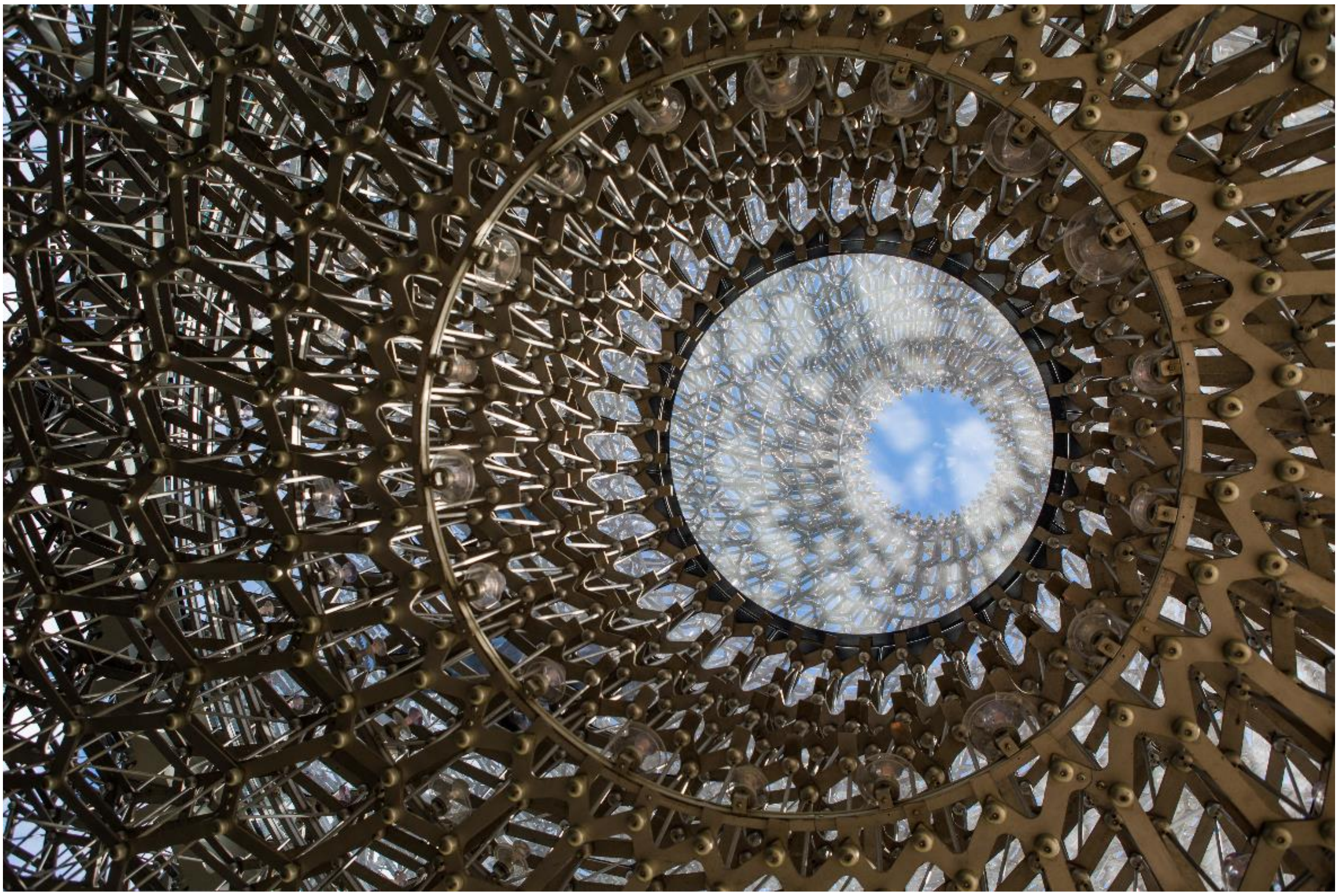

Indonesia Tax Alert March 2025

New framework for tax audit regulation implemented

On 14 February 2025, Indonesia's Minister of Finance (MoF) issued Regulation Number 15 of 2025 (PMK-15) to streamline audit procedures for all taxes under a single framework. PMK-15 serves as an implementing regulation on this topic stipulated in Government Regulation Number 50 of 2022 (PP-50), which outlines general taxation provisions and procedures under Law Number 7 of 2021 regarding Harmonization of Tax Regulations (*Harmonisasi Peraturan Perpajakan* (HPP Law)) (please refer to Tax Info February 2023).

PMK-15, which comes into effect immediately upon issuance, aims to consolidate, simplify, and enhance audit procedures for all taxes, including land and building tax (*Pajak Bumi dan Bangunan* (PBB)) that was previously regulated separately.

With the issuance of PMK-15, the following regulations are revoked:
- MoF Regulation Number 17/PMK.03/2013 (as amended by MoF Regulation Number 184/PMK.03/2015 (PMK-17)) regarding tax audit procedures;
- MoF Regulation Number 256/PMK.03/2014 (PMK-256) regarding audit procedures for PBB; and
- Article 105 regarding amendments to tax audit procedures in MoF Regulation Number 18/PMK.03/2021 (PMK-18), which is the implementing regulation of Law Number 11 of 2020 regarding Job Creation (Omnibus Law) in relation to income tax, VAT and luxury-sales tax (LST), and general provisions and procedures for taxation.

This article highlights key updates in PMK-15, including:
- Recategorization of tax audit types;
- Revised tax audit timeframes;

- Stricter requirements for document submission;
- Introduction of preliminary findings discussions;
- Shortened deadline for responding to tax audit findings (*Surat Pemberitahuan Hasil Pemeriksaan* (SPHP)); and
- Navigating transfer pricing audits amid stricter regulatory scrutiny.

Recategorization of tax audit types

The Directorate General of Taxes (DGT) conducts tax audits for two main purposes:
- To assess taxpayer compliance; and
- For other purposes, such as to provide services to taxpayers (e.g., audit upon request for revocation of a tax identification number (*Nomor Pokok Wajib Pajak* (NPWP)) and audit to determine the commencement of commercial production for the purposes of eligibility for tax facilities).

Previously, tax audits were categorized based on how they were conducted, i.e., field audits and office audits. However, under PMK-15, compliance-related tax audits are now classified into three types based on their scope:
- Comprehensive audit (*pemeriksaan lengkap*)—a thorough audit covering all items in the tax return (*Surat Pemberitahuan* (SPT)) and/or tax object notification letter (*Surat Pemberitahuan Objek Pajak* (SPOP));
- Focused audit (*pemeriksaan terfokus*)—a thorough audit of one or more specific items in the SPT and/or SPOP; or
- A specific audit (*pemeriksaan spesifik*)—a simplified audit of one or more items in the SPT and/or SPOP.

For audits conducted for other purposes, the approach may involve determining, matching, fulfilling legal obligations, or gathering relevant materials to comply with tax regulations.

Revised tax audit timeframes

The tax audit process is divided broadly into two stages:
- Review process stage—begins when the tax audit order (*Surat Perintah Pemeriksaan* (SP2)) is issued and ends when the SPHP is delivered.
- Closing conference stage—starts from the delivery of the SPHP and ends when the tax audit report (*Laporan Hasil Pemeriksaan* (LHP)) is issued.

Previously, the review process stage lasted six months for field audits and four months for office audits, with a possible extension of up to two months. The closing conference stage lasted two months.

With the recategorization of tax audit types under PMK-15, the tax audit timeline has also been updated as follows:

Type of tax audit	Tax audit stage	
	Review process stage	Closing conference stage
Comprehensive audit	Five months	30 working days
Focused audit	Three months	
Specific audit	One month	

PMK-15 allows an extension of up to four months for the review process stage in cases where the audited taxpayer is part of a group of companies, the taxpayer engages in transfer pricing transactions, or there are indications of fabricated financial transactions.

Additionally, the tax audit period for audits serving other purposes has been updated to four months, starting from the issuance of the SP2 until the issuance of the LHP.

PMK-15 also clarifies that if a specific deadline for concluding a tax audit is already regulated, it must be strictly followed. For example, deadlines of 12 months for tax refund audits and six months for revocation of NPWP of individual taxpayers are prescribed, while tax audits for production sharing contract companies must follow the relevant regulations.

Stricter requirements for document submission

Typically, tax auditors request access to taxpayer's books, records, and supporting documents, including softcopies of data that form the basis of the tax calculation. Taxpayers have to submit the requested information within one month from the request date. Any information not provided within this time frame will not be considered during the tax audit or subsequent tax objection process.

If the requested documents are not fully provided, the tax auditor may determine the tax liability ex officio based on the available data. In cases where tax calculations are difficult due to insufficient information and there are indications of tax crime, the tax auditor may initiate a preliminary tax audit (*pemeriksaan bukti permulaan*).

An exception to the one-month submission deadline applies to data that must be obtained from a third party or information not initially requested by the tax auditor. In such cases, these documents may be submitted up until the signing of the closing conference minutes.

Under PMK-15, taxpayers can request that the tax audit be conducted on their premises to ensure greater security and confidentiality of business information.

Taxpayers and tax auditors can submit audit-related documents through the following channels:
- Electronic submission;
- Direct submission; or
- Postal courier.

However, certain critical documents, such as the SPHP and the taxpayer's response to the SPHP, have to be delivered electronically, directly, or by facsimile.

The document submission procedure follows MoF Regulation Number 81 of 2024, aligning with the DGT's intention to integrate tax audits into the Core Tax Administration System (Coretax).

Introduction of preliminary findings discussions

PMK-15 introduces a preliminary findings discussion process to be conducted within one month before the review process stage concludes. This process allows taxpayers to review potential corrections identified by the tax auditor, provide necessary explanations, and engage in discussions with the tax auditor to align a mutual understanding of specific transactions. By addressing discrepancies before the issuance of the SPHP, misunderstandings between both parties may be minimized and the resulting SPHP would be more focused, leading to an efficient closing conference process.

During these discussions, taxpayers may submit supporting documents (limited to those not previously obtained from third parties or not specifically requested by the tax auditor), offer explanations, and involve witnesses, experts, or third parties as needed.

While some tax audits have already incorporated such processes informally, PMK-15 formalizes this as a mandatory step in the tax audit process, providing consistency and transparency in tax assessments.

Shortened deadline for responding to SPHP

The closing conference period begins when the SPHP is delivered to the taxpayer along with the tax audit findings.

Previously, taxpayers were given seven working days to respond to the SPHP, with an option to extend for an additional three working days. However, under PMK-15, the response period has been shortened to five working days and is no longer extendable.

Given this shorter time frame, taxpayers are encouraged to prepare thoroughly in advance. Leveraging the preliminary findings discussion process can help resolve misunderstandings regarding specific transactions; as such, the taxpayer is well-equipped to submit a focused and well-supported response to the SPHP.

Navigating transfer pricing audits amid stricter regulatory scrutiny

During a transfer pricing audit, tax auditors frequently request extensive data on related party transactions, particularly concerning intragroup services and royalty transactions. Meeting these demands within the one-month deadline can be highly challenging and failure to comply may result in the requested data being disregarded, potentially affecting the audit outcome.

Circular Letter of Supreme Court Number 2 of 2024 further complicates tax audits by mandating that any requested data not submitted during the tax audit or objection process will be inadmissible at the appeal stage. While this provision is not explicitly regulated under the Tax Court Law, it is expected to be enforced by the panel of judges. This eliminates the flexibility to introduce additional supporting evidence later, making early compliance and thorough preparation more critical than ever.

To proactively navigate these stricter regulations, taxpayers must maintain documentation and substantive evidence to support their related party transactions in advance of a tax audit. Conducting a tax diagnostic review or tax impact assessment can help identify risks, enhance compliance, and strengthen the transfer pricing positions in this evolving regulatory landscape.

As an alternative, taxpayers may consider an advance pricing agreement to secure certainty over their transfer pricing arrangements, effectively shielding transactions from the risks and complexities of a contentious transfer pricing audit.

Other provisions

PMK-15 introduces the following transitional provisions:

- Ongoing tax audits (excluding audits related to PBB) initiated before PMK-15 becomes effective will continue to be conducted in line with PMK-17;
- Ongoing PBB audits initiated before PMK-15 becomes effective will adhere to PMK-256; and
- Ongoing internal tax audit administration procedures that started before PMK-15 takes effect will now be conducted in line with PMK-15.

Deloitte Indonesia comments

The changes introduced by PMK-15 have a significant impact on all taxpayers. Given the stricter document submission deadlines, taxpayers have to proactively manage the audit process to comply with tax provisions. The revised audit timelines demand better preparation from the outset, and the increased urgency for submitting requested documents may create additional pressure.

To navigate these changes effectively, taxpayers are encouraged to prepare tax-related data and reconciliations on a regular basis, so that they are well-equipped when an audit arises. Proper preparation will help streamline the audit process and mitigate potential challenges.

*****

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 individuals:

Tax & Legal Leader
Business Tax and International Tax
Cindy Sukiman
csukiman@deloitte.com

Transfer Pricing
Balim
bbalim@deloitte.com

Business Tax
Budi Prasongko
bprasongko@deloitte.com

Business Tax
Dionisius Damijanto
ddamijanto@deloitte.com

Business Tax
Heru Supriyanto
hsupriyanto@deloitte.com

Business Process Solutions and Global Employer Services
Irene Atmawijaya
iatmawijaya@deloitte.com

Business Tax and M&A
John Lauwrenz
jlauwrenz@deloitte.com

Business Tax and Business Process Solutions
Muslimin Damanhuri
mdamanhuri@deloitte.com

Business Tax
Reggy Widodo
rwidodo@deloitte.com

Transfer Pricing
Roy David Kiantiong
rkiantiong@deloitte.com

Business Tax and Business Process Solutions
Roy Sidharta Tedja
roytedja@deloitte.com

Transfer Pricing
Sandra Suhenda
ssuhenda@deloitte.com

Transfer Pricing
Shivaji Das
shivdas@deloitte.com

Global Employer Services
Sri Juliarti Hariani
shariani@deloitte.com

Business Tax, Indirect Tax, and Global Trade Advisory (Customs)
Turmanto
tturmanto@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