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Readjustment to the Criteria of Tax Incentives Recipients Affected by Covid-19

Sets the Standards and Beyond

ABOUT DDTC

DDTC is a research, technology, and knowledge based taxation institution and a center of a number of taxation activities units with high standards that serve as main references in the field of taxation.

Our firm consists of consultation services (DDTC Consulting), a center for review and research (DDTC Fiscal Research), taxation journals (DDTC Working Paper), a training center (DDTC Academy), a provider of tax law documents (Perpajakan.id), a library (DDTC Library), and taxation news portal (DDTC News).

ABOUT DDTC Newsletter

Published every two weeks, DDTC Newsletter provides a summary of key tax law changes, both the current modifications and changes in taxation regulations, particularly those pertaining to domestic policies.

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Readjustment to the Criteria of Tax Incentives Recipients Affected by Covid-19

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The Ministry of Finance has adjusted the number of business classification (*Klasifikasi Lapangan Usaha*/KLU) codes entitled to tax incentives for taxpayers affected by Covid-19. The policy is outlined in the Minister of Finance Regulation No. 149/PMK.03/2021 concerning the Second Amendment to the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 149/2021).

The regulation constitutes amendments to the Minister of Finance Regulation No. 82/PMK.03/2021 concerning Amendments to the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 82/2021). The government has revised said regulation due to necessary adjustments to the criteria for tax incentives recipients. These revisions are aimed at sectors in need of support and constitute broad economic leverage.

Under MoF Reg. 149/2021, the Ministry of Finance does not alter the types of granted incentives. Six incentives are provided by the government for taxpayers affected by Covid-19. *First,* Article 21 Income Tax borne by the government (*Ditanggung Pemerintah*/DTP). The Article 21 Income Tax DTP incentives may be utilized by taxpayers under 1,189 KLU. The number of KLU remains the same as before. *Second*, the final tax DTP for Micro, Small and Medium Enterprises (MSMEs) (*Usaha Mikro Kecil Menengah*/UMKM). *Third*, the construction services final tax DTP for the Acceleration Program for Irrigation Water Use (*Program Percepatan Peningkatan Tata Guna Air Irigasi*/P3-TGAI).

Fourth, exemptions from import Article 22 Income Tax. On a side note, the number of sectors that may take advantage of the import Article 22 Income Tax exemption facility has increased to 397 KLU from formerly 132 KLU. *Fifth,* a 50% reduction in Article 25 Income Tax installments. The reduction incentives of Article 25 installments are currently given to taxpayers under 481 KLU from the previous 216 KLU. *Sixth,* VAT preliminary refunds incentives. These incentives are given to taxpayers under 229 KLU from the previous 132 KLU.

Taxpayers whose KLU codes have been added based on MoF Reg. 149/2021 may take advantage of the import Article 22 Income Tax exemption facility by applying for a Withholding Exemption Certificate (*Surat Keterangan Bebas*/SKB) for the collection of import Article 22 Income Tax. In addition, taxpayers whose KLU codes have been added under this regulation may take advantage of the reduction incentives of Article 25 Income Tax installments from the October 2021 taxable period to 15 November 2021. To obtain these incentives, taxpayers must notify the use of the reduction incentives of Article 25 installments.

Further, employers, taxpayers, or withholding agents that have submitted reports on the realization and/or reports on the realization of the utilization of the Article 21 Income Tax DTP, MSME final tax DTP, and/or construction final tax DTP may rectify the realization report for January 2021 until June 2021 taxable periods no later than 30 November 2021.

Moreover, through MoF Reg. 149/2021, the government has also added new provisions under Article 19C. The article outlines Periodic VAT Returns that are entitled to the preliminary VAT refunds incentives for taxpayers with the newly added KLU codes. Periodic VAT Returns eligible for these incentives include the Periodic VAT Returns for October 2021 until December 2021 taxable periods and the rectifications thereto

that are to be filed no later than 31 January 2022.

These incentives may be granted if two conditions are cumulatively satisfied. *First*, Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) eligible for the incentives based on MoF Reg. No. 9/PMK.03/2021 for January 2021 to June 2021 taxable periods and the realization was submitted no later than 31 July 2021. *Second*, PKP eligible for incentives based on MoF Reg. No. 82/PMK.03/2021 for July 2021 to December 2021 taxable periods and the realization is submitted no later than 31 January 2022. Promulgated on 25 October 2021, MoF Reg. 149/2021 has come into effect thereafter.

Implementing Regulation on Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic

The Director General of Taxes has issued an implementing regulation on tax incentives for taxpayers affected by the Covid-19 pandemic. These provisions are outlined in Circular No. SE-44/PJ/2021 concerning Implementation Guidelines of the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic as amended by the Minister of Finance Regulation No. 82/PMK.03/2021 (SE-44/2021). This policy has taken effect as of 1 July 2021.

This regulation has been issued as the guidelines in implementing the Minister of Finance Regulation No. 82/PMK.03/2021 concerning Amendments to the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 82/2021). SE-44/2021 outlines 8 important points.

***First,* procedures for the granting of incentives and the submission of realization reports on the use of Article 21 Income Tax borne by the government (*Ditanggung Pemerintah*/DTP) (Article 21 Income Tax DTP) incentives.**

Article 21 Income Tax DTP for January 2021 to June 2021 taxable periods is granted to employees that satisfy three requirements cumulatively. These three requirements include receiving or accruing income from employers with certain criteria, having a Taxpayer Identification Number (TIN) (*Nomor Pokok Wajib Pajak*/NPWP), and accruing annualized fixed and regular gross income below IDR200 million in the relevant periods.

These certain criteria include having a Business Classification (KLU) as per the Appendix of the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 9/2021), designated as an Import Facility for Export (*Kemudahan Impor Tujuan Ekspor*/KITE) company or having obtained a bonded zone operator permit, a bonded zone entrepreneur permit, or an operator within bonded zone (*Penyelenggara di Kawasan Berikat*/PDKB) permit.

Next, Article 21 Income Tax DTP for July 2021 to December 2021 tax periods is given to employees that satisfy the criteria of accruing income from employers with KLU as per the Appendix of MoF Reg. 82/2021, having a TIN, and accruing annualized fixed and regular gross income below IDR200 million in the relevant periods.

If the above requirements are fulfilled, the employers must notify the use of Article 21 Income Tax DTP incentives online through the www.pajak.go.id webpage. As per the checking results by the application system on the webpage indicating whether an employer is or is not entitled to utilize the Article 21 Income Tax DTP incentives, the application system will issue a notification letter concerning whether the said employer is or is not eligible for the incentives.

Employers that have filed a notification on Article 21 Income Tax DTP are required to prepare a Tax Payment Slip (*Surat Setoran Pajak*/SSP) or a printed billing code that is stamped or inscribed with "ARTICLE 21 INCOME TAX BORNE BY THE GOVERNMENT AS PER MoF REG. NUMBER 82/PMK.03/2021". Employers that have taken advantage of the Article 21 Income Tax DTP incentives are required to submit a realization report on the use of Article 21 Income Tax DTP incentives no later than the 20th of the following month after the taxable period ends.

***Second*, procedures for the granting of incentives and submission of realization reports on the use of final tax incentives based on Government Regulation No. 23 of 2018 concerning Income**

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Taxes on Income from Business Received or Accrued by Taxpayers with Certain Gross Turnover (Gov. Reg. 23/2018) or referred to as Gov. Reg. 23 Final Tax DTP.

These incentives are granted to taxpayers that satisfy the criteria based on Gov. Reg. 23/2018 for January 2021 to December 2021 taxable periods. The incentives are only given to taxpayers that submit realization reports online no later than the 20th of the following month after the taxable period ends. The obligation to file Periodic Income Tax Returns is deemed fulfilled if the taxpayers have submitted the realization report. Taxpayers that do not submit the realization report by the deadline are not eligible for these incentives for the taxable period concerned.

***Third,* procedures for the granting of incentives and submission of realization reports on the use of final tax DTP incentives on income from construction services business (construction service final tax DTP).** Construction service final tax DTP is granted to taxpayers receiving the Acceleration Program for Irrigation Water Use (*Program Percepatan Peningkatan Tata Guna Air Irigasi*/P3-TGAI) for January 2021 to December 2021 taxable periods.

For July 2021 to December 2021 taxable periods, to utilize these incentives, withholding agents are required to prepare SSP or billing codes stamped or inscribed with "CONSTRUCTION SERVICE FINAL TAX BORNE BY THE GOVERNMENT AS PER MoF REG. NUMBER 82/PMK.03/2021". The tax incentives may only be utilized if the withholding agents submit realization reports online no later than the 20th of the following month after the taxable period ends. Withholding agents that do not submit the realization reports by the deadline cannot utilize the Construction Service Final Tax DTP for the period concerned.

***Fourth,* procedures for the exemptions and submission of realization reports on the use of the incentives of Import Article 22 Income Tax exemptions.** Taxpayers are exempt from Import Article 22 Income Tax by the issuance of Import Article 22 Income Tax Withholding Exemption Certificates (*Surat Keterangan Bebas*/SKB) based on MoF Reg. 9/2021 until 30 June 2021.

These incentives are granted to taxpayers that satisfy three criteria, including having KLU codes listed in the Appendix of MoF Reg. 9/2021, having been designated as KITEs company, or having obtained a bonded zone operator permit, a bonded zone entrepreneur permit, or a PDKB permit when goods are released from a bonded zone to other places within the customs area.

Moreover, taxpayers are also exempt from Import Article 22 Income Tax as of the date of Import Article 22 Income Tax SKB based on MoF Reg. 82/2021 until 31 December 2021. These incentives shall be granted to taxpayers whose KLU codes are listed in the Appendix of MoF Reg. 82/2021.

Exemptions are granted through Import Article 22 Income Tax SKB that may be applied for online through the www.pajak.go.id webpage. Taxpayers exempt from Import Article 22 Income Tax based on MoF Reg. 9/2021 must re-apply for Import Article 22 Income Tax SKB based on MoF Reg. 82/2021. Taxpayers receiving these incentives are required to submit realization reports online no later than the 20th of the following month after the taxable period ends.

***Fifth*, procedures for the utilization of incentives and submission of realization reports on the use of the reduction incentives of Article 25 Income Tax installments.** The amount of Article 25 Income Tax installments for January 2021 to June 2021 taxable periods is reduced for taxpayers that fulfill three criteria.

These three criteria include having a KLU code listed in Appendix of MoF Reg. 9/2021, having been designated as a KITE company, or having obtained a bonded zone operator permit, a bonded zone entrepreneur permit, or a PDKB permit.

The amount of Article 25 Income Tax installments for July 2021 to December 2021 taxable periods is reduced for taxpayers whose KLU codes are listed in the Appendix of MoF Reg. 82/2021. Article 25 Income Tax installment is reduced to 50% of the Article 25 Income Tax installment which should otherwise be payable for each taxable period.

To obtain these incentives, taxpayers must notify the use of the reduction incentives of Article 25 Income Tax installments online through the www.pajak.go.id webpage. Taxpayers that have utilized the reduction incentives of Article 25 Income Tax installments for January 2021 to June 2021 taxable periods based on MoF Reg. 9/2021 must re-notify the use of reduction incentives of Article 25 Income Tax installments for July 2021 to December 2021 taxable periods.

Next, taxpayers that receive the reduction incentives of Article 25 Income Tax installments are required to submit a realization report on the use of incentives online no later than the 20th of the following month after the taxable period ends. In the event that a taxpayer has not submitted the realization report until the 20th of the following month after the taxable period ends, the DGT information system will notify

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the Account Representative (AR) of the taxpayer concerned. The AR will subsequently advise the taxpayer to submit a realization report and/or follow up as per statutory provisions in the field of taxation.

***Sixth*, procedures for VAT preliminary refunds**. Four requirements are to be fulfilled to obtain the VAT preliminary refunds incentives as follows.

(i) submitted by Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) whose KLU codes are listed in the Appendix of MoF Reg. 82/2021;

(ii) the maximum amount of overpayment in the tax return for which a preliminary refund is applied is IDR5 billion;

(iii) the taxable period for which a preliminary refund is applied is between July 2021 and December 2021 taxable periods; and

(iv) applications for preliminary refunds are submitted no later than 31 January 2022.

The PKP referred to in the above points include PKP that have been stipulated as low-risk PKPs or those that have not. Further, the head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) issues a decision on preliminary refunds (*Surat Keputusan Pengembalian Pendahuluan Kelebihan Pajak*/SKPPKP) based on administrative verification. The verification includes verification on formal and material obligations of preliminary refunds for low-risk PKPs.

Moreover, the head of the KPP may not issue SKPPKP and issue a notification letter to the PKP. A notification letter shall be issued if based on verification results, it is found that some formal obligations are not fulfilled or there is no tax overpayment to be refunded. The SKPPKP or notification letter is issued no later than one month after the application letter is received.

***Seventh*, the provisions on KLU codes eligible for the incentives of Article 21 Income Tax DTP, Import Article 22 Income Tax exemptions, reduction in Article 25 Income Tax installments, and VAT preliminary refunds.** Taxpayers or employers that are to utilize the incentives of Article 21 Income Tax DTP, Import Article 22 Income Tax exemptions, reduction in Article 25 Income Tax installments, and VAT preliminary refunds must have already filed the 2019 Annual Corporate Income Tax Return.

The applied KLU code is the KLU code listed and filed in the 2019 Annual Income Tax Return, which is of normal or rectified status. Employers that were not yet or not obliged to file an Annual Income Tax Return for the 2019 tax year shall use the KLU code contained in the head office taxpayer's master file as the basis for the granting of Article 21 Income Tax DTP incentives.

***Eighth*, procedures for the supervision of the use of the incentives of Article 21 Income Tax DTP, Gov. Reg. 23 Final Tax 23 DTP, Construction Services Final Tax DTP, Import Article 22 Income Tax exemptions, reduction in Article 25 Income Tax installments, and VAT preliminary refunds.**

If an employer has utilized the Article 21 Income Tax DTP incentives, then data and/or information indicates that the employer's KLU is not included in the Appendix of MoF Reg. 9/2021 and/or MoF Reg. 82/2021, a Tax Advice Letter (*Surat Permintaan Penjelasan atas Data dan/atau Keterangan*/SP2DK) shall be issued. SP2DK is also issued if the employer is known to be ineligible for the Article 21 Income Tax DTP incentives as the Minister of Finance Decree concerning the determination of a KITE company, bonded zone operator permits, bonded zone entrepreneur permits, or PDKB permits has been revoked. SP2DK is issued to allow the employer to remit the Article 21 income tax payable that should otherwise be withheld and rectify the Periodic Article 21 Income Tax Return.

In the event of notifications from the system or inaccurate realization report data, the AR will follow up by verifying data and so forth. The AR shall undertake four follow-up measures as follows.

(i) advising the withholding agent to rectify the realization report for the relevant taxable period no later than the end of the following month after the filing deadline;

(ii) advising the withholding agent to rectify the realization report for January 2021 to June 2021 taxable periods no later than 31 October 2021;

(iii) advising the withholding agent to rectify the periodic tax return if the rectified realization report results in the obligation to rectify the periodic tax return; and/or

(iv) issuing SP2DK if the withholding agent does not rectify the realization report and/or periodic tax return.

Next, with respect to Gov. Reg. 23 Final Tax DTP incentives, if a taxpayer has utilized these incentives, but has not submitted a realization report, the taxpayer cannot take advantage of the Gov. Reg. 23 Final Tax DTP incentives. The taxpayer concerned must remit 0.5% final tax on business income or carry out tax obligations as per general tax provisions.

In addition, if the taxpayer has utilized Gov. Reg. 23 Final Tax DTP incentives and submitted a realization report, but does not include taxpayers subject to income taxes based on Gov. Reg. 23/2018, the said taxpayer cannot take advantage of the Gov. Reg. 23 Final Tax DTP and is obliged to carry out tax obligations as per general

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tax provisions. In the event of notifications from the system or inaccurate realization report data, the AR will advise the taxpayer to rectify the realization report, ask the withholding agent to rectify the realization report, and/or issue SP2DK.

The use of the incentives of Article 22 Import Income Tax exemptions is also subject to supervision. If a taxpayer has utilized the Article 22 Import Income Tax exemptions and then, based on data and/or information on the actual circumstances, the said taxpayer is known to be ineligible for these incentives, the AR will follow up. The follow-up may take the form of an appeal to the taxpayer to pay Article 25 Income Tax or Import Article 22 Income Tax, issuance of SP2DK, or issuance of a Notice of Tax Collection (*Surat Tagihan Pajak*/STP).

The use of reduction incentives of Article 25 Income Tax installments shall be supervised if a taxpayer has utilized the reduction incentives of Article 25 Income Tax installments and then, based on data and/or information on the actual circumstances, said taxpayer is known to be ineligible for these incentives, the AR shall follow up by advising the taxpayer to pay Article 25 Income Tax for the taxable period in question, issuing SP2DK, or issuing STP.

Further, the AR also monitors the utilization of the construction services final tax incentives after receiving notification from the system or there are inaccurate realization report data. The AR subsequently follows up by advising the withholding agent to rectify the realization report, rectify the periodic tax return, and/or issue SP2DK.

VAT preliminary refunds incentives shall be supervised if SKPPKP has been issued for a PKP but data and/or information indicate that the taxpayer is not included in the KLU under MoF Reg. 82/2021 or not included in companies eligible for preliminary refunds. An audit shall be proposed for the taxable period in which SKPPKP is issued.

New Regulation on Tax Education

Meet Our Experts



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The Director General of Taxes has issued the latest tax-education-related policies. The policies are outlined in the Director General of Taxes Regulation No. PER-12/PJ/2021 concerning Tax Education (PER-12/2021). This regulation has been issued to provide guidelines to the public regarding the exercise of tax rights and obligations. This regulation has come into force as of 17 June 2021.

The implementation of tax education includes three scopes. ***First*, the objectives, themes, goals, and tax education materials.** Pursuant to Article 3 of PER-12/2021, tax education aims at increasing tax awareness through tax knowledge and promoting tax knowledge and skills. It is also intended is to improve tax compliance through changes in the taxpayers' behaviour, enabling them to be more cognizant, aware, and concerned in exercising their tax rights and fulfilling their tax obligations.

Based on these objectives, tax education activities consist of three main themes, namely increasing tax awareness through tax knowledge, promoting tax

knowledge and skills, and establishing tax compliance through behavioural changes. Tax education outside of the three main themes will be prioritized on educational activities in support of the national tax program.

As it stands, tax awareness constitutes a form of citizens' moral attitude to contribute to the state through taxes to support development and efforts to comply with all existing tax statutory provisions. Next, tax knowledge covers tax law and tax regulations in a tax law system as well as knowledge beyond taxation which is strongly correlated with the implementation of tax administration.

Tax skills refer to technical knowledge in carrying out tax administration. Behavioural changes, on the other hand, refer to changes in individual responses or reactions to stimulation from the environment provided through tax education, thus, increasing tax compliance.

Further, tax education is targeted at prospective taxpayers, new taxpayers, and registered taxpayers. Tax education materials constitute educational materials that are delivered to taxpayers and accessible through the Directorate General of Taxes (DGT) website and/or other media managed by the DGT. Tax education materials may be delivered in audio, visual, and audiovisual forms. The contents of tax education materials cover the following three things:

(i) operational technical materials regarding tax statutory provisions and the implementation guidelines;

(ii) tax policy materials regarding policy philosophy or tax statutory provisions, policies subject to affirmation, and/or further affirmation; and

(iii) other materials other than operational technical materials and tax policy materials.

***Second*, the management and methods of tax.** Tax education is managed in several stages. The first step is planning. In the planning stage, objectives are determined and the needs for tax education activities are analyzed.

After planning, organizing is carried out by determining the place, time, human resources, materials, and supporting facilities as outlined in a working paper. The next stage is implementation. Implementation constitutes the realization stage of the planning and/or organizing stages of tax education.

If the planning and/or organizing stages have been realized, the monitoring process may commence. Monitoring refers to the stage of supervision carried out at each stage of the management of tax education. Next, tax education activities are subject to an evaluation or assessment. At the last stage, the stages of planning, organizing, implementing, monitoring, and evaluating tax education activities are to be reported.

With respect to tax education methods, the regular and systematic ways of working used to facilitate the implementation of educational activities are to be taken into account to comply with the set objectives. Tax education methods consist of direct active and passive dissemination. Active dissemination is actively conducted offline and online and has clearly identified educational goals. Passive dissemination is passively conducted offline or online by tax dissemination officers.

Tax education methods may also cover indirect one-way and two-way dissemination. One-way and two-way indirect dissemination is carried out through audio and/or visuals delivered on social media channels and/or other media. In one-way indirect dissemination, there is no direct interaction, whereas, in two-way indirect dissemination, there is direct interaction.

Moreover, there is a tax education method covering direct dissemination through the contact center and the completion of tax administration. This type of method is carried out by tax dissemination officers assigned to the contact center. Next, there is also an educational method with dissemination through a third party carried out by a DGT's external party through a cooperation program. Dissemination through third parties may include tax awareness, tax volunteers, business development services, and dissemination through other third parties.

***Third*, tax dissemination officers.** The tax dissemination officers referred to under PER-12/2021 consist of functional tax dissemination officers and/or assistant functional tax dissemination officers. If so required, however, administration officials may appoint DGT employees to implement tax education.

Tax education may be carried out jointly by several working units in one working area or cross-working areas within the DGT and other parties outside the DGT. Joint tax education is subject to certain conditions. These certain conditions refer to tax activities constituting national priorities or other conditions stipulated by the DGT.

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The Government Restipulates Sales Tax on Luxury Goods on Motor Vehicles

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The Ministry of Finance (*Kementerian Keuangan*/ Kemenkeu) has readjusted the types of vehicles subject to sales tax on luxury goods (STLGs) (*Pajak Penjualan atas Barang Mewah*/PPnBM). The policy is outlined in the Minister of Finance Regulation No. 141/PMK.010/21 concerning the Stipulation of Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemptions, and Refunds of Sales Tax on Luxury Goods (MoF Reg. 141/2021).

The adjustments to the provisions are aimed at accelerating the reduction of exhaust emissions from motor vehicles. In addition, this regulation has been released to promote the use of energy-efficient and eco-friendly motor vehicles.

MoF Reg. 141/2021 revises the Minister of Finance Regulation No. 33/PMK.010/2017 concerning Amendments to the Minister of Finance Regulation No. 64/PMK.011/2014 concerning Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Granting of Exemptions from Sales Tax on Luxury Goods (MoF Reg. 33/2017).

On another note, with respect to adjustments to STLGs rates on motor vehicles, the government issued Government Regulation No. 74/2021 concerning the Amendments to Government Regulation No. 73 of 2019 concerning Taxable Goods Classified as Luxury in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods (Gov. Reg. 74/2021). Said Gov. Reg. stipulates diverse STLGs rates on motor vehicles by taking into account the volume of fuel consumption and the level of CO_2 emissions and adjusts STLGs rates on motor vehicles.

Broadly speaking, MoF Reg. 141/2021 accommodates the provisions and rates of STLGs formerly regulated under Gov. Reg. 74/2021. MoF Reg. 141/2021 also stipulates the procedures for the imposition, granting, administration, and exemptions of STLGs.

Under MoF Reg. 141/2021, four groups of motor vehicles are classified as luxury. ***First,* motor vehicles for transporting people**. STLGs rates in this chapter are reclassified into two groups, namely vehicles for transporting fewer than 10 people including the driver, and vehicles for transporting 10 to 15 people including the driver.

Further, vehicles for transporting fewer than 10 people are divided into 3 types as follows:

(i) vehicles with a cylinder capacity of up to 3000 cc are subject to four levels of rates, namely 15%, 20%, 25%, or 40%;

(ii) vehicles with a cylinder capacity of more than 3000 cc to 4000 cc are subject to three levels of rates, namely 40%, 50%, 60%, or 70%; or

(iii) electric motors are subject to a 15% rate.

Next, vehicles for transporting 10 to 15 people including the driver are also divided into three types as follows:

(i) vehicles with a cylinder capacity of up to 3000 cc are subject to two levels of rates, namely 15% or 20%;

(ii) vehicles with a cylinder capacity of more than 3000 cc to 4000 cc are subject to two levels of rates of 25% or 30%; or

(iii) electric motors are subject to a 15% rate.

***Second*, double cabin motor vehicles**. In this group, STLGs rates are classified into three groups, namely vehicles with a cylinder capacity of 3000 cc are subject to a rate of 10%, 12%, or 15%; vehicles with a cylinder

capacity of more than 3000 to 4000 cc are subject to a rate of 20%, 25%, or 30%; as well as electric motors are subject to a 10% rate.

***Third*, four-wheeled motor vehicles with low carbon emissions.** In this group, STLGs rates are set based on the type of carbon emission technology used. The carbon emission technology group consists of energy-efficient and affordable technology, full hybrid and/or mild hybrid, flexy engine (biofuel 100), and plug-in hybrid electric vehicles, battery electric vehicles, or fuel cell electric vehicles.

In further detail, affordable vehicles with energy-saving technology are subject to a rate of 15% with a tax base (*Dasar Pengenaan Pajak*/DPP) of 20% of the selling price. Next, vehicles with full hybrid and/or mild hybrid technology with a cylinder capacity of up to 3000cc are subject to a 15% rate, but with varying percentages of DPP. Motor vehicles with full hybrid or mild hybrid technology and cylinder capacity of more than 3000 cc to 4000 cc are subject to a rate ranging from 20%, 25%, to 30%.

Further, vehicles with flexy engine technology (biofuel 100) are subject to a 15% rate with a DPP of 53 1/3 % of the selling price. Next, battery electric vehicles or fuel cell electric vehicles are subject to a 15% rate with a DPP of 0% of the selling price. In contrast, motor vehicles using plug-in hybrid electric vehicles technology with fuel consumption of more than 28 km/per liter or CO_2 emission levels of up to 100 grams/km are subject to a 15% rate with a DPP of 33 1/3% of the selling price.

Fourth, other motor vehicles. In this group, STLGs rates are divided into three as follows:

(i) special vehicles for golf are subject to a 50% rate;

(ii) 2 or 3 wheeled motor vehicles with a cylinder capacity of more than 250 cc to 500 cc or special vehicles for travel on snow, beaches, or mountains are subject to a 60% rate; or

(iii) motor vehicles with a cylinder capacity of more than 4,000 cc, 2 or 3 wheeled motor vehicles with a cylinder capacity of more than 500 cc, or trailers, semi-trailer caravans, for housing or camping are subject to a 95% rate.

STLGs payable is calculated by multiplying the rate by DPP. The STLGs rate on imports or supplies of taxable goods (*Barang Kena Pajak*/BKP) classified as luxury is determined based on the capacity of the cylinder, consumption of fuel oil or CO2 emissions, and the technology used.

As per Article 25 paragraph (1) of MoF Reg. 141/2021, the DPP of STLGs on imports of completely built-up motor vehicles is the import value. The DPP of STLGs on supplies of motor vehicles assembled or produced within the customs area, on the other hand, is the selling price.

STLGs shall not be imposed on imports or supplies of completely knocked down motor vehicles, chassis, vehicles for transporting goods, two-wheeled motor vehicles with a cylinder capacity of up to 250 cc, and motor vehicles for transporting 16 or more people including the driver. In addition, imports or supplies of the following four vehicles are exempt from STLGs:

(i) motor vehicles used for ambulances, hearses, fire fighting vehicles, detention vehicles, and public transport vehicles;

(ii) vehicles used for state protocol purposes;

(iii) public transport vehicles for 10 to 15 people including the driver with diesel or semi-diesel compressors used for the Indonesian National Armed Forces (*Tentara Nasional Indonesia*/TNI)/the Indonesian National Police (*Kepolisian Negara Republik Indonesia*/POLRI) service vehicles; and

(iv) motor vehicles used for patrol purposes by TNI/POLRI.

Individuals or entities wishing to acquire STLGs exemption on imports or supplies of motor vehicles must hold an STLGs withholding exemption certificate (*Surat Keterangan Bebas*/SKB) on the vehicles. The individuals or entities must hold STLGs SKB before submitting the import declaration or supplying the motor vehicles. If upon importing or receiving a supply of motor vehicles, they do not hold the STLGs SKB or acquire such a certificate after submitting the import declaration, the STLGs will continue to be collected or paid.

Further, individuals or entities that should otherwise be subject to lower STLGs may apply for STLGs refunds. STLGs refunds may be granted if an individual or entity alternatively fulfills the following conditions.

First, for imports, STLGs has been remitted into the state treasury at the time of import and is not included as an expense in the annual income tax return or is

not capitalized in the acquisition price. *Second*, for supplies of motor vehicles, STLGs has been filed in the periodic VAT return by the manufacturer constituting a Taxable Person for VAT Purposes (*Pengusaha Kena Pajak*/PKP) that produces luxury motor vehicles and no objection is raised.

To obtain STLGs refunds, taxpayers are required to apply to the head of the tax office (*Kantor Pelayanan Pajak*/KPP) where they are registered. The application shall be submitted no later than twelve months after the import or supply of motor vehicles. Next, the head of the tax office shall verify the accuracy of tax payment and completeness of documents. Based on verification results, the head of the tax office will issue notice of overpayment assessment or a letter of rejection of the application for STLGs refunds.

With the enactment of MoF Reg. 141/2021, MoF Reg. 64/2014 as amended by MoF Reg. 33/2017, Director General of Taxes Decree No. KEP-199 /PJ/2000, Director General of Taxes Decree No. KEP-540/PJ/2000, Article 12 point 3 of the Director General of Taxes Decree No. KEP-214/PJ/2001, and the Director General of Taxes Decree No. KEP-229/PJ/2003 are declared revoked and invalid. MoF Reg. 141/2021 has been effective as of 16 October 2021.

Registration of Stamp Duty Withholding Agents and Procedures for the Collection, Remittance, and Filing

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The Ministry of Finance has issued a new regulation concerning the registration of stamp duty withholding agents and procedures for the collection, remittance, and filing. These provisions are outlined under the Minister of Finance Regulation No. 151 of 2021 concerning the Registration of Stamp Duty Withholding Agents and Procedures for the Collection, Remittance, and Filing of Stamp Duties (MoF Reg. 151/2021).

This regulation has been issued to implement the provisions under Article 10 paragraph (2) and Article 11 paragraph (5) of Law No. 10 of 2020 concerning Stamp Duties. Pursuant to Article 2 paragraph (1) of MoF Reg. 151/2021, stamp duty payable on certain documents that constitute stamp duty objects is collected by stamp duty withholding agents. These certain documents include four types, as follows:

(i) securities in the form of cheques and giro fund transfer forms;

(ii) securities transaction documents, including futures contract transaction documents, in whatever name and form;

(iii) certificates, statement letters, or other similar letters, and the copies thereof; and

(iv) documents stating an amount of money above IDR5,000,000 and the receipt of said money or containing an acknowledgment that debt has been fully or partially settled or calculated.

As per Article 2 paragraph (3) of MoF Reg. 151/2021, the abovementioned certain documents that are eligible for the exemption from stamp duties facility shall be excluded from stamp duties.

Taxpayers may be registered as stamp duty withholding agents if they satisfy two criteria. *First*, facilitating the issuance of certain documents as referred to in point i

above. *Second*, issuing and/or facilitating the issuance of certain documents as referred to in points ii, iii, and/or iv with a total of more than 1,000 documents in one month.

Taxpayers that fulfill the above criteria but have not been registered as stamp duty withholding agents may submit notification letters to be registered as stamp duty withholding agents. The notification letters may be submitted via e-mail, application, or system. The notification letter may be considered by the Director General of Taxes or an appointed official to stipulate the taxpayers as stamp duty withholding agents.

The Director General of Taxes or the appointed official shall stipulate the taxpayer as a stamp duty withholding agent by issuing a registration letter as a stamp duty withholding agent. The registration as a stamp duty withholding agent shall come into effect as of the beginning of the following month after the date of the registration letter.

The Director General of Taxes or an appointed official may deregister a stamp duty withholding agent in the event that the stamp duty withholding agent does not fulfill the abovementioned criteria for three consecutive months. Deregistration is carried out by issuing a deregistration letter as a stamp duty withholding agent.

The deregistration shall take effect as of the beginning of the following month after the date of the deregistration letter. Electronic stamp duties that have not been affixed by a deregistered stamp duty withholding agent are returned to the distributor as an inventory of electronic stamp duties.

As per Article 7 of MoF Reg. 151/2021, three obligations are inherent to stamp duty withholding agents. *First,* collecting stamp duty payable on certain documents from the accountable person. Stamp duties are collected when the documents are received from the stamp duty manufacturer, completed by the party issuing or facilitating the issuance, or submitted to the accountable person.

Stamp duties are collected by affixing impressed stamp duties or electronic stamp duties on certain documents. To affix electronic stamp duties, stamp duty withholding agents may request electronic stamp duties from the distributor. The maximum number of requests for electronic stamp duties should not exceed the need for stamp duties in one taxable period in the first two months, as of the time a taxpayer is registered as a stamp duty withholding agent.

To affix electronic stamp duties for the next taxable period, stamp duty withholding agents may request electronic stamp duties from the distributor after remitting the stamp duty payable for the previous taxable period as their obligation. If the affixture of electronic stamp duties is not possible due to a failure in the electronic stamp duty system, stamp duty withholding agents remain obliged to collect the stamp duty by preparing the list of documents that cannot be affixed with electronic stamp duties and attaching this list in the periodic stamp duty return.

If so requested by the accountable person, a stamp duty withholding agent must provide a written explanation that the stamp duty payable on documents that cannot be affixed with electronic stamp duties has been remitted into the state treasury and filed in the periodic stamp duty return.

Second, remitting stamp duties to the state treasury. Stamp duties collected for each taxable period must be remitted no later than the 10th of the following month after the taxable period ends. Remittance is performed using a tax payment slip (*Surat Setoran Pajak*/SSP) form or billing code with the tax account code 411611.

The remittance type code is 900 for collection through the affixture of impressed stamp duties and for collection in which the affixture of electronic stamp duties is not possible. On another note, remittance may also be performed using a billing code with a tax account code of 411611 and a remittance type code of 902 for collection through the affixture of electronic stamp duties.

Remittance using a billing code is performed by including the Taxpayer Identification Number (TIN) (*Nomor Pokok Wajib Pajak*/NPWP) of the electronic stamp duty distributor to the stamp duty withholding agent in the remarks column in the billing code. The remittance is calculated as a deposit for the distributor.

Third, filing the collection and remittance of stamp duties to the Directorate General of Taxes (DGT) office. The collection of stamp duty must be reported by filing a periodic stamp duty return to the Directorate General of Taxes office no later than the 20th of the following month after the taxable period ends. The periodic stamp duty tax return is in electronic form and filed through an application or system provided by the DGT. Electronic receipts shall be provided upon the filing of periodic stamp duty returns.

In the event that the deadline for remittance and filing is a holiday, the remittance and filing may be performed no later than the next working day. These holidays refer to Saturdays, Sundays, national holidays, days designated as holidays to hold elections, or days designated as national collective leave.

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Stamp duty withholding agents may voluntarily rectify filed periodic stamp duty returns in the event of miscalculations or securities in the form of cheques and/or giro fund transfer forms on which stamp duties have been collected but not used. Rectification is carried out by placing a mark in the space provided in the periodic stamp duty return which states that the stamp duty withholding agent in question rectifies the periodic stamp duty return. In addition, rectifications may also be performed by issuing a serial number of securities in the form of cheques and/or giro fund transfer forms on which stamp duties have been collected but are not used from the collection list for the rectification of periodic stamp duty returns.

Upon the filing of a stamp duty return stating the over-remittance of stamp duties, an application for overbooking or tax refunds that should not otherwise be payable may be submitted. The application is submitted directly, by post with proof of postage, or through a forwarder or courier service company with proof of postage to the Director General of Taxes through the head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) where the stamp duty withholding agent is registered.

Based on the overbooking application, the Director General of Taxes through the head of the KPP where the stamp duty withholding agent is registered conducts a verification. The verification is stated in the report on verification results on the overbooking application.

The Director General of Taxes may issue a notice of tax assessment (*Surat Ketetapan Pajak*/SKP) to the stamp duty withholding agent for the stamp duties that are not or under-collected and not or under-remitted as per prevailing regulations. Stamp duties that are not or under-collected and not or under-remitted are subject to administrative penalties as per statutory provisions in the field of stamp duties.

Next, the stamp duty withholding agent shall remit the stamp duty stipulated by the SKP to the state treasury. Remittance of unpaid or underpaid stamp duties as stipulated by the SKP may be deemed as deposits by electronic stamp duty distributors to stamp duty withholding agents. Promulgated on 27 October 2021, this ministerial regulation has come into effect thereafter.

November 2021 Interest Penalties and Compensation Interest Rates

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The Ministry of Finance stipulates monthly interest rates as the basis for calculating administrative penalties in the form of interest and the granting of interest compensation for the period between 1 November 2021 to 30 November 2021.

Details of the interest rates are stipulated under the Minister of Finance of the Republic of Indonesia Decree No. 60/KM.10/2021 concerning Interest Rates as the Basis for Calculating Administrative Penalties in the Form of Interest and Interest Compensation for the Period between 1 November 2021 to 30 November 2021 (MoF Decree 60/2021). This regulation has been effective as of 1 November 2021.

Four monthly interest rates apply for administrative penalties, ranging from 0.51% to 1.76%. The four monthly interest rates are similar to the monthly interest rates for the October 2021 period. The difference lies in the interest penalty rate imposed under Article 8 paragraph (5) of the General Provisions and Tax Procedures Law from 1.34% to 1.35%.Details of monthly interest rates for tax interest penalties for the period between 1 November 2021 to 30 November 2021 are indicated in Table 1.1.

The monthly interest rates in the MoF Decree vary as they are the result of the calculation of the monthly

interest rate. The calculation is based on the reference interest rate formula set by the minister of finance plus the uplift factor of each article and divided by 12. On the other hand, the interest rate as the basis for the granting of interest compensation is set at 0.51%. The monthly interest rate is the same as previous period. Details of the monthly rates on tax interest compensation are indicated in Table 1.2.

Table 1.1 Details of Monthly Interest Rates of Interest Penalties

Articles in General Provisions and Tax Procedures	The Granting of Interest Compensation for	The Imposition of Administrative Penalties
Article 19 paragraph (1)	Notice of Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar*/SKPKB) or Additional SKPKB, and Correction Decree, Objection Decision Letter, Decision on Appeal, or Decision on Case Review, which causes the amount of tax payable to increase, but at the time of maturity, it is not paid or underpaid. (Collection Interest)	0.51%
Article 19 paragraph (2)	Taxpayers are allowed to pay in installments or postpone tax payments. (Installments/postponement of tax payments)	
Article 19 paragraph (3)	Taxpayers are allowed to postpone the filing of Annual Tax Returns and the temporary calculation of the tax payable as referred to in Article 3 paragraph (5) is actually less than the actual amount of tax payable. (Underpayment of postponement of the filing of Annual Tax Returns)	
Article 8 paragraph (2)	Underpayment of Correction of Annual or Periodic Tax Returns.	0.93%
Article 8 paragraph (2a)	The taxpayer corrects Periodic Tax Returns on his own (before audits) which results in higher tax liability.	
Article 9 paragraph (2a)	Late remittance of periodic income tax.	
Article 9 paragraph (2b)	Late remittance of Annual Income Tax/Article 29 Income Tax.	
Article 14 paragraph (3)	The issuance of Notice of Tax Collection (*Surat Tagihan Pajak*/STP) by the DGT due to: (i) Unpaid/underpaid income tax (ii) Based on the research results, there are taxes that are underpaid due to writing errors and/or miscalculations. (Income tax in the current year is not paid/underpaid or from the results of the research, there is tax underpayment due to writing errors and/or miscalculations)	
Article 8 paragraph (5)	Disclosure of inaccuracy of Tax Returns after audits, but the Notice of Tax Assessment (*Surat Ketetapan Pajak*/SKP) has not been issued. (Underpaid tax that arises due to the disclosure of incorrect Tax Return filling)	1.35%
Article 13 paragraph (2)	SKPKB is issued because the tax payable is not paid/underpaid due to matters regulated under Article 13 paragraph 1 subparagraph (a) to (e) of the General Tax Procedures and Provisions Law. (SKPKB Penalties)	1.76%
Article 13 paragraph (2a)	SKPKB is issued as the taxable person for VAT purposes has not performed any supplies, but has received refunds/has credited the input VAT as referred to in Article 9 paragraph (6a) of the VAT Law. (Refund of input VAT from taxable persons for VAT purposes that are not producing)	

Source: Job Creation Law and MoF Decree No. 60/KM.10/2021.

Table 1.2 Details of Monthly Interest Rates of Interest Compensation

Articles in General Provisions and Tax Procedures	The Granting of Interest Compensation for	Monthly Interest Rate
Article 11 paragraph (3)	Tax overpayment is refunded in 1 (one) month after the application.	0.51%
Article 17B paragraph (3)	Notice of Overpayment Assessment (*Surat Ketetapan Pajak Lebih Bayar*/SKPLB) is issued late after the 1 month period expires.	
Article 17B paragraph (4)	SKPLB is issued because the preliminary investigation of tax crime: (i) does not proceed with the investigation, (ii) proceeds with the investigation but there is no prosecution of tax crime, or (i) proceeds with the investigation and prosecution of the tax crime but it is acquitted.	
Article 27B paragraph (4)	Tax refund on the filing of objections, requests for appeal, or applications for judicial reviews that are granted partially or in full.	

Source: Job Creation Law and MoF Decree No. 60/KM.10/2021.

Imposition of Safeguard Import Duties on Imports of Clothing Products and Accessories

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The Ministry of Finance has issued new provisions concerning the imposition of safeguard import duties on imports of clothing products and clothing accessories. These provisions are stipulated by the Minister of Finance Regulation No. 142 of 2021 concerning the Imposition of Safeguard Import Duties on Imports of Clothing Products and Clothing Accessories (MoF Reg. 142/2021).

This regulation has been issued as based on the final investigation report, the surge in the number of imports of clothing products and accessories has posed a serious threat to the domestic industry.

Pursuant to this regulation, safeguard import duties shall be imposed on imported goods in the form of clothes and clothing accessories. The amounts of safeguard import duties tariffs are outlined in the regulation from the first year to the third year.

As per Article 1 of MoF Reg. 142/2021, 134 HS Codes are subject to safeguard import duties. Safeguard import duties shall be imposed at a tariff of IDR19,260 to IDR63,000 in the first year of the implementation of safeguard import duties.

Safeguard import duties are imposed on all clothing products, except headwear and neckwear, under HS Codes 6117.10.10, 6117.10.90, 6214.30.10, 6214.30.90, 6214.40.10, 6214.40.90, 6214.90.10, and 6214.90.90 originating from the countries listed in the Appendix of MoF Reg. 142/2021.

For imports of headwear and neckwear, importers are required to submit certificates of origin (CoO) (*Surat Keterangan Asal*/SKA), therefore, these imports are not subject to safeguard import duties. If the submitted CoO constitutes a preferential CoO, a CoO verification is carried out based on the minister of finance regulations concerning CoO verification on imported goods based on international agreements or treaties. Next, if the CoO used is a non-preferential

CoO, a CoO verification is carried out based on the provisions stipulated by the Ministry of Trade.

The imposition of safeguard import duties constitutes an additional statutory import duty (most favored nation) or an additional preferential import duty based on the prevailing international goods trade agreement scheme. The additional preferential import duty is granted in the event of imports from countries included in the said international goods trade agreement scheme and fulfills the provisions therein.

In the event that the provisions under the international goods trade agreement scheme are not fulfilled or a request for a retroactive check is underway, the imposition of safeguard import duties on imports from countries included in the international goods trade agreement scheme constitutes an additional statutory import duty.

The amounts of safeguard import duties are fully applicable to imported goods in the form of clothing and clothing accessories that alternatively satisfy two aspects. *First,* the import declaration documents have obtained a registration number from the customs office where the customs obligation is settled, in the event that the customs obligation is settled by submitting a customs declaration.

Second, the customs tariffs and values are determined by the Customs Office where customs obligations are settled, in the event that customs obligations are settled without submitting a customs declaration. Promulgated on 22 October 2021, this regulation came into effect 21 days thereafter.

Stipulation of Import Duty Tariffs for the Comprehensive Economic Partnership Agreement between Indonesia and EFTA States

The Ministry of Finance stipulates the amounts of import duty tariffs in the context of a comprehensive economic partnership agreement between Indonesia and European Free Trade Association (EFTA) states. The policy is outlined in the Minister of Finance of the Republic of Indonesia Regulation No. 152/PMK.010/21 concerning the Stipulation of Import Duty Tariffs in the Context of Comprehensive Economic Partnership Agreement between the Republic of Indonesia and the EFTA States (MoF Reg. 152/2021).

This regulation has been issued to encourage the acceleration of economic recovery and enhance the comprehensive economic cooperation between Indonesia and EFTA states. As per Article 2 paragraph (1) of MoF Reg. 152/2021, the Ministry of Finance stipulates import duty tariffs on imported goods from EFTA states in the context of a comprehensive economic partnership between Indonesia and EFTA states.

The amounts of import duty tariffs are listed in the Appendix of MoF Reg. 152/2021. Said appendix provides for 14 amounts of import duty tariffs with different validity periods. The import duty tariffs are valid from 2021 to 2034 onwards. Details of the validity of import duty tariffs are stipulated under Article 2 paragraph (3) of MoF Reg. 152/2021. One example is chevon under HS Code 0204.50.00 which is subject to an import duty of 4% in 2021 and 3% in 2022. Subsequently, the tariff will decrease to 2% in 2023 and to 1% in 2024. From 2025 to 2034 onwards, the import duty tariff shall be 0%.

MoF Reg. 152/2021 also stipulates import duty tariffs in the form of Tariff Rate Quota (TRQ). TRQ constitutes a scheme on the imposition of import duty tariffs based on the number of quotas for certain products stipulated under MoF Reg. 152/2021. Import duty tariffs in the form of TRQ are imposed on imported goods using in-quota or out-quota preferential tariffs, with an annual quota of 100 tons as per the first come first served principle.

Preferential in-quota tariffs are set for imported goods that do not exceed the TRQ scheme annual quota and obtain a tariff of 50% of the statutory import duty tariff. Preferential out-quota tariffs, on the other hand, are set for imported goods that exceed the TRQ scheme annual quota and obtain a tariff of 60% of the statutory import duty tariff. Next, the quota of imported goods subject to TRQ shall be validated and curtailed through the Indonesia National Single Window System.

Import duties are imposed as per ministerial regulations concerning procedures for the imposition of import duty tariffs on imported goods based on the comprehensive economic partnership agreement between Indonesia and EFTA states. In the event that the applied MFN is lower than the import duty tariff listed in the Appendix of MoF Reg. 152/2021, the applicable import duty tariff shall be the applied MFN.

Further, the provisions on amounts of import duty tariffs under this regulation apply to three types

Readjustment to the Criteria of Tax Incentives Recipients Affected by Covid-19

of goods. *First,* imported goods whose customs declaration documents have obtained a registration number and date from the customs office as of the effective date of this regulation. *Second,* imported goods whose import customs declaration documents or goods originating outside the customs area whose customs declaration documents of the entry of goods into bonded storage, free trade zones and free ports, or Special Economic Zones (SEZ) (*Kawasan Ekonomi Khusus*/KEK). These documents must have obtained a registration number and date from the customs office as of the effective date of this regulation.

Third, goods that have not been released to other places within the customs area from bonded storage, free trade zones and free ports, or SEZ. This applies insofar as the import declaration documents or customs declaration documents of the entry of goods from outside the customs area have obtained a registration number and date from the customs office before the effective date of this regulation. MoF Reg. 152/2021 has taken effect as of 1 November 2021.

Readjustment to the Criteria of Tax Incentives Recipients Affected by Covid-19

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