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Provisions on Aid, Donations, and Grants that Are Not Objects of Income Tax and Transfer of Authority for the Granting of Tax Allowances

Sets the Standards and Beyond



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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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Exemptions of Aid, Donations, and Grants from Objects of Income Tax

The Ministry of Finance provides legal certainty for taxpayers that donate and receive aid or donations, as well as grants. The aid or donation and the grants are regulated under the Minister of Finance Regulation No. 90/PMK.03/2020 concerning Aid or Donations, as well as Grants that are Exempted from Income Tax Objects (MoF Reg. 90/2020).

Broadly speaking, this regulation outlines the provisions on grants, aid, or donations for the donor and the donee. For the donor, grants, aid, or donations can be deducted from gross income to calculate the taxable income. Gains from the transfer of granted assets, aid, or donations are objects of income tax for the donor. The gains refer to the difference between the market price and the residual fiscal book value if the donor is obliged to perform bookkeeping; or the acquisition value if the donor is not obliged to perform bookkeeping.

The imposition of income tax on the transfer of assets in the form of grants, aid, or donations in the form of land and/or buildings complies with the provisions in government regulations on income tax on income from the transfer of rights to land and/or buildings and binding agreements on the sale and purchase of land and/or building and the amendments.

Grants, aid, or donations are exempted from income tax objects insofar as they are given to blood relatives in a one-degree straight line; religious bodies; educational bodies; social bodies including foundations; cooperatives; or legal persons that run micro and small businesses. In addition, the exemption can be granted if there is no business, employment, ownership, or control relationship between the parties concerned.

In the case of ownership or control relationship, gains from the transfer of assets in the form of grants, aid, or donations are still exempted from objects of income tax insofar as the donor and donee are religious, educational, or social bodies, including foundations.

Gains from the transfer of assets in the form of grants, aid, or donations to the donor are exempted as per the examples under Appendix A which is an integral part of this ministerial regulation.

Further, for donees, aid or donations are exempted from objects of income tax as per relevant regulations, insofar as there is no business, work, ownership, or control relationship between the parties concerned. The aid or donation may take the form of money or goods. Such aid or donations are donated as exemplified in Appendix B of this regulation.

In the event of a relationship of ownership or control, aid or donations received may still be exempted from objects of income tax insofar as the donee is a religious body, educational body, or social body, including a foundation.

Aid or donations in the form of assets in the form of goods are recorded in the acquisition value of the residual fiscal book value by the donee if the donor is required to perform bookkeeping. In the event that the donor is not obliged to perform bookkeeping, the aid or donation is recorded in different acquisition value.

In this case, the different acquisition value comprises two things. *First,* assets in the form of land and/or buildings are of the sale value of the tax objects listed in the Notice of Land and Building Tax Payable (*Surat Pemberitahuan Pajak Terutang*/SPPT) for the taxable year in which the transfer occurs or certificate from the government agency in charge of regional tax matters. *Second,* assets other than land and/or buildings are valued at the market price of the assets when the transfer occurs.

Insofar as they are used to obtain, collect, and maintain income, the acquisition value of assets with a useful life of more than one year is charged through depreciation or amortization as per provisions in the field of taxation.

Conversely, grants are exempted from objects of income tax insofar as they are received by blood relatives in a one-degree straight line, religious bodies, educational bodies, social bodies, including foundations, cooperatives, or individuals that run micro and small businesses. In addition, exemptions can be granted if there is no business, employment, ownership, or control relationship between the parties concerned. The granted assets may take the form of money or goods. Examples of the implementation of these provisions for donees can be seen in Appendix C of this regulation.

Moreover, other grant-related provisions for donees are the same as those relating to aid or donations. Promulgated on 21 July 2020, this Ministerial Regulation shall come into force thereafter.

Criteria and/or Details of Religious Services Not Subject to VAT

The Ministry of Finance has issued a policy related to criteria and/or details of religious services that are not subject to value added tax (VAT). The policy is outlined in Minister of Finance Regulation No. 92/PMK.03/2020 concerning Criteria and/or Details of Religious Services Not Subject to Value Added Tax (MoF Reg. 92/2020).

The Directorate General of Taxes states that this regulation provides legal certainty regarding the VAT treatment of the Hajj and Umrah pilgrimage organizing services supplied by travel agents. Promulgated on 23 July 2020, this ministerial regulation comes into force 30 days thereafter.

Under this regulation, there are at least seven noteworthy important points. *First,* certain services in the religious services group are included in the types of services not subject to VAT. *Second,* certain services in religious services that are not subject to VAT include house of worship services, sermons or preaching services, services of organizing religious activities, and other services in the religious area.

Third, other services in the religious sector that are included in religious services groups not subject to VAT include the organization of regular Hajj pilgrimages and services for organizing Umrah pilgrimage by the government to the City of Makkah and the City of Medina, as well as the services of organizing religious pilgrimage trips by travel agents.

Fourth, the services of organizing religious pilgrimage trips by travel agents, including special Hajj and Umrah pilgrimage trips to the City of Mecca and the City of Medina and pilgrimage trips to the City of Jerusalem and the City of Sinai (Egypt).

There are also pilgrimage trips to the Vatican City in Rome and Lourdes City in France (Catholics), pilgrimage trips to Uttar Pradesh and Haryana in India (Hindus), pilgrimage trips to Bodh Gaya City in India and Bangkok City in Thailand (Buddhists), and pilgrimage trips to Qufu City in China (Confucius).

Fifth, in the event that the abovementioned services of religious pilgrimage organization also include trips to other places, these services become taxable services. *Sixth*, the tax base (*Dasar Pengenaan Pajak*/DPP) on the supply of travel services to other places takes the form of another value.

The other value amounts to 10% of the amount billed for the services of organizing trips to other places. This provision applies in the event that the bill specifies the bill for organizing the religious pilgrimage package and the bill for organizing trips to another place. The other value may also be as high as 5% of the total amount billed for travel services. These provisions apply if the bill does not specify the bill for organizing the religious pilgrimage package and the bill for organizing the travel package to other places.

Seventh, the input VAT in connection with the supply of travel services to other places cannot be credited.

Procedures for the Submission of the Notification of Planned Arrival of Carriers

The Ministry of Finance has amended the provisions relating to the procedures for the submission of notification of planned arrival of carriers. These amendments are outlined in the Minister of Finance Regulation No. 97/PMK.04/2020 concerning the Amendments to Minister of Finance Regulation No. 158/PMK.04/2017 concerning the Procedures for the Submission of Notification of Planned Arrival of Carriers, Inward Manifest of Carriers, and Outward Manifest of Carriers (MoF Reg. 158/2017 as amended by MoF Reg. 97/2020).

The amendments to these provisions aim to boost the performance of the national logistics system, improve investment climate, and enhance the competitiveness of the national economy. Promulgated on 27 July 2020, this regulation comes into force 30 days thereafter. There are several changes within this regulation.

First, an article is added between Article 3 and Article 4, i.e. Article 3A. This article states that carriers must connect their systems with the National Logistic Ecosystem (NLE) and provide Delivery Order Online services. The obligation is carried out within a maximum period of 90 days since the enactment of the national logistics ecosystem and/or delivery order online services.

Second, there is an additional Article 25A which states that in the event that a carrier does not meet the provisions in the first point, the submission of the notification of planned arrival of carriers (*Rencana Kedatangan Sarana Pengangkut*/RKSP), inward manifest, and outward manifest shall not be served until the carrier fulfils such an obligation.

Third, there is a change in Article 26. A carrier that does not submit the notification of RKSP, inward

manifest, and/or outward manifest or submits such notification past the specified deadline are subject to sanctions as per Customs Law. A carrier that does not meet the provisions on the submission of inward manifest notifications will also be subject to sanctions.

Fourth, an additional chapter related to the integration and exchange of data with the national logistics ecosystem. Submission, merger, administration, improvement, merger and cancellation of the notification of RKSP, inward manifest, outward manifest, and post closure and/or sub-post notification of inward manifest may be conducted through the national logistics ecosystem.

The service computer system may exchange data with the national logistics ecosystem. Data on the notification of RKSP, inward manifest, and outward manifest may be utilized to expedite national logistics through the national logistics ecosystem. Customs and Excise Officers and/or service computer systems may employ and utilize data obtained through the national logistics ecosystem for customs services and supervision.

Updates to the Implementation Guidelines of Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic

The government has released a regulation on guidelines for the implementation of Minister of Finance Regulation No. 86/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 86/2020).

These guidelines are outlined in Circular No. SE-43/PJ/2020 concerning Guidelines for the Implementation of Minister of Finance Regulation No. 86/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (SE-43/2020).

Enacted on 28 July 2020, this regulation has been released to engender uniformity in the implementation of MoF Reg. 86/2020. The enactment of SE-43/2020 simultaneously revokes the former implementing regulation, i.e. Director General of Taxes Circular No. SE-29/PJ/2020 concerning Guidelines for the Implementation of Minister of Finance Regulation No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (SE-29/2020).

Under this regulation, the government confirms and outlines the provisions formerly stipulated under MoF Reg. 86/2020. For example, provisions related to the procedures for submitting the notification of the use of Article 21 Income Tax (*Pajak Penghasilan*/PPh) borne by the government (*Ditanggung Pemerintah*/DTP). This regulation reaffirms that if an employer is a central taxpayer and has branches, notification for central and branch offices will be performed by the central taxpayer.

Conversely, if the employer is an Import Facility for Export (*Kemudahan Impor Tujuan Ekspor*/KITE) company or has obtained a bonded zone operator permit, a bonded zone entrepreneur license, or an entrepreneur within a bonded zone license (*Pengusaha Dalam Kawasan Berikat*/PDKB), the notification of incentive utilization is submitted by the central and/or branch taxpayer that meets the criteria.

On another note, this regulation states that in consideration of MoF Reg. 86/2020 which was promulgated on 16 July 2020, the notification to utilize Article 21 PPh DTP incentive for the July 2020 Tax Period can be submitted no later than 10 August 2020. Similarly, the notification of the utilization of the reduction of Article 25 PPh installments incentive for the July 2020 Tax Period may be submitted no later than 15 August 2020.

Further, this regulation provides a more detailed description of the procedures for preparing Article 21 PPh DTP Tax Payment Slip (*Surat Setoran Pajak*/SSP) and printouts of billing codes. Based on the brief elucidation, Article 21 PPh DTP SSP and printouts of billing codes can be prepared in two ways, as below:

(i) the employer, either the central taxpayer or branch taxpayer that has submitted the notification of Article 21 PPh DTP, is required to prepare an SSP or printouts of billing codes affixed with the stamp or the inscription "ARTICLE 21 INCOME TAX BORNE BY THE GOVERNMENT AS PER MoF REG. NO. 86/PMK .03/2020"

(ii) in the event that the employer has used the Article 21 PPh e-SPT application as the means of submitting Tax Returns (*Surat Pemberitahuan*/SPT), the recorded State Revenue Transaction Number (*Nomor Transaksi Penerimaan Negara*/NTPN) code is replaced by recording the billing code beginning with the number 9 electronically on the e-SPT application and the amount of rupiah is equal to the value Article 21 Income Tax DTP. For example, if the

generated billing code is 123456789012345, the NTPN column in the e-SPT is filled with 9123456789012345.

This regulation also outlines that taxpayers wishing to utilize the final income tax incentive under Gov. Reg. No. 23/2018 or Micro, Small and Medium Enterprises (*Usaha Mikro, Kecil, dan Menengah*/UMKM) final PPh DTP incentive but do not yet have a certificate of the submission of realization reports may be treated as submitting the certificate to obtain the UMKM final PPh DTP incentive. Next, for said taxpayer, a certificate may be issued insofar as the requirements for obtaining the certificate are met.

Further, this regulation elucidates the changes in the time limit for reporting the realization of the Import Article 22 PPh and the reduction of Article 25 Income Tax installments incentives formerly stipulated under MoF Reg. 86/2020. These changes render the report on the realization of the two types of incentives to be submitted no later than:

(i) 20 July 2020, for the April 2020 Tax Period until the June 2020 Tax Period; and

(ii) the 20th of the month following the end of the Tax Period, for the July 2020 Tax Period to the December 2020 Tax Period.

Other Value as the VAT Tax Base on Certain Agricultural Products

The Minister of Finance has issued a regulation that separately stipulates the determination of other value as the tax base (*Dasar Pengenaan Pajak*/DPP) on the supply of certain agricultural products. This regulation has been released to further ensure a sense of justice for the supply of certain agricultural products.

The determination of other value is outlined in the Minister of Finance Regulation No. 89/PMK.010/2020 concerning Other Value as the Tax Base on the Supply of Certain Agricultural Products (MoF Reg. 89/2020).

The regulation outlines that taxable goods (*Barang Kena Pajak*/BKP) in the form of certain agricultural products by Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) are subject to value added tax (VAT). Details of the agricultural products are listed in Appendix A of MoF Reg. 89/2020, including oil palm, cocoa, pepper, nutmeg, cloves, rice, corn, ornamental plants, wood, bamboo, rattan, and candlenut.

Further, the PKP can choose the other value as DPP to calculate the VAT payable on the supply of certain agricultural products. The other value for the supply of certain agricultural products is set at 10% of the selling price. This implies that the effective VAT rate on the supply is 1% of the selling price (10% VAT rate multiplied by 10% of the selling price).

However, input VAT on the acquisition of BKP and/or taxable services (*Jasa Kena Pajak*/JKP) in connection with the supply of certain agricultural products using the other value as DPP cannot be credited.

PKP using other value as DPP is, however, still required to issue tax invoices or documents with equivalent positions to tax invoices. On the other hand, industrial business entities that process agricultural, plantation, and forestry products are appointed as VAT withholders.

This regulation also emphasizes that a PKP that chooses to use the other value as DPP must submit the notification to the Head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) where the PKP is registered. The notification is submitted no later than the filing deadline of Periodic VAT Returns for the first tax period in the tax year when the other value starts being used as the DPP.

Further, a PKP that has chosen to use the other value as DPP may re-use the selling price as DPP. The selling price may only be used at the beginning of the tax period after the tax year of using other value as DPP ends. However, PKP must first submit the notification of the use of the selling price as DPP.

Notification of the reuse of selling price as DPP shall be submitted no later than the filing deadline of Periodic VAT Returns for the first tax period after the tax year of using other value as DPP ends.

However, if the PKP opts to reuse the selling price as DPP, said PKP cannot reuse the other value as DPP for subsequent tax periods and taxable years.

The use of other values as DPP or the notification of the reuse of the selling price as DPP must be notified electronically through certain channels stipulated by the Director General of Taxes.

In the event that these certain channels are not yet available or in case of disruptions, notifications are made in writing using the sample format in the appendix of this ministerial regulation. The written notice may be directly submitted to the Tax Office where the PKP is registered, by email to the Tax Office where the PKP is registered, by post with proof of

postage, or via an expedition/courier service company with proof of postage.

The written notification must be signed by the taxpayer or by the highest leadership or management authorized in terms of taxation if the PKP is a corporate taxpayer. Promulgated on 17 July 2020, this Ministerial Regulation has come into force thereafter.

Transfer of Authority for the Granting of Tax Allowances

The Minister of Finance has officially transferred the authority to grant income tax (*Pajak Penghasilan*/PPh) facilities for investment in certain business fields and/or certain regions (tax allowance) from the Director General of Taxes to the Head of the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*/BKPM).

The investment refers to all forms of investment activities, both by domestic investors and foreign investors to conduct business within the territory of the Republic of Indonesia.

On the other hand, certain business fields refer to business fields in the economic activity sector that of high priorities on the national scale. Further, certain business fields and in certain regions refer to business fields in the economic activity sector and regions which, economically speaking, have the potential to be developed and are of high priorities on the national scale.

The transfer of authority is outlined in the Minister of Finance Regulation No. 96/PMK.010/2020 concerning Amendments to the Minister of Finance Regulation No. 11/PMK.010/2020 concerning the Implementation of Government Regulation No. 78 of 2019 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions (MoF Reg. 96/2020).

Promulgated on 27 July 2020, this regulation amends several provisions in the former regulation, i.e. the Minister of Finance Regulation No. 11/PMK.010/2020 concerning the Implementation of Government Regulation No. 78 of 2019 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions (MoF Reg. 11/2020).

These provisions have been amended to increase direct investments. This is because direct investment is one of the key factors in encouraging national economic growth and development, which is carried out by expediting and equalizing development in certain business fields and/or in certain regions.

Moreover, these provisions have been amended to encourage ease of doing business so as to increase investment in certain business fields and/or in certain regions. The facilities are improved through adjustments and simplification of the mechanism for filing and granting of PPh facilities.

Under MoF Reg. 96/2020, the Minister of Finance has also amended the party authorized to stipulate the value of tangible fixed assets as the basis for calculating the facility of net income reduction by 30% of the total investment in the form of tangible fixed assets, including land.

Under the former regulation, the party authorized to determine the value of tangible fixed assets was the Director General of Taxes. At present, under MoF Reg. 96/2020, however, the authority to determine the value of tangible fixed assets is in the hands of the Minister of Finance.

Next, the completely received application for tax allowance is now submitted by the Online Single Submission (OSS) system directly to the Minister of Finance as a proposal for the granting of Income Tax facilities. Having submitted the application for a tax allowance to the Minister of Finance, the OSS system will send a notification to the taxpayer that the PPh facility application is in process.

This also differs from the provisions under MoF Reg. 11/2020, in that the application was formerly submitted by the OSS system to the Minister of Finance through the Director General of Taxes. Having submitted the application for a tax allowance to the Director General of Taxes, the OSS system sends a notification to the taxpayer that the PPh facility application is in process.

OSS refers to business licensing issued by the OSS Institution for and on behalf of the minister, head of institutions, governor, or regent/mayor to business actors through an integrated electronic system.

The OSS system serves as the means to determine the eligibility of certain business fields or certain business fields and in certain regions as per the Appendix of Government Regulation No. 78 of 2019 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions (Gov. Reg. No. 78/2019).

Moreover, the OSS system is also a means for conveying the requirements for submitting a tax allowance application. However, in the event that the OSS system is not available, the eligibility of a certain area or certain region is determined offline.

In line with the delegation of authority to grant tax allowance, offline applications are now submitted to the Minister of Finance through the Head of BKPM as per applicable regulations. Offline applications were previously submitted to the Director General of Taxes through the Head of BKPM.

The decree on the granting of tax allowance is issued by the Head of BKPM no later than five working days after the application for the granting of tax allowances is received in full and correct by the OSS system or the offline application for tax allowances is received in full and correct. The decree on the granting of tax allowances must at least contain detailed information about the investment eligible for the facilities, including:

(i) the taxpayer's name, Tax Identification Number (*Nomor Pokok Wajib Pajak*/NPWP), and address;

(ii) details of the types of PPh facilities;

(iii) business identification number, principle permit, investment permit, investment registration or business license, and the location of the business or project for which the facilities are proposed;

(iv) when the PPh facility comes into effect;

(v) obligations for taxpayers that obtain PPh facilities as referred to in Article 15 of MoF Reg. 11/2020;

(vi) prohibitions for taxpayers that obtain PPh facilities as referred to in Article 16 of MoF Reg. 11/2020; and

(vii) business fields, the Indonesian Standard Business Classification (*Klasifikasi Baku Lapangan Usaha Indonesia*/KBLI), product coverage, and value of investment plans.

Further, the implementation of provisions on tax allowance by the Head of BKPM is to be reported to the Minister of Finance on a quarterly basis. Despite the transfer of the authority to grant tax allowances, similar to the former regulation, the use of a 30% reduction in net income out of the total investments in the form of tangible fixed assets, including land, is stipulated based on the results of field audits conducted by the Director General of Taxes.

Based on the field audit results, the Minister of Finance will decide on the use of the PPh facility. The decision on the use of PPh facilities and the determination of the value of tangible fixed assets which serves as the basis for calculating the reduction in net income is delegated to the Director General of Taxes for and on behalf of the Minister of Finance.

The field audit procedures are implemented as per the minister of finance regulations on audit procedures. MoF Reg. 96/2020 also emphasizes that the Minister of Finance may decide to revoke the facility approval but the authority of the revocation is delegated to the Director General of Taxes for and on behalf of the Minister of Finance.

As for taxpayers that have obtained a decision on the facility approval but have not submitted any online application for facility utilization through the OSS system until the enactment of MoF Reg. 96/2020, the application for facility utilization submitted by these taxpayers is processed as per the provisions under this ministerial regulation.

This provisions also apply to taxpayers' applications that have been submitted online or offline but a decision on the granting of these facilities has not been issued until the enactment of MoF Reg. 96/2020. Promulgated on 27 July 2020, MoF Reg. 96/2020 is valid 15 days thereafter.

Guidelines for the Implementation of Non-Withholding of Import VAT Facility and Supply of Certain Means of Transport

The Director General of Taxes has issued a regulation on the implementation guidelines for the non-withholding of import VAT and supply of certain means of transport. The implementation guidelines are outlined in Circular No. SE 35/PJ/2020 concerning the Implementation Guidelines for the Granting of Non-Withholding of Value Added Tax Facility on Imports and Supplies of Certain Means of Transport and Supply and Utilization of Taxable Services Related to Certain Means of Transport (SE-35/2020).

Under this regulation, there are three changes to the business process in the granting of VAT facilities on imports and supplies of certain means of transport as follows.

(i) Changes in the main channels used to submit applications, the direct submission of applications to the tax office (*Kantor Pelayanan Pajak*/KPP) is now performed electronically through the DGT's website.

(ii) The elimination of revocation procedures of certificates of non-withholding and the application procedures for the revocation of certificates of non-withholding.

(iii) The submission periods of reports on the import realization and/or proceeds have been changed from quarterly to annually. These business processes have been amended to provide ease of service for taxpayers.

Taxpayers wishing to take advantage of the non-withholding of VAT facilities on imports and/or supply of certain means of transport as well as the acquisition and/or utilization of taxable services (JKP) are required to obtain the Certificate of Non-Withholding (*Surat Keterangan Tidak Dipungut*/SKTD) prior to submitting import declarations, receiving supply, and/or utilizing the JKP. The SKTD submission is to be attached with the Import and Acquisition Requirement Plan (*Rencana Kebutuhan lmpor dan Perolehan*/RKIP).

SKTD applications are submitted electronically to the Director General of Taxes through the DGT's website. In the event that the channel for submitting the SKTD application electronically through the DGT's website is not yet available or inaccessible, the taxpayer may submit the application directly to the Tax Office. Taxpayers that apply for SKTD through the DGT's website must fill out the information and upload a copy of the required supporting documents.

Taxpayers are deemed to have submitted supporting documents directly to the Tax Office if they have uploaded a copy of the supporting documents. The head of KPP must complete research on these supporting documents within seven working days. In the event that the uploaded supporting documents are incomplete, the KPP will cancel the granting of the non-withholding of VAT facility.

Taxpayers may apply for a replacement SKTD in the event of errors in the issuance of SKTD. These errors refer to typographical errors, miscalculations, and/or errors in the application of the legislative provisions in SKTD that apply to all imports or supplies and/or in SKTD valid until 31 December.

In the event of errors in the issuance of SKTD, the taxpayer cannot re-submit the application for SKTD issuance for the same substance of the application for which a SKTD has been issued, but must apply for a replacement SKTD. If the channel for submitting applications electronically is available and accessible, taxpayers may apply for replacement SKTD electronically through the DGT's website. If the electronic channel is not yet available, however, the request for replacement SKTD is submitted directly to the Head of KPP in writing, enclosed with reasons for the replacement and attached with the issued SKTD.

The Head of KPP on behalf of the Director General of Taxes may cancel the granting of non-withholding of VAT facility by issuing a certificate of SKTD cancellation if the supporting documents are incomplete or data obtained indicates that such taxpayer is not entitled to use the non-withholding of VAT facility.

On another note, taxpayers can also apply for changes to the RKIP. Changes to the RKIP are made in the event of four aspects. *First,* changes, addition, or reduction in certain types of means of transport. *Second,* addition or reduction in the number of certain means of transport. *Third,* changes, addition, or reduction of ports, in terms of imports. *Fourth*, changes, addition, or reduction of Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) that supply certain means of transport, in terms of supply.

Revised RKIP must be obtained prior to submitting the import declaration and/or receiving supplier. Taxpayers must electronically submit requests for changes in RKIP to the Director General of Taxes through the DGT's website by filling out information and uploading digital copies of the proposed RKIP document changes. In the event that the channel for submitting applications for RKIP changes electronically through the DGT's website is not yet available or inaccessible, the taxpayer can directly submit the request for RKIP changes to KPP. The revised RKIP is a substitute for the former RKIP and is an attachment of the SKTD. The revised RKIP is issued without changing the valid SKTD.

The Head of the KPP supervises the issuance of SKTD, Replacement SKTD, revised RKIP, Certificate of SKTD Cancellation, and submission of Reports on the Realization of Imports and/or Acquisitions. The supervision is carried out by utilizing the DGT information system and research and follow-up activities are performed on several matters as follows.

First, the material truth of the supporting documents of the application submitted by the taxpayer. *Second,* data and/or information indicating that taxpayers

are not entitled to receive the non-withholding of VAT facility contained in the SKTD. *Third,* the use of certain means of transport that are not in accordance with the original purpose or the transfer of certain means of transport by the taxpayer to other parties, either partially or completely, within four years from the time of import and/or acquisition of certain means of transport.

Fourth, reporting the realization of import and/or acquisition. *Fifth*, taxpayers that import certain means of transport, receive supplies of certain means of transport, utilize JKP related to certain means of transport, and/or receive supplies of JKP related to certain means of transport using the non-withholding of VAT facility prior to obtaining SKTD. *Sixth*, taxpayers who import or receive supplies of certain means of transport using the non-withholding of VAT facility that exceeds a certain approved number of means of transport.

Seventh, taxpayers who import or receive supplies of goods using the non-withholding of VAT facility, which are not included in certain types of means of transport of which the imports or acquisition are not subject to VAT.

Taxpayers who have received SKTD attached with RKIP must electronically submit reports on the realization of imports and/or acquisitions as per the sample format listed in Appendix K of MoF Reg. 41/2020 through the DGT's website. The Import and/or Acquisition Realization Report is prepared for the period according to the validity period of the SKTD. The report shall be submitted no later than the end of January of the following calendar year.

In the event that the taxpayer does not import and/or acquire certain means of transport that are not subject to VAT, the report on import realization and/or acquisition must still be submitted. In the event that the electronic report submission channel is not yet available or inaccessible, the taxpayer shall submit it directly to the Tax Office.

In the event that an integrated system between the DGT and the Directorate General of Customs and Excise (DGCE) is available, data/information related to SKTD in the counter-transaction PKP account, and/or the supervision system in the DGT's information system, document delivery in the form of SKTD, RKIP, replacement SKTD, revised RKIP, and/or certificate of SKTD cancellation issued through printing by the Service Section to the DGCE, counter-transaction PKP, or counter-transaction KPP, may be annulled.

This regulation also provides examples of cases as listed in Appendix L. With the enactment of this Director General Circular, the Director General of Taxes Circular No. SE-78/PJ/2015 is declared revoked and invalid.

Procedures of Credit Guarantee from the Government for Business Actors

The government has issued a new regulation on the procedures to guarantee working capital loans for corporations in the context of implementing national economic recovery (*Pemulihan Ekonomi Nasional*/PEN).

These procedures are outlined in the Minister of Finance Regulation No. 98/PMK.08/2020 concerning Procedures for Government Guarantee for Corporate Business Actors through Designated Guarantee Business Entities in the Context of the National Economic Recovery Program (MoF Reg. 98/2020).

In effect since 28 July 2020, this regulation outlines the provisions related to the implementation of guarantees, guarantee support, guarantee budget management, settlement of government receivables on the payment of guarantee claims, and evaluation of the policy of corporate working capital credit guarantee.

Moreover, MoF Reg. 98/2020 stipulates in more detail the division of tasks between Indonesia Exim Bank (*Lembaga Pembiayaan Ekspor Indonesia*/LPEI) and Indonesia Infrastructure Guarantee Fund (*PT Penjaminan Infrastruktur Indonesia*/PII). Referring to Article 6 paragraph 1 of MoF Reg. 98/2020, the Minister of Finance assigns LPEI to provide government guarantees.

Guarantee is carried out by LPEI together with PT PII in the event of business actors' criteria that cannot be guaranteed by LPEI itself. Guarantee may also be performed with PT PII if LPEI's guarantee capacity is near the maximum limit.

The guarantee is provided against the financial obligations in terms of working capital loans received by business actors. These financial obligations include the principal arrears of loans and/or interest/benefits in connection with working capital loans as agreed in the loan agreement.

Business actors entitled to this guarantee include those who carry out activities to generate foreign exchange, save domestic foreign exchange, increase

national production capacity, and/or have a minimum of 300 employees.

In the guarantee program, LPEI is entitled to receive a guarantee fee (*Imbal Jasa Penjaminan*/IJP) of 100% for business actors with a loan ceiling of between IDR 10 billion and IDR 300 billion. Conversely, for business actors with a loan ceiling of IDR 300 billion to IDR 1 trillion, IJP is only 50% and the rest must be paid by the business actors themselves.

IJP is calculated using the IJP rate formula multiplied by the loan ceiling. IJP rate is stipulated by the Minister of Finance and may be adjusted every three months. The IJP rate adjustment must take into account the guarantee policy decision, LPEI's financial statements, the government's ability to allocate IJP, and data on nonperforming loan (NPL) projection, the size of the guarantee process, the loss limit threshold, and the loan term.

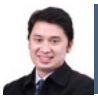
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