**DDTC Newsletter Vol.04 | No.06 |** September 2020

# VAT Borne by the Government Incentive for Mass Media and the National Implementation of E-Faktur 3.0

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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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# VAT Borne by the Government Incentive for Mass Media and the National Implementation of E-Faktur 3.0

## VAT Incentives on Imports and/or Supplies of Newspaper and Magazine Paper

The government grants a value added tax (VAT) borne by the government (*Ditanggung Pemerintah*/DTP) facility on imports and/or supplies of newspaper and/or magazine paper. This facility is provided as a form of support as well as an effort to address the impact of the Corona Virus Disease 2019 (Covid-19) pandemic on the productivity of the printed mass media.

The granting of the VAT DTP facility is outlined in the Minister of Finance Regulation No. 125/PMK.010/2020 concerning Value Added Tax on Imports and/or Supplies of Newspaper and/or Magazine Paper Borne by the Government for Fiscal Year 2020 (MoF Reg. 125/2020).

The facility for the 2020 fiscal year is provided for the imports of newspaper and/or magazine paper by press companies, either performed on their own or as an indentor. On another note, it is also granted for the supplies of newspaper and/or magazine paper to press companies.

A press company refers to an Indonesian legal entity that operates a press business in the form of a print media company that specifically organizes, broadcasts, or distributes information in the form of publishing newspapers, journals, bulletins, and magazines. Publishers of said newspapers, journals, newsletters, and magazines must be included in business classification (*Klasifikasi Lapangan Usaha*/KLU) 58130.

This KLU is the KLU listed in the 2019 Annual Income Tax Return that has been filed by the taxpayer, the 2018 Annual Income Tax Return, for taxpayers whose reporting obligations for the 2019 Income Tax Return is not yet due or the data contained in the taxpayer's master file), for new taxpayers registered after 2019.

This regulation outlines that the newspaper granted with the VAT DTP facility is the paper listed under HS Code 4801 of the 2017 Indonesian Import Duty Tariff Book (*Buku Tarif Kepabeanan Indonesia*/BTKI). Conversely, the magazine paper entitled to this facility is the paper listed under HS Code 4802, HS Code 4805, HS Code 4810, and HS Code 4811 in the 2017 BTKI.

This regulation, however, requires Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) that supply newspapers and/or magazine paper to prepare tax invoices as per applicable provisions and the report on VAT DTP realization.

The tax invoices must be given a note "VAT BORNE BY THE GOVERNMENT AS PER MoF Reg. No. 125/PMK.010/2020". The tax invoices must be reported in the Periodic VAT Returns as per applicable provisions by the PKP that supply newspaper and/or magazine paper. Tax invoices reported in the Periodic VAT Returns also serve as the report on VAT DTP realization.

Further, this regulation asserts that the supplies of newspapers and/or magazine paper that do not use tax invoices with the VAT DTP information shall not be provided with the VAT DTP incentives and are subject to VAT according to applicable provisions. Likewise, the supplies of newspaper and/or magazine paper whose tax invoices are not reported in the Periodic VAT Returns, will not be given VAT DTP incentives and will be subject to VAT as per applicable provisions.

The implementation and accountability of this VAT DTP subsidy are carried out as per the provisions under the Minister of Finance Regulations that stipulate the implementation and accountability mechanisms for DTP taxes.

Taking effect in 7 days as of 8 September 2020, this regulation also allows the Head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) on behalf of the Director General of Taxes to collect VAT payable in the event that data/information which shows the following three things is obtained:

i. the taxpayer is not entitled to government borne VAT facilities;

ii. the object supplied or imported does not constitute newspaper and/or magazine paper entitled to the facility based on this Ministerial Regulation; and/or

iii. the newspaper and/or magazine paper provided with this facility under this Ministerial Regulation is not used for the manufacture of newspapers and/or magazines.

## Regulation on the Reporting of Income Tax Rate Reduction Incentives for Publicly Listed Companies

The Ministry of Finance stipulates the format and procedures for submitting reports on the fulfillment of the requirements for the utilization of corporate income tax reduction for publicly listed companies. This policy is outlined in the Minister of Finance Regulation No. 123/PMK.03/2020 concerning the

Format and Procedures for Submitting Reports and List of Taxpayers in the Context of Fulfilling the Requirements for Income Tax Rates Reduction for Domestic Corporate Taxpayers in the Form of Publicly Listed Companies (MoF Reg. 123/2020).

Taking effect on 2 September 2020, this regulation is an implementing regulation of Government Regulation No. 30 of 2020. The ministerial regulation reaffirms the adjustments in the income tax rate for corporate resident taxpayers and permanent establishments, which will decline to 22% by 2020 and 2021. The rate will again decrease to 20% and take effect as of the 2022 tax year.

Under Article 3 paragraph (1) of this regulation, the Income Tax rate adjustments apply to resident taxpayers in the form of publicly listed companies entitled to a 3% lower rate insofar as the total number of paid shares paid to be traded on the Indonesian stock exchange is at least 40% and meet certain requirements.

The specific requirements to be met cover four aspects. *First,* shares that are released on the stock exchange must be owned by a minimum of 300 parties. *Second,* each party may only own shares of less than 5% of the total issued or fully paid shares. *Third,* the minimum share deposit requirements, number of parties, and percentage of share ownership of each party must be met for at least 183 calendar days in 1 tax year. *Fourth,* the publicly listed company taxpayers must fulfill the requirements by submitting a report to the Directorate General of Taxes (DGT).

The parties that own the traded shares must be parties other than the publicly listed companies that buy back their shares and parties affiliated with the publicly listed companies, such as the controlling shareholder or major shareholder.

As for the format of the report, this regulation stipulates two types of reports that must be submitted. *First,* a monthly report, which may take the form of share ownership of the issuer or the publicly listed company and a summary that has been reported from the Securities Administration Bureau. The monthly report is in the form of share ownership in the issuer or publicly listed company for the issuer and/or the publicly listed company that carries out its own securities administration.

Monthly reports are prepared for each tax year by including the name of the taxpayer, taxpayer identification number (*Nomor Pokok Wajib Pajak*/ NPWP), tax year, and a statement of compliance with the requirements referred to under Article 3 of MoF Reg. 123/2020. *Second*, the report of share ownership with a special relationship. This report is prepared as per the format outlined in Appendix A of MoF Reg. 123/2020. Further, the report is attached as part of the Annual Income Tax Return for each tax year.

Next, publicly listed company taxpayers that have been declared to meet the provisions under this regulation will be included in the list which is subsequently submitted to the Minister of Finance through the Director General of Taxes. The list of publicly listed company taxpayers is submitted no later than the end of each month after the relevant tax year ends.

In the event that the monthly report submitted by the Securities Administration Bureau fails to meet the requirements, the taxpayer will personally submit the monthly report using the format listed in Appendix C of this regulation. Provisions under Government Regulation No. 77 of 2013 still apply for publicly listed company taxpayers that submit Annual Income Tax Returns for the 2019 tax year and/or the previous tax year and/or corrections to the Annual Income Tax Returns for the 2019 tax year and/or the previous tax year.

## Deadline for the Imposition of MSME Final Income Tax for Corporate Taxpayers

The Directorate General of Taxes (DGT) conveys a warning on the imposition deadline for final income tax based on Government Regulation No. 23 of 2018 concerning Income Tax on Income from Businesses Received or Earned by Taxpayers with Certain Gross Turnover (Gov. Reg. 23/2018).

The warning on such a deadline is outlined in Announcement No. PENG-10/PJ.09/2020 concerning the Deadline for the Imposition of Final Income Tax Based on Government Regulation No. 23 of 2018 for Corporate Taxpayers.

Through this announcement, the DGT confirms the deadline for the imposition of final income tax based on Gov. Reg. 23/2018 for corporate taxpayers in the form of Limited Liability Companies (*Perseroan Terbatas*/ PT) that have utilized the final Income Tax under Gov. Reg. 23/2018 from 2018 until the end of the 2020 tax year. Conversely, for corporate taxpayers in the form of a cooperative, limited partnership, or firm that utilizes final Income Tax under Gov. Reg. 23/2018 since 2018, the final income tax under said regulation shall be valid until the end of the 2021 tax year.

After the expiration of this period, corporate taxpayers must fulfill their tax obligations as per the general provisions of the Income Tax Law for the following tax year. This is in accordance with the provisions in Article 5 paragraph (1) of Gov. Reg. 23/2018 which stipulates that the deadline for the imposition of final Income Tax based on Gov. Reg. 23/2018 shall be valid for a maximum of three tax years for corporate taxpayers in the form of PT and four tax years for corporate taxpayers in the form of cooperatives, limited partnerships (CV), or firms.

## Implementation of *e-Faktur* 3.0

To improve the ease of services to Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP), the Directorate General of Taxes (DGT) will release *e-Faktur* version 3.0 application on the national scale. The national implementation of the *e-Faktur* version 3.0 application is to be carried out on 1 October 2020.

The implementation period is outlined in Announcement No. PENG-11/PJ.09/2020 concerning the National Implementation of *E-Faktur* Desktop Version 3.0 Application. Through this announcement, the Director of Tax Dissemination, Service, and Public Relations, Hestu Yoga Saksama, emphasizes five things to be considered by PKP.

i. The implementation of *e-Faktur* version 3.0 will be enacted on 1 October 2020. All Taxable Persons for VAT Purposes can download the latest application at https://efaktur.pajak.go.id.

ii. To prevent corrupt databases, application users need to back up the database (db folder currently in use).

iii. For the application to run smoothly, users need to copy the database (db folder) in the old application which is subsequently moved in the latest *e-Faktur* application folder.

iv. This version 3.0 application contains various new features, including prepopulated input taxes in the form of import declarations, prepopulated input taxes in the form of e-invoices, prepopulated VAT refunds, synchronization of stamp codes on *e-Faktur* application, and prepopulated Periodic VAT Returns.

v. For further information, please contact Kring Pajak at 1500 200 or www.pajak.go.id.

## Postponement of Trial Proceedings at the Tax Court

Trial proceedings at the tax court are suspended for the following week. This policy is outlined in the Chairperson of the Tax Court Circular No. SE-015/PP/2020 concerning the Postponement of Trial Proceedings Due to Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar*/PSBB) in the DKI Jakarta Province (SE-015/2020).

This policy has been implemented due to the re-imposition of temporary restrictions on working activities in workplaces/offices to address Corona Virus Disease (Covid-19). This circular is intended to provide information and legal certainty regarding the implementation of trial proceedings at the Tax Court and to protect judges, registrars, employees, and all users of Tax Court services from Covid-19.

Trial proceedings at the Tax Court, including electronic trials, which were originally scheduled from 14 September 2020 to 18 September 2020, are postponed and subject to rescheduling with further notification. The panel of judges or a single judge, according to the mandate in the circular, instructs the alternate registrar to notify concerned parties about the postponement of trial proceedings through electronic media or other media as well as record it in the trial minutes.

Trial proceedings at the Tax Court, including electronic trials, will resume starting 21 September 2020. Despite the postponement of the trials, administrative and face-to-face services remain available. Stipulated on 11 September 2020, the circular has come into force thereafter.

Next, in line with the postponement of trial proceedings at the Tax Court, the Chairperson of the Tax Court has also issued guidelines for the adjustment of trial proceedings. Guidelines as the follow-up to SE-015/2020 are regulated under the Chairperson of the Tax Court Circular No. SE-016/PP/2020 concerning Guidelines for the Adjustment of Trial Proceedings as a Follow-up to the Chairperson of the Tax Court Circular No. SE-015/PP/2020 (SE-016/2020). This regulation is intended as the guideline for the deadline of the preparation and implementation of trial proceedings.

Two provisions are stipulated under this circular. First, the trial preparation period does not take into account the period from 14 to 20 September 2020 (7 days) in the calculation of the period under the provisions of Article 48 of Law No. 14 of 2002 concerning the Tax Court. *Second*, the trial proceeding period does not

take into account the period from 14 to 20 September 2020 (7 days) either in the calculation of the period regulated under the provisions of Article 81 and Article 82 of Law No. 14 of 2002 concerning the Tax Court.

In the event that further provisions concerning the implementation of the circular are required, the Chairperson of the Tax Court will stipulate such provisions separately. Stipulated on 14 September 2020, this regulation has taken effect thereafter.

## 2020 Regional Fiscal Capacity Maps

The majority of local governments, both provincial and regency/municipal governments, have a low level of regional fiscal capacity (*Kapasitas Fiskal Daerah*/ KFD). The KFD level is outlined in the Minister of Finance Regulation No. 120/PMK.07/2020 concerning KFD Maps (MoF Reg. 120/2020). Promulgated on 1 September 2020, this regulation lists KFD maps of all regions, provinces, and regencies/cities in Indonesia.

KFD refers to the financial capacity of each region which is reflected in the regional revenues less the revenues whose use has been determined and certain expenditures. A KFD map, on the other hand, refers to a description of regional financial capacity grouped by the KFD index.

Provincial/regency/city KFD maps are prepared in two stages. *First,* calculating the KFD of a province/ regency/city. KFD is calculated by subtracting regional revenues by revenues whose use has been determined and expenditures.

Said regional revenues include local own-source revenues, balance funds, and other legal revenues. Conversely, revenues whose use has been determined include, among others, tobacco excise revenue sharing funds, physical special allocation funds, non-physical special allocation funds, special autonomy funds, and profit-sharing funds of mineral and gas natural resources in the framework of special autonomy.

Further, certain expenditures include personnel spending, interest spending, grant spending for new autonomous regions, production sharing expenditures, and village fund allocations (for regencies/cities). *Second,* calculating the provincial/regency/city KFD index. The KFD index is calculated by dividing the value of the fiscal capacity of a region with the average KFD of all regions.

Based on the KFD index, provinces/regencies/cities are grouped into five categories of fiscal capacity ranging from very low, low, medium, high, to very high. The KFD index serves as the basis for classifying regional financial capacity to compile KFD maps.

Based on the KFD maps listed under MoF Reg. 120/2020 appendix, nine provinces out of 34 provinces in Indonesia are categorized in the very low KFD, among others, West Sulawesi, West Papua, and Gorontalo. Next, eight provinces are grouped in the low KFD category, such as Jambi, West Nusa Tenggara, and Southeast Sulawesi.

Subsequently, eight provinces are included in the medium KFD category, such as West Sumatra, Lampung, and Central Kalimantan. Moreover, five provinces are categorized as having high fiscal capacity, including South Sulawesi and East Kalimantan. Finally, four provinces are in the very high KFD category, including DKI Jakarta, West Java, Central Java, and East Java.

In terms of regency/city KFD maps, however, 126 out of 508 regencies/cities are classified in the very low KFD category, including Sabang City and Pasuruan City. Next, 128 regencies/cities fall into the low KFD category, such as Bukittinggi City, North Lombok Regency, and Batu City.

On another note, 126 regencies/cities are included in the medium KFD category, such as Raja Ampat Regency, Kendari City, and Palangka Raya City. Next, 91 regencies/cities fall into the high KFD category, including Cirebon Regency, Malang Regency, and Manado City. Finally, 37 regencies/cities are in the very high KFD category, such as Balikpapan City, Tangerang Regency, and Surabaya City. Details of the KFD maps are listed in the appendix of MoF Reg. 120/2020.

KFD maps may be utilized for three things. *First,* as considerations in determining grant-receiving regions. *Second,* the regional government determines the amount of co-funding –if so required –. *Third,* other uses as per statutory regulations.

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