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Implementation of the DGT's Vertical Agency Reorganization, What has Changed?

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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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Implementation of the DGT's Vertical Agency Reorganization, What has Changed?

Implementation Guidelines for the DGT's Vertical Agency Reorganization

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The Director General of Taxes issues a special circular which serves as the guidelines for the implementation of vertical reorganization as per the Minister of Finance Regulation No. 184/2020. The implementation guidelines are outlined in Circular No. SE-30/PJ/2021 concerning the Implementation Guidelines for the Reorganization of the Directorate General of Taxes' Vertical Agencies Based on the Minister of Finance Regulation No. 184/PMK.01/2020 concerning Amendments to the Minister of Finance Regulation No. 210/PMK.01/2017 concerning the Organization and Working Procedures of Vertical Agencies (SE-30/2021).

This circular is intended as the guidelines for the implementation of public administration, personnel administration, performance management, budget, and management of state property (*Barang Milik Negara*/BMN) in the context of reorganizing the DGT's vertical agencies. Nine important points are stipulated under SE-30/2020 regarding the reorganization of the DGT's vertical agencies. *First*, the implementation of public administration. This section regulates the use of the official letters prior to the implementation and upon the implementation. *Second*, work administration in the electronic official letter application prior to the implementation and upon the implementation.

Third, the implementation of job monitoring on the Directorate General of Taxes Information System (*Sistem Informasi Direktorat Jenderal Pajak*/SIDJP) application. Prior to the implementation, the Work Unit monitors the completion of tax administration in the SIDJP and SIDJP Nine Administrasi applications. *Fourth,* the implementation of duties and functions until the stipulation of job descriptions by the competent authorities. Each structural official within the Tax Office (*Kantor Pelayanan Pajak*/KPP) and the Tax Services, Dissemination, and Consultation Service Office (*Kantor Pelayanan, Penyuluhan, dan Konsultasi Perpajakan*/KP2KP) carries out a job description with reference to the table of job descriptions as per Annex C. Executors within the new Work Unit help carry out the structural officials' job descriptions within their respective environment.

Fifth, the implementation of working procedures until the establishment of standard operating procedures (SOPs) by the competent authorities. Standardized working procedures within the Directorate General of Taxes refer to the SOPs that have been set periodically based on the Director General of Taxes Decree concerning the stipulation of SOPs within the Directorate General of Taxes. Work Units subject to changes in their duties and functions carry out work procedures with reference to the SOP List of Changes in the Nomenclature of SOP Owners as referred to in Annex D. Working procedures that have not been and/or are not standardized with SOPs are carried out as per the procedures stipulated under the prevailing statutory provisions.

Sixth, personnel administration. In this section, the Director General of Taxes stipulates that the allocation of the number of employees in each work unit complies with the number stipulated in the formation standards. In the event that the availability of employees does not meet the formation standards, the head of the work unit may adjust the allocation of the number of employees according to the priority scale.

Evaluation and performance evaluation of employees who have been transferred in connection with the implementation of the DGT's vertical reorganization are required to complete the achievements of Employee Performance Targets (*Sasaran Kerja Pegawai*/SKP). Moreover, point six also outlines the technical guidelines concerning the personnel database updating, performance contract and employee performance target drafting, and online attendance.

Seventh, performance management. Performance management in work units undergoing reorganization refers to the provisions under the Minister of Finance

Regulation No. 184/PMK.01/2020. Performance contracts, on the other hand, are prepared based on the Minister of Finance Decree No. 467/KMK.01/2014. Work units subject to changes in the type of KPP or changes in nomenclature continue to prepare said work units' Organizational Performance Index (*Nilai Kinerja Organisasi*/NKO) report which comprises NKO calculation and supporting evidence or documents.

Eighth, the implementation of budget administration at KPP undergoing changes in type. Prior to the implementation, KPP subject to changes in type coordinates with related parties to prepare needed employees who met the requirements to serve as treasury officials. KPP must also ensure that budget execution activities that have already begun can be completed prior to the implementation and all invoices of budget execution activities are settled.

During the implementation, on the other hand, KPP will immediately assign a treasury official other than the Budget User Proxy (*Kuasa Pengguna Anggaran*/KPA), i.e. the Commitment-Making Official (*Pejabat Pembuat Komitmen*/PPK), the Payment Order Signatory Official (*Pejabat Penandatangan Surat Perintah Membayar*/PPSPM), and the Expenditure Treasurer and Assistant Expenditure Treasurer (if so required). Next, KPP coordinates with the State Treasury Office (*Kantor Pelayanan Perbendaharaan Negara*/KPPN) regarding the registration of new treasury officials, the granting of access to applications, and the continuation of the procurement contract.

Ninth, the state property management in work units that have undergone changes in the type of KPP or changes in nomenclature. During the preparation for the implementation, the Property User Proxy at KPP subject to changes in type shall take inventory of all BMN and documents related to BMN management along with applications with an ongoing process in BMN management. Proposals for BMN management and transfer of BMN may be submitted after the implementation starts.

For work units not subject to changes in accounting identity, the Property User Proxy coordinates with the local State Property and Auction Office (*Kantor Pelayanan Kekayaan Negara dan Lelang*/KPKNL) regarding changes in work unit nomenclature. On the other hand, for work units subject to changes in accounting identity, the Property User Proxy performs a physical handover of BMN and records the incoming transfers of BMN on the BMN administration application. The start of implementation is the date of operation or implementation of the DGT's vertical reorganization based on MoF Reg. 184/2020, i.e. 24 May 2021.

Changes in Details of Taxpayers Registered or Transferred from Medium Tax Offices

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The Directorate General of Taxes (DGT) changes the time of registration (*Saat Mulai Terdaftar*/SMT) for certain taxpayers who are registered and confirmed as Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) at the Medium Tax Offices from 3 May 2021 to 24 May 2021.

The change in SMT is outlined in the Director General of Taxes Decree No. KEP-176/PJ/2021 concerning Amendments to the Director General of Taxes Decree No. KEP-116/PJ/2021 concerning the Place of Business Registration and Reporting for Taxpayers at Medium Tax Offices (KEP-176/2021). Promulgated on 30 April 2021, KEP-176/2021 has come into force thereafter.

The DGT revises the SMT to adjust to the changes in SMT as stipulated under the Director General of Taxes Decree No. KEP-146/PJ/2021 concerning Amendments to the Director General of Taxes Decree No. KEP-28/PJ/2021 concerning the Implementation of Organization, Working Procedures, and Start of Operation of the Vertical Agencies of the Directorate General of Taxes as Stipulated under the Minister of Finance Regulation No. 184/PMK.01/2020 concerning Amendments to the Minister of Finance Regulation No. 210/PMK.01/2017 concerning Organization and Working Procedures of Vertical Agencies of the Directorate General of Taxes (KEP-146/2021).

Formerly, through the Director General of Taxes Decree No. KEP-116/PJ/2021 concerning the Place of Business Registration and Reporting for Taxpayers at Medium Tax Offices (KEP-116/2021), the Director General of Taxes has stipulated the details of certain taxpayers who are transferred from Small Tax Offices to Medium Tax Offices or from the old Medium Tax Offices to the new Medium Tax Offices.

However, changes in the residence or domicile of taxpayers covering different working areas of the

DGT's Regional Office have resulted in a mismatch between the taxpayers' domicile areas and the working areas of the destination Medium Tax Offices based on KEP-116/2021.

On another note, there are changes in the data or conditions of taxpayers that occur after the stipulation of KEP-116/2021. As such, the Director General of Taxes has amended several attachments containing details of certain taxpayers that are registered and/or confirmed as PKP at the Medium Tax Offices under KEP-116/2021 to those stipulated under KEP-176/2021.

Changes in Details of Taxpayers Transferred from Medium Tax Offices



The Directorate General of Taxes (DGT) changes the time of registration (*Saat Mulai Terdaftar*/SMT) for certain taxpayers who are transferred from Medium Tax Offices. Previously set on 3 May 2021, SMT has now been revised to 24 May 2021.

The changes in SMT are outlined in the Director General of Taxes Decree No. KEP-177/PJ/2021 concerning Amendments to the Director General of Taxes Decree No. KEP-117/PJ/2021 concerning the Transfer of Taxpayers from Medium Tax Offices (KEP-177/2021).

DGT amends the SMT to adjust to the changes in SMT as stipulated in the Director General of Taxes Decree No. KEP-146/PJ/2021 concerning Amendments to the Director General of Taxes Decree No. KEP-28/PJ/2021 concerning the Implementation of Organization, Working Procedures, and Start of Operation of the Vertical Agencies of the Directorate General of Taxes as stipulated in the Minister of Finance Regulation No. 184/PMK.01/2020 concerning Amendments to the Minister of Finance Regulation No. 210/PMK.01/2017 concerning the Organization and Working Procedure of Vertical Agencies of the Directorate General of Taxes (KEP-146/2021).

Formerly, through the Director General of Taxes Decree No. KEP-117/PJ/2021 concerning the Transfer of Taxpayers from Medium Tax Offices (KEP-117/2021), the Director General (Dirjen) of Taxes has stipulated the details of taxpayers who are transferred from the Medium Tax Offices.

Based on the evaluation results, however, there are taxpayers who no longer meet the criteria to be registered at Medium Tax Offices, but are not yet listed in Annex of KEP 117/2021. To that end, the Director General of Taxes amends several annexes that contain details of taxpayers that are transferred from Medium Tax Offices under KEP-117/2021 to those stipulated under KEP-177/2021.

Changes in Duties, Responsibilities, Requirements, and Number of Account Representatives at Tax Offices



The Ministry of Finance amends the duties, responsibilities, requirements, and number of account representatives (AR) at Tax Offices (*Kantor Pelayanan Pajak*/KPP). The Ministry of Finance renders these changes to adapt to the organizational arrangements and working procedures of the DGT's vertical agencies.

Changes in duties, responsibilities, requirements, and the number of AR are outlined in the Minister of Finance Regulation No. 45/PMK.01/2021 concerning Account Representatives at Tax Offices (MoF Reg. 45/2021). On another note, these changes are intended to improve the effectiveness and optimize the implementation of AR tasks at KPP.

Promulgated on 5 May 2021, MoF Reg. 45/2021 has taken effect thereafter. The enactment of MoF Reg. 45/2021 simultaneously revokes the Minister of Finance Regulation No. 79/PMK.01/2015 concerning Account Representatives at Tax Offices (MoF Reg.

79/2015).

AR refers to an executive position at KPP with several levels of positions pursuant to statutory provisions. In further detail, through MoF Reg. 45/2021, the DGT stipulates seven tasks for AR to carry out, including:

(i) analyzing, elaborating, to ensure that taxpayers and tax management comply with taxation statutory provisions through planning, implementation, and follow-up of intensification and extensification based on data collection and mapping of tax subjects and objects;

(ii) performing territorial control, observing tax potentials, and controlling information;

(iii) searching, collecting, processing, researching, analyzing, updating, and following-up on tax data;

(iv) performing taxation control of taxpayers;

(v) drafting appeals and performing counseling to taxpayers;

(vi) performing supervision and follow-up monitoring of data and information including but not limited to tax returns, third party data, and tax amnesty data;

(vii) carrying out administrative management of stipulations and drafting the concept of legal product issuance and tax control products.

In carrying out the seven tasks, an AR is responsible to the supervising officer as his direct supervisor. The tasks set out under MoF Reg. 45/2021 differ from those set out under MoF Reg. 79/2015.

Formerly, pursuant to MoF Reg. 79/2015, AR was divided into two types, including: (i) AR that carries out taxpayer service and consulting function; and (ii) AR that supervises and explores taxpayers' potential. The two types of AR carry out different tasks, as listed in Table 1.

Table 1 Job Description of AR Based on MoF Reg. 79/2015

No	Job Description of AR	
	Taxpayer Service and Consulting Function	Supervision and Exploration of Taxpayers' Potential Function
1	completing taxpayers' application	supervising taxpayer compliance of tax obligations
2	settling proposed correction of tax rulings	compiling taxpayer profile
3	providing tax technical guidance and consultation to taxpayers	analyzing taxpayer performance
4	finalizing the proposed reduction of land and building tax	reconciling taxpayer data in the context of intensification and appeal to taxpayers

Source: MoF Reg. 79/2015.

MoF Reg. 45/2021 also states that the division of taxpayers or working areas that constitutes the scope of AR's duties and their number is stipulated by the Head of KPP. The Head of KPP determines the number of AR as per the availability of the DGT's employees, workload, and potential tax revenues at the relevant KPP. AR shall be appointed and dismissed by the Director General of Taxes pursuant to statutory provisions.

Further, MoF Reg. 45/2021 stipulates the positions and job ranks of AR referring to the Minister of Finance Decree concerning positions and job ranks for executors within the Ministry of Finance. Within the KPP, the positions and job ranks are stipulated by small leaders who administratively oversee said KPP and on behalf of medium leaders.

In addition to revising tasks, MoF Reg. 45/2021 also amends the requirements for DGT employees to be appointed as AR. Referring to Article 6 paragraph (1) of MoF Reg. 45/2021, four conditions are to be met for DGT employees to be appointed as AR.

First, having a Civil Servant (*Pegawai Negeri Sipil*/ PNS) status. *Second*, having worked for a minimum of 2 years. *Third*, minimum education level of Diploma III. *Fourth*, upon proposed appointment, having the lowest rank/rank group of Supervisor (II/c).

There are more requirements than in the previous regulation. Formerly, MoF Reg. 79/2015 only stipulated 2 requirements. *First*, passing formal education of high school at the minimum. *Second*, the lowest rank at the time of recommendation is Supervisor (Group II/c).

Similar to the previous provisions, however, the appointment as AR must take into account the availability of the DGT's employees, workload, and potential tax revenues at the relevant Tax Office.

As for employees who have been appointed as AR before the enactment of MoF Reg. 45/2021, they shall remain in office and are recognized as AR. These employees must also carry out their duties as per the provisions under MoF Reg. 45/2021 until said employees are appointed as Tax Auditors or Tax Auditor Assistants or other positions.

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Procedures for Risk-Based Business Licensing Services and Application of Investment Fiscal Facilities through the OSS System

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The Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*/BKPM) has released a regulation that serves as guidelines and procedures for risk-based business licensing services and investment facilities that are electronically integrated, standardized, timely, simple, and transparent.

These guidelines and procedures are outlined in the Indonesian Investment Coordinating Board Regulation No. 4 of 2021 concerning Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (PER BKPM 4/2021). BKPM releases this regulation to render legal certainty in the process of implementing risk-based business licensing.

Risk-based business licensing refers to business licensing based on the risk level of businesses. Risk-based business licensing is managed and implemented through the Online Single Submission (OSS) System which is administered by an OSS Institution (BKPM).

The guidelines and service procedures are intended as the implementation guidelines of risk-based business licensing and provision of investment facilities for seven parties, *inter alia*: (i) OSS Institution (BKPM); (ii) ministries/agencies; (iii) provincial One-Stop Investment Service (*Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu*/DPMPTSP) and technical regional apparatus; (iv) regency/municipal DPMPTSP and regency/municipal technical regional apparatus; (v) administrators of Special Economic Zones (*Kawasan Ekonomi Khusus*/KEK); (vi) Public Service Agency of Free Trade Zone and Free Port (*Kawasan Perdagangan Bebas dan Pelabuhan Bebas*/KPBPB); and/or (vii) other business players and the general public.

In further detail, two types of services are regulated under PER BKPM 4/2021. *First,* the business licensing issuance service. This service consists of seven types of services, including: (i) business player data and business data; (ii) issuance of risk-based business licensing; (iii) issuance of business licensing to support businesses; (iv) issuance of risk-based business licensing for micro and small enterprises (MSEs); (v) changes in business data; (vi) business development; and (vii) business mergers, consolidations, and liquidations.

Second, investment facility services. This service includes two types of services, i.e. fiscal facility services and non-fiscal facility services. The guidelines and procedures to acquire investment facility services in the form of fiscal facilities through the OSS system stipulated under this regulation include the following seven facilities:

(i) import duty exemptions on imports;

(ii) income tax for investments in certain business sectors and/or in certain regions;

(iii) corporate income tax reduction;

(iv) corporate income tax reduction and income tax facilities for investments in certain business sectors and/or in certain areas in KEK;

(v) gross income reduction for certain research and development activities in Indonesia;

(vi) gross income for the implementation of internship, apprenticeship, and/or learning in the framework of fostering and developing certain competency-based human resources; and

(vii) net income reduction for new investments or business spin-offs in certain business sectors that constitute labor-intensive industries.

Details of the facility coverage, facility-receiving objects, provisions on the granting of facilities, as well as procedures for the application and provisions on the approval for the granting of facilities for all types of fiscal facilities are outlined in Chapter V of PER BKPM 4/2021.

Moreover, PER BKPM 4/2021 states that business players that already obtain Business Identification Numbers (*Nomor Izin Berusaha*/NIB) and business licenses based on commitments or have not been effective as stipulated under Government Regulation No. 24 of 2018 shall be notified through the OSS system. The notification states that said business players are obliged to reconfirm the previous business data. Further, the OSS system will adjust the confirmation of business data to the risk-based business licensing.

In the event that the old business license has been adjusted to the risk-based business license, the OSS system will notify the relevant ministries/ non-ministerial government agencies as well as the business player. This notification will be employed as the basis for the application process for various investment facilities.

Promulgated on 1 April 2021, PER BKPM 4/2021 shall take effect as of 2 June 2021. The enactment of PER BKPM 4/2021 simultaneously revokes the Indonesian Investment Coordinating Board Regulation No. 6 of 2018 concerning Guidelines and Procedures for Licensing and Investment Facilities as amended by the Indonesian Investment Coordinating Board Regulation No. 5 of 2019.

Moreover, the enactment of PER BKPM 4/2021 also revokes the Indonesian Investment Coordinating Board Regulation No. 1 of 2020 concerning Guidelines for the Implementation of Electronically Integrated Licensing Services.

PER BKPM 4/2021 also stipulates that applications for business licenses submitted before this regulation takes effect shall be processed using the OSS system and/or applicable procedures until the enactment of PER BKPM 4/2021. Business licenses held by business players that are still valid before the promulgation of PER BKPM 4/2021 may continue to be used as per their respective businesses. However, if said business players do not yet have NIB, they are obliged to register for NIB through the OSS system.

Next, for business players that have applied for business licenses prior to the enactment of the PER BKPM 4/2021, but the business licenses have not yet been issued, their licenses shall be processed through the OSS system as per the provisions under PER BKPM 4/2021. On another note, for business players that have obtained business licenses before the enactment of PER BKPM 4/2021 and require new business licenses, the following provisions shall apply:

(i) applications and issuance of business licenses for business development and/or activities or commercial or operational activities shall be carried out through the OSS system by completing data and/or meeting requirements as per statutory provisions;

(ii) business players shall be granted Business Licensing as per statutory provisions.

Stipulation of Export Prices for the Calculation of May 2021 Export Duties

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The Minister of Finance has stipulated export prices for several commodities for the May 2021 period. The export prices are stipulated in the Minister of Finance Decree No. 16/KM.4/2021 concerning the Stipulation of Export Prices for the Calculation of Export Duties (MoF Decree 16/2021).

The export prices are required for the calculation of export duties on several commodities of which the exports are subject to export duties. Through the decree signed on 30 April 2021, the Minister of Finance stipulates export prices for the calculation of export duties on three types of commodities.

First, the export prices for the calculation of export duties on exported goods in the form of wood and leather. Details of export prices for wood and leather are listed in Annex A of MoF Decree 16/2021. Referring to the annex, export goods in the form of leather are segmented into three groups, i.e. raw hides and skins from animals, hides and pickled skins from animals, and tanned hides from animals.

Exported goods in the form of wood, on the other hand, are segmented into three groups, i.e. veneer, wood chips, and processed wood. As for veneer wood, the export price is set from US$400/$m^3$ to US$800/$m^3$ depending on the type. Furthermore, for wood chips, in the form of chips/shards and wood, the price is US$61/ton. Next, for processed wood, the export price is set at US$300/$m^3$ to US$3,500/$m^3$, depending on the type.

Second, the export prices for the calculation of export duties on exported goods in the form of cocoa beans. Details of export prices for cocoa beans are listed in Annex B of MoF Decree 16/2021. Referring to the annex, the export price of cocoa beans included in the HS Code 1801.00.00 is set at US$2,130/MT.

Third, the export prices for the calculation of export duties on exported goods in the form of metal mineral processing products and metal mineral products with certain criteria. Details of export prices for metal mineral processing products and metal mineral products with certain criteria are listed in Annex C of MoF Decree 16/2021.

In addition to setting export prices, MoF Decree 16/2021 includes reference prices set by the Minister of Trade for two types of commodities. *First*, the reference price for palm oil, Crude Palm Oil (CPO), and its derivative products as well as mixed products from CPO and its derivative products is set at US$1,110.68/MT. *Second,* the reference price for cocoa beans is set at US$2,415.00/MT.

Through this decree, the Minister of Finance also emphasizes that the types of exported goods subject to export duties and the amount of the export duty tariff are as stated in Annex II of the Minister of Finance Regulation No. 166/PMK.010/2020 concerning the Second Amendment to the Minister of Finance Regulation No. 13/PMK.010/2017 concerning the Stipulation of Exported Goods Subject to Export Duties and Export Duty Tariffs (MoF Reg. 166/2020).

MoF Decree 16/2021 comes into force from 1 May 2021 to 31 May 2021. However, in the event that the export prices stipulated under MoF Decree 16/2021 have expired and new export prices are not yet stipulated, the export prices stipulated under MoF Decree 16/2021 shall remain in effect as the basis for calculating export duties until new export prices are set.

Motor Vehicle Tax and Transfer of Motor Vehicle Title Fee Reduction Incentives

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Implementation of the DGT's Vertical Agency Reorganization, What has Changed?

Home Affairs Minister Tito Karnavian has released a circular recommending local governments to relax local taxes related to motor vehicles. The policy recommendations are outlined in the Minister of Home Affairs Circular No. 973/2894/SJ concerning Motor Vehicle Tax and Transfer Motor Vehicle Title Fees Reduction Incentives (SE Mendagri-973/2894/SJ).

The regulation has been released to support the government's efforts to maintain a conducive business climate in the motor vehicle industry sector which has been affected by the Corona Virus Disease 2019 (Covid-19) pandemic. Through this circular, the Minister of Home Affairs conveys three policy recommendations pertaining to the provision of regional tax incentives for motor vehicles.

First, the governor may stipulate a reduction of Motor Vehicle Tax (*Pajak Kendaraan Bermotor*/PKB) and Transfer of Motor Vehicle Title Fee (*Bea Balik Nama Kendaraan Bermotor*/BBNKB) for motor vehicles listed in the Minister of Industry Decree No. 169 of 2021 concerning Motor Vehicles with Sales tax on Luxury Goods on Supply of Taxable Goods Classified as Luxurious Borne by the Government in Fiscal Year 2021 (Kepmenperin-169/2021).

Second, the governor stipulates the imposition of PKB and BBNKB for Battery-Based Electric Motor Vehicles (*Kendaraan Bermotor Listrik Berbasis Baterai*/KBLBB) for people or goods, public transportation for people, and public transportation for goods at a maximum of 10% of the tax base of PKB and BBNKB as per statutory provisions.

Third, the governor/regent/mayor provides incentives of exemptions and/or reduction of parking taxes and/or fees, provides incentives of exemptions from motor vehicle testing fees, and exempts the implementation of odd-even policy, and facilitates the construction of operational support facilities as per their respective authority for KBLBB.

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