

PROVISIONS ON TAX AUDITS DURING THE TRANSITIONAL PERIOD OF CHANGES IN TAX OFFICE TYPES



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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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PROVISIONS ON TAX AUDITS DURING THE TRANSITIONAL PERIOD OF CHANGES IN TAX OFFICE TYPES

Provisions on Tax Audits during the Transitional Period of Changes to Tax Office Types



The tax authorities postpone the time of registration (*Saat Mulai Terdaftar/SMT*) for taxpayers registered or confirmed as Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak/PPK*) at the new Small Tax Offices (*Kantor Pelayanan Pajak/KPP*) or Medium Tax Offices from 3 May 2021 to 24 May 2021.

In light of the postponement of SMT, the authorities also revise the provisions on tax audits carried out during the transitional period of changes to KPP types from Small Tax Offices to Medium Tax Offices as part of the Directorate General of Taxes' (DGT) vertical unit reorganization.

The SMT postponement and the amendment to the provisions on tax audits are outlined in the Director General of Taxes Regulation No. PER-09/PJ/2021 concerning Amendments to the Director General of Taxes Regulation No. PER-06/PJ/2021 concerning Administrative Procedures for the Transfer of Taxpayers' Places of Registration and/or Places of Business Reporting for Taxable Persons for VAT Purposes in the Context of Reorganization of the Directorate General of Taxes' Vertical Agencies ([PER-09/2021](#)).

The changes listed in PER-09/2021 are aimed at adjusting to the postponement of the implementation time of the organization, work procedures, and the start of operation of the DGT's vertical agencies affected by the reorganization, from 3 May 2021 to 24 May 2021.

In further detail, PER-09/PJ/2021 specifies that the following six provisions apply to audits carried out by the old Small Tax Offices subject to changes in the type of KPP.

First, routine audits other than on tax returns of refund overpayment and special audits, the stipulation of

which expires on 31 August 2021, shall be completed by the old Small Tax Office no later than 7 May 2021.

Second, routine audits other than on tax returns of refund overpayment and special audits, the stipulation of which expires after 31 August 2021, the following provisions shall apply:

- (i) completed by Small Tax Offices no later than 7 May 2021, in the event that the Notification of Tax Audit Findings (*Surat Pemberitahuan Hasil Pemeriksaan/SPHP*) has been submitted to the taxpayer by 27 April 2021;
- (ii) transferred to the new Small Tax Office or Medium Tax Office on 3 May 2021, in the event that SPHP has not been submitted to the taxpayer by 19 March 2021.

Third, audits for other purposes on the application for the deletion of Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*) or the revocation of PKP confirmation for which the issuance deadline of the decree falls up to 31 August 2021, shall be completed by the old Small Tax Office no later than 7 May 2021.

Fourth, audits for other purposes on the application for the deletion of NPWP or the revocation of PKP confirmation for which the issuance deadline of the decree falls after 31 August 2021, shall be transferred to the new Small Tax Office or Medium Tax Office on 24 May 2021.

Fifth, audits for other purposes other than on the application for the deletion of NPWP or the revocation of PKP confirmation for which the application is submitted by 19 March 2021, shall be completed by the old Small Tax Office no later than 7 May 2021.

Sixth, audits for other purposes other than on the application for the deletion of NPWP or the revocation of PKP confirmation for which the application is submitted after 19 March 2021, shall be completed by the new Small Tax Office or Medium Tax Office.

Further, the following provisions shall apply to the application for refunds of tax overpayments based on Article 17B of the General Tax Provisions and Procedures Law implemented by the old Small Tax Offices subject to changes in the type of KPP:

- (i) requests for refunds of which the issuance deadline of the Notice of Tax Assessment falls up to 31 August 31, the old Small Tax Office shall complete the audits by 7 May 2021 and issue a Notice of Tax Assessment (*Surat Ketetapan Pajak/SKP*) and/or Notice of Tax Collection (*Surat Tagihan Pajak/STP*) pursuant to statutory provisions in the taxation sector;

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(ii) requests for refunds of which the issuance deadline of the Notice of Tax Assessment falls after 31 August 2021:

- a. shall be completed by the old Small Tax Office no later than 7 May 2021, in the event that SPHP has been submitted to taxpayers by 27 April 2021, and the new Small Tax Office or Medium Tax Office issues SKP and/or STP pursuant to statutory provisions in the taxation sector; or
- b. shall be transferred to the new Small Tax Office or Medium Tax Office on 24 May 2021, in the event that SPHP has not been submitted to taxpayers by 27 April 2021.

Provisions on the Changes in the Duties and Functions of Two Divisions in the Regional Office



The Director General of Taxes stipulates changes in the duties and functions of two divisions at the regional office (*Kantor Wilayah/Kanwil*) other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office. The changes are outlined in the Director General of Taxes Decree No. KEP-150/PJ/2021 concerning the Stipulation of Changes in Duties and Functions in the Division of Data and Tax Potential Supervision in Regional Offices Other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office ([KEP-150/2021](#)).

This regulation has been issued to improve the effectiveness of the performance of supervision and exploration of tax potentials and to align with changes in duties and functions at Small Tax Offices (*Kantor Pelayanan Pajak/KPP*). One of the underlying considerations for the issuance of this decree is the changes in the duties and functions of KPP based on the Director General of Taxes Decree No. KEP-75/PJ/2020 concerning the Stipulation of Changes in Duties and Functions of Small Tax Offices and the

Minister of Finance Regulation No. 210/PMK.01/2017 concerning the Organization and Work Procedures of Vertical Agencies of the Directorate General of Taxes as amended by the Minister of Finance Regulation No. 184/PMK.01/2020 (MoF Reg. 210/2017 as amended by MoF Reg. 184/2020).

Next, as per the First Dictum number 1 of the Minister of Finance Decree No. 605/KMK.01/2015 concerning the Delegation of Authority of the Minister of Finance to the Director General of Taxes Related to the Details of Duties, Functions, Locations, Positions, and Work Areas within the Directorate General of Taxes (DGT), the Directorate General of Taxes is given the authority to stipulate the duties and functions of Echelon III downward to vertical agencies within the DGT.

The duties and functions of the two divisions have been subject to changes, i.e. the **Division of Data and Tax Potential Supervision** and the **Division of Tax Registration, Extensification, and Valuation**. In the First Dictum, the authorities revise the duties and functions of the Division of Data and Tax Potential Supervision at Regional Offices other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office as referred to under Article 32 and Article 33 of MoF Reg. 210/2017 as amended by MoF Reg. 184/2020.

The Division of Data and Tax Potential Supervision at Regional Offices other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office is responsible for the following nine duties:

- (i) searching, collecting, processing, and presenting tax data and information on strategic taxpayers;
- (ii) providing guidance and monitoring the implementation of technical policies in supervising and exploring the tax potential of strategic taxpayers, including monitoring periodic payments and monitoring formal compliance;
- (iii) providing guidance in supervising and monitoring the tax amnesty follow-ups for strategic taxpayers;
- (iv) providing computer technical support;
- (v) implementing regional office risk management;
- (vi) providing guidance and monitoring other data production activities as well as data quality assurance activities on other data production results;
- (vii) supervising the follow-up of the utilization of tax data and information on strategic taxpayers;
- (viii) performing quality control of strategic taxpayer supervision; and

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- (ix) providing guidance and monitoring strategic taxpayer assignment activities.

Further, to carry out these tasks, the Division of Data and Tax Potential Supervision has 13 functions, *inter alia*:

- (i) providing guidance and monitoring the implementation of technical policies to supervise and explore the tax potential of strategic taxpayers, including supervising periodic payments and supervising formal compliance;
- (ii) providing guidance and monitoring the implementation of technical policies on the fulfillment of strategic taxpayers' tax obligations;
- (iii) searching, collecting, processing, and presenting tax data and information as well as establishing and updating tax databases;
- (iv) supervising the utilization of tax data and information on strategic taxpayers;
- (v) monitoring, reviewing, and administering tax revenues of strategic taxpayers and reconciling tax revenues;
- (vi) providing computer technical support, maintenance, and repair of computer networks, and performing data back-ups;
- (vii) monitoring and maintaining tax applications;
- (viii) regional office risk management;
- (ix) providing guidance in supervising and monitoring tax amnesty follow-ups for strategic taxpayers;
- (x) providing guidance and monitoring other data production activities as well as data quality assurance activities on other data production results;
- (xi) supervising the follow-up on the utilization of tax data and information on strategic taxpayers;
- (xii) performing quality control of strategic taxpayer supervision; and
- (xiii) providing guidance and monitoring strategic taxpayer assignment activities. Next, in the Second Dictum, the authorities revise the duties of the Section of Data and Tax Potential, Section of Supervision Guidance, and Section of Information Technology Technical Support in the Division of Data and Tax Potential Supervision as referred to under Article 35 of MoF Reg. 210/2017 as amended by MoF Reg. 184/2020.

In the Third Dictum, the authorities amend the duties and functions of the Division of Tax Registration, Extensification, and Valuation at Regional Offices other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office as referred to under Article 36 and Article 37 of MoF Reg. 210/2017 as amended by MoF Reg. 184/2020.

11 tasks are inherent to the Division of Tax Registration, Extensification, and Valuation at Regional Offices other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office, as follows:

- (i) providing guidance and monitoring the implementation of technical policies on registration;
- (ii) providing guidance and monitoring the implementation of technical policies on taxpayer extensification;
- (iii) providing guidance and monitoring the implementation of technical policies on supervision and exploration of the tax potential of Other Taxpayers (regional-based), including monitoring periodic payments and monitoring formal compliance;
- (iv) performing analysis and recommending the stipulation of taxpayers' places of registration at or from Medium Tax Offices, Tax Offices within the Special Jakarta Regional Tax Office, and Tax Offices within the Large Taxpayers Regional Tax Office;
- (v) providing guidance and monitoring the implementation of technical policies on data collection, mapping of taxpayers and tax objects, tax assessment, and imposition of land and building tax;
- (vi) providing guidance in the supervision and monitoring of tax amnesty follow-ups for other taxpayers (regional-based);
- (vii) searching, collecting, processing, and presenting tax data and information on other taxpayers (regional-based);
- (viii) supervising the follow-up of the utilization of tax data and information on other taxpayers (regional-based);
- (ix) performing quality control of supervision of other taxpayers (regional-based);
- (x) providing guidance and monitoring field data collection along with data quality assurance resulting from field data collection activities; and

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- (xi) providing guidance and monitoring assignment activities of the extensification target list and its utilization and assignment of other taxpayers (regional-based).

To carry out these duties, the Division of Tax Registration, Extensification, and Valuation has several functions. Under this regulation, the Division of Tax Registration, Extensification, and Valuation at Regional Offices other than the Large Taxpayers Regional Tax Office and Special Jakarta Regional Tax Office has 16 functions, *inter alia*:

- (i) providing guidance and monitoring the implementation of technical policies on the registration of taxpayers and tax objects;
- (ii) providing guidance on tax potential observation;
- (iii) providing guidance and monitoring the implementation of technical policies on taxpayer extensification;
- (iv) providing guidance and monitoring implementation of technical policies on the supervision and exploration of tax potential of other taxpayers (regional-based), including monitoring periodic payments and monitoring formal compliance;
- (v) providing guidance and monitoring the implementation of technical policies on the fulfillment of other taxpayers' tax obligations (regional-based);
- (vi) supervising the utilization of tax data and information on other taxpayers (regional-based);
- (vii) monitoring, reviewing, and administering tax revenues of other taxpayers (regional-based);
- (viii) performing analysis and recommending the stipulation of taxpayers' places of registration at or from Medium Tax Offices, Tax Offices within the Special Jakarta Regional Tax Office, and Tax Offices within the Large Taxpayers Regional Tax Office;
- (ix) providing guidance and monitoring the implementation of technical policies on data collection, mapping of taxpayers, and tax database update support;
- (x) providing guidance and monitoring implementation of technical policies on assessments and imposition for tax purposes;
- (xi) providing guidance in supervising and monitoring tax amnesty follow-ups for other taxpayers (regional-based);

- (xii) searching, collecting, processing, and presenting tax data and information on other taxpayers (regional-based);
- (xiii) supervising the follow-up on the utilization of tax data and information on other taxpayers (regional-based);
- (xiv) performing quality control of supervision of other taxpayers (regional-based);
- (xv) providing guidance and monitoring field data collection along with data quality assurance resulting from field data collection activities; and
- (xvi) providing guidance and monitoring assignment activities of the extensification target list and its utilization and assignment of other taxpayers (regional-based).

Further, in the Fourth Dictum, the authorities revise the duties of the Section of Registration Guidance, Section of Tax Extensification Guidance, and the Section of Data Collection, Valuation, and Imposition in the Division of Tax Registration, Extensification, and Valuation as referred to in Article 39 of MoF Reg. 210/2017 as amended by MoF Reg. 184/2020. Stipulated on 20 April 2021, this decree has come into force thereafter.

Distribution and Stipulation of Detailed Duties of the Tax Office's Sections of Supervision



The Director General of Taxes issues a decree concerning the distribution and stipulation of the details of the duties of the Supervision Section at tax offices (*Kantor Pelayanan Pajak/KPP*). Said decree refers to the Director General of Taxes Decree No. KEP-151/PJ/2021 concerning the Distribution and Determination of the Detailed Duties of the Tax Office's Sections of Supervision ([KEP-151/2021](#)).

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The distribution has been established to improve the effectiveness of taxpayer supervision performance and adjust to the workload between vertical agencies within the Directorate General of Taxes (DGT). In this instance, the duties of the Tax Office's sections of supervision are divided based on taxpayer segmentation. As per Article 57 paragraph (11), Article 57D paragraph (6), Article 61 paragraph (6), and Article 61B paragraph (6) of MoF Reg. 210/2017 as amended by MoF Reg. 184/2020, further provisions on the distribution and assignment of the Sections of Supervision are stipulated in a director general of taxes decree.

The decree emphasizes that the division of taxpayers segmentation, i.e. strategic taxpayers and other taxpayers, is aimed at appropriate and effective implementation of taxpayer monitoring and audits related to tax base expansion.

In the First Dictum, the authorities divide and stipulate the detailed duties of the Tax Office's sections of supervision as referred to under MoF Reg. 210/2017 as amended by MoF Reg. 184/2020. The distribution and assignment of tasks are listed in the Annex of KEP-151/2021.

For instance, for Tax Offices located at the DGT's Large Taxpayers Regional Tax Office, Sections of Supervision I to V handle strategic taxpayers. There are no regional-based taxpayers in said Tax Offices. Another example, for Small Tax Office Banda Aceh in DGT Regional Office Aceh, there is the Section of Supervision I for strategic taxpayers. Next, there are Sections of Supervision II to VI for taxpayers based on regions.

The Second Dictum of KEP-151/2021 states that the sections of supervision that handle strategic taxpayers carry out the tasks stipulated under MoF Reg. 210/2017 as amended by MoF Reg. 184/2020. Next, in the Third Dictum, the sections of supervision that handle taxpayers by regions also carry out the tasks stipulated under MoF Reg. 210/2017 as amended by MoF Reg. 184/2020.

The provisions on the distribution and stipulation of the detailed duties of the tax office's sections of supervision as referred to under KEP-151/2021 are applied as per the Director General of Taxes decree concerning the implementation of organization, work procedures, and the start of operation of the DGT's vertical agencies. Stipulated on 20 April 2021, the Director General of Taxes Decree has come into force thereafter.

Online Single Submission System Interconnection between BKPM and DGT

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The Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*) releases a regulation concerning the electronic integration of the risk-based business licensing system. This regulation is outlined in the Indonesian Investment Coordinating Board Regulation No. 3 of 2021 concerning the Electronically Integrated Risk-Based Business Licensing System ([BKPM Regulation 3/2021](#)).

BKPM Regulation 3/2021 has been released to provide legal certainty in the risk-based business licensing process. Further, this regulation is intended to provide legal certainty in the implementation process of risk-based business licensing.

Business licensing, under this regulation, refers to the legality given to a business player to commence and run a business and/or its activities. Risk-based business licensing, on the other hand, refers to a business license based on the risk level of a business.

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Promulgated on 1 April 2021, this regulation outlines the Online Single Submission (OSS). OSS constitutes an electronically integrated system managed and administered by the OSS Management and Organizing Institution (OSS Institution) for the implementation of risk-based business licensing. BKPM is stipulated as the OSS Institution.

In summary, the scope of the BKPM Regulation 3/2021 consists of 12 issues, i.e.: the OSS system, OSS access rights, information service subsystem, business licensing subsystem, supervision subsystem, complaints, system interconnection, audit trail, the person in charge of the OSS system, development of the OSS system, OSS system financing, and force majeure.

With regard to system interconnection, the OSS system is built in the form of system interconnection in terms of meeting the basic requirements and validating data between business players and related ministries/agencies in the context of risk-based business licensing processing.

In the event that a business player's data is related to another institution, the OSS system will automatically validate based on risk-based business licensing and transmit and receive data through system interconnection with the related ministries and institutions.

The validation includes checking the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/ NPWP*) on the confirmation of taxpayer status with a system managed by the Directorate General of Taxes (DGT). However, in the event that a business player does not have an NPWP, the OSS system facilitates the generation of an NPWP by sending the business player's data to the system managed by the DGT.

To facilitate data interconnection, the OSS institution shall prepare application integration guidelines (*Pedoman Integrasi Aplikasi/PIA*). PIA will subsequently serve as guidelines for all ministries/agencies in performing data interconnection with the OSS.

As such, due to the system interconnection stipulated under BKPM Regulation 3/2021, the OSS system managed by BKPM must be connected with other institutional systems, including the DGT. Despite being promulgated on 1 April 2021, BKPM Regulation 3/2021 does not come into force until 2 June 2021. This regulation constitutes a derivative regulation of Gov. Reg. 5/2021 concerning the Implementation of Risk-Based Business Licensing (Gov. Reg. 5/2021).

May 2021 Interest Penalties and Compensation Interest Rates

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The government has released 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 May 2021 to 31 May 2021.

Details of the interest rates are stipulated under the Minister of Finance of the Republic of Indonesia Decree No. 25/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 May 2021 to 31 May 2021 ([MoF Decree 25/2021](#)). This regulation was signed on 26 April 2021.

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Four monthly interest rates apply for administrative penalties, ranging from 0.55% to 1.80%. The four monthly interest rates are lower than the monthly interest rates for the April 2021 period. Details of monthly interest rates for tax interest penalties for the period between 1 May 2021 to 31 May 2021 can be seen in Table 1.

The amount of monthly interest rates in the MoF Decree varies as it is 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 0.55%. The monthly interest rate is lower than the previous period. Details of the monthly rates on tax interest compensation for the period between 1 May 2021 and 31 May 2021 can be seen in Table 2.

Table 1 Details of Monthly Interest Rates of Interest Penalties

Articles in General Tax Provisions and Procedures	The Granting of Interest Compensation for	The Imposition of Administrative Penalties
Article 19 paragraph (1)	Notice of Tax Underpayment Assessment (<i>Surat Ketetapan Pajak Kurang Bayar/SKPKB</i>) 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)	0.55%
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.	0.96%
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 (<i>Surat Tagihan Pajak/STP</i>) 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)	1.38%
Article 8 paragraph (5)	Disclosure of inaccuracy of Tax Returns after audits, but the Notice of Tax Assessment (<i>Surat Ketetapan Pajak/SKP</i>) has not been issued. (Underpaid tax that arises due to the disclosure of incorrect Tax Return filling)	
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)	
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)	1.80%

Source: Job Creation Law and MoF Decree 25/2021

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Table 2 Details of Monthly Interest Rates of Interest Compensation

Articles in General Tax Provisions and Procedures	The Granting of Interest Compensation for	Monthly Interest Rate
Article 11 paragraph (3)	The refund of tax overpayment is performed in 1 (one) month after the application.	0.55%
Article 17B paragraph (3)	Notice of Overpayment Assessment (<i>Surat Ketetapan Pajak Lebih Bayar/SKPLB</i>) is issued late after the 1 month period expires.	
Article 17B paragraph (4)	SKPLB is issued because the preliminary investigation of tax crime: <ul style="list-style-type: none"> a. does not proceed with the investigation, b. proceeds with the investigation but there is no prosecution of tax crime, or c. proceeds with the investigation and prosecution of the tax crime but it is acquitted. 	
Article 27B paragraph (4)	The refund of tax overpayment on the filing of objections, requests for appeal, or requests for case review that are granted partially or in full.	

Source: Job Creation Law and MoF Decree 25/2021.

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