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Expansion of STLGs Incentives for Certain Motor Vehicles and VAT Credit Provisions for Land Acquisition.

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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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Expansion of STLGs Incentives for Certain Motor Vehicles and VAT Credit Provisions for Land Acquisition.

Expansion of the STLGs Incentive for Certain Motor Vehicles

Meet Our Experts



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The government has officially expanded the scope of certain motor vehicles eligible for sales tax on luxury goods (STLGs) borne by the government (*Ditanggung Pemerintah*/DTP) incentives on motor vehicles with engine capacities above 1,500 cc.

The expansion of the scope of vehicles entitled to STLGs DTP incentives is outlined in the Minister of Finance Regulation No. 31/PMK.010/2021 concerning Sales Tax on Luxury Goods for Supplies of Taxable Goods Classified as Luxurious in the Form of Certain Motor Vehicles Borne by the Government for Fiscal Year 2021 (MoF Reg. 31/2021).

The government expands STLGs DTP incentives for certain motor vehicles because incentives previously provided through the Minister of Finance Regulation No. 20/PMK.010/2021 concerning Sales Tax on Luxury Goods for Supplies of Taxable Goods Classified as Luxurious in the Form of Certain Motor Vehicles Borne by the Government for Fiscal Year 2021 (MoF Reg. 20/2021) are considered insufficient to increase people's purchasing power in the motor vehicle industry sector. As such, a substitution is called for.

Effective since 1 April 2021, the enactment of MoF Reg. 31/2020 simultaneously revokes MoF Reg. 20/2021. The expansion of vehicle coverage implies that currently, four types of motor vehicles are given the DTP STLGs incentives. *First*, sedans or station wagons with spark ignition or compression ignition engines (diesel or semi-diesel) with a cylinder capacity of up to 1,500 cc.

Second, motor vehicles for the transportation of fewer than 10 people, including drivers other than sedans or station wagons, with spark ignition or compression ignition engines (diesel or semi-diesel) with a single axle drive system (4x2) with a cylinder capacity of up to 1,500 cc. Similar to the former provisions, the STLGs DTP incentives for the two types of vehicles are given in three stages:

(i) 100% of STLGs payable for the April 2021 Tax Period to the May 2021Tax Period;

(ii) 50% of STLGs payable for the June 2021 Tax Period to the August 2021 Tax Period; and

(iii) 25% of STLGs payable for the September 2021 Tax Period to the December 2021 Tax Period.

Third, motor vehicles for the transportation of fewer than 10 people, including drivers other than sedans or station wagons, with spark ignition or compression ignition engines (diesel or semi-diesel) with a single axle drive system (4x2) with a cylinder capacity of more than 1,500 cc up to 2,500 cc. The STLGs DTP incentives for this type of vehicles are given in two stages.

(i) 50% of STLGs payable for the April 2021 Tax Period to the August 2021 Tax Period; and

(ii) 25% of STLGs payable for the September 2021 Tax Period to the December 2021 Tax Period.

Fourth, motor vehicles for the transportation of fewer than 10 people, including drivers other than sedans or station wagons, with spark ignition or compression ignition engines (diesel or semi-diesel) with a two-axle drive system (4x4) with a cylinder capacity of

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more than 1,500 cc up to 2,500 cc. The STLGs DTP incentives for this type of vehicles are also given in 2 stages.

(i) 25% of STLGs payable for the April 2021 Tax Period to the August 2021 Tax Period; and

(ii) 12.5% of STLGs payable for the September 2021 Tax Period to the December 2021 Tax Period.

In addition to extending the scope of vehicles eligible for the incentives, the government has also lowered the minimum local purchase amount. Currently, the total use of domestic components in certain motor vehicle production is a minimum of 60%. MoF Reg. 20/2021 formerly required a minimum local purchase amount of 70%.

Through MoF Reg. 31/2021, the Ministry of Finance also constrains the provisions on the submission of reports on the realization of STLGs DTP by Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) that produce and supply certain motor vehicles.

PKP that produce and supply certain motor vehicles are currently required to submit reports on the realization of STLGs DTP which consist of two files. *First,* the Tax Invoice reported in the Periodic VAT Returns by the PKP supplying the motor vehicles.

The Tax Invoice is prepared by stating the transaction code 01, a description of the type of goods that at least contains information of the type, cylinder capacity, chassis number, engine number and Harmonized System code, and the statement "STLGs BORNE BY THE GOVERNMENT ...% AS PER MoF REG. NUMBER ... /PMK.010/2021 OF IDR ... ".

Failure to prepare and report tax invoices as per these provisions will result in STLGs for the supply of the vehicle not being borne by the government and the supply shall be subject to STLGs as per prevailing provisions.

Second, a detailed list of certain motor vehicles is submitted twice for each tax period. In further detail, supplies of motor vehicles entitled to STLGs incentives on the 1st to the 15th must be reported no later than three working days after the 15th. Certain motor vehicles supplied on the 16th until the end of the tax period, on the other hand, are to be reported no later than three working days after the tax period ends

The detailed list of certain motor vehicles in the STLGs DTP realization reports must be submitted through a special channel provided on the www.pajak.go.id webpage. However, if the special channel is not yet available, PKP must directly submit a detailed list of the supplies of certain motor vehicles in the form of electronic documents to the Tax Office (*Kantor Pelayanan Pajak*/KPP) where the PKP is registered.

The details of certain motor vehicles that satisfy the local purchase requirement and are entitled to the STLGs DTP incentives will be outlined in a minister of industry decree. In this regard, the Minister of Industry has issued the Minister of Industry Decree No. 839 of 2021 concerning Motor Vehicles with Sales Tax on Luxury Goods on Supplies of Taxable Goods that are Classified as Luxurious Borne by the Government in Fiscal Year 2021 (Kepmenperin 839/2021).

Through this decree, the Minister of Industry stipulates 29 car models eligible for the STLGs DTP incentives. This number increases compared to the former decree which stipulated 21 car models. Based on the appendix of the regulation, motor vehicles entitled to the STLGs DTP facilities include all model variants, ranging from Toyota Yaris, Toyota Vios, Toyota Sienta, Toyota Innova 2.0, Toyota Innova 2.4, Toyota Fortuner 2.4 4x2, Toyota Fortuner 2.4 4x4, Daihatsu Xenia, and Toyota Avanza, Daihatsu Grand Max, Daihatsu Luxio, Daihatsu Terios, Toyota Rush, to Toyota Raize.

There are also all variants of Daihatsu Rocky, Mitsubishi Xpander, Mitsubishi Xpander Cross, Nissan Livina, Honda Brio Rs, Honda Mobilio, Honda BR-V, Honda CRV 1.5T, Honda HR-V 1.5L, Honda HR-V 1.8L, Honda CRV 2.0 CVT, Honda City Hatchback, Suzuki New Ertiga, Suzuki XL 7, and Wuling Confero. The 29 vehicles listed in the appendix are manufactured by six companies, i.e. PT. Toyota Motor Manufacturing Indonesia, PT. Astra Daihatsu Motor, PT. Mitsubishi Motors Krama Yudha Indonesia, PT. Honda Prospect Motor, PT. Suzuki Motor Indonesia, and PT. SGMW Motor Indonesia.

As producers of the 29 cars entitled to STLGs DTP incentives, the six industrial companies are required to submit a local purchase plan in 2021 and submit a letter of the utilization of local purchase in production to the Director General of Metal, Machinery, Means of Transportation, and Electronics Industries (*Industri Logam, Mesin, Alat Transportasi, dan Elektronik*/ILMATE) of the Ministry of Industry. Moreover, these industrial companies are required to submit tax invoices, reports on the realization of STLGs DTP, and quarterly sales performance to the Director General of ILMATE of the Ministry of Industry.

Kepmenperin 839/2021 also mandates the Director General of ILMATE to supervise and evaluate the realization of the local purchase plan. The monitoring and evaluation may be carried out by involving an appointed independent verification agency.

In the event that the results of monitoring and evaluation indicate disparities in the implementation of the local purchase, the Director General of ILMATE is authorized to propose the imposition of administrative penalties and/or remove motor vehicles that do not

meet the local purchase provisions from the list of vehicles eligible for the STLGs DTP incentives.

Kepmenperin 839/2021 comes into effect as of 1 April 2021 until the end of December 2021. With the enactment of the Minister of Industry Decree 839/2021, the Minister of Industry Decree No. 169/2020 concerning Motor Vehicles with Sales Tax on Luxury Goods Borne by the Government in Fiscal Year 2021 (Kepmenperin 169/2021) is declared revoked and invalid.

VAT Collection and Crediting on Land

Meet Our Experts



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The government has issued provisions related to the VAT collection and crediting on land. The policy is outlined under Circular No. SE-28/PJ/2021 concerning Value Added Tax on Supplies of Land and Input VAT Crediting on Acquisition of Land (SE-28/2021). The circular was promulgated on 19 March 2021.

This regulation has been issued in the framework of standardization and provides guidelines for the collection of VAT on supplies of land and the crediting of input VAT on the acquisition of land. This circular asserts that land constitutes taxable goods (*Barang Kena Pajak*/BKP) that may be subject to VAT. Land may be subject to VAT in the event that these four conditions are satisfied cumulatively.

First, the supply is performed by an entrepreneur. *Second*, it is included in the definition of supplies as referred to in Article 1A of VAT Law. *Third*, the supply is performed within the customs area. *Fourth*, the supply is performed in the framework of the entrepreneur's business or work.

The definition of entrepreneurs in the first point includes entrepreneurs who have been confirmed as Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) as well as entrepreneurs who should be but have yet to be confirmed as PKP. In this context, the entrepreneurs have identifiable businesses or work and there exist activities that indicate business activities, among others, having inventory in the form of land and/or buildings for sale.

Entrepreneurs that own land and/or buildings are required to report their businesses to be confirmed as PKP no later than the end of the following month after the month when the amount of gross turnover and/or gross revenues exceeds the threshold of a small business entity.

Moreover, supplies of land constituting an asset that according to its original purpose, is not for sale, are also subject to VAT insofar as three conditions are met cumulatively. *First*, the supply is performed by PKP. *Second*, the supplied land, which according to the original purpose is not for sale, unless the input VAT on the acquisition cannot be credited because there is no direct relationship with the business. *Third,* included in the definition of supplies of taxable goods as referred to in Article 1 A of VAT Law.

The transfer of BKP in the form of land whose original purpose is not for sale, in the framework of mergers, split-ups, spin-offs, split-offs, and taking over of a business, as well as the transfer of BKP for the purpose of capital deposit in lieu of shares may also be subject to VAT. In this context, the land is subject to VAT in the event that the party receiving the transfer is an entrepreneur who has not or is not confirmed as a PKP.

In the event that the land is transferred to an entrepreneur who has been confirmed as a PKP, the transfer cannot be considered as a supply of BKP which is subject to VAT. In the event that the transferred BKP constitute land and buildings, VAT is imposed on the supply of BKP in the form of land and buildings. For BKP in the form of land, the tax base shall be the selling price of the land. The tax base for BKP in the form of land and buildings, on the other hand, is the price of the land and buildings.

In terms of the VAT collection on land and/or buildings, there are two provisions concerning where VAT is payable. *First*, PKP that has a land and/or building transfer business and is registered in the

administrative area of the Regional Large Tax Office, Jakarta Special Regional Tax Office, and Medium Tax Office, VAT becomes payable at the domicile and/or place of business. Next, the administration is carried out in KPP BKM if the business is located in the administrative area of KPP BKM or in a Tax Office of which the work area includes the domicile and/or place of business.

Second, supplies of land and/or buildings by a PKP with a land and/or building transfer business and is not registered with KPP BKM, VAT becomes payable at the domicile and/or place of business. In this regard, the administration is carried out in the KPP whose work area includes the domicile and/or place of business activities where the land is transferred.

Further, supplies of land by PKP to government agencies in the framework of land procurement may also be subject to VAT. The VAT payable is collected by the PKP that supplies the land to a government agency and is not collected by the government agency.

Prior to the enactment of Law No. 11 of 2020 on Job Creation (Job Creation Law), supplies of land and/or buildings could not be credited. Following the enactment of Job Creation Law, however, supplies of land as described above may be credited. PKP may credit input VAT on land acquisition either as capital goods or non-capital goods, regardless of whether the PKP has or has not carried out the supply.

Stipulation of Low-Risk PKP and Terms of Preliminary Tax Refunds

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The Director General of Taxes stipulates low-risk Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) and the implementation of tax refunds for taxpayers of certain criteria, taxpayers of certain requirements, and low-risk PKP. The policy is stipulated under the Director General of Taxes Regulation No. PER-04/PJ/2021 concerning the Stipulation of Low-Risk Taxable Persons for VAT Purposes and Implementation of Preliminary Tax Refunds for Taxpayers of Certain Criteria, Taxpayers of Certain Requirements, and Low-Risk Taxable Persons for VAT Purposes and Special Purpose Companies or Collective Investment Contracts as Low-Risk Taxable Persons for VAT Purposes (PER-04/2021).

The regulation comprises two material contents, i.e the stipulation of low-risk PKP and the implementation of preliminary tax refunds. The regulation has taken effect as of 16 March 2021. As per Article 3 of PER-04/2021, PKP that can be designated as low-risk PKP consist of eight parties.

First, companies whose shares are traded on a stock exchange in Indonesia. *Second*, State-Owned Enterprises (*Badan Usaha Milik Negara*/BUMN) and Regional-Owned Enterprises (*Badan Usaha Milik Daerah*/BUMD) as per statutory provisions on BUMN and *BUMD*. *Third*, PKP that has been confirmed as a Main Partner (*Mitra Utama*/MITA) of Customs.

Fourth, PKP that has been confirmed as an *Authorized Economic Operator* (AEO). *Fifth*, manufacturers or producers other than Taxable Persons for VAT Purpose as referred to in points one to four, with a place to carry out production. Manufacturer or producer PKP refer to manufacturers or producers that within their businesses, produce taxable goods (*Barang Kena Pajak*/BKP) or taxable services (*Jasa Kena Pajak*/JKP).

Sixth, pharmaceutical wholesalers with pharmaceutical distribution certificates or pharmaceutical wholesaler licenses and certificates of proper drug distribution methods. *Seventh,* medical device distributors with medical device distribution certificates or medical device distributor licenses and certificates of proper distribution of medical devices.

Eighth, companies that are directly owned by BUMN with share ownership of more than 50% and whose

financial statements are consolidated with the financial statements of the parent BUMN as per generally applicable accounting principles. Share ownership of more than 50% is the percentage of share ownership stated in the previous year's consolidated financial statements prior to the submission of an application for the confirmation as a low-risk PKP.

PKP that meets the requirements as taxpayers of certain requirements are treated as low-risk PKP without prior issuance of a stipulation decree. Said decree is issued in the event that the preliminary investigation and/or tax crime investigation is not being carried out and the PKP has never been convicted of tax crime within the last five years. In addition to the eight PKPs above, Special Purpose Companies (SPC) or Collective Investment Contract (*Kontrak Investasi Kolektif*/KIK) in certain KIK schemes may also be designated as low-risk PKP.

The head of the Tax Office may stipulate low-risk PKP *ex officio* or based on an application. The *ex-officio* stipulation of entrepreneurs that constitute MITA of Customs or AEO as low-risk PKP is carried out insofar as the data on the stipulation of entrepreneurs as MITA of Customs or AEO is available in the Directorate General of Taxes' (DGT) database.

The stipulation of low-risk PKP on MITA of Customs or AEO entrepreneurs may be revoked after the DGT receives data from the Directorate General of Customs and Excise (DGCE) concerning the revocation of stipulation decree of MITA of Customs or AEO which is submitted periodically. Manufacturer or producer PKP may apply to be designated as low-risk PKP by attaching a statement letter concerning the existence of a place to carry out production.

Further, Article 6 of PER-04/2021 stipulates that PKP that carry out certain activities and low-risk PKP are given preliminary refunds of VAT overpayment in each tax period. Said certain activities include exports of tangible BKP, supplies of BKP and/or JKP to VAT collectors, supplies of BKP and/or JKP that are not subject to VAT, exports of intangible BKP, and/or exports of JKP.

Preliminary tax refunds may be obtained by submitting applications. Applications for preliminary tax refunds submitted by taxpayers of certain criteria, taxpayers of certain requirements, or low-risk Taxable Persons for VAT Purposes are processed as per the provisions under the Minister of Finance Regulation No. 39/PMK.03/2018. Applications for preliminary tax refunds submitted by taxpayers of certain criteria or low-risk PKP include applications for preliminary tax refunds on tax returns or correction of tax returns in a tax period, a fraction of the tax year, or a tax year.

SPC or KIK as low-risk PKP are eligible for preliminary tax refunds of VAT overpayment in the tax period when real estate is acquired by prior applications. The application is subsequently examined in terms of the stipulation of SPC or KIK, the completeness of the Periodic VAT Returns, the crediting of input VAT on the acquisition of real estate, the accuracy of the completion and calculation of VAT, and the accuracy of VAT payments. On another note, preliminary tax refunds for low-risk PKP may also be given in the event that during the tax period in which preliminary tax refunds are being applied for, there are certain activities.

Synergy of Tax Data and BPJS Membership

Meet Our Experts



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President Joko Widodo has recently issued Presidential Instruction No. 2 of 2021 concerning Optimizing the Implementation of the Employment Social Security Program (Inpres 2/2021). Under Presidential Instruction 2/2021, the president instructs 19 ministries, two agencies, the Attorney General's Office, BPJS Ketenagakerjaan, local governments (*pemerintah*

daerah/pemda), and the National Social Security Council (*Dewan Jaminan Sosial Nasional*/DJSN) to optimize the implementation of the social welfare program.

The president, broadly speaking, instructs all ministries/agencies and local governments to undertake necessary measures according to their respective main tasks and functions to optimize the implementation of the employment social security program. Specifically for the Ministry of Finance, the president instructs the Minister of Finance to synergize the use of tax data with BPJS Ketenagakerjaan membership data.

The synergy of tax data and BPJS membership data seeks to improve taxpayer compliance in the context of optimizing the implementation of the employment social security program as per statutory provisions. Funding for the optimization of the employment social security program shall be borne by the State Budget (*Anggaran Pendapatan dan Belanja Negara*/APBN), Local Government Budget (*Anggaran Pendapatan dan Belanja Daerah*/APBD), and other legitimate and non-binding sources as per statutory provisions. This presidential instruction was issued on 25 March 2021.

New Webpage to Obtain EFIN

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The government has launched a new webpage as an alternative site to obtain an Electronic Filing Identification Number (EFIN). The new webpage to obtain EFIN can be accessed online via the link efin.pajak.go.id starting Tuesday, 23 March 2021.

The government has launched efin.pajak.go.id webpage as many taxpayers have inquired about how to obtain EFIN. Further, this page has also been released to provide taxpayers with the best services. In connection with the launch of efin.pajak.go.id webpage, the Directorate General of Taxes (DGT), through its official website, has released Announcement No. PENG-4/PJ.09/2021 regarding New Services to Obtain EFIN (PENG-4/2021).

Through this announcement, DGT informs taxpayers that they must prepare and ensure three things to access these services. *First,* the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/NPWP) must be valid. *Second*, the Single Identity Number (*Nomor Induk Kependudukan*/NIK) must be valid according to the data available at the Population and Civil Registry Office (*Dinas Kependudukan dan Catatan Sipil*/Dukcapil). *Third,* the taxpayer's photo is included in the Dukcapil data and is in accordance with the taxpayer's current condition, either he wears glasses or not. If otherwise, the taxpayer can contact Dukcapil.

Having ensured the availability of NPWP, NIK, and photos, taxpayers may subsequently access the efin.pajak.go.id webpage. The taxpayer must then allow the right of access to use the camera on a cell phone or computer. The next stage, taxpayers are required to fill in NPWP data and take photos through a cell phone or computer camera.

Upon data completion, the taxpayer will receive a notification that the EFIN data has been sent to the taxpayer's e-mail registered in the DGT's database. The EFIN data is received by taxpayers in Portable Document Format (PDF). To open the EFIN data, taxpayers require a 6-character password which represents the 4th digit to the 9th digit of the taxpayer's NPWP.

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Appeal for Submitting Investment Realization Reports

Meet Our Experts



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The Directorate General of Taxes (DGT) encourages taxpayers that receive domestic and foreign-sourced dividends as well as recipients of foreign-sourced income through permanent establishments (*Bentuk Usaha Tetap*/BUT) and non-PEs to immediately submit reports on investment realization. The appeal is conveyed through Announcement No. PENG-5/PJ.09/2021 concerning Appeal for Immediate Submission of Investment Realization Reports on Dividends or Other Income Based on Job Creation Law (PENG-5/2021).

The investment realization report must be submitted immediately for the income to be exempted as an income tax object. However, the appeal and obligation to report the investment realization does not apply to corporate taxpayers that receive or accrue domestic-sourced dividends. This is because corporate taxpayers that receive income in the form of domestic dividends are exempted from income tax without the requirement of investing the income.

The submission deadline of investment realization reports for the 2020 tax year for individual taxpayers is 31 March 2021, whereas, for corporate taxpayers, the deadline is 30 April 2021. As such, taxpayers are urged to immediately realize their investments and submit reports on the investment realization.

In the event that the investment realization report is submitted after the predetermined deadline, the dividend and other income shall be taxed from the time it is received or accrued. DGT emphasizes that there is no postponement of the investment realization reporting period even though there are national holidays or Saturdays and Sundays, considering that the reporting may be performed online.

Through this announcement, DGT also outlines the procedures for the submission of investment realization reports. The investment realization report on foreign-sourced dividends or income may be submitted using the Investment e-Reporting feature available on the www.pajak.go.id webpage or DGT Online.

To use the Investment e-Reporting application, taxpayers must first activate it on the DGT Online Profile menu. Next, taxpayers only need to check Investment e-Reporting in the *Service Feature Activation* section. Afterwards, the taxpayer will automatically log out and have to re-login to be able to utilize the Investment e-Reporting feature.

April 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 April 2021 to 31 April 2021.

Details of the interest rates are stipulated under the Minister of Finance of the Republic of Indonesia Decree No. 20/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 April 2021 to 31 April 2021 (MoF Decree 20/2021). This regulation was signed on 30 March 2021.

Four monthly interest rates apply for administrative penalties, ranging from 0.56% to 1.81%. The four monthly interest rates are higher than the monthly interest rates for the March 2021 period. . Details of monthly interest rates for tax interest penalties for the period between 1 April 2021 to 31 April 2021 can be seen in Table 1.1.

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 0.56%. The monthly interest rate is higher than the previous period. Details of the monthly rates on tax interest compensation for the period between 1 April 2021 and 31 April 2021 can be seen in Table 1.2.

Reorganization of the Places of Registration for Taxpayers and Business Reporting for Taxable Persons for VAT Purposes

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The tax authorities adjust the place of registration for taxpayers and business reporting for certain Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) in several Tax Offices (*Kantor Pelayanan Pajak*/KPP). The adjustments of the places of registration and reporting are outlined in the Director General of Taxes Regulation No. PER-05/PJ/2021 concerning Amendments to the Director General of Taxes Regulation No. PER-07/PJ/2020 concerning the Places of Registration for Taxpayers and Business Players through Electronic Systems and/or Places of Business Reporting for Taxable Persons for VAT Purposes at Tax Offices in the Regional Large Tax Office, Jakarta Special Regional Tax Office, and Medium Tax Offices (PER-05/2021).

Coming into force as of 16 March 2021, this regulation has been released in connection with changes in the working areas at several Tax Offices. The changes to the working areas of several Tax Offices were previously 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 Work Procedures of Vertical Agencies of the Directorate General of Taxes (MoF Reg. 184/2020).

PER-05/2021 is also intended to provide legal certainty, ease of administration, and increase supervision in the exercise of rights and fulfillment of tax obligations for certain taxpayers and/or Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP).

Through PER-05/2021, the authorities amend the provisions under Article 5 and Article 6 of PER-07/2020. Article 5, in essence, outlines the implementation of rights and fulfillment of Value Added Tax (VAT) or VAT and Sales Tax on Luxury Goods (STLGs) for central and branch taxpayers registered at Tax Offices within the Regional Large Tax Office and Jakarta Special Regional Tax Office, as well as Medium Tax Offices (KPP BKM).

The provisions include the designated tax offices to meet reporting obligations if a taxpayer with a central Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/NPWP) is registered at a Small Tax Office, whereas a branch NPWP that has been confirmed as a PKP is registered at a Medium Tax Office.

Next, Article 6 outlines the provisions on the exercise of rights and/or fulfillment of the obligation to withhold and collect income tax. The scope of said obligation includes Article 21/26, Article 4 paragraph (2), Article 23/26, Article 15, and Article 22 Income Tax.

The provisions described in Article 6, in essence, concern the implementation of rights and/or fulfillment of income obligations for the central and branch taxpayers that are registered at KPP BKM and domiciled in the areas listed in Appendix B of PER-05/2021, or those that only fulfill one of these criteria.

Expansion of STLGs Incentives for Certain Motor Vehicles and VAT Credit Provisions for Land Acquisition.

Table 1.1 Details of Monthly Interest Rates of Interest Penalties

Articles in General Tax Provisions and Procedures	The Imposition of Administrative Penalties	Monthly Interest Rate
Article 19 paragraph (1)	Notice of Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar*/SKPKB) or Additional SKPKB, and Correction Decree, Objection Decision Letter, Decision on Appeal, or Decision on Case Review, which causes the amount of tax payable to increase, but at the time of maturity, it is not paid or underpaid. (Collection Interest)	0.56%
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.	0.97%
Article 8 paragraph (2a)	The taxpayer corrects Periodic Tax Returns on his own (before audits) which results in higher tax liability.	
Article 9 paragraph (2a)	Late remittance of periodic income tax.	
Article 9 paragraph (2b)	Late remittance of Annual Income Tax/Article 29 Income Tax.	
Article 14 paragraph (3)	The issuance of Notice of Tax Collection (*Surat Tagihan Pajak*/STP) by the DGT due to: (i). Unpaid/underpaid income tax (ii). Based on the research results, there are taxes that are underpaid due to writing errors and/or miscalculations. (Income tax in the current year is not paid/underpaid or from the results of the research, there is tax underpayment due to writing errors and/or miscalculations)	
Article 8 paragraph (5)	Disclosure of inaccuracy of Tax Returns after audits, but the Notice of Tax Assessment (*Surat Ketetapan Pajak*/SKP) has not been issued. (Underpaid tax that arises due to the disclosure of incorrect Tax Return filling)	1.39%
Article 13 paragraph (2)	SKPKB is issued because the tax payable is not paid/underpaid due to matters regulated under Article 13 paragraph 1 subparagraph (a) to (e) of the General Tax Procedures and Provisions Law. (SKPKB Penalties)	1.81%
Article 13 paragraph (2a)	SKPKB is issued as the taxable person for VAT purposes has not performed any supplies, but has received refunds/has credited the input VAT as referred to in Article 9 paragraph (6a) of the VAT Law. (Refund of input VAT from taxable persons for VAT purposes that are not producing)	

Source: Job Creation Law and MoF Decree No. 20/KM.10/2021

Table 1.2 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.	0.51%
Article 17B paragraph (3)	Notice of Overpayment Assessment (*Surat Ketetapan Pajak Lebih Bayar*/SKPLB) is issued late after the 1 month period expires.	
Article 17B paragraph (4)	SKPLB is issued because the preliminary investigation of tax crime: 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 overpaument 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 No. 20/KM.10/2021

Moreover, through PER-05/2021, the authorities also add Article 20A. This additional article stipulates the use of Periodic Article 21/26 Income Tax Returns reporting application to report the fulfillment of the obligation of Article 21/26 Income Tax payable by the central and all branch taxpayers.

The application is utilized to report the obligation to withhold/collect and remit Article 21/26 Income Tax using the central NPWP. This obligation applies to taxpayers whose centers and/or branches are registered at Medium Tax Offices with administrative areas other than DKI Jakarta Province as per Appendix B of PER-05/2021.

However, if the Periodic Article 21/26 Income Tax Returns reporting application is not yet available, the remittance and reporting of the Article 21/26 Income Tax withholding obligation shall be carried out using the respective central and branch NPWPs.

Registered Taxpayers at Medium Tax Offices Reorganized

Meet Our Experts



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The Director General of Taxes stipulates two decrees that restructure the details of taxpayers registered at Medium Tax Offices. Through these decrees, the Director General of Taxes stipulates and transfers taxpayers, business players, and/or Taxable Persons for VAT Purposes' (*Pengusaha Kena Pajak*/PKP) places of business reporting at various Medium Tax Offices.

The stipulation of taxpayers registered and confirmed as PKP at Medium Tax Offices is outlined in the Director General of Taxes Decree No. KEP-116/PJ/2021 concerning the Places of Registration and Business Reporting for Taxpayers at Medium Tax Offices (KEP-116/2021)

KEP-116/2021 contains a list of taxpayers transferred from Small Tax Offices to Medium Tax Offices or from old Medium Tax Offices to new Medium Tax Offices. The transferred taxpayers include branch taxpayers established before and after KEP-116/PJ/2021 comes into force and are in the areas stipulated in Appendix B of PER-05/2021.

This decree also functions as a decree on the concentration of places where Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGs) become payable. KEP-116/2021 also revokes the previous PKP Confirmation Decree which stipulates the places of business reporting for taxpayers at the old Tax Offices. The revocation is effective from the time of registration (*Saat Mulai Terdaftar*/SMT) which is stipulated under KEP-116/PJ/2021, i.e. as of 3 May 2021.

Further details concerning the list of transferred taxpayers are indicated in the Appendix of KEP-116/2021. The Appendix consists of 1,952 pages containing details of NPWP, taxpayers' names, and the tax offices of origin of taxpayers transferred to various Medium Tax Offices.

The list of transferred taxpayers includes 62 registered taxpayers from various Medium Tax Offices and 1,640 taxpayers from various Small Tax Offices that are transferred to Central Jakarta Medium Tax Office. Next, 305 taxpayers from various Medium Tax Offices and 1,856 taxpayers from various Small Tax Offices are transferred to Central Jakarta Medium Tax Office Two.

Next, 59 taxpayers from various Medium Tax Offices and 1,403 taxpayers from various Small Tax Offices are transferred to West Jakarta Medium Tax Office. Subsequently, 19 taxpayers from various Medium Tax Offices and 2,003 taxpayers from various Small Tax Offices are transferred to West Jakarta Medium Tax Office Two. 31 taxpayers from various Medium Tax Offices and 927 taxpayers from various Small Tax Offices are also transferred to South Jakarta Medium Tax Office 1.

The list of taxpayers transferred from various Medium Tax Offices, on the other hand, is outlined in the Director General of Taxes Decree No. KEP-117/PJ/2021 concerning the Transfer of Taxpayers from Medium Tax Offices (KEP-117/2021).

Details of the list of taxpayers transferred from Medium Tax Offices can be seen in the Appendix of KEP-117/2021. The Appendix consists of 191 pages containing a list of taxpayers' names that are transferred from various Medium Tax Offices as well as the newly stipulated Tax Offices.

Expansion of STLGs Incentives for Certain Motor Vehicles and VAT Credit Provisions for Land Acquisition.

The transferred taxpayers include those from the Medan Medium Tax Office, Pekanbaru Medium Tax Office, Batam Medium Tax Office, Palembang Medium Tax Office, West Jakarta Medium Tax Office, East Jakarta Medium Tax Office, North Jakarta Medium Tax Office, and Bekasi Medium Tax Office. There are also those from Bogor Medium Tax Office, Semarang Medium Tax Office, Surabaya Medium Tax Office, Sidoarjo Medium Tax Office, Malang Medium Tax Office, Balikpapan Medium Tax Office, Makassar Medium Tax Office, and Denpasar Medium Tax Office.

As for taxpayers that constitute Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak*/PKP) that are also transferred from the Medium Tax Offices, an *ex officio* decree on the centralization shall be issued. The decree shall be issued by the Head of the DGT Regional Office where the taxpayers are registered through administrative research.

Stipulated on 22 March 2021, KEP-117/PJ/2021 has come into force thereafter. However, the time of registration (*Saat Mulai Terdaftar*/SMT) and business reporting for certain taxpayers who are transferred from Medium Tax Offices to new Tax Offices are set as of 3 May 2021.

In the event of future errors in the Appendix of KEP-116/2021 and Appendix of KEP-117/2021, changes and/or improvements shall be made accordingly by the Director of Tax Potential, Compliance, and Revenue on behalf of the Director General of Taxes. These improvements will be made through the issuance of a new Director General Decree.

Tax Court Stipulates Eid Al-Fitr Recess

Meet Our Experts



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The Chairperson of the Tax Court stipulates the session recess in the momentum of Eid Al Fitr 1442 H. The stipulation of the Tax Court session recess is outlined in Circular No. SE-05/PP/2021 concerning the Stipulation of the Tax Court's Session Recess in the Context of Eid Al Fitr 1442 H (SE-05/2021).

Based on the circular issued on 29 March 2021, the session recess at the Tax Court is set for 25 May 2021. Next, trial proceedings will resume on 27 May 2021. Despite the recess, trial proceedings of cases that must be resolved immediately because of closing due dates may still be implemented. Trial proceedings will be held during the time and working days in the recess. During the recess, it is advisable to optimally prepare files for the next trial. Establishing verdicts on files of which the examination hearings are declared sufficient must also be prioritized.

Expansion of STLGs Incentives for Certain Motor Vehicles and VAT Credit Provisions for Land Acquisition.

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