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Implementing Regulation of the Taxation Cluster in Job Creation Law and VAT Incentives for Landed Houses and Flats

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Our firm consists of consultation services (DDTC Consulting), a center for review and research (DDTC Fiscal Research), taxation journals (DDTC Working Paper), a training center (DDTC Academy), a provider of tax law documents (Perpajakan.id), a library (DDTC Library), and taxation news portal (DDTC News).

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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Implementing Regulation of the Taxation Cluster in Job Creation Law

Meet Our Experts



Hamida Amri Safarina, SH
Researcher of Tax Reseach & Training Services
hamida@ddtc.co.id

Hamida Amri Safarina is a Researcher at DDTC whose coverage consists of fiscal policy, international taxation, tax administration, tax law, and tax dispute. The holder of a Bachelor's degree in Law from Gadjah Mada University is also a certified PKPA from the Indonesian Advocates Association (PERADI).

Minister of Finance has released an implementing regulation of the taxation cluster in Law No. 11 of 2020 concerning Job Creation (Job Creation Law). Said implementing regulation is outlined in the Minister of Finance Regulation No. 18/PMK.03/2021 concerning the Implementation of Law No. 11 of 2020 concerning Job Creation in the Fields of Income Tax, Value Added Tax, and Sales Tax on Luxury Goods, as well as General Tax Provisions and Procedures (MoF Reg. 18/2021).

Taking effect as of 17 February 2021, the regulation consists of 119 articles which are segmented into six chapters. The enactment of MoF Reg. 18/2021 simultaneously revokes the former three regulations. *First,* the Minister of Finance Regulation No. 151/PMK.03/2013 concerning Procedures for the Preparation and Procedures for the Correction or Replacement of Tax Invoices (MoF Reg. 151/2013).

Second, the Minister of Finance Regulation No. 226/PMK.03/2013 concerning Procedures for the Calculation and Granting of Interest Compensation (MoF Reg. 226/2013) as amended by Minister of Finance Regulation No. 65/PMK.03/2018 (MoF Reg. 65/2018). *Third*, the Minister of Finance Regulation No. 31/PMK.03/2014 concerning the Calculation Period and Procedures for the Refund of Credited Input VAT and Refunds for Taxable Persons for VAT Purposes Experiencing a Production Failure (MoF Reg. 31/2014).

The scope of elucidation in MoF Reg. 18/2021, in essence, includes provisions in the areas of Income Tax, Value Added Tax (VAT), and Sales Tax on Luxury Goods (STLGs), as well as General Tax Provisions and Procedures (*Ketentuan Umum dan Tata Cara Perpajakan*/KUP).

1. Provisions related to Income Tax

Provisions related to income tax are listed in Chapter II of MoF Reg. 18/2021. The provisions stipulated in Chapter II concerning Income Tax are, in essence, an affirmation and detail of Article 2 paragraph (4), Article 4 paragraph (1d), and Article 4 paragraph (3) subparagraphs f, o, and p of Income Tax Law as amended by Job Creation Law. The elucidation related to the income tax provisions is segmented into five sections.

The first section, stipulates the requirements of an individual tax subject. This section outlines the provisions on individuals, both Indonesian Citizens (*Warga Negara Indonesia*/WNI) and Foreign Citizens (*Warga Negara Asing*/WNA) who are deemed resident tax subjects. Moreover, there are also details concerning the provisions on individuals considered non-resident tax subjects.

The second section, stipulates the criteria for certain expertise and procedures for income tax imposition on WNA. This section constitutes a detail of the provisions on income tax facilities for WNA with certain expertise who have become resident tax subjects as stipulated under Article 4 paragraph (1a), paragraph (1b), paragraph (1c), and paragraph (1d) of Income Tax Law as amended by Job Creation Law.

Further, Article 7 of MoF Reg. 18/2021 outlines WNA with certain expertise including foreign workers who occupy certain positions as stipulated by the Minister of Manpower and foreign researchers stipulated by the minister in the research sector. The provisions concerning these certain positions are listed in Appendix II of MoF Reg. 18/2021. Referring to the appendix, these certain positions consist of 25 positions including chemists, geologists and geophysicists, telecommunication engineers, product and apparel designers, university lecturers, application programmers, and mining supervisors.

On another note, the provisions regarding the criteria for certain expertise include having expertise in the fields of science, technology, and/or mathematics, as evidenced by three things: (i) a certificate of expertise issued by an institution appointed by the Government of Indonesia or the government of the foreign worker's country of origin; (ii) education certificate; and/or (iii) a minimum of five-year work experience. WNA with certain expertise are obliged to transfer knowledge.

The third section, stipulates the procedures and specific timeframes for investment, procedures for exemptions from income tax on dividends or other

income exempted from tax objects, as well as changes to the threshold of invested dividends. This section outlines, among others, 12 criteria for the forms of investment that taxpayers wishing to take advantage of the income tax exemption on dividends may choose.

The fourth section, regulates the deposit funds for hajj fees and/or special hajj fees and income from the development of hajj finance in certain financial sectors or instruments that are exempted from income tax objects. This section specifies, among others, the forms of income categorized as income from the development of financial hajj on certain financial instruments, which include, among others, yields on demand deposits, time deposits, and savings deposits at Bank Indonesia; state sharia bonds and securities (*Sukuk dan Surat Berharga Syariah Negara*/SBSN); sharia collective investment contracts; sharia mutual fund yields.

The fifth section, stipulates the surplus received or earned by social and/or religious bodies or institutions that are exempted from income tax objects. This section, among others, specifies the main activities carried out by social agencies or institutions, including free health care, care for the elderly or nursing homes and care for orphans, abandoned children or people, and disabled children or people.

2. Provisions related to VAT and STLGs

Provisions related to VAT and STLGs are listed in Chapter III of MoF Reg. 18/2021. Broadly speaking, the provisions stipulated in Chapter III concerning VAT and STLGs constitute an affirmation and detail of Article 9 paragraph (13) subparagraphs a, b, c, and e, as well as Article 13 paragraph (5a) and paragraph (8) of VAT Law as amended by Job Creation Law. The elucidation concerning VAT and STLGs provisions is segmented into four sections.

The first section, stipulates the criteria for not yet supplying taxable goods (*Barang Kena Pajak*/BKP) and/or taxable services (*Jasa Kena Pajak*/JKP) and/or BKP and/or JKP exports, the stipulation certain business sectors, as well as procedures for refunds of input VAT.

The second section, stipulates the procedures for input VAT crediting. ***The third section,*** regulates the procedures for the preparation of tax invoices and the procedures for the correction or replacement of tax invoices. The second and third sections define and outline the provisions related to input VAT crediting and the preparation of tax invoices that were formerly revised in Job Creation Law.

The fourth section, tax invoices for Retail Trade Taxable Enterprises (*Pengusaha Kena Pajak Pedagang Eceran*) that supply BKP and/or JKP to buyers with the characteristics of end consumers. This section expands the definition of Retail Trade Taxable Enterprises which now also includes supplies of taxable goods (*Barang Kena Pajak*/BKP) and/or taxable services (*Jasa Kena Pajak*/JKP) through Trade through Electronic Systems (*Perdagangan Melalui Sistem Elektronik*/PMSE). On another note, this section outlines the characteristics of end consumers.

3. Provisions related to KUP

Provisions related to KUP are listed in Chapter IV of MoF Reg. 18/2021. In general, the provisions stipulated in Chapter IV regarding KUP constitute an affirmation and detail of Article 9 paragraph (3a), Article 9 paragraph (4), Article 13 paragraph (6), Article 14 paragraph (6), Article 15 paragraph (5), Article 17B paragraph (1a), Article 27B paragraph (8), and Article 44B paragraph (3) of General Tax Provisions and Procedures Law as amended by Job Creation Law. The elucidation related to the KUP provisions is segmented into seven sections.

The first section, stipulates the procedures for the granting of interest compensation. This section describes the conditions rendering interest compensation for taxpayers with regard to income tax, VAT, STLGs, and Land and Building Tax (*Pajak Bumi dan Bangunan*/PBB) along with details of their provisions. In essence, nowadays interest compensation is no longer granted at a 2% rate per month. As per the new provisions, interest compensation is now based on the monthly interest rate stipulated by the Minister of Finance. In addition, this section specifies the series of processes for the granting of interest compensation, ranging from the submission of applications to the calculation of interest compensation.

The second section, stipulates the procedures for the payment and remittance of taxes. This section contains several amendments to the provisions in the Minister of Finance Regulation Number 242/PMK.03/2014 concerning Procedures for Tax Payment and Remittance (MoF Reg. 242/2014). The most significant changes can be found in the provisions relating to installments and postponement of tax payments.

Taxpayers that apply for installments or postponement of tax payments must now attach evidence of liquidity problems or circumstances beyond their control in the form of interim financial statements, financial statements, or notes regarding gross revenues or

turnover and/or gross income. Provisions on the attachment of evidence have actually been regulated in MoF Reg. 242/2014. The forms of evidence to be attached by taxpayers, however, have not been explicitly stated.

On another note, taxpayers that apply for installments or postponement of tax payments are now required to provide collateral in the form of tangible assets. This is different from the previous provisions which required taxpayers to provide guarantees in the form of bank guarantees, letters/documents evidencing ownership of movable property, debt coverage by third parties, land certificates, or certificates of deposit. The provisions on the period for filing applications as well as the deadline for installments and postponement of tax payments have also been revised.

The third section, stipulates Tax Returns (*Surat Pemberitahuan*/SPT). This section contains a number of changes in the Minister of Finance Regulation No. 243/PMK.03/2014 concerning Tax Returns (MoF Reg. 243/2014) as amended by the Minister of Finance Regulation No. 9/PMK.03/2018 (MoF Reg. 9/2018). This section, in essence, revises the provisions on the imposition of interest penalties on taxpayers that self-correct their Periodic/Annual Tax Returns and resulting in a higher tax liability. The interest penalties are now imposed based on the monthly interest rates set by the Minister of Finance.

The fourth section, stipulates audit procedures. This section contains several changes in the Minister of Finance Regulation No. 17 /PMK.03/2013 concerning Audit Procedures (MoF Reg. 17/2013) as amended by the Minister of Finance Regulation No. 184/PMK.03/2015 (MoF Reg. 184/2015). The changes are mainly related to audits to test compliance with tax obligations as there are concrete data that causes the tax payable to be unpaid or underpaid. Moreover, there are also adjustments to the preliminary- investigation-related provisions.

The fifth section, stipulates the procedures for the issuance of Notices of Tax Assessment (*Surat Ketetapan Pajak*/SKP) and Notices of Tax Collection (*Surat Tagihan Pajak*/STP). This section contains changes to several provisions under the Minister of Finance Regulation No. 145/PMK.03/2012 concerning Procedures for the Issuance of Notices of Tax Assessment and Notices of Tax Collection (MoF Reg. 145/2012) as amended by the Minister of Finance Regulation No. 183/PMK.03/2015 (MoF Reg. 183/2015).

The most significant changes are related to the elimination of the articles concerning the issuance of Notices of Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar*/SKPKB) or Notices of Additional Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar Tambahan*/SKPKBT) after the expiry of taxes, in the event the taxpayer is convicted in the field of taxation. In addition, there are adjustments to provisions concerning the basis for the issuance of SKPKB, SKPKBT, Overpayment Tax Assessment (*Surat Ketetapan Pajak Lebih Bayar*/SKPLB), Notices of Tax Collection (*Surat Tagihan Pajak*/STP), and repeated audits.

The sixth section, stipulates the procedures for preliminary investigations of crime in the taxation sector. This section contains several provisions in the Minister of Finance Regulation No. 239/PMK.03/2014 concerning Procedures for Preliminary Investigations of Crime in the Field of Taxation (MoF Reg. 239/2014). One of the outlined changes is related to the basis for preliminary investigations. On another note, the period of preliminary investigations may now be extended for a maximum of 12 months. Formerly, the period of preliminary investigations could be extended for 24 months.

The seventh section, stipulates the amendments to several provisions in the Minister of Finance Regulation No. 55/PMK.03/2016 concerning Procedures for Requests to Terminate Investigations of Crime in the Field of Taxation for State Revenue Purposes (MoF Reg. 55/2016). The changes in this section relate to the lowering of the amount of the sanctions in Article 44B of the General Tax Provisions and Procedures Law. The provisions in Article 44B of the General Tax Provisions and Procedures Law Law, in essence, regulate the Minister of Finance's authority to ask the attorney general to terminate investigations of crime in the field of taxation for state revenue purposes.

Taxpayers may submit a request for termination of investigations to the Minister of Finance after paying unpaid or underpaid taxes/taxes that should not have been refunded. Taxpayers are also subject to a fine of three times the amount of unpaid or underpaid taxes/taxes that should not be refunded. The penalty is lower than the former provision, i.e. four times the amount of unpaid or underpaid taxes or taxes that should not have been refunded.

Tax Incentives Policy in the Investment Business Sector

Meet Our Experts



Denny Vissaro, S.E., M.S.E., M.A.
Manager of DDTC Fiscal Research
denny@ddtc.co.id

Denny Vissaro is the Manager of DDTC Fiscal Research at DDTC. His research coverage consists of fiscal policy, international taxation, tax administration, public finance and fiscal decentralization. Most of his research projects are related to the works of Directorate General of Taxes and Fiscal Policy Agency. He is also responsible as the Chief Editor for the Indonesia Taxation Quarterly Report. He holds a Master's degree in Economics of Development from Erasmus Universiteit Rotterdam. In 2017, he was appointed as a national reporter and speaker at Rust Conference, in Austria. Additionally, he is Certified in Principles of International Taxation and Transfer Pricing from the Chartered Institute of Taxation, United Kingdom.

The Indonesian government has released a new policy in the investment business sector. This policy is outlined in Presidential Regulation No. 10 of 2021 concerning the Investment Business Sector (Pres. Reg. 10/2021). This regulation is an implementing regulation of Law No. 11 of 2020 concerning Job Creation (Law 11/2021).

This policy, broadly speaking, stipulates the open investment business sectors and the available tax and non-tax incentives. The business sectors open to investment consist of (i) priority business sectors; (ii) allocated business sectors or partnerships with cooperatives and MSMEs; (iii) business sectors with certain conditions; (iv) other business sectors that can be operated by all investors.

Further, a list of priority business sectors covering business sectors, Indonesian Standard Industrial Classifications (*Klasifikasi Baku Lapangan Usaha Indonesia*/KBLI), product coverage, and requirements are listed in Appendix I of this regulation. This regulation stipulates that the priority business sectors will be given fiscal and non-fiscal incentives.

The fiscal incentives for priority business sectors consist of tax incentives and customs incentives. In further detail, the granted tax incentives include:

(i) income tax for investment in certain business sectors and/or in certain areas (tax allowance);

(ii) reduction of corporate income tax (tax holiday); or

(iii) reduction of corporate income tax and net income reduction facilities for investment as well as a reduction in gross income for certain activities (investment allowance) which includes:

   a. reduction of net income for new investment or business spin-offs in certain business sectors that constitute labor-intensive industries; and/or

   b. reduction of gross income for the organization of internship, apprenticeship, and/or learning in the framework of fostering and developing certain competency-based human resources.

In contrast, details of customs incentives provided for the priority business sectors are in the form of exemption from import duties. The exemption from import duty applies to imports of machinery, goods, and materials for industrial development or development in the context of investment.

The non-fiscal incentives provided for priority business sectors include ease of business licensing, provision of supporting infrastructure, guaranteed energy availability, guaranteed availability of raw materials, immigration, employment, and other conveniences as per statutory provisions.

Promulgated on 4 March 2021, this regulation shall come into effect 30 days thereafter. When this regulation takes effect, Presidential Regulation No. 76 of 2007 concerning the Criteria and Requirements for the Establishment of Closed Business Sectors and Open Business Sectors with Requirements in the Investment Sector (Perpres 76/2007) and Presidential Regulation No. 44 of 2016 concerning the List of Closed Business Sectors and Open Business Sectors with Requirements in the Investment Sector (Perpres 44/2016) shall be revoked and declared invalid.

STLGs Borne by the Government Incentives Policy for Certain Motor Vehicles

Meet Our Experts



Riyhan Juli Asyir, S.I.A., BKP, ADIT
Assistant Manager of Tax Compliance & Litigation Services
riyhan@ddtc.co.id

Riyhan Juli Asyir is Assistant Manager of Tax Compliance & Litigation Services at DDTC. He has been involved in various projects in the scope of work of tax compliance, tax advisory, tax audit, civil review and dispute resolution procedures, including tax objection and tax litigation (appeal and lawsuit in the tax court) for several multinational companies in various industries. Holding a Bachelor's degree in Fiscal Administration from University of Indonesia, the licensed Tax Attorney and registered Tax Consultant is Certified C of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom. He has attended a number of international courses and seminars, two most recent of which include "Fundamentals of Singapore Corporate Tax," held by TAKX Solutions (2019) and "WU-TA Advanced Transfer Pricing Programme," held by WU Transfer Pricing Center & Tax Academy of Singapore (2019).

The government has officially issued a policy related to sales tax on luxury goods (STLGs) on supplies of certain luxury vehicles. This policy is outlined in the Minister of Finance Regulation No. 20/PMK.010/2021 concerning Sales Tax on Luxury Goods on Supplies of Taxable Luxury Goods in the Form of Certain Motor Vehicles Borne by the Government for Fiscal Year 2021 (MoF Reg. 20/2021).

This policy is also contained in the Minister of Industry Decree No. 169 of 2021 concerning Motor Vehicles with Sales Tax on Luxury Goods on Supplies of Taxable Luxury Goods Luxury Borne by the Government in Fiscal Year 2021 (Kepmenperin 169/2021). The Minister of Industry Decree 169/2021 is an implementing regulation of MoF Reg. 20/2021 which stipulates the details of certain motor vehicles entitled to STLGs borne by the government incentives.

MoF Reg. 20/2021, in general, stipulates STLGs borne by the government incentives for the 2021 fiscal year for supplies of taxable goods (*Barang Kena Pajak*/BKP) in the form of certain motor vehicles. On another note, several provisions are stipulated with regard to STLGs borne by the government incentives for supplies of these motor vehicles.

First, certain types of motor vehicles entitled to STLGs borne by the government incentives. These incentives apply to STLGs payable on supplies of:

(i) sedans or station wagons with ignition or compression ignition combustion engines (diesel or semi-diesel) with a cylinder capacity of up to 1,500 cc; and

(ii) motor vehicles for the transport of fewer than 10 people including drivers other than sedans or station wagons, with ignition or compression ignition engines (diesel or semi-diesel) with 1 axle drive system (4 x 2), and a cylinder capacity up to 1,500 cc.

Second, the provision of STLGs incentives for motor vehicles applies if the local purchase requirement is met. The local purchase requirement includes a minimum of 70% of the total fulfillment of domestically-produced components used in motor vehicle production.

Third, the amount of STLGs borne by the government incentives for supplies of certain motor vehicles for the 2021 fiscal year. The government-borne STLGs incentives include: (i) 100% of STLGs payable for March 2021 to May 2021 tax periods; (ii) 50% of STLGs payable for June 2021 to August 2021 tax periods; and (ii) 25% of STLGs payable for September 2021 to December 2021 tax periods.

Fourth, the obligation of taxable persons for VAT purposes (*Pengusaha Kena Pajak*/PKP) that supply certain luxury motor vehicles and may take advantage of these incentives. Said obligation constitutes preparing tax invoices and reports on the realization of STLGs borne by the government.

Fifth, the authority of the head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) on behalf of the Director General of Taxes to collect outstanding STLGs. The head of KPP's authority to collect may be exercised if certain obtained data/information shows that (i) the supplied luxury BKP do not match the category, requirements, or the local purchase requirement as regulated in a ministerial decree in charge of industrial affairs; (ii) STLGs borne by the government do not comply with the provisions and/or; (iii) the taxable person for VAT purposes does not fulfill his obligation.

The implementation and accountability of government-borne tax subsidy spending in this regulation are carried out as per statutory provisions. The provisions under MoF Reg. 20/2021 have come into effect as of the promulgation date on 25 February 2021.

Next, Kepmenperin 169/2021 stipulates details of motor vehicles entitled to STLGs borne by the government incentives. The types of motor vehicles entitled to STLGs borne by the government incentives are listed in appendix I of the Kepmenperin 169/2021.

In line with MoF Reg. 20/2021, Kepmenperin 169/2021 also states that motor vehicles entitled to these incentives must meet the local purchase requirement of a minimum of 70%. The local purchase requirement includes fulfilling the total use of domestically-produced components utilized in motor vehicle production.

With regard to the local purchase requirement, industrial companies are required to submit a local purchase plan, a statement letter on 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 Elektronika*/ILMATE). The format of a statement letter on the utilization of local purchase in production and the format of the local purchase plan are listed in Appendix II and Appendix III of Kepmenperin 169/2021. On another note, industrial companies are required to file tax invoices, reports on the realization of STLGs borne by the government, and quarterly sales performance to the Director General of ILMATE.

In terms of the process of monitoring and evaluation of the realization of the local purchase plan, the Director General of ILMATE shall cooperate with agencies in the taxation sector and/or involve an independent verification agency. If during the monitoring and evaluation, some industrial companies are found not to perform local purchases, the Director General of ILMATE may propose administrative penalties and delete the motor vehicles from Appendix I of Kepmenperin 169/2021.

All provisions under Kepmenperin 169/2021 shall take effect from 26 February 2021 until the STLGs borne by the government incentives period ends.

VAT Borne by the Government Incentives for Supplies of Landed Houses and Flats

Meet Our Experts



Khisi Armaya Dhora, S.I.A., ADIT., BKP
Expert Consultant
khisi@ddtc.co.id

Khisi Armaya Dhora is an Expert Consultant at DDTC. She is a practitioner with expertise and experience in international tax and value added tax (VAT). She is particularly involved in tax advisory projects, where she has received outstanding feedback from clients and peers alike for providing noteworthy tax advice. She has represented several multinational companies in dispute resolution procedures, including tax objections, tax appeals, lawsuits, and litigation at the tax court. In the past, she has attended a number of international courses and seminars, two most recent of which include "Fundamentals of Singapore Corporate Tax," held by TAKX Solutions, in Singapore (2018) and "Global Tax: Driving the Future," held by Harvard Kennedy School & Irish Tax Institute, in Dublin, Ireland (2019). This licensed tax consultant is Certified B of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from Chartered Institute of Taxation, United Kingdom.

The Indonesian government has released policies on value added tax (VAT) borne by the government incentives on supplies of landed houses and flat units. These policies are outlined in the Minister of Finance Regulation No. 21/PMK.010/2021 concerning Value Added Tax Borne by the Government on Supplies of Landed Houses and Flat units for Fiscal Year 2021 (MoF Reg. 21/2021).

This regulation, in essence, stipulates the granting of VAT borne by the government incentives for supplies of landed houses and flat units in the 2021 fiscal year. Moreover, this regulation also stipulates the time of supply of landed houses and flat units entitled to the VAT borne by the government incentives and applicable requirements to obtain these incentives.

A supply becomes entitled to VAT borne by the government incentives when the sale and purchase deed is signed or a certificate of full payment is issued by the seller. Both of these requirements apply if accompanied by a real transfer of rights as evidenced by an official report of handover.

Moreover, there are 2 requirements for landed houses and flat units to receive these incentives, i.e. (i) a maximum selling price of IDR5,000,000,000 and; (ii) the new landed house and the new flat unit are supplied in a turnkey condition. New landed houses and new flat units under this regulation refer to landed houses and flat units that are supplied for the first time by the developer and have never been transferred.

This regulation also stipulates the provisions on VAT payable borne by the government on supplies of landed houses and flat units for which down payment or installments have been made. In this regard, the VAT borne by the government incentives continue to be granted under the following conditions:

(i) the down payment or first installment is paid to the seller no later than 1 January 2021;

(ii) the landed house and flat unit is supplied during the government-borne VAT incentive period as per this regulation, i.e. in the 2021 fiscal year;

(iii) VAT borne by the government is only granted on the VAT payable on the payment of the remaining installments and settlement paid during the VAT borne by the government period in the 2021 fiscal year.

VAT borne by the government incentives may only be used for 1 individual for the acquisition of 1 landed house or 1 flat unit. The amount of the government-borne VAT incentives is given in two forms, i.e.: (i) 100% of the VAT payable on the supply of a landed house or flat with a maximum selling price of IDR2,000,000,000; and (ii) 50% of the VAT payable on the supply of a landed house or flat with a selling price above IDR2,000,000,000. In this case, the VAT borne by the government is given for supplies made during March 2021 to August 2021 tax periods.

This regulation also regulates provisions on the obligation of taxable persons for VAT purposes that supply landed houses and/or flat units, i.e. preparing tax invoices and reports on the realization of VAT borne by the government. The tax invoice must be filled in completely and correctly and include the buyer's identity in the form of the buyer's name and taxpayer identification number (*Nomor Pokok Wajib Pajak*/NPWP) or Single Identity Number (*Nomor Induk Kependudukan*/NIK)). In addition, the prepared tax invoices must be completed with the information of VAT by the government incentives based on MoF Reg. 21/2021.

This regulation, on the other hand, stipulates the criteria of VAT payable on supplies of landed houses and flat units that is not borne by the government. These incentives do not apply to supplies that (i) are performed after the end of the VAT borne by the government period; (ii) are carried out prior to the entry into force of this regulation; (iii) are transferred within 1 year from the time of supply; (iv) do not use tax invoices as regulated in this regulation; (v) do not file the realization report.

In contrast, the Tax Office (*Kantor Pelayanan Pajak*/KPP) on behalf of the Director General of Taxes is authorized to collect outstanding VAT. This authority is given if data or information showing several things is found, i.e.:

(i) the supplied object does not constitute taxable goods referred to in this regulation;

(ii) the acquisition of more than 1 unit that receives the VAT borne by the government incentives by one individual;

(iii) the tax period does not correspond to the tax periods referred to in this regulation;

(iv) supplies do not meet the requirements stipulated in this regulation; and

(v) transfer is carried out within 1 year from the supply.

This regulation affirms that supplies of landed houses and/or flat units that have received VAT exemption facilities cannot take advantage of the VAT borne by the government incentives. In terms of the implementation and accountability of government-borne tax subsidy spending, this regulation shall be implemented as per statutory provisions. The provisions under this regulation have come into effect as of the promulgation date, i.e. on 1 March 2021.

Procedures for Applications for the Use of Book Value Related to Mergers, Spin-offs, and Business Takeovers

Meet Our Experts



Wulan Clara Kartini., S.I.A., M.Ak
Assistant Manager of Tax Compliance & Litigation Services
wulan@ddtc.co.id

Wulan Clara Kartini is Assistant Manager of Tax Compliance & Litigation Services at DDTC. She is particularly involved in tax advisory projects. She has represented several

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multinational companies in dispute resolution procedures, including tax objection, tax appeal, lawsuits and litigation at the tax court. The Licensed Tax Attorney and Tax Consultant is Certified B of Indonesian Tax Consultant Examination and also holds a Bachelor's degree in Fiscal Administration and a Master's degree in Accounting from University of Indonesia.

The government has updated the provisions on the terms and procedures for the granting of a permit to use book value for the transfer and acquisition of assets in the context of mergers, consolidations, spin-offs, or business takeovers.

The updates are outlined in the Director General of Taxes Regulation No. PER-03/PJ/2021 concerning Procedures for the Submission and Issuance of Decisions Regarding the Use of Book Value for Transfers and Acquisition of Assets in the Context of Mergers, Consolidations, Split-offs, or Business Takeovers (PER 03/2021).

This regulation has taken effect from the stipulation date on 18 February 2021. The enactment of this regulation simultaneously revokes the Director General of Taxes Regulation No. PER-28/PJ/2008 concerning Requirements and Procedures for the Granting of Permits to Use Book Value for Transfer of Assets in the Context of Mergers, Consolidations, or Business Takeovers (PER 28/2008).

The government, through this regulation, affirms that taxpayers may use the book value for transfers of assets in the context of mergers, consolidations, spin-offs, or business takeovers. Taxpayers that may perform business spin-offs using book value include the following five categories:

(i) taxpayers that have not gone public and intend to conduct an initial public offering (IPO);

(ii) taxpayers that have gone public insofar as all the business entities resulting from the spin-offs have performed an initial public offering (IPO);

(iii) corporate taxpayers that split-off sharia business units to carry out business split-off obligations based on statutory provisions;

(iv) resident corporate taxpayers insofar as the business entities resulting from the spin-offs receive additional capital from foreign investors of a minimum of IDR500 billion; and

(v) state-owned enterprise (SOEs) taxpayers that receive additional capital participation from the Republic of Indonesia insofar as the spin-off is carried out in relation to the establishment of a SOEs holding company.

The details of taxpayers that may carry out spin-offs using book value in PER 03/2021 are broader compared to the provisions under PER 28/2008. This is due to the fact that formerly taxpayers that performed spin-offs and were able to use book value only consisted of two groups, i.e. taxpayers points (i) and (ii) in the above details.

Further, the taxpayer that may perform business takeovers using book value is the taxpayer resulting from the merger of a permanent establishment (PE) taxpayer that carries out business in the banking sector with a resident corporate taxpayer whose capital is divided into shares.

Such a takeover is carried out by transferring all or part of the assets and liabilities of the PE to a resident corporate taxpayer whose capital is divided into shares and dissolving the PE. The provisions on the use of book value for taxpayers that perform business takeovers are new provisions that have not been regulated under PER 28/2008.

Similar to the former provisions, taxpayers may use book value after obtaining the Director General of Taxes' approval. Approval can be obtained by submitting an application to the Head of the DGT Regional Office in charge of the Tax Office (*Kantor Pelayanan Pajak*/KPP) where the taxpayer is registered. The application must be completed with the following three documents:

(i) a statement letter stating the reasons and objectives for undertaking a merger, consolidation, spin-off, or business takeoff. The statement letter must be attached with a photocopy of the supporting documents as referred to in Appendix B of PER 03/2021 and the requirements attached to the supporting documents. An example of the format for this statement letter is listed in Appendix C of PER 03/2021;

(ii) a statement letter stating that the business merger, consolidation, spin-off, or business takeover fulfills the business purpose test. An example of the format for this statement letter is listed in Appendix D of PER 03/2021;

(iii) a valid tax clearance certificate from the DGT, for each affiliated resident corporate taxpayer and Permanent Establishment.

In further detail, the statement letter of the fulfillment of the business purpose test must be attached with three supporting documents, as below:

(i) income and income tax payable before the effective date of the merger, consolidation, spin-off, or business takeover;

(ii) projected income and income tax after the merger, consolidation, spin-off, business takeover; and

(iii) a list of entries in the context of the business purpose test informing about losses or residual fiscal and commercial losses, main business line, products or services, market segment, number of branches or networks, composition of ownership, total assets, corporate income tax payable.

Juxtaposed with the provisions under PER 28/2008, one of the differences lies in the obligation to include a tax clearance certificate. This obligation is, however, similar to the stipulations under PER 28/2008 which require taxpayers to pay all tax payable of each affiliated business entity to be able to use book value.

In contrast to PER 28/2008, PER 03/2021 also outlines additional requirements for the transfer of assets in the context of the IPO spin-offs, split-offs of sharia business units, spin-offs of investment, i.e. for business entities resulting from spin-offs that obtain additional capital from a foreign investment of a minimum of IDR500 billion, SOEs spin-offs, and PE mergers.

The submission period for the applications for the use of book value shall not exceed 6 months after the effective date of the merger, consolidation, spin-off, or business takeover. This term remains the same as the provisions under PER 28/2008. An example of the format of the application letter for the use of book value is listed in Appendix A of PER 03/2021. The following two parties shall submit the applications complete with the required documents:

(i) taxpayers that receive assets, in the event of a merger, consolidation, or business takeover; or

(ii) taxpayers that transfer assets, in the event of a split-off.

The Head of the Regional Office (*Kantor Wilayah*/ Kanwil), based on the results of the research, must issue a decree no later than 1 month after the application is received in full. The decree may contain approval or rejection. However, if within one month the Head of Regional Office has not issued a decree, the taxpayer's application is deemed approved. Further, the Head of Regional Office must issue an 'Approval Decree' within 5 working days since the period has elapsed.

Moreover, assets in the form of fixed assets originating from a merger, consolidation, spin-off, or business takeover may not be transferred by the taxpayer that receives the transfer of assets. The prohibition of transfer is valid for a short period of 2 years after the effective date. This prohibition, however, does not apply if the transfer is carried out to increase company efficiency.

In the event that an Approval Decree has been issued, but based on data and/or information, the taxpayer is found not to comply with the provisions, the transfer value of assets originally carried out based on book value is recalculated based on the market value of the asset transfer on the effective date of the merger, consolidation, spin-off, or business takeover. The unfulfilled provisions include:

(i) not meeeting the business purpose test requirement;

(ii) not submitting a statement of registration to the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) in the context of an IPO or the a statement of registration has not become effective within the specified period or has obtained a rejection decree as referred to in Article 14 paragraph (1) subparagraph b;

(iii) not dissolving the PE within the stipulated period/time extension or obtaining a rejection decree of the time extension as referred to in Article 17 paragraph (1) subparagraph b; and/ or

(iv) performing the transfer of assets, but not applying for transfer of assets within the stipulated period or obtaining a rejection decree as referred to in Article 20 paragraph (1) subparagraph b.

For applications to use book value submitted before the enactment of PER 3/2021 that are still valid and the decree has not been issued, the applications will continue to be processed as per the procedures of PER-28/2008. The applications, however, must still be attached with tax clearance certificates.

Implementing Regulation of the Taxation Cluster in Job Creation Law and VAT Incentives for Landed Houses and Flats

Appeal for Re-Submission of Applications for Article 22 Income Tax Exemption Certificates based on MoF Reg. 9/2021

Meet Our Experts



Rinan Auvi Metally, S.I.A., BKP
Manager of Tax Compliance & Litigation Services
auvi@ddtc.co.id



Dwi Wahyuni, Amd.Pjk
Senior Specialist of Tax Compliance & Litigation Services
dwi.wahyuni@ddtc.co.id

Rinan Auvi Metally is the Manager of Tax Compliance & Litigation Services at DDTC. She is an experienced practitioner involved in various tax advisory and tax disputes resolution projects, where she has represented multinational companies in heavy equipment, coal mining and leather industries. She holds a Bachelor's degree in Fiscal Administration from University of Indonesia. This Licensed Tax Attorney is also a Certified C of Indonesian Tax Consultant Examination and Certified in Principles of International Taxation from the Chartered Institute of Taxation, United Kingdom.

Dwi Wahyuni is a Senior Specialist of Tax Compliance & Litigation Services at DDTC. This holder of Diploma's degree in Tax Administration from University of Indonesia attended an international course "Zero Rating of International Services: Correctly Applying Zero-rating Treatment on Services," held by Wolters Kluwer, in Singapore (2017). In addition to being a licensed tax attorney and consultant, she is also Certified A of Indonesian Tax Consultant Examination and Certified in Principles of International Taxation and Principles of Corporate & International Taxation (Singapore option) from the Chartered Institute of Taxation, United Kingdom.

The Directorate General of Taxes (DGT) has conveyed an appeal regarding the re-submission of applications for Certificates of Exemption (*Surat Keterangan Bebas*/SKB) of Article 22 Import Income Tax based on the Minister of Finance Regulation No. 9/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 Pandemic (MoF Reg. 9/2021).

The appeal is conveyed through Announcement No. PENG-2/PJ.09/2021 concerning the Appeal for Re-Submission of Applications for Certificates of Exemption of Article 22 Import Income Tax Based on the Minister of Finance Regulation No. 9/PMK.03/2021 (PENG-2/2021).

The DGT, through this announcement, reaffirms that taxpayers engaged in one of the 730 specific business sectors, companies entitled to Import Facility for Export (*Kemudahan Impor Tujuan Ekspor*/KITE), or companies in bonded zones may utilize the Article 22 Import Income Tax exemption incentives. The Article 22 Import Income Tax exemption incentives for the 2021 tax year are effective since the taxpayer obtains Certificates of Exemption of Article 22 Import Income Tax.

The DGT, therefore, urges taxpayers to re-apply for Certificates of Exemption through the application for Article 22 Import Income Tax based on MoF Reg. 9/2021. The application for the Certificates of Exemption of Article 22 Import Income Tax may be submitted by accessing the www.pajak.go.id webpage which has been available since 10 February 2021.

Through this announcement, the DGT also specifies that for taxpayers that have reprinted the Certificates of Exemption of Article 22 Import Income Tax based on MoF Reg. 86/2020 from 4 February 2021 to 9 February 2021, the Certificates of Exemption are no longer valid since 10 February 2021. As such, taxpayers must re-apply as per the provisions under MoF Reg. 9/2021.

March 2021 Interest Penalties and Compensation Interest Rates

Meet Our Experts



Ismi Ulya Mardhiyahti, S.ST., Ak
Senior Specialist of Tax Compliance & Litigation Services
ismi.ulya@ddtc.co.id

Ismi Ulya Mardhiyahti is Senior Specialist of Tax Compliance & Litigation Services at DDTC. She has been engaged in projects on tax compliance, corporate income tax returns, individual income tax returns, value added tax, and withholding tax for various industries and also resolved tax audit and disputes, including tax objection and tax appeal. A holder of two Bachelor's degree in Accounting and Accounting Profession from State Polytechnic of Bandung and Universitas Padjajaran, she is currently pursuing Chartered Accountant (CA) certification. She attended "Getting a Good Deal by Understanding Taxation Aspects of Mergers and Amalgamations and Tax Due Dilligence," held by ISCA, Singapore in 2017. Both a licensed tax attorney and consultant, she is Certified B of Indonesian Tax Consultant Examination.

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 March 2021 to 31 March 2021.

Details of the interest rates are stipulated under the Minister of Finance of the Republic of Indonesia Decree No. 13/KMK.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 March 2021 to 31 March 2021 (MoF Decree 13/2021). This regulation was signed on 23 February 2021.

Four monthly interest rates apply for administrative penalties, ranging from 0.52% to 1.77%. The four monthly interest rates are higher than the monthly interest rates for the February 2021 period. . Details of monthly interest rates for tax interest penalties for the period between 1 March 2021 to 31 March 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 0.52%. The monthly interest rate is higher than the previous period of 0.51%. Details of the monthly rates on tax interest compensation for the period between 1 March 2021 and 31 March 2021 can be seen in Table 2.

Appeal for Taxpayers Using Annual Tax Return Completion Services

Meet Our Experts



Niken Ayu Permandarani, SE
Senior Specialist of Tax Compliance & Litigation Services
niken@ddtc.co.id

Niken Ayu Permandarani is a Senior Specialist of Tax Compliance & Litigation Services at DDTC. She has been involved in various project such as tax compliance, tax

Table 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)	0.52%
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.	0.94%
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)	

Source: Job Creation Law and MoF Decree 13/2021.

Table 1 Details of Monthly Interest Rates of Interest Penalties (continued)

Articles in General Tax Provisions and Procedures	The Imposition of Administrative Penalties	Monthly Interest Rate
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)	1.35%
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)	1.77%
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 13/2021.

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.	0.52%
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 13/2021.

advisory and dispute resolution procedures, including tax objection, tax appeal and litigation at the tax court. She is also involved in preparing the academic review of Tax Accounting Standard in Indonesia. The holder of Bachelor's degree in Accounting from University of Indonesia attended "Zero Rating of International Services: Correctly Applying Zero-rating Treatment on International Services," held by Wolters Kluwer in Singapore (2017). The Licensed Tax Attorney and Consultant is also Certified B of Indonesian Tax Consultant Examination.

The DGT has conveyed an appeal to taxpayers concerning annual tax return completion services by several parties. The appeal is conveyed through Announcement No. PENG-3/PJ.09/2021 concerning the Appeal to Ensure the Status of Annual Tax Return Completion Service Providers (PENG-3/2021).

Through the announcement, the DGT states that taxpayers, representatives, or proxies are fully responsible for the correctness of the contents of the annual tax returns signed and filed to the DGT. Therefore, in the event that taxpayers ask for assistance from service providers in completing annual tax returns, taxpayers are encouraged to choose service providers that understand how to complete annual tax returns properly and correctly.

Moreover, taxpayers may also appoint a proxy with a special power of attorney to sign the annual tax return. On the other hand, if a taxpayer employs the annual tax return completion service to fill out and sign his annual tax return, he or she must ensure that the granting of power to the service provider meets the following 5 conditions:

(i) the power of attorney masters the statutory provisions in the field of taxation;

(ii) having a special power of attorney from the taxpayer that grants the power of attorney;

(iii) having a Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/NPWP);

(iv) having submitted the Annual Income Tax Return for the last tax year; and

(v) having never been convicted of any crime in the field of taxation.

Through the announcement, signed on 9 March 2021, the DGT also reaffirms the provisions on who is referred to as a taxpayer's proxy. Based on the details in the announcement, the parties that may serve as a taxpayer's proxy consist of two parties.

First, an official tax consultant that is registered or has obtained a tax consultant practice license stipulated by the Director General of Taxes or an appointed official. Taxpayers may view the tax consultant's status through the SIKoP (Tax Consultant Information System) application on the website http://konsultan.pajak.go.id. The search is performed by keying in the consultant's name or NPWP as a keyword on the search menu or by contacting the Tax Office (*Kantor Pelayanan Pajak*/KPP).

Second, non-tax consultants. In the event that a proxy is not a tax consultant, he or she is obliged to master statutory provisions in the field of taxation. This is evidenced by a photocopy of a tax certification or a formal education certificate in the field of taxation issued by a public or private tertiary institution accredited A, a minimum of Diploma III level.

The final point in this announcement states that taxpayers must ensure that the annual tax return has been filled in correctly, completely and clearly. This will, in turn, help taxpayers when the DGT performs material supervision on annual tax returns and avoid the fulfilment of tax obligations that is not in line with applicable regulations.

Administration of Foreign Direct Grant Management within the DGT

Meet Our Experts



Erika, S.E., BKP
Assistant Manager of Tax Compliance & Litigation Services
erika@ddtc.co.id

Erika is the Assistant Manager of Tax Compliance & Litigation Services at DDTC. Holding a Bachelor's degree in Accounting from Atma Jaya University, she has been involved in various tax compliance, tax advisory, due diligence and tax diagnostic review projects for several companies.

In achieving the stipulated vision and mission, the Directorate General of Taxes (DGT) requires support from various parties, both domestic and foreign. The support for the DGT from abroad may take the form of direct grants. In connection with grants, the Minister of Finance Regulation No. 99/PMK.05/2017 concerning the Administration of Grant Management (MoF Reg. 99/2017) stipulates that grants must be outlined in a grant agreement.

In this respect, the Director General of Taxes has released the Director General of Taxes Decree No. KEP-529/PJ/2020 concerning the Administration of Foreign-Sourced Direct Grant Management within the Directorate General of Taxes (KEP-529/2020). This regulation has been released to realize good governance and orderly administration.

This regulation outlines the definition of foreign-sourced direct grants (direct grants), i.e. all state revenues in the form of foreign exchange, foreign exchange in rupiah denomination, rupiah, goods, services, and/or securities obtained from foreign grantors that do not need to be repaid and are not implemented through a planning mechanism.

A foreign direct grantor (direct grantor) refers to the party giving direct grants that may originate from a foreign country, institutions under the United Nations (UN), multilateral institutions, foreign financial institutions, foreign non-financial institutions, national financial institutions domiciled and conducting business outside the territory of the Republic of Indonesia, and individuals.

Based on KEP-529/2020, a direct grant is used to finance technical assistance. Technical assistance refers to assistance from experts and is actually related to the development of institutional capacity and human resources within the DGT that is funded by direct grants. Technical assistance funded by direct grants must support the implementation of the DGT's Strategic Plan programs and other strategic programs in accordance with the Minister of Finance's policies.

In further detail, technical assistance in activities financed by direct grants may cover five activities. *First,* the assistance provided by experts assigned to the DGT for a certain period. *Second,* domestic seminars/workshops/training by experts provided by direct grantors. *Third,* seminars/workshops/training/study visits conducted abroad. *Fourth,* DGT employee apprenticeship activities in overseas taxation institutions (secondment). *Fifth*, other forms of capacity building approved by the DGT and direct grantors.

Through KEP-529/2020, the Director General of Taxes also stipulates the party authorized to sign direct grant agreements. Two parties are authorized to sign direct grant agreements, which are stipulated based on the value of the grant. *First,* the Director General of Taxes shall sign direct grant agreements starting from IDR10 billion in value. *Second*, the DGT Secretary shall sign direct grant agreements of less than IDR10 billion in value.

KEP-529/2020 states that the signing of direct grant agreements is beyond the Director General of Taxes' authority. However, insofar as the DGT constitutes one of the beneficiaries, the Director General of Taxes is involved in the preparation of the direct grant agreement.

Furthermore, issued on 29 December 202, the Director General of Taxes Decree specifies the administrative process for direct grant management within the DGT. The administrative process ranges from the stage of revenue planning, organization and implementation, administration of foreign business travels, to monitoring and evaluation. On another note, there is a chart depicting each stage in the administration process of direct grant management as well as the terms of the direct grant agreements.

Decree on Effective Validity of the DGT's Vertical Agency Reforms

Meet Our Experts



Denny Vissaro, S.E., M.S.E., M.A.
Manager of DDTC Fiscal Research
denny@ddtc.co.id



Hamida Amri Safarina, SH
Researcher of Tax Reseach & Training Services
hamida@ddtc.co.id

Denny Vissaro is the Manager of DDTC Fiscal Research at DDTC. His research coverage consists of fiscal policy, international taxation, tax administration, public finance and fiscal decentralization. Most of his research projects are related to the works of Directorate General of Taxes and Fiscal Policy Agency. He is also responsible as the Chief Editor for the Indonesia Taxation Quarterly Report. He holds a Master's degree in Economics of Development from Erasmus Universiteit Rotterdam. In 2017, he was appointed as a national reporter and speaker at Rust Conference, in Austria. Additionally, he is Certified in Principles of International Taxation and Transfer Pricing from the Chartered Institute of Taxation, United Kingdom.

Hamida Amri Safarina is a Researcher at DDTC whose coverage consists of fiscal policy, international taxation, tax administration, tax law, and tax dispute. The holder of a Bachelor's degree in Law from Gadjah Mada University is also a certified PKPA from the Indonesian Advocates Association (PERADI).

The government has amended the provisions on the organization and work procedures of the Directorate General of Taxes' (DGT) vertical agencies. The amendments are outlined 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).

The government, through MoF Reg. 184/2020, has updated the duties, functions, organizational structure, nomenclature, working areas, and types of Tax Offices (*Kantor Pelayanan Pajak*/KPP). The reforms are aimed at optimizing tax revenues through efficient, effective tax administration, with integrity and justice, as well as realizing a reliable organization.

In terms of the provisions on renewal under MoF Reg. 184/2020, the Director General of Taxes has released a decree concerning the effective implementation time for the reforms of the organization, work procedures, location, and work area of the DGT's vertical agencies.

The decision concerning the effective validity is outlined in the Director General of Taxes Decree No. KEP-28/PJ/2021 concerning the Organization, Work Procedures, and Commencement of Operation of the Directorate General of Taxes' Vertical Agencies 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 Work Procedures of Vertical Agencies of the Directorate General of Taxes (KEP-28/2021).

In essence, through KEP-28/2021, the Director General of Taxes has decided to implement reorganization in the form of changes in duties, functions, organizational structures, nomenclature, working areas, and types of Tax Offices (*Kantor Pelayanan Pajak*/KPP) in the DGT's vertical agencies formerly regulated under MoF Reg. 184/2020. effective from 3 May 2021.

In further detail, this decree, taking effect from 5 February 2021 stipulates the provisions on the effective validity of the reorganization related to the changes in duties, functions, organizational structure, nomenclature, working areas, and types of Tax Offices in 4 dictums.

The first dictum, outlines that the implementation of the duties, functions, and/or organizational structure of the DGT's vertical agencies based on MoF Reg. 184/2020 both at the Tax Offices and Tax Services, Dissemination, and Consultation Service Offices (*Kantor Pelayanan, Penyuluhan, dan Konsultasi Perpajakan*/KP2KP) will begin on 3 May 2021.

The second dictum, specifying 15 of the DGT's vertical agencies subject to changes in nomenclature or naming. The fifteen agencies consist of one Regional Office, 11 Tax Offices, and three KP2KPs. The vertical agencies subject to changes in nomenclature will operate from 3 May 2021.

These nomenclature changes were formerly outlined in the Appendix of MoF Reg. 184/2020. Details of the list of the DGT's vertical agencies subject to nomenclature changes can be seen in Table 3.

The third dictum, specifying which DGT's vertical agencies have experienced changes in working areas. 27 Tax Offices and one KP2KP have been subject to changes in their respective working areas. The new working areas will effectively operate on 3 May 2021. Details of the new working areas of several DGT's vertical agencies are also outlined in the Appendix of MoF Reg. 184/2020.

In further detail, the 28 DGT vertical agencies subject to changes in their working areas include: West Medan Small Tax Office, Bandar Lampung One Small Tax Office, Bandar Lampung Two Small Tax Office, Bengkulu One Small Tax Office, Bengkulu Two Small Tax Office.

Further, Jakarta Gambir One Small Tax Office, Jakarta Tamansari Small Tax Office, Jakarta Setiabudi Three Small Tax Office, Jakarta Kebayoran Baru One Small Tax Office, Jakarta Kebayoran Baru Two Small Tax Office, Jakarta Cakung Small Tax Office, and Jakarta Tanjung Priok Small Tax Office.

Next, Tigaraksa Small Tax Office, Kosambi Small Tax Office, Bandung Tegallega Small Tax Office, Bandung Cicadas Small Tax Office, Karawang Small Tax Office, North Bekasi Small Tax Office, West Bekasi Small Tax Office, Pondok Gede Small Tax Office, Cibinong Small Tax Office, and Ciawi Small Tax Office.

In addition, there are also Central Semarang Small Tax Office, Kebumen Small Tax Office, Surabaya Mulyorejo Small Tax Office, Gresik Small Tax Office, and Banjar Small Tax Office. On the other, KP2KP that has undergone regional changes is Namlea KP2KP.

The fourth dictum, specifies which DGT vertical agencies have experienced changes in the types of Tax Offices. 18 Small Tax Offices have been changed to Medium Tax Offices. The vertical agencies that experienced this type of change will also start operating on 3 May 2021. These changes have rendered a current number of 38 Medium Tax Offices. This is in line with the number of Medium Tax Offices stated in Article 81 of MoF Reg. 184/2020.

Formerly, under MoF Reg. 210/2017 the number of Medium Tax Offices was 29. However, the 29 Medium Tax Offices under MoF Reg. 210/2017 still includes nine Special Tax Offices which constitutes the same type as Medium Tax Offices.

MoF Reg. 184/2020, on the other hand, has segmented Special Tax Offices into a separate type of Tax Office. This implies that MoF Reg. 184/2020 adds 18 Medium Tax Offices and further details are confirmed in KEP-28/2021. Details of the Small Tax Offices which have been changed into Medium Tax Offices can be seen in Table 4.

Table 3 Details of Changes in the Names of the DGT's Vertical Agencies

No.	Names of the DGT's Vertical Agencies as per MoF Reg. 210/2017	Names of the DGT's Vertical Agencies as per MoF Reg. 184/2020
1	Papua and Maluku DGT Regional Office	Papua, West Papua, and Maluku DGT Regional Office
2	Tanjung Karang Small Tax Office	Bandar Lampung One Small Tax Office
3	Kedaton Small Tax Office	Bandar Lampung Two Small Tax Office
4	Argamakmur Small Tax Office	Bengkulu One Small Tax Office
5	Bengkulu Small Tax Office	Bengkulu Two Small Tax Office
6	Jakarta Tamansari One Small Tax Office	Jakarta Tamansari Small Tax Office
7	Jakarta Cakung One Small Tax Office	Jakarta Cakung Small Tax Office
8	Karawang North Small Tax Office	Karawang Small Tax Office
9	Semarang Tengah Two Small Tax Office	Central Semarang Small Tax Office
10	South Gresik Small Tax Office	Gresik Small Tax Office
11	North Banjarmasin Small Tax Office	Banjarmasin Small Tax Office
12	Mempawah Small Tax Office	Kubu Raya Small Tax Office
13	Tual KP2KP, Ambon Small Tax Office	Langgur KP2KP, Pratama Ambon Small Tax Office
14	Tebing Tinggi KP2KP, Pratama Lahat Small Tax Office	Empat Lawang KP2KP, Lahat Small Tax Office
15	Martapura KP2KP, Pratama Baturaja Small Tax Office	Ogan Komering Ulu Timur KP2KP, Baturaja Small Tax Office

Source: MoF Reg. 210/2017; MoF Reg. 184/2020; and KEP-28/2021.

Table 4 Details of Changes in the Types of Tax Offices

No.	Types of Tax Offices Based on MoF Reg. 210/2017	Types of Tax Offices Based on MoF Reg. 184/2020
1	Medan Kota Small Tax Office	Medan Medium Tax Office Two
2	Teluk Betung Small Tax Office	Bandar Lampung Medium Tax Office
3	Jakarta Gambir Four Small Tax Office	Central Jakarta Medium Tax Office Two
4	Jakarta Tamansari Two Small Tax Office	West Jakarta Medium Tax Office Two
5	Jakarta Setiabudi Four Small Tax Office	South Jakarta I Medium Tax Office Two
6	Jakarta Kebayoran Baru Four Small Tax Office	South Jakarta II Medium Tax Office
7	Jakarta Kebayoran Baru Three Small Tax Office	South Jakarta II Medium Tax Office Two
8	Jakarta Cakung Two Small Tax Office	East Jakarta Medium Tax Office Two
9	Jakarta Sunter Small Tax Office	North Jakarta Medium Tax Office Two
10	Cikupa Small Tax Office	Tangerang Medium Tax Office Two
11	Bandung Karees Small Tax Office	Bandung Medium Tax Office Two
12	South Karawang Small Tax Office	Karawang Medium Tax Office Two
13	South Bekasi Small Tax Office	Bekasi City Medium Tax Office Two
14	Central Semarang One Small Tax Office	Semarang Medium Tax Office Two
15	Purworejo Small Tax Office	Surakarta Medium Tax Office
16	Surabaya Simokerto Small Tax Office	Surabaya Medium Tax Office Two
17	North Gresik Small Tax Office	Gresik Medium Tax Office
18	Sourth Banjarmasin Small Tax Office	Banjarmasin Medium Tax Office

Source: MoF Reg. 210/2017; MoF Reg. 184/2020; and KEP-28/2021.

Trial Proceedings at the Tax Court during the Covid-19 Pandemic Starting 29 March 2021

Meet Our Experts



Yurike Yuki, SH
Senior Specialist of Transfer Pricing Services DDTC
yurike@ddtc.co.id



Tami Putri Pungkasan, SE, ADIT
Senior Specialist of Transfer Pricing Services DDTC
tami@ddtc.co.id

Yurike Yuki is a Senior Specialist of Transfer Pricing Services at DDTC. She has attended a number of international courses and seminars, i.e. "Advanced Transfer Pricing Course (General Topics)" in Vienna, Austria (2018), "Basic and Intermediate Licensing Course" in Singapore (2019), "IBFD Webinar "Transfer Pricing, R&D and Intangibles Under Attack" (2020), and "Videoconference 11th meeting of the OECD/G20 Inclusive Framework on BEPS, Tax Challenges Arising from Digitalisation and the Future of International Taxation" (2021). The Licensed Tax Attorney is Certified A of Indonesian Tax Consultant Examination and Certified in Principles of International Taxation and Transfer Pricing from the Chartered Institute of Taxation, United Kingdom.

Tami Putri Pungkasan is Senior Specialist of Transfer Pricing Services at DDTC. She has been involved in various projects such as, tax advisory, tax audit and dispute resolution procedures, including tax objection, tax litigation (appeal) and APA for clients in diverse industries. In addition to her Bachelor's degree in Accounting from University of Indonesia, the licensed Tax Attorney and Tax Consultant (Certificate A) is also Certified B of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom.

The Chairperson of the Tax Court has re-established the circular concerning the implementation of trial proceedings during the Covid-19 pandemic. The circular has been stipulated in connection with the Chairperson of the Tax Court's evaluation results on trial proceedings at the Tax Court during the Covid-19 pandemic. Formerly, the trial implementation at the Tax Court was based on Circular No. SE-024/PP/2020 concerning the Implementation of Trial Proceedings during the Corona Virus Disease 2019 (Covid-19) Pandemic at the Tax Court starting 12 October 2020 (SE-024/2020).

Based on the evaluation results and to maintain the continuity of trial proceedings at the Tax Court, the Chairperson of the Tax Court has issued Circular No. SE-04/PP/2021 concerning the Implementation of Trial Proceedings during the Corona Virus Disease 2019 (Covid-19) Pandemic at the Tax Court starting 29 March 2021 (SE-04/2021).

SE-04/2021 is intended as a guideline for trial proceedings at the Tax Court during the Covid-19

pandemic starting 29 March 2021. This circular, broadly speaking, outlines policies related to the electronic implementation of all trial proceedings at the Tax Court, ranging from examination hearings, sentencing hearings, to Outside of Domicile Trial Proceedings (*Sidang di Luar Tempat Kedudukan*/SDTK).

The Chairperson of the Tax Court, through SE-04/2021, stipulates that starting from Monday, 29 March 2021, trial proceedings will be divided into two shifts each day. The first shift is held from 08.00 to 13.00 Western Indonesian Time (*Waktu Indonesia Barat*/WIB). Next, the second shift is held from 10.00 to 15.30 WIB. The secretary/registrar of the Tax Court will stipulate changes to the shift schedule and the use of inter-assembly courtrooms. The implementation of Outside of Domicile Trial Proceedings (*Sidang Di luar Tempat Kedudukan*/SDTK), however, is not bound by the trial shifts in this circular.

In addition to the division of shifts for trial proceedings, SE-04/2021 states that panels of judges/single judges shall conduct examination hearings with a maximum number of 10 appellants/plaintiffs in one trial day by taking into account the provisions under Article 48, Article 81, and Article 82 of the Tax Court Law. The panels of judges/single judges, however, may conduct examination hearings with a total of more than 10 appeal applicants/plaintiffs in one session day with the Chairperson of the Tax Court's approval through the registrar.

Next, SE-04/2021 also regulates the maximum limit of parties present in a trial proceeding. The maximum number of parties that may be present in one courtroom at each trial is 10 people, including: three judges, one alternate registrar, one assistant to the alternate registrar, one executive officer; two people representing the appellant/plaintiff; two people representing the appellee/defendant, and another party with the approval of the panel of judges/single judges.

Taking effect on 29 March 20201, SE-04/2021 is subject to periodical evaluations. In the event that further provisions on the implementation of this circular are required, the Chairperson of the Tax Court shall stipulate them separately. With the enactment of SE-04/2021, SE-024/2020 is revoked and declared invalid.

Stipulation of Export Prices for the Calculation of Export Duties

Meet Our Experts



Ganda Christian Tobing, S.Sos., LL.M. Int. Tax., BKP
Senior Manager of Tax Compliance & Litigation Services
christian@ddtc.co.id



Riyhan Juli Asyir, S.I.A., BKP, ADIT
Assistant Manager of Tax Compliance & Litigation Services
riyhan@ddtc.co.id

Ganda Christian Tobing is Senior Manager of Tax Compliance & Litigation Services at DDTC. He is an experienced practitioner involved in tax dispute resolution projects, where he has represented various multinational companies. He advises a wide range of domestic and international clients across industry sectors and provides tax advice for private client. With a Master's degree in International Tax Law from Vienna University of Economics and Business Administration, Austria, this licensed Tax Attorney and Tax Consultant served as a National reporter at Rust Conference 2018 entitled "Tax Treaty Arbitration," held by the Institute for Austrian and International Tax Law and Vienna University of Economics and Business in 2018 in Rust, Austria. He is also Certified B of Indonesian Tax Consultant Examination

Referring to Article 5 paragraph (1) of Government Regulation No.55 of 2008 concerning the Imposition of Export Duties on Exported Goods (Gov. Reg. 55/2008), export prices for the calculation of export duties are set by the Minister of Finance. In this regard, the Minister of Finance sets the export prices as per the export benchmark prices which are set periodically by the Minister of Trade after coordinating with the minister/head of non-departmental government agencies/heads of related technical agencies.

In this regard, the Minister of Finance has released the Minister of Finance Decree No. 7/KM.4/2021 concerning the Stipulation of Export Prices for the Calculation of Export Duties (MoF Decree 7/2021). Through the decree signed on 26 February 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 Appendix A of MoF Decree 7/2021. Referring to the appendix, 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

and certified in Principles of International Taxation from the Chartered Institute of Taxation, United Kingdom.

Riyhan Juli Asyir is Assistant Manager of Tax Compliance & Litigation Services at DDTC. He has been involved in various projects in the scope of work of tax compliance, tax advisory, tax audit, civil review and dispute resolution procedures, including tax objection and tax litigation (appeal and lawsuit in the tax court) for several multinational companies in various industries. Holding a Bachelor's degree in Fiscal Administration from University of Indonesia, the licensed Tax Attorney and registered Tax Consultant is Certified C of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom. He has attended a number of international courses and seminars, two most recent of which include "Fundamentals of Singapore Corporate Tax," held by TAKX Solutions (2019) and "WU-TA Advanced Transfer Pricing Programme," held by WU Transfer Pricing Center & Tax Academy of Singapore (2019)

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 Appendix B of MoF Decree 7/2021. Referring to the appendix, the export price of cocoa beans included in the HS Code 1801.00.00 is set at US$2,211/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 Appendix C of MoF Decree 7/2021.

In addition to setting export prices, MoF Reg. 7/2021 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$1,036.22/MT. *Second,* the reference price for cocoa beans is set at US$2,499.04/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 Appendix 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 7/2021 comes into force from 1 March 2021 to 31 March 2021. However, in the event that the export prices stipulated under MoF Decree 7/2021 have expired and new export prices are not yet stipulated, the export prices stipulated under MoF Decree 7/2021 shall remain in effect as the basis for calculating export duties until new export prices are set.

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MENARA DDTC

Jl. Raya Boulevard Barat Blok XC 5-6 No. B
Kelapa Gading Barat, Kelapa Gading
Jakarta Utara 14240 - Indonesia

Phone: +6221 2938 2700, Fax: +6221 2938 2699

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