

INCREASED HOUSING PRICE THRESHOLDS FOR VAT EXEMPTIONS



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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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INCREASED HOUSING PRICE THRESHOLDS FOR VAT EXEMPTIONS

Increased Housing Price Thresholds for VAT Exemptions

The government has again raised the thresholds of house prices entitled to value added tax (VAT) exemptions. The increase is regulated in the [Minister of Finance Regulation No. 81/PMK.010/2019](#) (MoF Regulation 81/2019) concerning the Limitations of Public Houses, Worker Camp, Student and Pupil Dormitories, and Other Housing for which the Supply is Exempt from VAT.

The considerations underlying the issuance of the regulation signed by the Minister of Finance of the Republic of Indonesia on 20 May 2019 and promulgated two days thereafter are the ability and the provision of broader opportunities to low-income communities to own houses.

Modest Houses (*Rumah Sederhana*) and Very Modest Houses (*Rumah Sangat Sederhana*)

In addition to price thresholds, there exist several other criteria that must be met. [MoF Regulation 81/2019](#) states that the public houses entitled to VAT exemptions are modest houses and very modest houses as referred to in the VAT Law.

Modest houses and very modest houses are houses that meet several criteria, namely:

- the area of the building does not exceed 36 m²;
- the selling price does not exceed the selling price threshold, provided that the selling price threshold is based on the combination of the zone and relevant year (listed in [Appendix of MoF Regulation 81/2019](#));
- the first house owned by a low-income individual, used personally as a residence, and not disposed of within a period of four years from the acquisition;
- the size of the land is not less than 60 m²; and
- the acquisition is in cash or financed through a subsidized or non-subsidized credit facility or through sharia-based financing.

In the regulation, the government groups the selling price thresholds into five zones, fewer than the previous 9 zones. Several provinces have been merged into one zone, hence having the same thresholds.

The selling price thresholds of houses in all of the regions listed in table 1 have increased compared to the previous year, as stipulated in [MoF Regulation No.113/PMK.03/2014](#). The 2020 selling price thresholds provisions shall apply for subsequent years provided that there are no changes in the provisions in [MoF Regulation 81/2019](#).

Table 1 - Housing Price Thresholds for VAT Exemptions of Modest and Very Modest Houses

No	Zones	2019 Rp	2020 Rp
1	Java (except Jakarta, Bogor, Depok, Tangerang, Bekasi/ Jabodetabek) and Sumatra (except Riau Islands, Bangka Belitung, and Mentawai Islands)	140 million	150,5 million
2	Kalimantan (except Murung Raya Regency and Mahakam Ulu Regency)	153 million	164.5 million
3	Sulawesi, Bangka Belitung, Mentawai Islands, and Riau Islands (except Anambas Islands)	146 million	156.5 million
4	Maluku, North Maluku, Bali, and Nusa Tenggara, Jabodetabek, and Anambas Islands, Murung Raya Regency, and Mahakam Ulu Regency	158 million	168 million
5	Papua and West Papua	212 million	219million

Source: [Appendix of MoF Regulation 81/2019](#).

The definition of the low-income group is stipulated in the laws and regulations pertaining to housing and residential areas.

Worker Camp and Student/Pupil Dormitories

The government also exempts the VAT imposition on worker camp and student/pupil dormitories. Worker camp is a simple multi-story or single-story building unit, built and financed by an individual or an employee or a labor cooperative intended for permanent workers or low-income informal sector workers with agreed rental fees not disposed of in 4 years after the acquisition.

Furthermore, student/pupil dormitories are simple multi-story or single-story buildings, built and funded by universities or schools, individuals, and/or local governments, which are specifically intended for students or university students' accommodation, which are not disposed of in 4 years after the acquisition.

Other Housing

In addition to modest houses and very modest houses, worker camp, and student/pupil dormitories, the government also provides VAT exemptions for other

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housing divided into two categories, namely workers' homes and buildings intended for victims of natural disasters financed by the government, private sector, and/or non-governmental organizations.

Workers' homes are single-story or multi-story buildings residences that are built and financed by a company, intended for their own employees and are non-commercial.

Workers' homes entitled to VAT exemptions must meet certain requirements. The building area of a single-story building must not exceed 36 m2 and the land area is not less than 60 m2.

As for multi-story buildings, the binding provisions are regulated separately in the finance minister regulation regarding simple flats. Both single-story buildings and multi-story buildings are not to be disposed of in 4 years since the acquisition.

On a side note, the regulation that came into force 15 days since its promulgation revokes a number of the previous regulations, namely [MoF Regulation No. 113/PMK.03/2014](#), [MoF Regulation No. 125/PMK.011/2012](#), [MoF Regulation No. 31/PMK.03/2011](#), [MoF Regulation No. 80/PMK.03/2008](#), and [MoF Regulation No. 36/PMK.03/2007](#).

Taxation Aspects of Free Trade Zone Products Clarified

The government provides certainty regarding the taxation aspects of goods produced in the free trade zone. This is stated in [MoF Regulation No. 84/PMK.04/2019](#) concerning the Second Amendment to [MoF Regulation No.47/PMK.04/2012](#) concerning Procedures for the Imports and Exports of Goods to and from the Free Trade Zone and Free Port and Exemption of Excise.

The issuance of [MoF Regulation 84/2019](#) is aimed at encouraging national trade and industry activities, strengthening the competitiveness of companies, and increasing investment. There exist a number of additional provisions in the regulation, one of which is Article 59 paragraph (3a) concerning the customs value for the calculation of import duty and article 22 income tax in the context of the exports of goods produced in the free trade zone.

The customs value of the goods from the free trade zone to another place in the customs area is in accordance with the selling price upon the export of goods produced in the free trade zone. There exist several provisions related to the calculation of state levies on the export of goods produced in the free trade zone, namely:

- the import duty is calculated based on customs value according to the selling price and the classification of goods produced in the free trade zone (when the goods produced are exported from the free trade zone to another place in the customs area) and based on applicable charges (upon the registration of the customs and excises declaration for the export of goods from the free trade zone to another place in the customs area).
- the excise is calculated based on the legislative provisions in the excise sector.
- VAT is calculated based on the applicable rate multiplied by the selling price or arm's length price in accordance with taxation laws and regulations.
- Article 22 income tax is calculated based on the applicable rate of customs value plus import duty when the goods produced in the free trade zone are exported from the free trade zone to another place in the customs area.

However, the exports of goods produced in the free trade zone may be exempted from the import duty, excise, VAT, and article 22 income tax provided that the goods produced in the free trade zone are exported by entrepreneurs with clear, measurable, and consistent conversion of the use of goods or raw materials from outside the customs area. In addition, exemptions apply if the sale and purchase transaction has occurred during the imports into the free trade zone.

The calculation of state levies entitled to exemptions is to meet the following requirements:

- the import duty is calculated based on the classification and customs value in effect when the raw materials are imported into the free trade zone. The calculation of import duty is also based on the applicable charges upon the registration of the customs and excises declaration for the export of goods produced in the free trade zone to another place in the customs area
- the excise is calculated based on the legislation in the excise sector.
- VAT is calculated based on the applicable rate multiplied by the selling price or arm's length price in accordance with taxation laws and regulations.
- Article 22 Income Tax is calculated based on the applicable rate and customs value plus the import duty upon the import of raw materials into the free trade zone.

This provision has come into effect as of its promulgation date, 29 May 2019.

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Approximately 90,000 Corporate Taxpayers Requested to Re-upload Attachments of their Annual Tax Returns

The Directorate General of Taxes (DGT) has requested corporate taxpayers that submitted their annual tax returns on 18 April 2019 to 10 May 2019 to re-upload the attachment documents due to unreadability by the system.

This was conveyed by the DGT's Director of Dissemination, Services, and Public Relation through [Announcement No. PENG-05/PJ.09/2019](#) concerning the Re-Uploading of Attachment Documents for Annual Corporate Income Tax Returns that Failed to be Received by the E-Filing System. The request was addressed to approximately 90,000 corporate taxpayers.

The documents or attachments being unreadable is related to the development of *e-Filing* application on 18 April 2019. The DGT has identified annual corporate income tax returns submissions with attachment documents unreadable by the system.

The DGT has also sent e-mails containing a notification to re-upload the annual tax return attachment documents to the affected corporate taxpayers. The taxpayers receiving such e-mails are to upload the documents immediately prior to the deadline stated in the e-mails, i.e. 30 June 2019.

Despite these technical obstacles, the DGT has confirmed that the re-upload of the attachment documents will not change the date of proof of receipt of the Annual Tax Return. For further information related to this announcement, please contact *Kring Pajak* at 1500 200 or the nearest Tax Office.

Penalties for the Late Submission of May 2019 Periodic Income Tax Return Abolished

The DGT has abolished the administrative penalty for taxpayers' late submission of tax returns for May 2019 tax period. This is stated in the [Announcement No. PENG-06/PJ.09/2019](#) concerning the Exemptions for Administrative Penalties for the Late Submission of May 2019 Periodic Income Tax Return.

The Director General of Taxes issued the [Directorate General of Taxes Decree No. KEP-486/PJ/2019](#) on 31 May 2019 concerning the tax policies on the submission of final withholding tax due on 10 June 2019.

The policy of abolishing administrative penalties was intended to ease the administrative burden of taxpayers and Tax Payment Banks (*Bank Persepsi*) considering the maturity of tax payments taking place during/after the national holidays and Eid al-Fitr joint leave.

[PENG-06/2019](#) states that the abolition of administrative penalties applies for the late payment of taxes for the tax period of May 2019 for the withholding of article 4 paragraph (2), article 15, article 21, article 23, and article 26 income tax, and/or the withholding of article 22 income tax conducted by certain corporate taxpayers, carried out on 11 June 2019 until 12 June 2019.

The abolition of administrative penalties also applies for the late payment of the withholding of article 22 income tax by the Expenditure Treasurer (*Bendahara Keuangan*) due on 1 June 2019 until 10 June 2019 and paid on 11 June 2019 until 12 June 2019.

Information System Process for the Tax Administration System Reforms

In order to update the administration system in the context of taxation, the government has issued the latest regulation related to the procurement or auctions for companies wishing to provide information system services within the Ministry of Finance. This new regulation was issued on 7 May 2019 and is a follow-up to the MoF Regulation No.56/PMK.03/2019 concerning the Procurement of Goods and or Services for the Tax Administration System Reforms ([MoF Regulation 56/2019](#)) and Presidential Regulation No. 40 of 2018 concerning the Renewal of the Tax Administration System ([Presidential Regulation 40/2018](#)).

Based on this regulation, the procurement process of information system for the tax administration system renewal by the Directorate General of Taxes (DGT) includes the stages of identifying needs to the handover of the results of work. Furthermore, in the planning process, this regulation states that the internal DGT must analyze the needs and formulation of five other documents. These documents comprise technical specifications/work reference framework (*kerangka acuan kerja/KAK*), procurement documents, procurement general plan documents (*rencana umum pengadaan/RUP*), procurement preparation documents (*dokumen persiapan pengadaan/DPP*), and provider selection documents.

One of the most important points of this regulation is the implementation stage, namely the provider selection process. The selection of service providers can be done through two selection methods, namely:

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Table 2 - Stages of Selection for the Procurement of Information System Providers for the Renewal of the Tax Administration System

International Tender Method through the Two-Stage Tender with Prequalification System	Direct Appointment Method
1) Submission of prequalification documents; 2) Prequalification evaluation; 3) Announcement of prequalification results; 4) Invitation and Bidding Documents; 5) Provision of explanation; 6) Submission of phase I bidding documents (administrative and technical documents); 7) Opening phase I bidding documents; 8) Phase I bidding documents evaluation; 9) Clarification of the phase I evaluation results; 10) Notification of the phase I evaluation results; 11) Submission of amendment/addendums to procurement documents (if any); 12) Submission of phase II bidding documents (technical and cost); 13) Opening phase II bid documents; 14) Phase II bidding documents evaluation; 15) Announcement of phase II bidding documents evaluation results; 16) Refutation period; 17) Appointment of the winner; and 18) Announcement of the winner.	1) Invitation to prospective selected Providers attached with the Procurement Document; 2) Submission of bidding documents (administrative, technical, fees, and qualification documents) 3) Evaluation and clarification of bidding documents; 4) Technical and cost negotiations; 5) Appointment of the Provider; and 6) Announcement of the Provider.

Source: [MoF Regulation 56/2019](#)

1. International tender method through a two-stage tender with prequalification; or
2. Direct appointment method.

There exist a number of requirements to implement the direct appointment method. *First*, the direct appointment can only be selected if the first method is declared to have failed in the criteria selection process whereas the implementation cannot be postponed and there is insufficient time for another tender. However, this direct appointment method must also be included in the proposed RUP evaluated by the Director General of Taxes.

Second, the direct appointment method can only be implemented if the procurement of the information system is urgent and deemed necessary. The urgency and importance criteria based on this policy include two conditions. The first condition is an unplanned situation with immediate or urgent completion of work thus the procurement is carried out through direct appointment.

The second condition is where the procurement is a continuation of work as a consequence of the need for technical support services and/or extension of the license for the continuation of the tax administration system renewal. The following table 1 shows the stages of selection for external parties (companies) wishing to be information systems providers based on the two latest approaches.

Provisions of Temporary Imports and Exports of Motor Vehicles for the Border Region of the Republic of Indonesia

In May 2019, the Government of Indonesia issued a regulation intended to encourage economic growth and improve the welfare of the people of the outermost region on the Indonesian border through rules related to the import and export of motor vehicles. This is regulated through the MoF Regulation No. 52/PMK.04/2019 concerning Temporary Imports or Temporary Exports of Motor Vehicles through Cross-Border Control Posts ([MoF Regulation 52/2019](#)).

The two main regulated aspects pertain to the temporary imports and temporary exports of motor vehicle products, both for personal and commercial purposes. Temporary imports are the process of importing motor vehicles into customs areas intended to be re-exported within a certain period of time. In contrast, temporary exports refer to exports intended to be re-imported within a certain period of time.

Within this regulation, the temporary export and import procedure consists of two specific criteria, namely the export or import has to be conducted through the cross-border control post and vehicle declaration is obligatory. Furthermore, the following border areas along with

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Table 3 - General Provisions for Temporary Imports and Temporary Exports of Motor Vehicles in Border Areas

TEMPORARY IMPORTS	TEMPORARY EXPORTS
The main provisions for importers to import motor vehicles through Cross Border Control Posts into the customs area using the Temporary Import mechanism: 1) The motor vehicles are registered in foreign countries set forth in MoF Regulation; 2) The motor vehicles are owned by foreign nationals set forth in the MoF Regulation; 3) The motor vehicles are imported and driven by motor vehicles owners or their proxies; 4) The motor vehicles have obtained export approval or the like from the competent authorities in the foreign countries stated in the MoF Regulation; 5) The motor vehicles have a minimum amount of fuel of three-quarters of the normal fuel tank capacity during the import; and 6) importers and/or motor vehicles do not have uncompleted Vehicle Declaration.	The provisions for exporters to export motor vehicles through Cross Border Control Posts to be used in foreign countries using the Temporary Export mechanism: 1) The motor vehicles are registered in Indonesia; and 2) The motor vehicles are exported by an Indonesian citizen registered as a resident in a Border Area or the province in which there exist Cross-Border Control Posts for motor vehicles.

Source: [MoF Regulation 52/2019](#)

the country of origin and/or destination country of the motor vehicle are regulated, namely:

1. Border areas in the provinces of West Kalimantan and North Kalimantan to regulate motor vehicles from or to Malaysia and Brunei Darussalam;
2. Border area in East Nusa Tenggara province to regulate motor vehicles from or to the Democratic Republic of East Timor; and
3. Border areas in the province to regulate motor vehicles from or to Papua New Guinea.

This regulation does not stipulate the mobilization of motor vehicles permanently but for a certain period of time. For temporary imports, the period is set for a maximum of thirty days as of the date of approval and can be extended to six months in the period of one year.

In addition, there exist several provisions for temporarily imported and exported motor vehicles in order to apply the procedures in this regulation as shown in Table 2.

This regulation, which has officially come into effect as of 7 June 2019, also shows collaboration between the DGT and the Directorate General of Customs and Excise (DGCE). This is evident in their roles within this MoF Regulation in safeguarding the three border areas. The DGT has a role in determining the various types of application procedures, ranging from the procedures for issuing approval to the completion of temporary imports and exports. On the other hand, the DGCE has a role in establishing cross-border control posts to provide services.

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