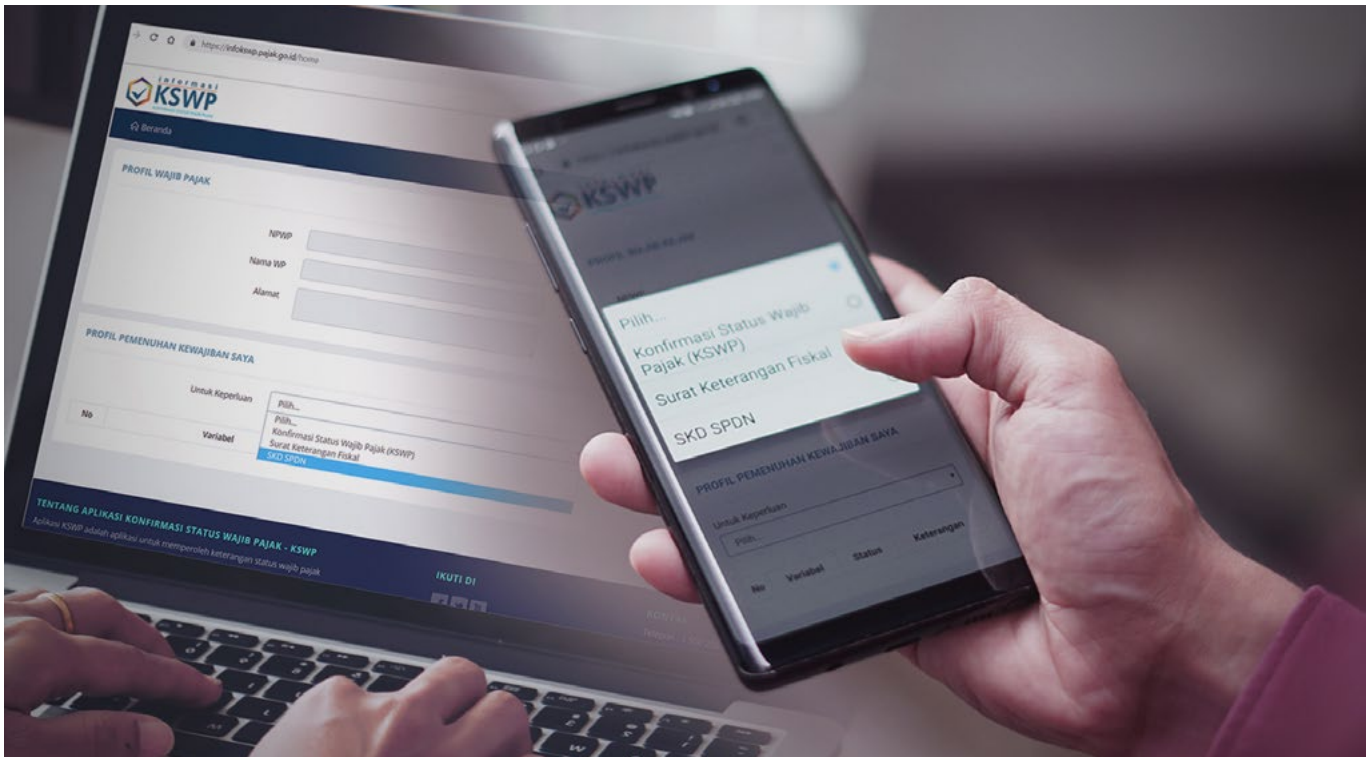
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'3 in 1' Tax Services through iKSWP Application



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DDTC is a research and knowledge based taxation institution and a center of a number of taxation activities units with high standards that serve as main references in the field of taxation.

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 (DDTC Tax Engine), 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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The Directorate General of Taxes Launches iKSWP Application

The Directorate General of Taxes (DGT) has officially launched the Taxpayer Status Confirmation information application (*Informasi Konfirmasi Status Wajib Pajak/* iKSWP). This facility also serves tax administration purposes and can be accessed through DGT Online.

The iKSWP application is a breakthrough in tax administration in that it provides convenience for both the taxpayers and tax authority. With an easily-accessible electronic system to taxpayers, the costs for compliance and obtaining tax facilities are reduced.

Reduced compliance cost will undoubtedly lead to increased tax compliance. On the other hand, the tax authority will be supplied with adequate assistance as one of the advantages of this system is that the DGT is able to map and integrate taxation data more easily.

As per the DGT Press Release Number: SP-08/2019, the iKSWP application enables users to access the following three features:

1. directly obtain the Taxpayer Status Confirmation (*Konfirmasi Status Wajib Pajak/* KSWP) before applying for certain public services to government agencies or through the Online Single Supply (OSS) application for the purpose of issuing a Business Number (BN);
2. obtain a Tax Clearance (TC) issued by the system once the application is submitted;
3. obtain Certificate of Domicile (CoD) for Domestic Tax Subjects (DTC) quickly and easily, anytime and anywhere without having to be present at the Tax Office where the taxpayer is registered.

At present, 11 ministries/ institutions (M/I) and 168 regional governments have implemented KSWP. As mandated by the Government Regulation No.54/201, the number of M/I that is to implement KSWP as a licensing requirement will increase to 28.

This iKSWP service is similar to other tax authority's services, such as e-filing, which requires the taxpayer to activate the iKSWP service after logging into the *DGT Online* account. To be able to use this iKSWP application, the taxpayer must activate it through the ***DGT Online menu - Complete Profile - Add Access Rights.***

To be able to access DGT Online services, taxpayers must log in using their username and password. Forgotten password may be reset using Electronic Filing Identification Number (EFIN).

Online Tax Clearance (TC) Application Provisions

Application for TC can now be conducted online through the DGT' official website according to the Director General of Taxes Regulation (PER) No. PER-03/ PJ/ 2019 concerning Procedures for Granting Tax Clearances. This regulation, which has come into effect since 4 February 2019, replaces PER-32/ PJ/ 2014. In the event that the taxpayer is unable to use the online service, TC application can be carried out manually.

Online applications do not require document attachments. In contrast, a manual request by the corporate taxpayer must be accompanied by a photocopy of the deed of establishment or other supporting documents that indicate the highest leaders or management authorized to carry out company activities related to taxation.

Moreover, the issuance of TC now requires less time. In the previous regulation, the issuance takes 15 working days upon the submission of the application. Presently, TC is issued immediately after the application is submitted online. If submitted manually, TC issuance requires 3 working days.

On the other hand, one of the requirements for TC issuance is the filing of Annual Income Tax Return for the last two tax years and Periodic Value Added Tax (VAT) Return for the last three tax periods. The former stipulation requires the filing of Annual Income Tax Return only for the last tax year and Periodic Tax Return for the last three tax periods.

Some of the changes in this provision include aspectsof TC issuance requirements, TC application document attachments, TC issuance time, TC validity period, and TC verification. Table 1 shows details of changes to these provisions.

According to PER-03/2019, TC issued prior to January 2, 2019, is declared invalid. On the other hand, TC issued from January 2, 2019, to the issuance of PER-03/2019, is still deemed valid. However, starting February 4, 2019, the TC expires within a month.

The regulation stipulates that TC is valid for one month starting from the date of issuance. This is different from the previous regulation which did not cover the validity period of TC issued by the authorities.

On a side note, TC is information provided by the DGT regarding a taxpayer's compliance for a certain period of time to fulfill the requirements of acquiring services or implementing certain activities.

Table 1 - Comparison between Previous & Latest TC Application Provisions

Provision	Before (PER-32/PJ/2014)	After (PER-03/PJ/2019)
TC issuance requirements	A taxpayer for whom TC can be issued must: • not be under a criminal investigation in the field of taxation; • not have tax liabilities, except in the event that the taxpayer obtains the permission to postpone or pay taxes in installments, file an objection, or file an appeal; • have submitted Annual Income Tax Return for the last tax year and Periodic Tax Return for the last three tax periods.	A taxpayer for whom TC can be issued must: • not be in an open preliminary investigation, investigation, or prosecution pertaining to taxation and/or money laundering criminal acts originating in the field of taxation. • not have tax liabilities, but obtains the permission to postpone or pay taxes in installments, and • have submitted Annual Income Tax Return for the last two tax years and Periodic Tax Return for the last three tax periods.
TC application document attachments	The application must be attached with nine types of documents, including a photocopy of Annual Tax Return, a photocopy of Annual Tax Return receipt, a photocopy of Tax Payment Slip, and letter of statement	An online application does not require taxpayers to attach any documents . A manual application by a corporate taxpayer must be attached with a photocopy of the deed of establishment or other supporting documents indicating the highest leaders or management authorized to carry out company activities related to taxation.
TC issuance time	15 working days after the application submission	Online: as soon as the application is submitted Manually: three working days after the application is received
TC validity period	Unregulated	TC is valid for one month since the issuance date.
TC verification	Unregulated	Ministries / Institutions or other parties can verify the TC obtained by the taxpayer. Verification is conducted through the DGT's website, Kring Pajak, or by the Tax Office/ KP2KP.

TC obtained by a certain taxpayer also applies for all of its branches. However, TC does not eliminate the DGT's authority to determine the amount of tax payable, collect tax liability, and/or impose criminal sanctions in accordance with tax law provisions.

Latest E-Commerce Rules

At the end of last year, the Minister of Finance released Minister of Finance Regulation (PMK) Number 210/PMK.010/2018 concerning Taxation of Trade Transactions Through Electronic Systems (E-Commerce). This rule comes into effect on April 1, 2019.

The object of the regulation is trade transactions related to the online marketplace platform (marketplace), marketplace platform service providers, merchants, and buyers.

Meanwhile, transactions in other platforms, such as online retail, classified ads, daily deals, have yet to be arranged. Transactions in all three platforms still refer to the Director General of Taxes Circular Number SE-62/PJ/2013 concerning Confirmation of the Terms of Taxation on E-commerce Transactions and SE-06/PJ/2015 concerning Withholding and/or Collection of Income Tax on E-Commerce Transactions.

To date, e-commerce transactions through social media, such as *Facebook, Twitter or Instagram* are still unregulated. The taxation (income tax, VAT, sales tax on luxury goods) on online retail, classified ads, daily deals, and social media is imposed in accordance with general tax regulations.

The imposition of VAT, sales tax on luxury goods, and income tax for domestic e-commerce transactions through the marketplace platform as follows:

General Obligations

- Merchants or Service Providers
  - Must inform their Tax Identification Number (TIN) to the marketplace platform service provider. In the event that they do not have a registered TIN, they are to:
    a) register to obtain a TIN through a marketplace platform provider or the DGT; or
    b) notify their Identification Number (ID) to the marketplace platform provider.
  - Who have not been confirmed as VAT Registered Person/ Company, but have exceeded the threshold of small-scale VAT entrepreneurs are obliged to report their businesses to be confirmed as VAT Registered Person/ Company.
  - Who have not exceeded the threshold of small-scale VAT entrepreneurs may opt to be confirmed as VAT Registered Person.
  - Must fulfill their income tax liability in accordance with income tax statutory provisions.
- Marketplace Platform Provider
  - Must have a TIN
  - Must be confirmed as a VAT Registered Person for VAT purposes despite fulfilling the criteria of a small entrepreneur.
  - Must fulfill their income tax liability in accordance with income tax statutory provisions.

Obligations related to VAT and sales tax on luxury goods

- Merchants as VAT Registered Person/Company
  - Must withhold, deposit, and report VAT or sales tax on luxury goods payable;
  - Must prepare a Tax Invoice as proof of VAT withholding on the supply of Taxable Goods (TG) and/or Taxable Services (TS);
  - Must report Periodic VAT Return for each Tax Period through the marketplace platform provider.
- Online Platform Marketplace as VAT Registered Person/ Company
  - Receives payments from buyers for the supply of TG and/or TS by a merchant or marketplace platform provider as VAT Registered Person in the amount of transaction value and VAT or VAT and sales tax on luxury goods.
  - Must withhold VAT and prepare a Tax Invoice in the:
    a) supply of marketplace platform services for merchant or marketplace platform service providers;
    b) supply of TG and/or TS through the marketplace platform; and/or
    c) supply of TG and/or TS through any means other than the marketplace platform.
  - Must report the recapitulation of trade transactions carried out by merchants and/or marketplace platform service providers through the marketplace platform provider to the DGT when filing the Periodic VAT Return on the supply of TG and/or TS.

Taxpayers Eligible to Use Book Value in Business Spin-off

The government has expanded the categories of taxpayers eligible to carry out spin-off with book value. This new provision is regulated in PMK No. 205/PMK.010/2018.

This regulation, which came into effect on December 31, 2018, has revised PMK No. 52/PMK.010/2017 concerning Use of Book Value for the Transfer and Acquisition of Assets in Business Merger, Consolidation, Spin-off, or Acquisition.

In the regulation, the government adds two groups of taxpayers who may carry out spin-off with book value. Overall, as per PMK 205/2018, 5 groups of taxpayers are allowed to use book value in business spin-off, namely:

- taxpayers who have not gone public and intend to conduct an Initial Public Offering (IPO);
- taxpayers who have gone public provided that the business entity resulting from the expansion conducts an initial public offering (IPO);
- taxpayers who separate sharia business units to carry out business separation obligations based on statutory provisions;
- domestic corporate taxpayers, provided that the business entity resulting from the expansion receives capital from foreign investors amounting to a minimum of Rp500 billion; and
- state-owned enterprise taxpayers who receive additional Indonesian government capital, provided that the expansion is conducted in relation to the establishment of a state-owned enterprise's parent company (holding).

Current Procedures for Annual Tax Return Submission

The DGT has updated the procedure for filing Annual Tax Return. Taxpayers must now refer to the Director General of Taxes Regulation No. PER-02/PJ/2019 concerning Procedures for Filing, Receiving, and Processing Annual Tax Return.

One of the considerations underlying the emergence of the abovementioned regulation is to increase the effectiveness and efficiency of the receipts and processing of Annual Tax Return and to provide legal certainty to taxpayers related to the filing of Annual Tax Return. One prominent change in the new regulation pertains to the obligation to file Annual Tax Return through e-filing.

The compulsory use of the electronic system applies to corporate taxpayers registered at the Medium Tax Office, Jakarta Special Regional Tax Office, and the Large Taxpayers Regional Office. Corporate taxpayers registered in the aforementioned tax offices are obliged to file Annual Tax Returns, Article 21/26 Income Tax Returns, and Periodic VAT Returns through e-filing.

In addition to the above taxpayer groups, the requirement to submit Annual Tax Return through e-filing also applies to certain taxpayers, such as taxpayers performing income tax withholding on more than 20 employees. Such taxpayers are required to use e-filing to file the Article 21/26 Income Tax Annual Return. In addition, VAT Registered Person must use e-filing to file Periodic VAT Returns.

In the event that the taxpayer required to submit the Annual Tax Return through e-filing applies other methods such as direct filing or sending via post, the filed Annual Tax Return is deemed unacceptable and must be returned to the taxpayer.

The new rule regulation provides convenience for taxpayers in that for all types of Annual Tax Returns, including Revised Tax Returns and Periodic Tax Overpayments Returns are now acceptable at the Tax Services, Dissemination, and Consultation Service Office (*Kantor Pelayanan Penyuluhan dan Konsultasi Perpajakan*/KP2KP) and services outside the office.

Concurrently, the implementation regulation of PMK No.9/PMK.03/2018 revokes previous DGT regulations concerning the filing of Annual Tax Return. The seven regulations are KEP-215/PJ/2001, PER-179/PJ/2007, PER-11/PJ/2009, PER-2/PJ/2011, PER-21/PJ/2013, PER-01/ PJ/ 2016, and PER-01/PJ/2017.

Table 2 shows some of the changes in stipulations in PER-02/PJ/2019.

In addition, the Annual Tax Return is declared incomplete in the event that:

- the supplied information in the Master Annual Tax Return is incomplete;
- the "Withholding by Other Parties or Borne by the State, List of Assets and Year-End Liabilities and List of Family Members" is incompletely attached in the Annual Tax Return of an individual;
- the "List of Shareholders/Capital Owners and

Table 2 - Alterations of Annual Tax Return Filing

Provision	Previous	Changes
Annual Tax Return e-filing attached documents	Uploaded in one file in the PDF format	Uploaded in a number of PDF files in accordance with the type of documents
Exemption from the obligation to file the Tax Payment Slip as an Annual Tax Return attachment through e-filing	Applies to 1770 S and 1770 SS Annual Tax Returns with nil or underpayment status	Applies to all types of Annual Tax Returns filed through e-filing, provided that State Revenue Transaction Number (*Nomor Transaksi Penerimaan Negara*/NTPN) is enclosed
The requirement for complete Annual Tax Return filed through e-filing or post/expedition/courier	Unregulated	The Tax Office may require that the Annual Tax Return be completed within 30 days since the date in the Electronic Receipt or the mail receipt of the Annual Tax Return
Information in the mail receipt of the Annual Tax Return filed through post/ expedition/courier	Unregulated	The mail receipt must include name, TIN, type Annual Tax Return, and tax period/year.
The filing of Annual Tax Return with overpayment status through post/ expedition/courier	Unregulated	Sent through special mailing services hence the Annual Tax Return is received by the Tax Office within three days since the date in the receipt at the latest

List of Board of Directors and Commissioners" is incompletely attached in the Corporate Annual Tax Return;

- the special attachments in the Corporate Annual Tax Return are incomplete;
- the Annual Tax Return is signed by the taxpayer's power of attorney, but is not attached with the compulsory special power of attorney and documents in accordance with tax laws and regulations;
- the Individual Annual Tax Return is signed by the heir, but is not attached with the death certificate from the competent authority;
- the Annual Tax Return has an underpayment status, but is not attached with the Tax Payment Slip (*Surat Setoran Pajak*/SSP) or other administrative means equal to the SSP; and
- the information and/or documents required as listed in **Attachment II** which are an integral part of PER-02/2019 have not been completely attached to the filing of the Annual Tax Return or Periodic Tax Return.

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