

Law Number 11 of 2020

# **CLUSTER EASE OF DOING BUSINESS: TAXATION**



The Job Creation Bill, better known as the Job Creation Omnibus Law, has been officially approved as Law by the Indonesian House of Representatives (DPR), at the DPR RI Building in Jakarta on October 5, 2020 which was later promulgated on November 2, 2020 to become Law Number 11 of 2020 on Job Creation.



# BACKGROUND OF CLUSTER EODB: TAXATION



One of the efforts to **strengthen the economy** in Indonesia.



Encouraging investment in the midst of the world economic slowdown, to **absorb the workforce** optimally.



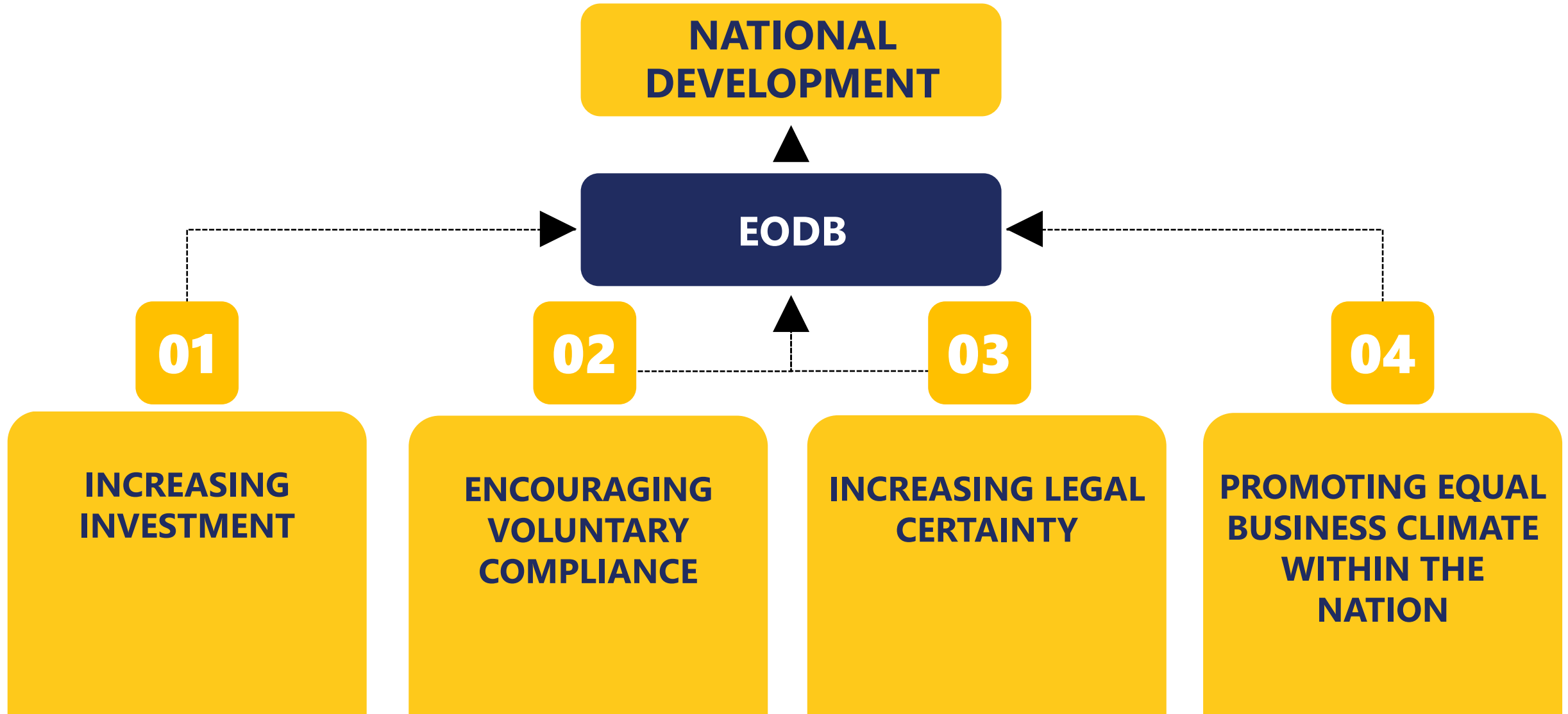
**Amendments** to various statutory provisions are necessary, including three of the tax Laws, namely the KUP, Income Tax Law, VAT Law, in the near future.



It is necessary to **maintain and increase tax revenue** through investments, cooperative compliance, legal certainty and equality in business climate.



# SUBSTANCE OF CLUSTER EODB: TAXATION





## INCREASING INVESTMENT



1. Gradual reduction of the **CIT rate** 22% (2020 & 2021) and 20% (2022 and forth)
2. Reduction of the CIT rate for the **Go Public** Taxpayers (general rate – 3%)  
*Stipulated in Law Number 2/2020*
3. Elimination of CIT on **outbound dividend**.
4. **Exclusion of inbound dividend & Profit after Tax** from CIT objects insofar as invested in Indonesia
5. **Not-Subject to CIT** for:
  - a. Earning shares in cooperatives
  - b. Hajj fund managed by BPKH
6. Adjustments for CIT **Art.26 for interest**
7. **"Imbreng" not subject to VAT**

## ENCOURAGING VOLUNTARY COMPLIANCE



8. Relaxation of **Input Tax Crediting** Rights for Taxable Entrepreneurs
9. Adjustments on regulations:
  - a. Tax administrative penalties,
  - b. Interests.

## INCREASING LEGAL CERTAINTY



10. **Determination of Individual Tax Resident:**
  - a. WNI or foreign citizen residing > 183 days in Indonesia become Tax Resident of Indonesia,
  - b. WNI residing in Indonesia < 183 days may become foreign tax resident (T&C applicable).
11. IIT for foreign tax resident with specific expertise receiving income from Indonesia.
12. Regarding VAT:
  - a. Sale of Coals is included as Sales of Taxable Goods.
  - b. Consignment is excluded from Taxable Goods transaction.
13. The excess of Social & Religious Funds are **Not-subject to Income Tax**.
14. No issuance of tax assessment letter for the Concluded Tax Crime.
15. **Issuance of Notice of Tax Collection (STP)** expires in 5 years.
16. STP can be issued to collect interest returns.
17. Application of only one **administrative penalty**.
18. Termination of **preliminary examination** and **tax crime investigation**.
19. **Refund of credited Input Tax**

## PROMOTING EQUAL BUSINESS CLIMATE WITHIN THE NATION



20. **Tax on Electronic Transactions:**
  - a. The appointment of the VAT collectors,
  - b. Foreign Tax Resident is subject to tax in Indonesia for the electronic transactions conducted in Indonesia  
*Stipulated in Law Number 2/2020*
21. **ID Number** substitutes the TIN of the buyer in tax invoice incase of not having TIN

## SUMMARY OF REGULATION

# INCREASING INVESTMENT FUNDS

- Elimination of CIT for **Outbound Dividend**
- **Exclusion of inbound dividend & Profit after Tax** from CIT objects insofar as reinvested in Indonesia
- **Active income** from abroad other than Permanent Establishments insofar as invested in Indonesia
- **Not-Subject to CIT** for:
  - a. Earning Shares of Cooperatives,
  - b. Hajj Funds managed by BPKH
- Room for adjustments of **CIT Art. 26 rate** for Interest.
- *Imbreng* is **not subject to VAT**



## SUMMARY OF REGULATIONS

# ENCOURAGING VOLUNTARY COMPLIANCE

- Relaxations of Input Tax Creditting Rights for the Taxable Entrepreneurs (PKP)
- **Adjustments on Regulations:**
  - 1) Tax administrative penalties,
  - 2) Interests.



## **INCREASING LEGAL CERTAINTIES & TERRITORIAL SYSTEM FOR SPECIFIC FOREIGN RESIDENT**

- Determination of Individual Tax Resident of Indonesia:
  - a. WNI or Foreign Resident residing > 183 days in Indonesia become Tax Resident of Indonesia,
  - b. WNI residing in Indonesia < 183 days may become Foreign Tax Resident (subject to T&C)
- IIT for foreign tax resident with specific expertise receiving income from Indonesia.
- Sale of Coals is included as Sales of Taxable Goods.
- Consignment is excluded from Taxable Goods transaction.
- The excess of Social & Religious Funds are Not-subject to Income Tax.
- No issuance of tax assessment letter for the Concluded Tax Crime.
- Issuance of Notice of Tax Collection (STP) expires in 5 years.
- STP can be issued to collect interest returns.
- Application of only one administrative penalty.
- Termination of preliminary examination and tax crime investigation.
- Refund of credited Input Tax.

## SUMMARY OF REGULATIONS

# PROMOTING EQUAL BUSINESS CLIMATE WITHIN THE NATION

**The use of ID Number** as substitution of the Buyer's TIN in the Tax Invoice.

Regulation of Tax Invoice for the Taxable Retailers

# SUBSTANCE OF CLUSTER EODB: TAXATION



## *The Affected Laws*

- **Income Tax Law**

Law Number 7/1983 lastly amended by  
Law Number 36/2008

- **VAT Law**

Law Number 8/1983 lastly amended by  
Law Number 42/2009

- **General Provision Law (KUP)**

Law Number 6/1983 lastly amended by  
Law Number 16/2009



# SUBSTANCE OF CLUSTER EODB: TAXATION

## JOB CREATION LAW Art. 111



Amends several provisions of  
the **Income Tax Law**



Art. 2, Art. 4, & Art. 26

## JOB CREATION LAW Art. 112



Amends several provisions of  
the **VAT Law**



Art. 1A, Art. 4A, Art. 9, & Art. 13

## JOB CREATION LAW Art. 113

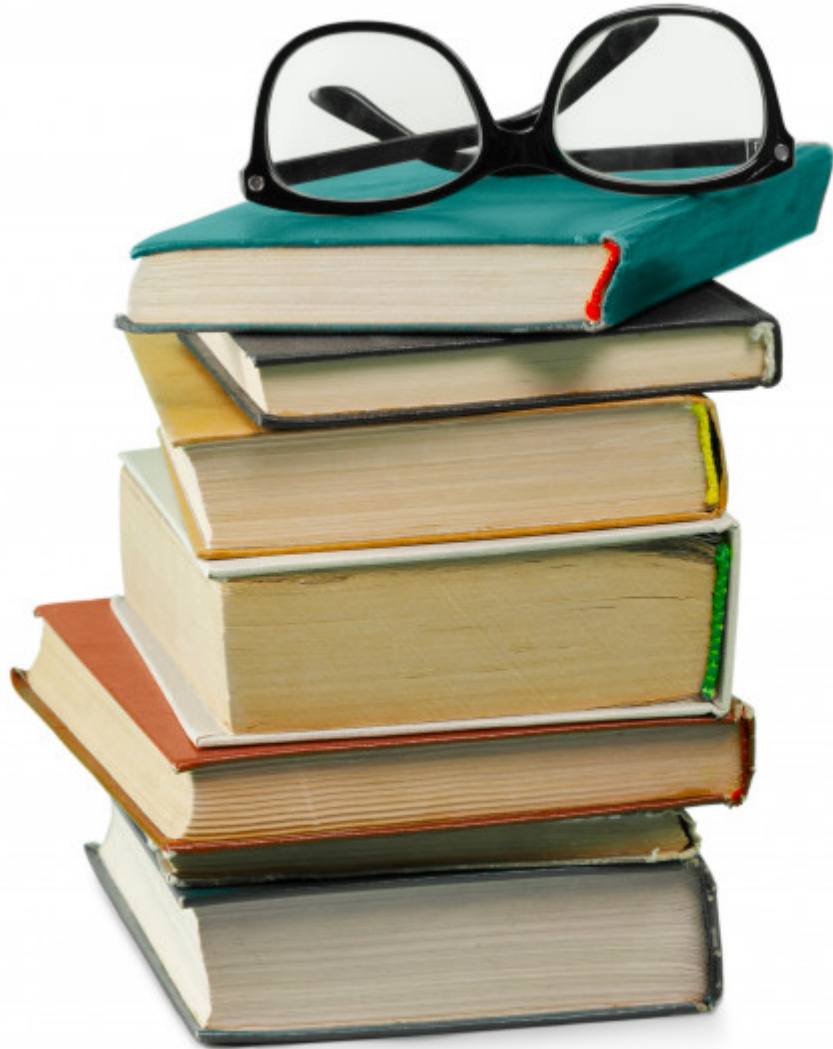


Amends several provisions of  
the **General Provision Law**



- ✓ Art. 8, Art. 9, Art. 11, Art. 13, Art. 14, Art. 15, Art. 17B, Art. 19, Art. 38, & Art. 44B
- ✓ **Deletion of** Art. 13A & Art. 27A
- ✓ **Insertion of** Art. 27B

# SUBSTANCE OF CLUSTER EODB: TAXATION



## INCOME TAX LAW

Art. 2, Art. 4, & Art. 26

## MAIN AMENDMENTS

► Art. 2 section (3) point a

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LAW

ART.  
111



Tax Resident of Indonesia includes Individual, either Indonesian Citizen or Foreign Citizen, who is:

1. *Domiciled in Indonesia;*
2. *Residing in Indonesia more than 183 days within 12 months; or*
3. *Within a taxable year, residing in Indonesia and is intending to domicile in Indonesia*

### Previous Regulation:

Only stipulated the criteria of the individual, without mentioning the status of its citizenship.



Foreign Tax Resident includes:

- a. individual who is not domiciled in Indonesia;
- b. foreign citizen residing in Indonesia less than 183 days within 12 months;
- c. WNI residing outside of Indonesia more than 183 days within 12 months who meets the following requirements:
  - 1. place of residence;
  - 2. center of main activities;
  - 3. place of habitual activities;
  - 4. status of the tax resident; and/or
  - 5. other requirements

which will be further regulated by the Ministerial Regulation

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## MAIN AMENDMENTS

► Art. 4 section (1a), (1b), & (1c)

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ART.  
**111**



Foreign Citizen who has become Tax Resident of Indonesia shall be taxable in Indonesia **only upon the income received or generated in Indonesia** with the following conditions:

- a. has **certain/specific skill**; and
- b. applicable within 4 taxable years since the starting of the status as Tax Resident of Indonesia

- *Including income from works, services, or activities in Indonesia that is **paid out to outside of Indonesia**.*
- *Not applicable to WNA benefitting from **the Tax Treaty**.*

### Previous Regulation.

Subjected to Income Tax upon the income received from Indonesia or outside of Indonesia.

**Dividend from Indonesia that is received by:**

- a. Individual Tax Resident of Indonesia, **insofar as being reinvested in Indonesia within a specific period**, and/or
- b. Corporate Tax Resident of Indonesia,

**Not Subject to Income Tax** (*excluded from the Income Tax Objects*).

**Previous Regulation:**

Dividend that is received by:

- Corporate Tax Resident of Indonesia owning  $\geq 25\%$  **not subjected to Income Tax**
- Corporate Tax Resident of Indonesia owning  $< 25\%$  **subjected to Income Tax with normal rate**
- Individual Tax Resident of Indonesia subjected to **Final Income Tax 10%**



## MAIN AMENDMENTS

► Art. 4 section (3) point f number 2, number 3, & number 4



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ART.  
111

**Dividends originating from abroad and Earning after tax of a Permanent Establishment abroad is not subject to Income Tax in Indonesia, insofar as being invested or used to support the other business activities in Indonesia within a certain period and received from:**



\*) Provisions:

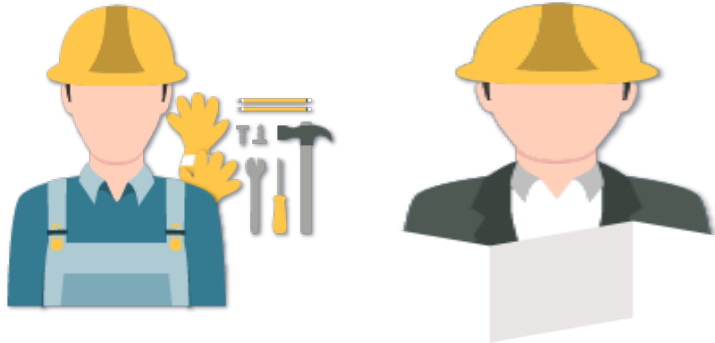
- Dividend invested in Indonesia not subject to Income Tax
- If the investment < 30% of earning after tax of the foreign corporation, the residual of the 30% minus the actual investment in Indonesia, shall be subject to Income Tax
- The excess of earning after tax of the foreign corporation after reduced with a & b, not subject to Income Tax

### Previous Regulation

Those income shall be taxable in Indonesia using the Foreign Tax Crediting mechanism if those income have already been taxed abroad.



**Income originating from abroad, not through a Permanent Establishment is not taxable in Indonesia if being invested in Indonesia within a certain period and meet the stated requirements :**



**\*) Provisions:**

- a. The income is originated from active business abroad; and
- b. Not an income of the companies owned abroad

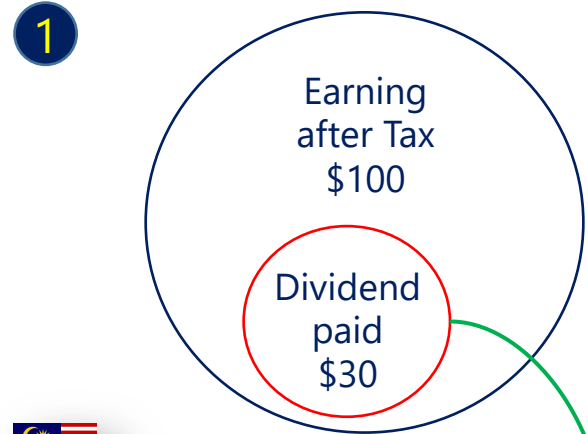
**Previous Regulation:**

Those income shall be taxable in Indonesia using the Foreign Tax Crediting mechanism if those income have already been taxed abroad.

## MAIN AMENDMENTS

## ILLUSTRATION OF GRANTING FACILITIES TO DIVIDENDS FROM ABROAD

1



X Sdn. Bhd.



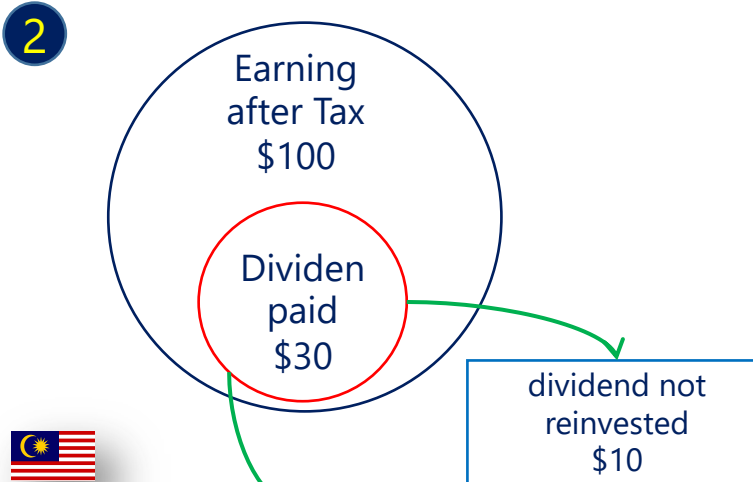
PT A

- Owns **100%** shares X Sdn. Bhd



✓ \$30 → **not subject to Dividend Income Tax**

2



X Sdn. Bhd.



PT A

- Owns **100%** shares X Sdn. Bhd



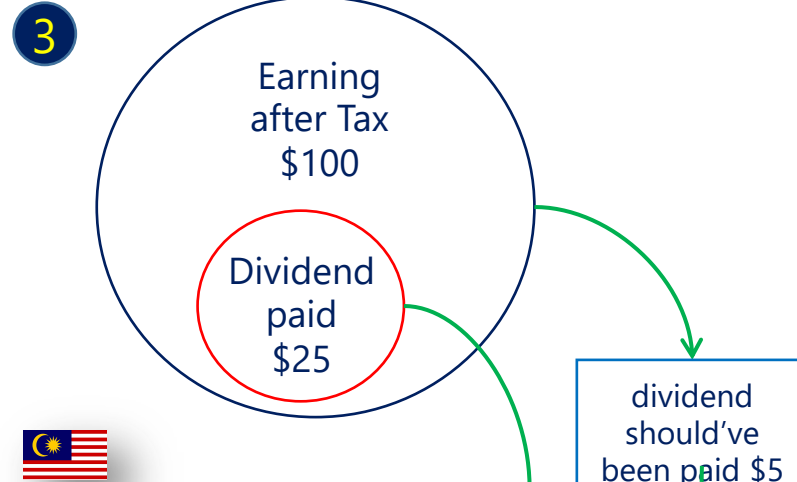
dividend not  
reinvested  
\$10

subject to  
Dividend  
CIT

✓ \$20 → **not subject to Dividend Income Tax**

✓ \$10 dividend not reinvested in Indonesia →  
subject to Dividend CIT →  $(30\% \times \$100)$  –  
Dividend reinvested in Indonesia \$20

3



X Sdn. Bhd.



PT A

- Owns **100%** shares X Sdn. Bhd



dividend  
should've  
been paid \$5

subject to  
Dividend  
CIT

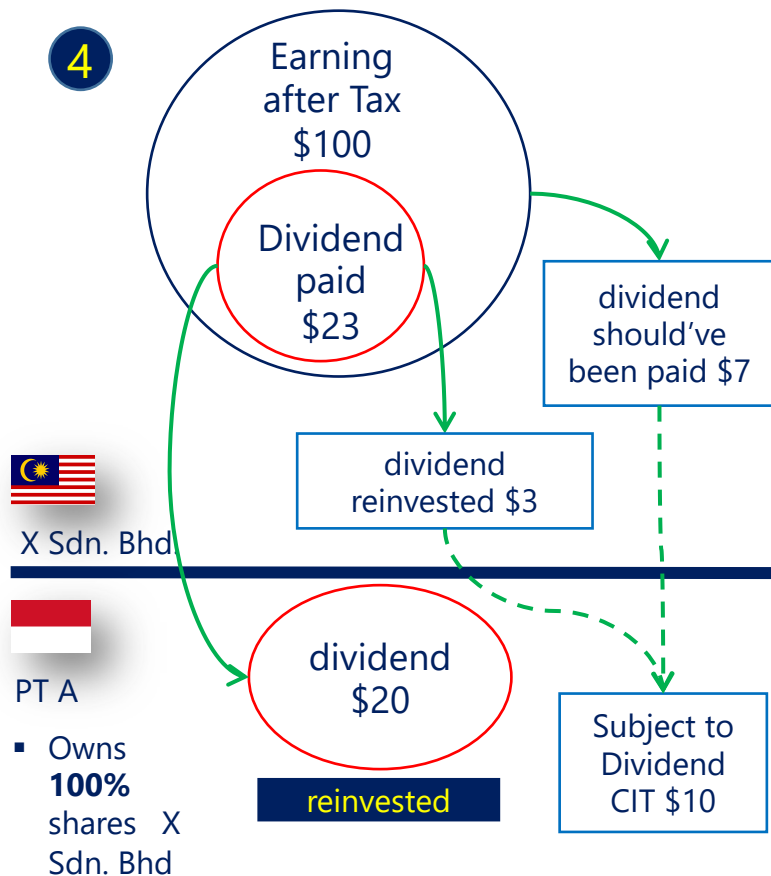
✓ \$25 → **Not Subject to Dividend Income Tax**

✓ \$5 (dividend paid below the 30% *threshold* subject  
to Income Tax →  $(30\% \times \$100)$  – dividend paid \$25

## MAIN AMENDMENTS

## ILLUSTRATION OF GRANTING FACILITIES TO DIVIDENDS FROM ABROAD

4

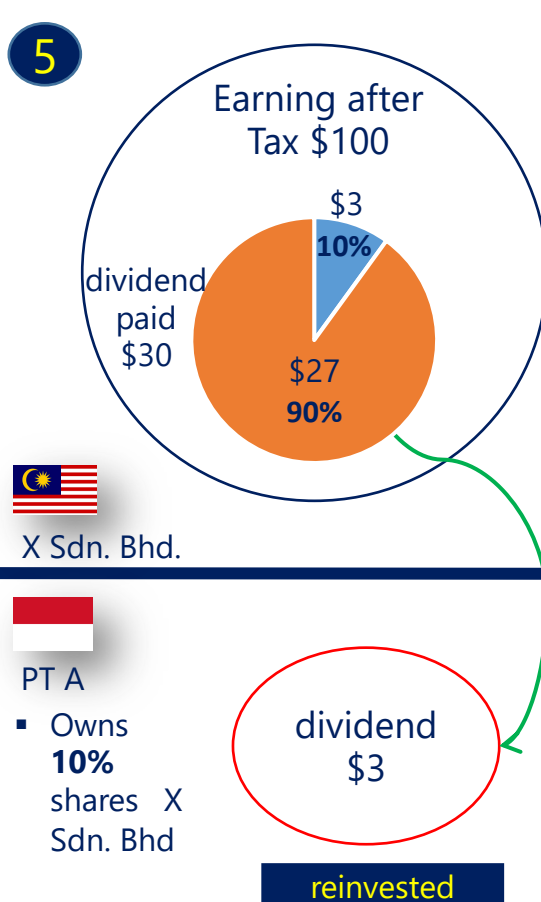


✓ If \$20 reinvested in Indonesia → **not subject to Dividend Income Tax**

✓ \$10 subject to CIT →

- $(30\% \times \$100)$  – portion of dividend paid \$23
- portion of dividend paid \$23 – dividend reinvested in Indonesia \$20

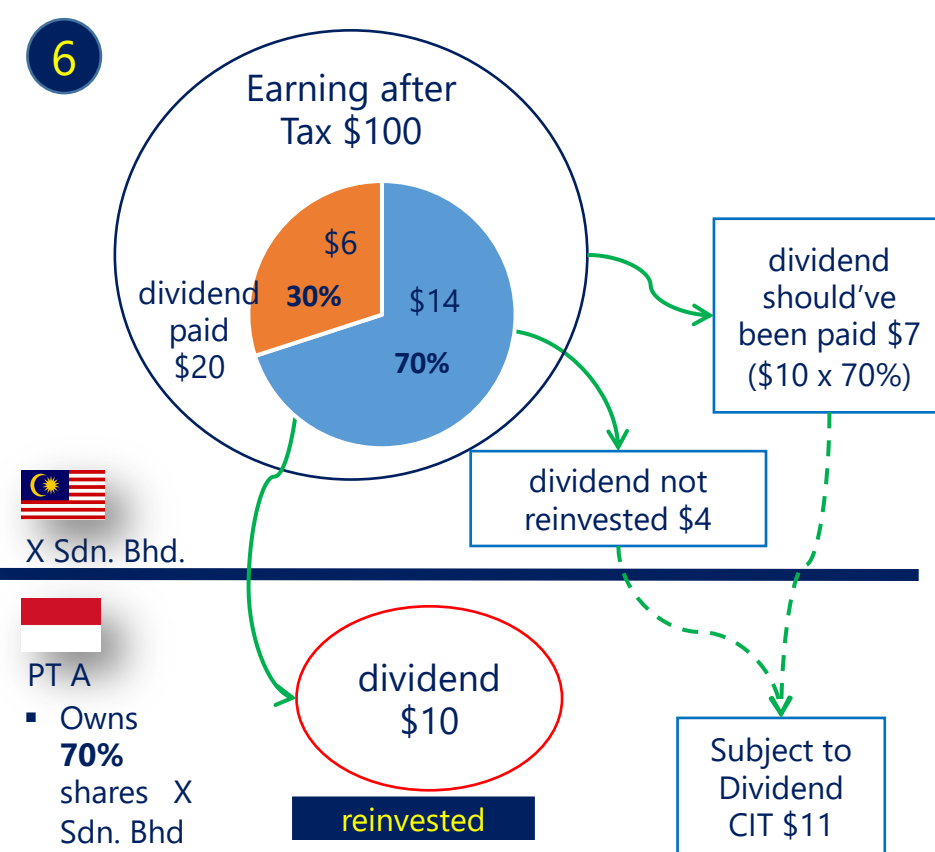
5



✓ If \$3 is reinvested to Indonesia → **not subject to Dividend Income Tax**

✓ Because the total of Dividend paid  $\geq 30\%$

6



✓ If \$10 is reinvested to Indonesia → **not subject to Dividend Income Tax**

✓ \$11 subject to CIT →

- $(30\% \times \$100 \times 70\%)$  – portion of dividend paid \$14
- portion of dividend paid \$14 (70% x \$20) – dividend reinvested to Indonesia \$10





### **Not Subject to Income Tax upon:**

- part of the profit or **the excess profit received or obtained by members of the Cooperatives**, limited liability companies whose capital does not consist of shares, partnerships, associations, firms, and joint venture, including the unit holder of collective investment contract,
- **funds deposited** for Hajj Administration Costs (BPIH) and/or a special BPIH, and income from the development of Hajj finance in certain financial fields or instruments, that are received by the Hajj Financial Management Agency (BPKH), the provisions of which are regulated by or based on a Regulation of the Minister of Finance

#### **Previous Regulations**

Excess profit of the Cooperatives and BPIH and revenues generated from the hajj funds were not subject to Income Tax.

**✗ Excluded from the Income Tax Objects upon the excess of fund received or obtained by social or religious institution** that is officially listed, that are reinvested in the form of public or religious facilities within 4 (four) years since the receipt of those excess, that will be further regulated by Ministerial Regulation.

### Previous Regulation

Subjected to Income Tax (*not excluded*).



## MAIN AMENDMENTS

► Art. 26 section (1b)

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ART.  
111



<20%



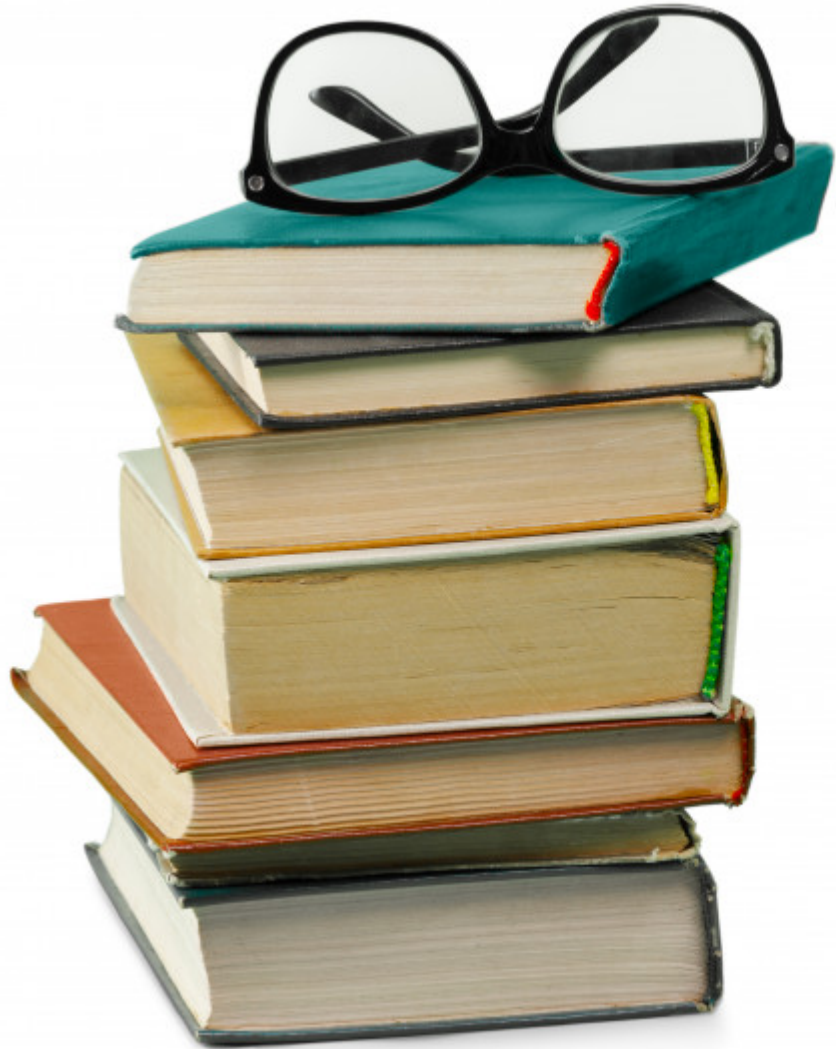
Rate of Income Tax Art.26 is 20% (twenty percent) from gross amount of the party obliged to pay the interest including premiums, discounts, and payments of the debt repayment guarantee can **be reduced** with Government Regulation.

### Previous Regulation:

Income Tax Art.26 for Interests paid abroad other than that of a Permanent Establishment was subject to a **20% tax rate** or in accordance with the **Tax Treaty**.



# SUBSTANCE OF CLUSTER EODB: TAXATION



## VALUE ADDED TAX

Art. 1A, Art. 4A, Art. 9, & Art. 13



## MAIN AMENDMENTS

► Art. 1A section (1) point g

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LAW

ART.  
**112**



**Consignment is excluded from the taxable goods transactions**

*(Point of consignment is deleted)*

### Previous Regulation

Consignments was included within the definition of the Taxable Goods Transactions.



**Excluded from the definition of the Taxable Goods Transactions** – transfer of Taxable Goods in the context of business merger, consolidation, expansion, and take over, and Transfer of Taxable Goods as capital deposit in replacement of stocks, insofar as the parties transferring and receiving are Taxable Entrepreneurs.

#### **Previous Regulation**

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Transfer of Taxable Goods for capital deposit in replacement of stocks (imbreng) was included as Taxable Goods Transactions.



## MAIN AMENDMENTS

► Art. 4A section (2) point a

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LAW

ART.  
**112**



The types of goods that are **not subject to VAT** means specific goods included in the groups of mining or drilling products that are directly extracted from their sources, **except for Coal Mining Products.**

### Previous Regulation

The types of goods that were not subject to VAT means specific goods included in the groups of mining or drilling products that are directly extracted from their sources.

*(Coal Mining Products that were excluded from VAT are coals prior the processing into briquettes)*

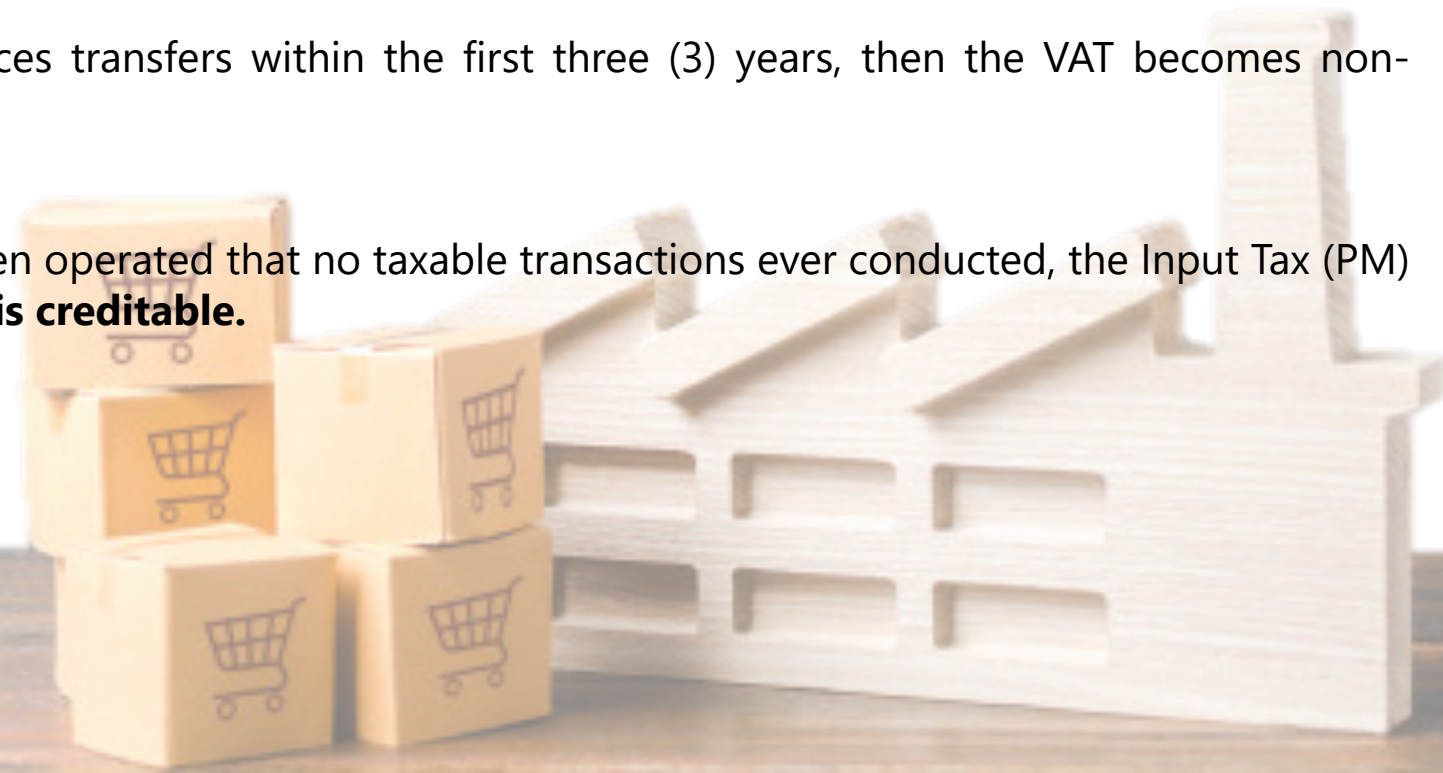
**Provision regarding the Input Tax (PM) before the Taxable Entrepreneurs conducting taxable (VAT) transactions:**

- Taxable Entrepreneurs (PKP) that have not conducted any taxable goods transfers and/or taxable services provisions and/or taxable goods/services export, the Input Tax (PM) of the receipt of the taxable goods and/or services, taxable goods imports, and non-tangible taxable goods/services utilization from outside the customs and excises territory within the customs and excises territory is **creditable** insofar as it meets the provisions regarding the tax credittings in accordance with this Law.
- The excess can be compensated to the next taxable periods and can be refunded at the end of the fiscal year.
- If there are no taxable goods/services transfers within the first three (3) years, then the VAT becomes non-creditable (cancelled)

**Previous Regulation**

Taxable Entrepreneurs that have not been operated that no taxable transactions ever conducted, the Input Tax (PM) of the purchased of the **Capital Goods is creditable.**

(only applicable to the Capital Goods)





*Deemed*  
Input Tax  
**80%**

The Input Tax of the purchase of Taxable Goods and/or Services, Imports, and Utilization of Non-Tangible Taxable Goods and/or Services from outside of the Customs and Excises Territory within the Customs and Excises Territory **prior the attestation of the Taxable Entrepreneurs, is creditable at 80% of the Output Tax** that should have been collected.

### Previous Regulation

The Input Tax of the purchase of the Taxable Goods/Services prior to the attestation as the Taxable Entrepreneur was Non-Creditable

Based on  
the Tax  
Invoice

Input Tax on the purchase of Taxable Goods and/or Services, import of Taxable Goods, and utilization of Intangible Taxable Goods and/or Services from outside of the Customs & Excises Area within the Customs & Excises Area which are **not reported in the Periodic VAT Return** and/or **identified during audit** **can be credited** by the Taxable Entrepreneur f (PKP) insofar as it fulfills the crediting requirements in accordance with this Law.

### Previous Regulation

Input Tax (PM) that were not reported in the tax return & identified during audit was **non creditable**.

amounting  
to **the tax  
principal**

Input Tax on the purchase of Taxable Goods and/or Services, import of Taxable Goods, and utilization of Intangible Taxable Goods and/or Services from outside of the Customs & Excises Area within the Customs & Excises Area **which is collected with the issuance of tax assessments is creditable by Taxable Entrepreneur (PKP)** in the amount of the principal of the VAT stated in the tax assessment insofar as the tax assessment **has been fully paid and no legal remedies have been taken** and fulfills the requirements for crediting in accordance with this Law

#### Previous Regulation

Input Tax collected with the Notice of Tax Assessments was **non-creditable**.



## MAIN AMENDMENTS

► Art. 13 section (5) point b

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LAW

ART.  
**112**

Tax Invoice must include the information regarding the transfer of the Taxable Goods/Services, at least including the **identity of the Buyer**, that comprises of:

1. **name, address, and TIN (NPWP) or ID Number or** passport number for the individual foreign tax resident; or
2. name and address, in the event that the buyer is foreign corporate tax resident or not a tax resident according to Art.3 of Income Tax Law.

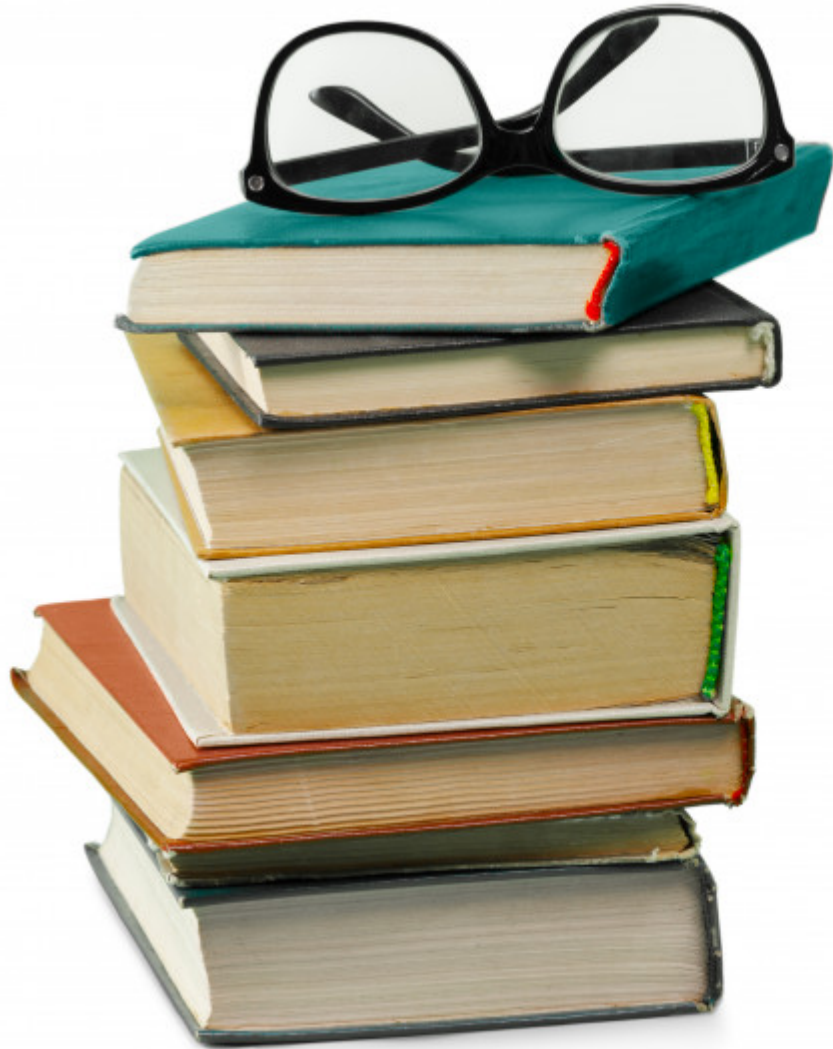
### Previous Regulation

Tax Invoice must include the information regarding the transfer of the Taxable Goods/Services, at least including the **name, address, and TIN (NPWP) of the Buyer.**





# SUBSTANCE OF CLUSTER EODB: TAXATION



## GENERAL PROVISION AND TAX ADMINISTRATION (KUP)

- ✓ Art. 8, Art. 9, Art. 11, Art. 13, Art. 14, Art. 15, Art. 17B, Art. 19, Art. 38, & Art. 44B
- ✓ **Deletion of** Art. 13A & Art. 27A
- ✓ **Insertion of** Art. 27B

## MAIN AMENDMENTS

► Art. 19 section (1), section (2), & section (3)

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LAW

ART.  
113

$$\text{PENALTY} = \text{UNDER PAID TAX} \times \text{INTEREST RATE PER MONTH}^* \times \text{NUMBER OF MONTHS}^{**}$$

\*) *The amount of administrative penalty in the form of Interest per month refers to the Interest Rate Reference set by the Minister of Finance and applicable on the date of the starting of the calculation of the penalty calculation divided 12, added with the uplift factor based on the level of the Taxpayers erroneous.*

\*\*) *max 24 months.*

$$\text{Interest Rate per Month} = \frac{\text{Interest Rate Reference} + 0\%}{12}$$

### Imposition of Tax Administrative Penalty on:

- ✓ Interest of tax collection;
- ✓ Installment/postponement of the payment of tax;
- ✓ Underpaid Tax (KB) on the postponement of the filing of the annual Income Tax Return.

#### Previous Regulation

*The amount of the administrative penalty was a 2% interest rate per month*

## MAIN AMENDMENTS

- ▶ Art. 8 section (2) & section (2a)
- Art. 9 section (2a) & section (2b)
- Art. 14 section (3)

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LAW

ART.  
113

$$\text{PENALTY} = \text{UNDER PAID TAX} \times \text{INTEREST RATE PER MONTH}^* \times \text{NUMBER OF MONTHS}^{**}$$

\*) *The amount of administrative penalty in the form of Interest per month refers to the Interest Rate Reference set by the Minister of Finance and applicable on the date of the starting of the calculation of the penalty calculation divided 12, added with the uplift factor based on the level of the Taxpayers erroneous.*

\*\*) *max 24 months.*

$$\text{Interest Rate per Month} = \frac{\text{Interest Rate Reference} + 5\%}{12}$$

### Imposition of Tax Administrative Penalty on:

- ✓ Underpaid Tax on the amendment of the Annual or Periodic Income Tax Return;
- ✓ Payment/remittance of tax after the due date of the payment/remittance or after the due date of the Filing of Annual Income Tax Return;
- ✓ Income Tax of the present taxable year is not/under-paid or based on the analysis due to the error in writing/calculation;

#### Previous Regulation

*The amount of the administrative penalty was a 2% interest rate per month*

## MAIN AMENDMENTS

► Art. 8 section (5)

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ART.  
113

$$\text{PENALTY} = \text{UNDER PAID TAX} \times \text{INTEREST RATE PER MONTH}^* \times \text{NUMBER OF MONTHS}^{**}$$

\*) *The amount of administrative penalty in the form of Interest per month refers to the Interest Rate Reference set by the Minister of Finance and applicable on the date of the starting of the calculation of the penalty calculation divided 12, added with the uplift factor based on the level of the Taxpayers erroneous.*

\*\*) *max 24 months.*

$$\text{Interest Rate per Month} = \frac{\text{Interest Rate Reference} + 10\%}{12}$$

### Imposition of Tax Administrative Penalty on:

- ✓ Tax Underpaid resulted from the disclosure of incorrect filling of the Tax Return

#### Previous Regulation

*The amount of the administrative penalty was a 50% increase of the tax underpaid*



## MAIN AMENDMENTS

► Art. 13 section (2) & section (2a)

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ART.  
113

$$\text{PENALTY} = \text{UNDER PAID TAX} \times \text{INTEREST RATE PER MONTH}^* \times \text{NUMBER OF MONTHS}^{**}$$

\*) *The amount of administrative penalty in the form of Interest per month refers to the Interest Rate Reference set by the Minister of Finance and applicable on the date of the starting of the calculation of the penalty calculation divided 12, added with the uplift factor based on the level of the Taxpayers erroneous.*

\*\*) *max 24 months.*

$$\text{Interest Rate per Month} = \frac{\text{Interest Rate Reference} + 15\%}{12}$$

### Imposition of Tax Administrative Penalty on:

- ✓ Penalty on Notice of Tax Underpayment Assessment (SKPKB);
- ✓ Input Tax (PM) repayment from the Non-productive Taxable Entrepreneurs.

#### Previous Regulation

*The amount of the administrative penalty was a 2% interest rate per month.*

## MAIN AMENDMENTS

## ILLUSTRATION OF TOTAL ADMINISTRATIVE PENALTIES – (KUP)

Administrative penalty formulae:  

$$= \frac{(\text{interest rate reff.} + \text{uplift \%})}{12}$$

- If the Minister of Finance set the Interest Rate Reference on **April 2021 at 4,96%**; and
- tax underpaid is **Rp1.000.000**

<i>Uplift</i>	<i>Penalty / Month</i>	<i>Types of Penalty</i>	
<b>Self Assessment +0%</b>			
KMK Interest Penalty	<b>0,41%</b>	✓ Intrst of Tax Collection (Art.19(1))	✓ Underpaid Tax (KB) Postponement of Annual Tax Return (Art.19(3))
Amount of Penalty (Rp)	Rp4.133	✓ Installment/Postponement (Art..19(2))	
<b>Self Assessment +5%</b>			
KMK Interest Penalty	<b>0,83%</b>	✓ Annual Tax Return Amendment (Art.8(2);(2a))	✓ Tax not/underpaid due to error in writing/calculation (Art.14(3))
Amount of Penalty (Rp)	Rp8.300	✓ Late to pay (Art.9(2a);(2b))	
<b>Self Assessment +10%</b>			
KMK Interest Penalty	<b>1,25%</b>	✓ Disclosure of incorrect filling of tax return (Art.8(5))	
Amount of Penalty (Rp)	Rp12.467		
<b>Official Assessment +15%</b>			
KMK Interest Penalty	<b>1,66%</b>	✓ SKPKB Penalty (Art.13(2))	
Amount of Penalty (Rp)	Rp16.633	✓ Input Tax repayment from the Non-productive Taxable Entrepreneurs (Art.13(2a))	

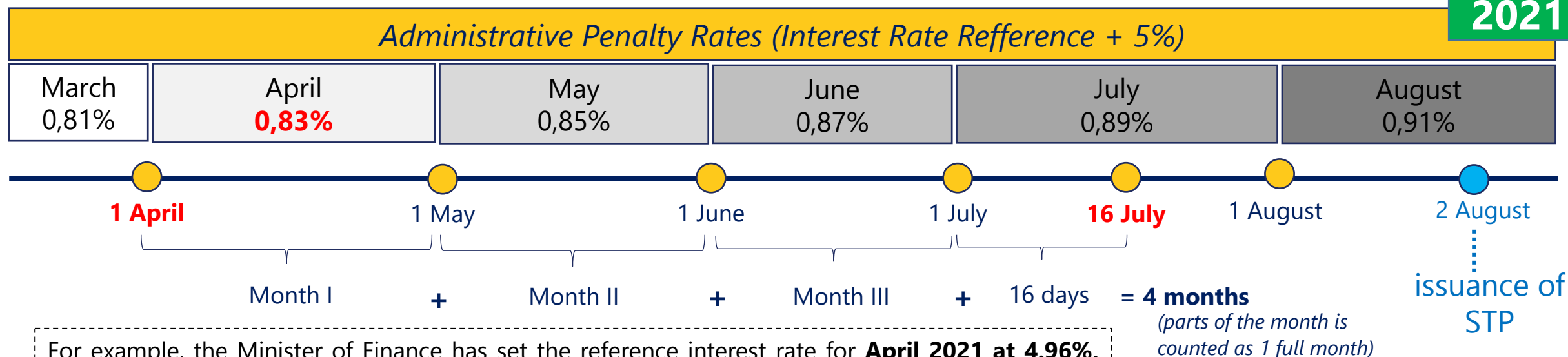
## MAIN AMENDMENTS

## ILLUSTRATION OF ADMINISTRATIVE PENALTY (*UPLIFT* + 5%)

"Mr. A files Annual Tax Return of Individual Income Tax for the Taxable Year 2020 on July 17, 2021.

The underpayment amounting to Rp1,000,000 was paid by Mr. A on July 16, 2021"

The penalty for late payment of the Annual Tax Return [Art.9 section (2b) KUP] is calculated from the end of the due date for submitting the Annual SPT up to payment date.



For example, the Minister of Finance has set the reference interest rate for **April 2021 at 4.96%**, then the administrative penalty calculated starting April 2021 will be subject to a rate of **0.83% per month**.  $((4,96\% + 5\%)/12)$ .

*Use the rate on the startin date of calculation* ► **1 April 2021**

$$\begin{aligned} &= \text{Rp}1.000.000 \times \mathbf{0,83\%} \times 4 \text{ months} \\ &= \text{Rp}8.300 \times 4 \text{ months} \\ &= \mathbf{\text{Rp}33.200} \end{aligned}$$

## MAIN AMENDMENTS

► Art. 14 section (1) point d & point e, and Art. 14 section (4)

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ART.  
**113**

Entrepreneurs or Taxable Entrepreneurs (PKP):

- who have been appointed as a PKP, but **have not made any tax invoice or late in the making the tax invoice;**
- who have been appointed as a PKP but **do not fill the tax invoice completely** as referred to in Art.13 section (5) & section (6) of the VAT Law 1984 and its amendments, other than the identity of Buyer and the name and signatures as referred to in Art.13 section (5) point b & point g of the VAT Law 1984 and its amendments in the event that the transactions is conducted by a retailer;

each, in addition to being required to pay tax due, is subject to **administrative penalties in the form of a fine of 1% of the tax base.**

### Previous Regulation

Penalty of the Taxable Entrepreneur (PKP) for being late in making a Tax Invoice or for not filling the Tax Invoice completely, in the form of a **fine of 2% of Tax Base.**





## MAIN AMENDMENTS

► Art. 11 section (3), Art. 17B section (3) & section (4), Art. 27B

JOB CREATION  
LAW

ART.  
113

$$\text{INTEREST COMPENSATION} = \text{TAX OVERPAID} \times \text{INTEREST RATE PER MONTH *} \times \text{NUMBER OF MONTH **}$$

\*) *The amount of the interest compensation per month refers to the **Interest Rate Reference** set by the Minister of Finance and is applicable on the **date the calculation is started** divided by 12*

\*\*) *maximum of 24 months and parts of the month is counted as 1 month.*

$$\text{Interest rate per month} = \frac{\text{Interest Rate Reference}}{12}$$

### The Interest Compensation is given upon:

- ✓ Tax Restitution that is conducted within 1 (one) month after the application;
- ✓ Notice of Tax Overpayment Assessment (SKPLB) that is issued late after 1 (one) month period ends;
- ✓ SKPLB of Preliminary Investigation, insofar as:
  - a) it is not continued to Tax Crime Investigation,
  - b) it is continued to Tax Crime Investigation, but without tax crime prosecution, or
  - c) it is continued and with prosecution of Tax Crime Investigation, but the verdicted as free/not guilty.
- ✓ Tax Restitution due to the application of Objection, Appeal, or Review that is partially or wholly approved.

### Previous Regulation

*The amount of interest compensation per month was granted with a **fixed 2% rate**.*



**Issuance of Notice of Tax Collection (STP) to recollect the interest compensation that should not have been granted to the Taxpayer**, to provide legal certainty and ease of administration on the recollection of the interest compensation that should not have been granted to the Taxpayer and have not been clearly regulated so far.

### Previous Regulation

*(Previously not regulated)*

If Notice of Tax Overpayment Assessment (SKPLB) is issued late as referred to in section (2), the **Taxpayer shall be given interest compensation based on the monthly rate set by the Minister of Finance** that is effective since the end of the period as referred to in section (2) until the date of the issuance of the SKPLB.

#### Previous Regulation

*The amount of the interest compensation per month is granted with a **fixed 2% rate**.*





**A new provision stipulating that interest compensation shall not be given upon taxpayer's disclosure or request for the termination of investigation.** Where a taxpayer voluntarily discloses his erroneous or requests for the termination of investigation, he substantially recognises that he has committed actions indicated as criminal offence in taxation and requests for forgiveness and therefore he shall not be given interest compensation where there is a refund of tax overpayment following the termination of audit of initial evidence or investigation.

**Previous Regulation**

*(Previously not Regulated)*



## MAIN AMENDMENTS

► Art. 13 section (4)

JOB CREATION  
LAW

ART.  
113



Tax Return shall be fixed/final if Notice of Tax Assessment is not issued within 5 years period, **except that the Taxpayer committed Tax Crime.**

### Previous Regulation

*Taxpayer committing Tax Crime was not excluded.*



**The provision concerning the issuance of tax assessment following the verdict of a tax crime is **omitted**.**

#### **Previous Regulation**

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Even though the 5-year period as referred to in paragraph (1) has elapsed, Underpaid Tax Assessment / Additional Underpaid Tax Assessment **still can be issued** plus administrative penalty in the form of interest of 48% of the amount of the unpaid or underpaid tax if the taxpayer, after the period, is sentenced for committing tax crime or other criminal offences potential to inflict loss on the state revenue on the basis of a legally fixed court decision.



## Director General of Taxes may issue Notice of Tax Collection in a period of 5 years.

- *STP shall be issued no later than 5 years after the moment when the tax becomes due or Tax Period, Part of Taxable Year or Taxable Year ends.*
- *Excluded from the provision concerning the period of issuance above :*
  - a. *Notice of Tax Collection with respect to collection interest shall be issued **no later than the expiration of collection** with respect to Notice of Tax Underpayment Assessment and Notice of Additional Tax Underpayment Assessment, and Decision on Rectification, Decision on Objection, Decision on Appeal, as well as Decision on Judicial Review which cause the amount of tax yet to be paid to increase;*
  - b. *Notice of Tax Collection with respect to collection fine under Article 25 paragraph (9) (50%) shall be issued **no later than 5 years as from the date of the issuance of Decision on Objection** in the case of the taxpayer not submitting application for appeal; and*
  - c. *Notice of Tax Collection with respect to collection fine under Article 27 paragraph (5d) (100%) shall be issued **no later than 5 years as from the date of Decision on Appeal** being pronounced by the Tax Court judge in an open court.*

### Previous Regulation

*(the expiration of the issuance of Notice of Tax Collection was not regulated).*



**Director General of Taxes may issue Notice of Tax Collection to reclaim interest compensation that should not have been given.**

*Director General of Taxes may issue Notice of Tax Collection with respect to interest compensation that should not have been given to a taxpayer, where:*

- 1. a decision is issued;*
- 2. a decision is received; or*
- 3. data or information is found*

*showing the interest compensation that should not have been given to the taxpayer.*

**Previous Regulation**

*(Previously not Regulated).*



A Taxpayer at his own will may disclose in a written statement regarding his unlawful acts, after the **preliminary investigation** has been conducted.

The disclosure of the unlawful acts as referred to in section (3) along with the payment of the tax underpaid plus administrative penalties in the form of **fine at 100% rate of the total tax underpaid.**

#### Previous Regulation

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*Penalties on the Disclosure of the unlawful acts in the form of **fine at 150% rate of the total tax underpaid.***

Termination of the tax crime investigation as referred to in section (1) can only be conducted after the Taxpayer paid the unpaid/underpaid tax or the tax that should not have been refunded, added with administrative penalty in the form of **fine amounting 3 times of the amount of tax unpaid or underpaid, or the tax that should not have been refunded.**

#### Previous Regulation

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Penalty on the termination of the tax crime investigation in the form of **fine amounting 4 times of the amount of tax unpaid or underpaid, or the tax that should not have been refunded.**

**The application of only one type of administrative penalty with the highest amount** between the applicable interest penalty and incremental penalty within audit of VAT and PPnBM (Sales Tax on Luxury Goods), to promote equality for the taxable entrepreneurs by not imposing excessive administrative penalties.

**Previous Regulation**

*(Previously not Regulated)*



The provision **intended to provide legal certainty for the Taxpayer on his first-time negligence** that has been difficult to prove within the preliminary investigation, **is omitted**.

#### Previous Regulation

*A taxpayer, due to his negligence, not submitting tax return or submitting tax return but the content is untrue or incomplete or attaching information with untrue content thus being potential to inflict loss on the state revenue shall not be subject to penalty if the taxpayer committed the negligence for the first time and the taxpayer shall settle the remainder of tax due and administrative penalty in the form of an increase of 200% (two hundred percent) of the amount of underpaid tax stipulated through the issuance of Notice of Tax Underpayment Assessment (SKPKB).*



Taxpayer, due to his negligence, not submitting Tax Return or submitting Tax Return but the content is untrue or incomplete, or attaching false information thus potentially inflicting a loss on the state revenue and ~~such an action is second to the first similar action~~ as referred to in Art.13A, subject to a fine that at least equals to the amount of the unpaid or underpaid tax and at a maximum of twice the amount of the unpaid or underpaid tax, or subject to imprisonment at least 3 (three) months or a maximum of 1 (one) year.

#### **Previous Regulation**

*The present regulation eliminates the sentence "such an action is second to the first similar action" from the previous regulation.*

**SKPKB can be issued (within 5 (five) years) if a Taxable Entrepreneur (PKP) does not transfer taxable goods and/or services and/or exports taxable goods and/or services and had been granted Input Tax (PM) restitution or had been crediting the input tax (PM) as referred to in Art.9 section (6e) of the VAT Law or its amendments.**

### Previous Regulation

*Taxable Entrepreneur who **fails to produce** and **has been given restitution of Input Tax** –  
(Article 14 (1) letter g*





## CLOSING

The Cluster Ease of Doing Business in the context of taxation **supports and inlines** with the objectives of the Job Creation Law in creating jobs.

The increase in investments, voluntary compliance, legal certainty, & equality within the business climate will also **increase the tax revenue**.

**PAJAK** KUAT  
INDONESIA MAJU







THANK YOU

