

NEW PROVISIONS ON LAND & BUILDING TAX



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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 Role of the Directorate General of Customs and Excise in the Maritime Supervision Function

The Indonesian government has again intensified its supervision over the flow of illegal goods in border areas in the aspect of customs and excise. This is regulated in the [Minister of Finance Regulation No. 179/PMK.04/2019 concerning the Sea Patrol of the Directorate General of Customs and Excise in the context of Proceedings in the Field of Customs and Excise](#) (MoF Reg. No. 179/2019). The regulation that addresses the challenges of Indonesia as a maritime country focuses more on the role of Customs and Excise Officers in supervising the means of transport at sea and/or rivers.

The Customs and Excise Officer referred to in the regulation which is to come into force 30 days after 3 December 2019 is an employee of the Directorate General of Customs and Excise (DGCE). Further, DGCE will only conduct sea patrols after the issuance of a warrant by the parties stipulated in this regulation, namely the Director General of Customs and Excise who is in charge of proceedings in the field of customs and excise, the Head of Customs and Excise Office, or other appointed Customs and Excise Officers.

Under this regulation, a sea patrol will be conducted to search for and discover any alleged violation against customs and/or excise provisions. The indications of such violations will subsequently be followed up through the prosecution process. The prosecution may take the form of (i) the pulling over and search of the means of transport; (ii) search of goods, premises, letters, or documents relating to the goods or people; (iii) suspension of the goods and means of transport; and (iv) locking, sealing, and/or sticking required security signs on the goods or means of transport.

Other than supervising means of transport at sea and/or river, this MoF Regulation also stipulates several conditions in which sea patrols can be carried out by the DGCE, namely for the purpose of law enforcement, humanity, or other activities. The sea patrol aimed at law enforcement may be conducted in several situations such as for preventing violations in customs and/or excise; for following up on investigations; for coordinating in the framework of law enforcement with domestic agencies and/or foreign agencies; and for supporting the duties and functions of supervision in other domestic agencies.

Further, the humanitarian objectives of the DGCE's sea patrol include assisting in the search and rescue (SAR) process under statutory provisions concerning marine law and assisting in the safeguarding and implementation of state officials' duties. Sea patrols may also be carried

out by the Customs Officers if there are other objectives based on the approval of the Director General. In addition, the technicalities related to the guidelines and command structure shall be further regulated through the Director General of Customs and Excise Regulation.

Uniforming the Format Tax Object Notification Letter for Land & Building Taxes

The DGT has renewed the format for data and information reporting on Land and Building Tax (*Pajak Bumi Bangunan/PBB*) for the Mining, Plantation, and Forestry (*Pertambangan, Perkebunan, dan Perhutanan/P3*) (hereinafter: PBB-P3) and sectors other than Rural and Urban (*Pedesaan dan Perkotaan/P2*). The new format is regulated through [Director General of Tax Regulation No. PER-19/PJ/2019 concerning Tax Object Notification Letter for Land and Building Tax](#) (PER-DJP No. PER-19/PJ/2019).

Land and Building Tax Object Notification Letter (*Surat Pemberitahuan Objek Pajak/SPOP*) is a letter used by a tax subject or a taxpayer to report taxable object data according to the provisions of the Land and Building Tax Laws attached with SPOP Attachment as an integral part of SPOP. This regulation also stipulates to uniform the SPOP PBB-P3 formats among PBB sectors in order to provide convenience, legal certainty, and improve the quality of taxpayer services in reporting Land and Building taxable objects. The latest form is available in the [Appendix](#) of the regulation.

Under this regulation, the SPOP shall be sent by the Director General of Taxes to tax subjects or taxpayers to register or update taxable objects data on dates set forth according to the tax year of the PBB payable per sector. The submission of this form is to be conducted electronically, through the DGT's website channel and other channels.

The technical guidelines of the [Minister of Finance Regulation No. 254/PMK.03/2014 concerning the Procedures for Registration and Data Collection of Taxable Objects and Tax Subjects or Land and Building Taxpayers](#) (MoF Reg. No. 254/2014) subsequently revoke various types of SPOP reporting formats contained in other Director General of Taxes Regulations. The four types of format revoked are the SPOP format for the plantation sector ([DGT Reg. No. PER-31/PJ/2014](#)), other sectors ([DGT Reg. No. PER-20/PJ/2015](#)), the forestry sector ([DGT Reg. No. 42/PJ/2015](#)), and the mining sector for mineral and coal mining ([PER-DGT No. PER-47/PJ/2015](#)).

The regulation will come into force on 1 January 2020 and the SPOP forms in the newest format must be resent

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to tax subjects and taxpayers although the SPOP forms in the old format have been submitted before 1 January 2020. Hence, the SPOPs that have been reported by the tax subjects and taxpayers before 1 January 2020 must be resubmitted in the new format. In the event that the SPOPs are in the old format, they shall be returned by the DGT to the tax subjects or taxpayers concerned.

Restipulation of Import Duty Exemptions on Public Goods Imported by the Government

The government has issued new provisions related to import duty exemptions on public goods imported by the government. The restipulation is stated in the [Minister of Finance Regulation No. 171/PMK.04/2019 concerning Import Duty Exemptions on Public Goods Imported by the Government](#) (MoF Reg. No. 171/2019). The import of goods referred to in this regulation is aimed at the public interest which is defined as the nation, state, and/or society interest rather than prioritizing the economic interest.

Through MoF Reg. No. 171/2019, the government expands the import duty exemptions on goods imported by the government. The exemption for import will then be granted for the import of goods through bonded zone, special economic zone, or free trade zones; transfer of imported goods which have received import duty exemption from the facility recipient; as well as temporary settlement of imported goods by granting them to the central government.

This regulation sets forth that import duty exemptions shall be provided in two conditions. First, the goods are imported by the government and funded by the State Budget (*Anggaran Pendapatan dan Belanja Daerah*/

APBN) or the Regional Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) or second, the goods originate from grants. The following is the comparison of the minimum document requirements to obtain tax relief for goods imported by the government.

To obtain import duty exemptions, the relevant agency needs to submit an application to the Minister of Finance through the Head of Regional Office of the Directorate General of Customs and Excise or the Head of Prime Customs and Excise Office. The application is then submitted online through the Portal of the Directorate General of Customs and Excise (DGCE) or the Indonesian National Single Window System by attaching the scanned required original documents. Applicants may also submit documents in written format in the event of portal disruptions.

Approval or rejection of the application for exemption shall be notified no later than five working hours upon the receipt of complete and correct application if submitted online. In contrast, for applications submitted in writing, approval or rejection shall be notified no later than three working days upon the receipt of complete and correct application.

Furthermore, tax facilities in the form of non-imposition of value added tax (VAT) or Sales Tax on Luxury Goods (SLTGs) can be provided for goods imported by the government that are exempt from import duty. In contrast, the period of import must not exceed one year from the date of import duty exemption granting decree.

As for imported goods which are exempt from import duty but not used for public interest, the agency in question is subsequently required to pay import duties and tax payable on import. Further, the agency is subject to administrative sanctions as per customs or tax

Table 1 – Document Requirements for the Application of Import Duty Exemptions on Goods Imported by the Government

Imported Goods that are Funded by the State Budget or Regional Budget	Imported Goods Originating from Grants
<ul style="list-style-type: none"> (i) photocopy of the Budget Implementation Checklist (<i>Daftar Isian Pelaksanaan Anggaran/DIPA</i>) or similar documents; (ii) a statement letter declaring that the funding in DIPA or similar documents does not include elements of import duty and/or tax on import; and (iii) photocopy of the agreement or contract for the procurement of goods with a third party stating that the price in the agreement or contract does not cover payment of import duties and/or tax on import. 	<ul style="list-style-type: none"> (i) photocopy of statement from the grantor in the form of a gift certificate or memorandum of understanding stating that the items are public goods; (ii) photocopy of grant approval document from the central government if the imported goods are foreign grants for the regional government.

Source: MoF Reg. No. 171/2019

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regulations. Moreover, customs obligations on goods that are not used in accordance with these objectives can be settled through three mechanisms, namely transferred, re-exported, and destroyed.

Promulgated on 25 November 2019, this regulation takes effect 30 days thereafter and concurrently revokes the [Minister of Finance Regulation No. 163/PMK.04/2007 concerning the Granting of Import Duty Exemptions on Public Goods Imported by the Central Government or Regional Government](#) (PMK No. 163/2007) and its amendments.

Expanded Classification of Land and Building Taxable Objects and Revised Sales Value of Taxable Object

The government has expanded the taxable object classification for land and building tax for the sectors of plantation, forestry, and mining (hereinafter: PBB-P3). The addition is set forth in the [Minister of Finance Regulation No. 186/PMK.03/2019 concerning the Classification of Taxable Objects and Procedures for Determining the Sales Value of Land and Building Taxable Objects](#) (MoF Reg. No. 186/2019).

The enactment of the regulation will simultaneously revoke several provisions in [the Minister of Finance Regulation No. 76/PMK.03/2013 concerning the Administration of Land and Building Tax in the Mining Sector for Petroleum, Natural Gas, and Geothermal Mining](#) (MoF Reg. No. 76/2013) and its amendments.

Through this regulation the government expands the classification of PBB objects into six sectors, namely (i) plantation; (ii) the forestry sector; (iii) the petroleum and natural gas mining sector; (iv) the mining sector for geothermal exploitation, (v) the mineral or coal mining sector, and (vi) other sectors. The former regulation only stipulated four PBB objects, namely (i) petroleum and natural gas; (ii) geothermal; (iii) areas used for petroleum and natural gas mining activities, and (iv) areas used for geothermal mining activities.

Moreover, the government provides specific details on the area coverage for each sector through this regulation. Further, the government outlines the provisions relating to the detailed procedures to determine the sales value of taxable objects (*Nilai Jual Objek Pajak/NJOP*) for each taxable object. Promulgated on 11 December 2019, MoF Reg. No. 186/2019 shall take effect on 1 January 2020.

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