

# CHANGES IN SMALL TAX OFFICE'S TASKS, FUNCTIONS AND OPERATIONAL PROCEDURES



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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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## CHANGES IN SMALL TAX OFFICE'S TASKS, FUNCTIONS AND OPERATIONAL PROCEDURES

### Changes in Small Tax Office's Tasks and Functions

The government has officially amended the tasks and functions of the Directorate General of Taxes' (DGT) Small Tax Office (*KPP Pratama*). The amendments are outlined in the Director General of Taxes Decree No. KEP-75/PJ/2020 concerning the Amendments to the Tasks and Functions of the Small Tax Office ([KEP No. 75/PJ/2020](#)). Set forth on 20 February 2020, this regulation has been in effect since 1 March 2020.

The restipulation of the Tax Office's tasks and functions is intended to improve the effectiveness of supervisory performance and to extract tax potentials. The Small Tax Office's tasks and functions were formerly regulated under Articles 58 and 59 of the [Minister of Finance Regulation No. 210/PMK.01/2017](#).

Under KEP-75/PJ/2017, Small Tax Office has an additional task to collect and guarantee the quality of taxation data and information in its domain based on statutory regulations whereas under the previous regulation, this was not one of Small Tax Office's tasks.

The tasks similar to the previous regulation include providing services, dissemination, supervision, and law enforcement on taxpayers in terms of income tax, VAT, Sales Tax on Luxury Goods (SLTGs), other indirect taxes, and Land and Building Tax within its domain based on statutory regulations.

Moreover, Small Tax Office's functions have been amended. Under the new regulation, Small Tax Office carries out the following functions:

- a. analyzing, elaborating, and achieving tax revenue targets;
- b. searching, collecting, processing, and presenting taxation data and information;
- c. quality assurance and validating data and/or information tools;
- d. education, registration/confirmation, providing services, reporting management, and elimination/revocation of taxpayers, taxable persons for VAT purposes, or tax objects;
- e. completing the follow-up on the submission/revocation of taxpayer or public applications;
- f. data collection, mapping, supervision, and audits as well as assessments for tax purposes;
- g. stipulation, issuance, and/or amendment of tax law products;

- h. updating tax databases;
- i. imposing and deducting land and building tax in the sectors of plantation, forestry, oil and gas mining for onshore natural settlements, mining for geothermal exploitation, mineral and coal mining, and other sectors;
- j. administration of tax receivables and tax collection;
- k. performance management and risk management;
- l. implementation and supervision of internal compliance;
- m. conducting follow-up on taxation cooperation; and
- n. implementation of office administration.

In addition to amending the general tasks and functions of the Small Tax Office, the government has revised the tasks of several sections therein. This is mandated in the second dictum of KEP-75/PJ/2017. The amended tasks of the five sections, among others can be found in Table 1.

### Operational Procedures for the Amendment to Small Tax Office's Tasks and Functions

In line with the changes in Small Tax Office's tasks and functions, the Director General of Taxes has also adjusted the standard operating procedures (SOP) for the affected five sections. These adjustments are outlined in Circular No. SE-06/PJ/2020 concerning the Adjustments of Operational Procedures Concerning Changes in Tasks and Functions of the Small Tax Office ([SE-06/PJ/2020](#)). Set forth on 27 February 2020, this circular came into force on 1 March 2020.

This regulation serves as the guidelines for the implementation of operational procedures adjustments relating to changes in the tasks and functions of the Small Tax Office. This Circular shall provide clarity and uniformity in adjusting the operational procedures pertaining to the changes in the Small Tax Office's tasks and functions.

One example of the adjusted operational procedures is the supervision procedure of new taxpayers. Under the previous regulation, the operational procedures were carried out by the Section of Extensification and Dissemination. Currently, not only are the new operational procedures carried out by the Section of Extensification and Dissemination, but such procedures are also under the responsibility of Section of Supervision

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**Table 1 Changes in Tasks of the Sections Within Small Tax Office**

Section	Tasks
Section of Data and Information Processing	<ul style="list-style-type: none"> <li>• searching, collecting, processing, presenting taxation data and information.</li> <li>• conducting quality assurance and validation of data and/or information tools.*</li> <li>• forwarding data and/or information on the results of quality assurance and validation.*</li> <li>• recording tax documents.</li> <li>• following up on taxpayer data received from the head office.*</li> <li>• preparing fiscal monographs.*</li> <li>• providing computer technical support.</li> <li>• monitoring tax applications.</li> <li>• managing organizational performance and risk management.</li> <li>• carrying out management and following up on taxation cooperation.</li> </ul>
Section of Extensification and Dissemination	<ul style="list-style-type: none"> <li>• granting and/or revoking tax identification, confirming and/or revoking taxable persons for VAT purposes, granting and/or revoking tax object number ex officio.</li> <li>• performing analysis, elaboration, and achieving tax revenue targets.*</li> <li>• observing tax potentials.</li> <li>• collecting data and mapping on taxpayers and tax objects.</li> <li>• collecting supporting data and reconciling data in the context of taxpayer supervision.*</li> <li>• analyzing taxpayers' performance.*</li> <li>• supervising tax compliance and providing advice and counseling to taxpayers.*</li> <li>• producing information on the results of observations, data collection, mapping, and supervising taxpayers.*</li> <li>• updating the taxpayer database.*</li> <li>• performing audits with certain criteria.*</li> <li>• following up on the data received from the head office.*</li> <li>• updating the tax object value database.</li> <li>• conducting tax dissemination.</li> <li>• performing assessments.</li> </ul>
Section of Supervision and Consultation II	<ul style="list-style-type: none"> <li>• conducting analysis, elaboration, and achieving tax revenue targets for strategic taxpayers.</li> <li>• collecting data and mapping on strategic taxpayers and tax objects that are owned, controlled, and/or utilized by strategic taxpayers.</li> <li>• collecting supporting data and reconciling data in the context of supervising strategic taxpayers.</li> <li>• analyzing the performance of strategic taxpayers.</li> <li>• supervising tax compliance and providing advice and counseling to strategic taxpayers.</li> <li>• producing information on the results of the supervision of strategic taxpayers' activities .</li> <li>• updating the strategic taxpayer database.</li> <li>• performing audits with certain criteria.</li> <li>• following up on data received from the head office.</li> <li>• updating the database of the value of tax objects that are owned, controlled and/or utilized by strategic taxpayers.</li> </ul>

\*Note: Additional Task.

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Section	Tasks
Section of Supervision and Consultation III and Section of Supervision and Consultation IV of the Small Tax Office	<ul style="list-style-type: none"> <li>• granting and/or revoking tax identification, confirming and/or revoking taxable persons for VAT purposes, granting and/or revoking tax object number ex officio.</li> <li>• conducting analysis, elaboration, and achieving tax revenue targets.</li> <li>• observing tax potentials.</li> <li>• collecting data and mapping on taxpayers and tax objects.</li> <li>• collecting supporting data and reconciling data in the context of taxpayer supervision</li> <li>• analyzing taxpayers' performance.</li> <li>• supervising tax compliance and providing advice and counseling to strategic taxpayers.</li> <li>• producing information on the results of observations, data collection, mapping, and supervising taxpayers.</li> <li>• updating the taxpayer database.</li> <li>• performing audits with certain criteria.</li> <li>• following up on the data received from the head office.</li> <li>• updating the tax object value database.</li> </ul>

\*Note: Additional Task.

and Consultation (*Seksi Pengawasan dan Konsultasi/Waskon*) III/IV.

Three parties are involved in the operational procedures for the supervision of new taxpayers, including, *first*, the Head of the Waskon III/IV Section and the Head of the Section of Extensification and Dissemination. *Second*, Account Representatives (AR) in the three sections. *Third*, new taxpayers.

Furthermore, the Standard Operating Procedure (SOP) has been adjusted in terms of the registration of new tax objects at the Small Tax Office. Under the former SOP, the task was carried out by the Section of Tax Extensification. Under the new SOP, however, the task is shifted to the Section of Supervision and Consultation II/III/IV and the Section of Extensification and Dissemination.

Adjustments have also been made to related parties. The complete list of adjustments to the operational procedures and SOP for the five affected sections are listed in the [attachment of the circular](#).

### Policy for Supervision and Audit of Taxpayers to Broaden the Tax Base

The Directorate General of Taxes (DGT) will conduct supervision and audit using different methods depending on the taxpayer segment. As such, the DGT has segmented taxpayers into two groups, namely strategic taxpayers and other taxpayers.

This segmentation is intended to formulate appropriate and effective supervision and audit methods. Further, this segmentation is aimed at broadening the tax base and optimizing tax revenue through increasing compliance and extracting taxpayers' potentials.

The segmentation and the details of the supervision and audit method are stipulated in Circular Number SE-07/PJ/2020 concerning Taxpayer Supervision and Audits to Expand the Tax Base ([SE-07/PJ/2020](#)).

In further detail, under the regulation, supervision on strategic taxpayers shall be carried out through comprehensive research activities. Other taxpayers, however, are monitored on a regional basis.

Further, the regulation defines strategic taxpayers as all taxpayers registered at the tax office (*kantor pelayanan pajak/KPP*) in the DGT's Large Tax Regional Tax Office, Jakarta Special Regional Tax Office, and the Medium Tax Office.

In addition, strategic taxpayers include taxpayers with certain criteria that are registered with the Small Tax Office. The regulation outlines that taxpayers with certain criteria shall be taxpayers with the largest tax revenue contribution or other criteria regulated through the Official Memo of the Director of Tax Potential, Compliance, and Revenue as set forth by the DGT's Head of the Regional Tax Office.

Other taxpayers refer to taxpayers at Small Tax Office who do not have a taxpayer identification number

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(*nomor pokok wajib pajak/NPWP*) and those who already have NPWP with large tax revenue contributions, such as government agency taxpayers, joint operations, companies arranging customs services identification number (*perusahaan pengurusan jasa kepabeanan/PPJK*), and branches without a headquarters, as well as other taxpayers.

This policy is adopted due to the DGT's relatively limited resources against increasing tax revenue targets. Through this policy, therefore, the Tax Office is expected to focus on the allocation of available resources to supervise and audit taxpayers more accurately and effectively.

Under this policy, the Tax Office is also expected to focus more on taxpayers whose tax potentials have not been optimally explored and that have not carried out their tax obligations and are not registered in the DGT's administration system.

### Import Duty Borne by the Government for Certain Industrial Sectors

The government has released a regulation that provides government-borne import duty (*bea masuk ditanggung pemerintah/BM DTP*) for raw materials and goods imported by 20 certain industries. The provision of DTP BM facilities is outlined in the Minister of Finance Regulation No. 12/PMK.010/2020 concerning Import Duty Borne by the Government for Certain Industrial Sectors Budget Year 2020 ([MoF Reg. No.12/2020](#)).

Under this regulation, the government stipulates the amount of the budget ceiling for each industry, including the Government-Borne Import Duty Subsidy Budget User Proxy (*Kuasa Pengguna Anggaran Belanja Subsidi Bea Masuk Ditanggung Pemerintah/KPA BM DTP*) that is to manage the budget ceiling.

The regulation stipulates that the KPA BM DTP are officials at the state ministries/institutions set forth by the Minister of Finance to manage the government-borne import duty subsidy budget.

In further detail, four officials have been appointed by the Minister of Finance as KPA BM DTP. *First*, the Director General of Metal, Machinery, Transportation and Electronics Industries from the Ministry of Industry will manage the BM DTP budget from 8 industrial sectors. These industries comprise the manufacturing of electric motorcycles, fiber optic cables, and communication tools.

*Second*, the Director General of Chemical, Pharmaceutical and Textile Industries from the Ministry of Industry, who is to handle the BM DTP budget from 10 industrial sectors. These industries include the manufacturing industry of cosmetics, plastic packaging, paint, gypsum, and leather tanning.

*Third*, the Director General of Agricultural Industries from the Ministry of Industry shall manage the BM DTP funds from the almond nuts processing industry. *Fourth*, the Deputy of Drug, Narcotics, Psychotropic, Precursor, and Addictive Substances Control from the National Agency of Drug and Food Control shall handle the fund budget from the pharmaceutical industry.

Further, the budget ceiling allocated for each industry varies from IDR 40 million to IDR 131 billion. In addition to stipulating the budget ceiling, this regulation also outlines the types of goods and materials entitled to BM DTP facilities.

This regulation, however, emphasizes that the goods and materials are not goods and materials which are subject to 0% import duty either due to domestic regulations or international treaties or agreements.

Moreover, the goods are not goods and materials that are subject to anti-dumping import duty (*bea masuk anti dumping/BMAD*) or temporary BMAD, safeguard import duty/temporary safeguard import duty, compensation import duty, or recompensation import duty.

These goods and materials shall not be intended to be stockpiled in bonded zones. The regulation shall be valid as of the promulgation date, 8 February 2020 to 31 December 2020.

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