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Reduction of Income Tax Rates for Publicly Listed Companies and Establishment of VAT Withholder Criteria for E-Commerce Businesses

Sets the Standards and Beyond

ABOUT DDTC

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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Reduction of Resident Corporate Income Tax for Publicly Listed Companies

The government has issued an implementing regulation of Article 5 paragraph (3) of Law No. 2 of 2020 concerning the reduction of resident corporate income tax rates for publicly listed companies. The rate reduction policy is outlined in the Government Regulation No. 30 of 2020 concerning the Reduction of Income Tax Rates for Resident Corporate Taxpayers in the Form of Publicly Listed Companies (Gov. Reg. 30/2020).

Income tax rates on taxable income of resident corporate taxpayers and permanent establishments are gradually reduced. In 2020 and 2021, a rate of 22% will be imposed and a rate of 20% will come into force in 2022.

Resident taxpayers are entitled to a 3% lower rate if three conditions are met. *First,* such a taxpayer is in the form of a publicly listed company. *Second,* a minimum of 40% of the total number of shares is traded on the Indonesian stock exchange. Parties not included in the first and second categories consist of publicly listed company taxpayers that repurchase their shares and/or have a special relationship with publicly listed company taxpayers. The special relationship for publicly listed company taxpayers includes controlling shareholders and/or major shareholders.

Third, meeting certain requirements. To obtain the tax rate reduction, 40% of shares must be owned by at least 300 parties (excluding issuers and controlling shareholders/major shareholders).

The number of shares owned by each party does not exceed 5% of the total issued and fully paid shares. This requirement must be fulfilled in a minimum of 183 days within one year. These requirements are fulfilled by publicly listed company taxpayers by submitting a report to the Directorate General of Taxes (DGT). In the event that the requirements to obtain a 3% lower rates are not met, the income tax payable is calculated using normal rates.

The list of publicly listed company taxpayers that meet certain requirements is regulated in ministerial regulations. When this government regulation comes into force, Government Regulation No. 56 of 2015 (Gov. Reg. 56/2015) is revoked and declared invalid and the implementing regulations of Gov. Reg. 56/2015 remain valid insofar as they do not contradict this regulation.

Income Tax Treatment for Scholarships that Meet Specific Requirements and Surplus Received by Non-Profit Institutions

The Ministry of Finance has issued a regulation on income tax treatment for scholarships that meet certain requirements and surplus received by non-profit institutions. These provisions are regulated under Minister of Finance Regulation No. 68/PMK.03/2020 regarding Income Tax Treatment for Scholarships that Meet Certain Requirements and Surplus Received or Earned by Non-profit Bodies or Institutions Engaged in Education and/or Research and Development (MoF Reg. 68/2020).

This regulation is aimed at improving the quality of Indonesian human resources and enhancing education and/or research and development. This policy has come into force as of 16 June 2020. Broadly speaking, two main aspects are regulated under this regulation, i.e. the income tax treatment on scholarships that meet certain requirements and surplus received by non-profit institutions.

First, in light of the income tax treatment of scholarships that meet certain requirements. Scholarship costs can be deducted from gross income to calculate taxable income. Residents and/or non-residents' income in the form of scholarships that meet certain requirements is exempted from being income tax objects. Exemptions from these provisions include as follows.

i. Corporate taxpayers providing the scholarships have business relationships, ownership relationships, or control relationships;

ii. The owner, commissioner, board of directors, or management of the corporate taxpayers that grant the scholarship have family relationships in the direct lineage of two degrees or in lineage to the side of one degree or by marriage.

iii. The individual taxpayer granting the scholarships has a business relationship.

Certain requirements include the scholarships being received by Indonesian citizens and intended for the recipients to attend formal and non-formal domestic and/or overseas education.

Formal education refers to structured and leveled education consisting of primary education, secondary education, and higher education. Conversely, non-formal education refers to education channels outside of formal education that can be implemented in a structured and leveled manner.

The scholarship components of formal and non-formal education comprise tuition fees paid to schools, educational or training institutions, examination fees, research costs related to the specific field of study, book fees, transportation costs, and/or reasonable living costs according to the study location.

Second, the surplus is received by non-profit organizations. The surplus received or earned by non-profit bodies or institutions are exempted as a tax object. This facility may be granted if the surplus is used for the construction and/or procurement of facilities and infrastructure for educational and/or research and development activities. In addition, the surplus must be utilized within a maximum period of four years since it is received or earned.

Surplus refers to the difference between the calculation of all income received or earned other than income that is subject to the final income tax and/or is not an income tax object, less the cost to earn, collect, and maintain the income. There are four costs to earn, collect, and maintain income.

First, aid, donations, or grants. Aid, donations, or grants may be deducted from gross income insofar as there is no special relationship with the recipient under Income Tax Laws. The special relationship, however, does not include ownership or control relationship if the donor and recipient of aid, donations, or grants are bodies or institutions.

Second, the operational costs of organizing education and/or research and development. Facilities and infrastructure in the educational and/or research and development activities include the provision of facilities for activities, construction, and procurement of infrastructure located within Indonesia's territory. Included in the construction and procurement of infrastructure is the use of surplus allocated in the form of endowments. The surplus can be allocated in the form of endowments with certain conditions.

The surplus in the form of construction and/or procurement of facilities and infrastructure other than surplus allocated in the form of endowments may be granted to other bodies or institutions insofar as they are within the territory of Indonesia. The use of the surplus cannot be deducted from gross income for the donor bodies or institutions.

The body or institution must report the surplus used for the construction and/or procurement of facilities and infrastructure. The surplus report is submitted to the head of the tax office where the taxpayer is registered. In addition to the report, said body or institution must make a note on the detailed use of the surplus which is supplemented with supporting evidence. The surplus that is not used for the construction and/or procurement of facilities and infrastructure within a period of four years is recognized as an income tax object at the end of the tax year after the period ends.

Third, the procurement costs of goods and/or services used to support the operational implementation of education and/or research and development. *Fourth,* costs to increase the quality of capacity and services of education and/or research and development, as well as community service as per the legislation on higher education.

Tax Facilities for Upstream Oil and Gas Business Activities with Gross Split Production Sharing Contracts

The Ministry of Finance has issued a regulation on tax facilities for upstream oil and gas businesses with gross split production sharing contracts. The granting of these facilities is outlined in the Minister of Finance Regulation No. 67 of 2020 concerning the Granting of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods as well as Land and Building Tax to Upstream Oil and Gas Business Activities with Gross Split Production Sharing Contracts (MoF Reg. 67/2020).

An upstream business refers to a business whose core activities are in or are dependent on exploration and exploitation. Exploration refers to activities that aim to obtain information on geological conditions to find and produce estimates of oil and gas reserves in a specified work area.

Exploitation, on the other hand, is a series of activities aimed at producing oil and gas from a specified work area. Exploitation consists of drilling and exhausting wells, constructing means of transport, storing and processing on-field facilities for the separation and refinery of oil and natural gas, as well as other supporting activities.

Upstream business activities are carried out by a contractor that is a business entity or permanent establishment stipulated to perform exploration and exploitation in a work area based on a cooperation contract with the Special Task Force for Upstream Oil and Gas Business Activities (*Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi*/ SKK Migas).

Such a cooperation contract can be established in two forms. *First,* the production sharing contract is a

form of cooperation based on the production sharing principle. *Second,* the gross split production sharing contract is based on the principle of distributing gross production without the mechanism of returning operating costs.

Referring to Article 3 of MoF Reg. 67/2020, the granted tax facilities include value added tax (VAT), sales tax on luxury goods (STLGs), and land and building tax. These facilities are granted by the Head of the Regional Office on behalf of the Minister of Finance at the exploration and exploitation stage until the commencement of commercial production.

In further detail, the VAT and SLTGs facilities are provided in the form of the non-withholding of VAT and/or SLTGs on the procurement of taxable goods (*barang kena pajak*/BKP) or taxable services (*jasa kena pajak/*JKP) used in the context of petroleum operations. The VAT and SLTGs facilities are also provided for the utilization of intangible BKP or JKP from outside the customs area in the framework of petroleum operations.

Land and building tax (*pajak bumi dan bangunan*/PBB) facilities take the form of a 100% reduction of PBB due as stated in the notice of tax due (*surat pemberitahuan pajak terutang*/SPPT). These facilities are provided from the exploration and exploitation stage until the commencement of commercial production.

The taxation facilities apply to one work area and are given to certain contractors. Work area refers to the Indonesian legal mining territory for exploration and exploitation.

This regulation states that the VAT, STLGs, and PBB facilities apply to contractors of cooperation contracts whose contracts were signed prior to the enactment of Government Regulation No. 53 of 2017 (Gov. Reg. 53/2017) and changed the form of the contracts into gross split production sharing contracts as per the provisions under Gov. Reg. 53/2017.

In addition, the facilities apply to contractors of cooperation contracts in the form of gross split production sharing contracts whose contracts are signed before or after the enactment of Gov. Reg. 53/2017. These three contractors must follow the provisions under Gov. Reg. 53/2017.

However, upstream oil and gas business contractors with gross split production sharing contracts wishing to obtain these tax facilities must submit an application. The request is submitted directly by the operator to the Head of the Regional Office through the Tax Office (*Kantor Pelayanan Pajak*/KPP) where the Operator is registered.

An operator refers to a contractor or if the contractor consists of several participating interest holders, then one participating interest holder is appointed as a representative by other participating interest holders as per the cooperation contract.

The request must be attached by two required documents. *First,* a photocopy of the production sharing contract. *Second,* a certificate from the minister who carries out government affairs in the field of energy and mineral resources. MoF Reg. 67/2020 will take effect 30 days after its promulgation, which means this regulation will be valid starting on 15 July 2020.

Ministry of Finance's 2020-2024 Strategic Plan

The Ministry of Finance has issued a regulation concerning the Ministry of Finance's 2020–2024 strategic plan. The strategic plan is regulated in Minister of Finance Regulation No. 77/PMK.01/2020 concerning the Ministry of Finance's 2020–2024 Strategic Plan (MoF Reg. 77/2020).

This regulation stipulates a number of important things. *First,* the government plans to accelerate national economic growth through increasing mining output. To realize this, the government applies fiscal and non-fiscal incentives to encourage investment, relief of export duties, and tax allowance.

Second, the ministry of finance plans to change the land and building tax (*pajak bumi dan bangunan*/PBB) collection system from an official assessment to self-assessment. The state, thus, may obtain tax revenues early. The tax collection system is transformed to obtain state revenues earlier without waiting for the provisions issued by the tax authorities. The DGT has been appointed as the person in charge of the draft law on the land and building tax.

The draft PBB Law is of high urgency to increase the tax base and provide tariff flexibility. The system change, the increased tax base, and the flexibility of tariffs are expected to increase state revenues from land and building tax .

Third, revising the Stamp Duty Act to improve compliance and expand the database. *Fourth,* the establishment of a Draft Law (RUU) on Taxation Provisions and Facilities to Strengthen the Economy (Omnibus Law) to improve business climate, legal certainty, encourage foreign nationals' interest in working in Indonesia, and encourage voluntary compliance. *Fifth,* the application of the principle of

convenient, inexpensive, technology and information-based implementation of tax rights and obligations by revising the General Tax Provisions and Procedures Law.

Sixth, revising the Income Tax Law to expand the tax base, improve tax compliance, and increase taxation of cross-border transactions. *Seventh,* the establishment of a Tax Draft Law on Goods and Services to establish the level of VAT compliance in Indonesia and expand the tax base. *Eighth,* the revision of the Customs Law to increase foreign exchange, protect Micro, Small, and Medium Enterprises (MSMEs), establish revitalization, simplification, modernize the export sector mechanisms, improve IT services and data exchange, and strengthen supervision.

Ninth, revising the Excise Law to emphasize the paradigm of excise as an instrument to control consumption and assert that administrative sanctions take precedence over penal sanctions. In addition, the government plans to change the concept of excise earmarking, convert STLGs to excise, and adjust other administrative materials.

Changes to the Posture and Details of Revised State Budget for the 2020 Budget Year

The government has again revised the posture and details of the 2020 State Budget (*Anggaran Pendapatan dan Belanja Negara*/APBN). The changes in the posture include all indicators in the state budget, ranging from revenues, expenditure, surplus/deficit to financing.

The revised State Budget posture is outlined in Presidential Regulation No. 72 of 2020 concerning the Second Amendments to the Posture and Details of the State Budget for the 2020 Budget Year (Pres. Reg. No. 72/2020). Several budget posts in the 2020 APBN were formerly amended to the 2020 Revised State Budget (*Anggaran Pendapatan dan Belanja Negara Perubahan*/APBNP) through Presidential Regulation No. 54 of 2020 (Pres. Reg. No. 54/2020).

In further detail, under Pres. Reg. No. 72/2020, the government reduces the state revenue target formerly set at Rp2,233 trillion to Rp1,699 trillion. On the contrary, the state expenditure target formerly set at Rp2,540 trillion is raised to Rp2,739 trillion.

Further, the primary balance formerly set at around Rp12 trillion plunges to minus Rp700 trillion. Likewise, the budget financing formerly set at Rp307 trillion has been revised to Rp1,039 trillion. The deficit level formerly set at Rp307,2 trillion has now reached Rp1,039 trillion. In other words, the deficit ceiling has also been expanded to 6,34% of Gross Domestic Product (GDP) from previously below 3% of GDP.

This regulation renders flexibility to the Minister of Finance. In this context, in the event of a a shift in the details of budget financing and its use, the Minister of Finance is authorized to stipulate its provisions. In the event that several provisions under Pres. Reg. No. 72/2020 as well as various implementing regulations of the Pres. Reg. No. 54/2020 are not revised, the provisions remain valid insofar as they do not conflict with the provisions under the presidential regulation set on 24 June 2020.

Next, in the appendix of Pres. Reg. No. 72/2020, the government also details the changes in the tax revenue target. The tax revenue target has been decreased from Rp1,865 trillion to Rp1,404 trillion. Detailed changes to the tax revenue target can be seen in Table 1.

In addition to taxation revenues, the appendix contains Memorandum Items concerning the details of the Government Borne Taxes (*Pajak Ditanggung Pemerintah*/DTP) amount. The amount of DTP Taxes is a fiscal stimulus provided by the government to address the Covid-19 pandemic. In further detail, the amount of DTP Tax can be seen in Table 2.

Expanded Scope of Services of Tax Application Service Providers

The Director General of Taxes has both amended the provisions on and expanded the scope of services provided by taxation application service providers (*penyedia jasa aplikasi perpajakan*/PJAP). The amendments and expansion of the scope of services are outlined in the Director General of Taxes Regulation No. PER-10/PJ/2020 concerning the Amendments to the Director General of Taxes Regulation No. PER-11/PJ/2019 concerning Taxation Application Service Providers (PER-10/2020).

Enacted and coming into force on 19 June 2020, this regulation has been issued to harmonize the policies on taxation service provision with government regulations in lieu of laws relating to state financial policies to address the Covid-19.

PJAP or application service providers (ASP) is a party appointed by the Director General of Taxes to provide tax application services for taxpayers. Formerly, PJAP was only required to provide five services. These services include:

Table 1 Details of the Revision to the Taxation Revenue Posture for Budget Year 2020 (in Thousand Rupiahs)

Code	Detail	Former (2020 State Budget/Law No. 20 of 2019)	Current (Perpres No. 72/2020)
1	**Domestic Tax Revenues**	**1,823,100,176,382**	**1,371,020,559,002**
1.1	Income Tax Revenues	929,902,819,000	670,379,543,400
1.2	Value Added Tax and Sales Tax on Luxury Goods Revenues	685,874,886,800	507,516,237,696
1.3	Land and Building Tax Revenues	18,864,632,582	13,441,937,380
1.4	Excise Revenues	180,530,000,000	172,197,172,827
1.5	Other Tax Revenues	7,927,838,000	7,485,667,699
2	**International Trade Tax Revenues**	**42,602,640,000**	**33,486,946,770**
2.1	Import Duty Revenues	40,002,070,000	31,833,785,159
2.2	Export Duty Revenues	2,600,570,000	1,653,161,611
TOTAL TAX REVENUES (WITHOUT CUSTOMS AND EXCISE)		**1,642,570,176,382**	**1,198,823,386,175**
TOTAL TAXATION REVENUES		**1,865,702,816,382**	**1,404,507,505,772**

Source: Appendix of Perpres No. 72/2020

Table 2 Details of Taxes Borne by the Government (in Thousand Rupiahs)

No	Memorandum Item	Former	Current
1	DTP Income Tax	11,542,556,273	20,145,686,273
2	Import Duties	694,100,000	405,574,336
3	Additional DTP Tax and Import Duties	0	57,000,000,000

Source: Appendix of Perpres No. 72/2020

(i) granting of Taxpayer Identification Numbers (*Nomor Pokok Wajib Pajak*/NPWP) for individual employee taxpayers;

(ii) providing applications for generating and channeling of electronic withholding slips;

(iii) organizing Host-to-Host (H2H) e-Invoices;

(iv) providing application for generating Billing codes, providing tax return services in the form of electronic documents; and

(v) channeling tax returns in the form of electronic documents.

At present, however, PJAP may also provide three additional services. These additional services include: the granting of NPWP for individual taxpayers and corporate taxpayers, validation services for taxpayer status, and other tax application services insofar as they have been approved by the DGT.

PJAP wishing to expand the scope of taxation application services it provides must submit an application to the DGT. The application is submitted using the Application for Additional Taxation Applications Services and attached by complete documents as listed in Appendix I point Y of PER-11/2019.

The Stipulation of VAT Centralization

The Director General of Tax has issued a regulation concerning the stipulation of VAT centralization. This policy is outlined in the Director General of Taxes Regulation No. PER-11/PJ/2020 concerning the Stipulation of One or More Places as the VAT Centralization (PER-11/2020), which has come into force as of 1 July 2020.

Under this regulation, a taxable person for VAT purposes (*pengusaha kena pajak*/PKP) who has one or more places of VAT payable may choose one or more

places as the VAT centralization. Furthermore, said PKP is required to centrally carry out administrative procedures of the supply and financial administration at the VAT centralization, either in one place or in several places. The place that may be chosen as the VAT centralization is the place of VAT payable in which the entrepreneur has been confirmed as a PKP.

If the PKP chooses one or more places as the VAT centralization, said PKP sends an electronic notification to the head of the DGT Regional Office of the VAT centralization. If electronic channels are not available, the PKP may submit a written notice. The notice is prepared as per the format outlined in Appendix A of this regulation.

Based on the notification, the head of the DGT's regional office of the VAT centralization will issue a decree concerning whether the PKP is eligible for VAT centralization or not. The decree will be issued no later than 14 working days since the notification is received in full by the DGT. The VAT centralization will begin to take effect from the next tax period after the decree is issued.

The places of VAT payable is defined as the place of residence or place of domicile and/or fixed place of business in the place of VAT payable. VAT centralization, however, refers to the place of residence or domicile and/or fixed place of business chosen as the VAT centralization.

A number of places of residence or domiciles cannot be chosen as the VAT centralization or the place of VAT payable. Such places include those located in bonded storage, special economic zones (*kawasan ekonomi khusus*/KEK), free trade zones, other facilitated areas, locations of import facilities for export (*kemudahan impor tujuan ekspor*/KITE), as well as locations in which PKP conducts business activities in the transfer of land and/or building sector.

A place of VAT payable which does not have and/or does not carry out administrative activities of supply and financial administration activities cannot be chosen as the VAT centralization. In this regard, the Head of the DGT Regional Office of the VAT centralization may revoke VAT centralization, either based on the PKP's notification or *ex officio*.

The Threshold of Transaction Value and Access to PMSE VAT Withholders

The Director General of Taxes has stipulated the regulation on certain criteria as the basis for the appointment of trade through electronic systems (*perdagangan melalui sistem elektronik*/PMSE) business players as PMSE VAT withholders.

These criteria are outlined in the Director General of Taxes Regulation No. PER-12/PJ/2020 concerning the Certain Criteria for the Appointment of Withholders, Withholding, Deposit, and Reporting of Value Added Tax on the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area into the Customs Area through Trade Through Electronic Systems (PER-12/2020).

These criteria include two provisions. *First,* the value of transactions with buyers in Indonesia exceeds Rp600 million in one year or Rp50 million in one month. *Second,* the amount of traffic or access in Indonesia exceeds 12.000 accesses in one year or 1.000 accesses in one month.

PMSE VAT withholders, however, are not limited to PMSE business players appointed by the Director General of Taxes. This is because PMSE business players that are not appointed as withholders but wish to be appointed as PMSE VAT withholders may submit a notification to the Director General of Taxes. The notification will be considered by the Director General of Taxes to appoint the PMSE business players as PMSE VAT withholders.

The regulation also authorizes the Director General of Taxes to revoke PMSE business players who have been appointed as PMSE VAT withholders. This revocation applies in the event that the PMSE business players no longer fulfill certain criteria.

Further, PMSE business players that have been appointed as PMSE VAT withholders may be given tax identification numbers. The tax identification numbers are given by the DGT through the issuance of a certificate of registration and tax identification number card. In addition, PMSE VAT withholders are required to activate an account and update data online no later than when the appointment as PMSE VAT withholder takes effect.

The account must be activated and data must be updated to enable PMSE VAT withholders to use the application or system stipulated and/or provided by the DGT to exercise their tax rights and fulfill their tax obligations as PMSE VAT withholders.

Technical Guidelines on the *Ex officio* Granting of Tax Identification Numbers to Support the PEN Program

The Director General of Taxes has issued policies on technical guidelines for the *ex officio* granting of taxpayer identification numbers (NPWP) to support the implementation of the National Economic Recovery program. The policies are regulated in the Director General of Taxes Regulation No. PER-13/PJ/2020 concerning Technical Guidelines on the *Ex Officio* Granting of Taxpayer Identification Numbers in Connection with the Granting of Interest Subsidies/Margin Subsidies for Credit/Financing of Micro, Small, and Medium Enterprises to Support the Implementation of the National Economic Recovery Program (PER-13/2020). Taking effect on 26 June 2020, this regulation has been issued to implement the provisions of Article 8 paragraph (6) of the Minister of Finance Regulation No. 65/PMK.05/2020.

Interest subsidies/margin subsidies are given to micro, small business, and medium business debtors, with a maximum credit/financing ceiling of IDR10 billion. Four criteria must be met by debtors to obtain interest subsidies/margin subsidies.

The abovementioned four criteria include: having outstanding credit debit/financing until 29 February 2020; not included in the national blacklist; included in the current performing loan category (collectibility 1 or 2) as of 29 February 2020; and having an NPWP or has registered to obtain an NPWP.

NPWP for debtors can be granted *ex officio* by the Director General of Taxes. The *ex officio* granting of NPWP is based on the results of administrative research. The administrative research is conducted on debtor data obtained by the DGT from the Directorate General of Treasury and other data held by DGT.

As per the research results, the Director General of Taxes will issue a Central NPWP *ex officio*. In the event that the place of business of a debtor granted with the Central NPWP is within the working area of a different tax office (*kantor pelayanan pajak*/KPP) from his place residence or place of domicile, such a debtor is required to register for a Branch NPWP at the KPP or tax services, dissemination, and consultation service office (*kantor pelayanan, penyuluhan, dan konsultasi perpajakan*/KP2KP) whose working area covers his place of business.

If the NPWP has been issued, the debtor as an individual or corporate taxpayer may apply for the activation of electronic filling identification number (EFIN) and/or re-submit a request for an NPWP card and certificate of registration (*surat keterangan terdaftar*/SKT). The application is submitted to the KPP or KP2KP whose working area covers said taxpayer's place of residence or place of domicile. Specifically for debtors as individual taxpayers, taxpayers may submit the request to reactivate the EFIN activation and/or re-apply for NPWP cards and SKT to all KPP or KP2KP.

Based on the debtor's request or *ex officio,* taxpayer data may be changed, the taxpayer's place of registration may be relocated, non-effective taxpayers may be reactivated, and/or the NPWP can be revoked. In the event that a debtor meets the criteria for interest/margin subsidies and does not obtain an NPWP issued *ex officio*, such a debtor may apply as a registered taxpayer.

To validate the correctness of the debtor's NPWP data, the creditor/financing institution can confirm the debtor's NPWP data through certain channels stipulated by the Director General of Taxes and/or through tax application service providers. Request for confirmation of debtor's NPWP data is submitted in writing by the creditor/financing institution to the Director General of Taxes.

Implementation of Tax Transaction Recording Application

The Director General of Taxes has published a scheme for the implementation of a tax transaction recording application. This policy is outlined in the Director General of Taxes Circular No. SE-38/PJ/2020 concerning the Implementation of the Taxpayer Accounting Module Revenue Accounting System Application in the Context of Recording Tax Transactions (SE-38/2020). This regulation will come into force on 1 July 2020.

The taxpayer accounting module revenue accounting system (TPA Module RAS) is an application used to record double-entry accounting for tax transactions relating to tax revenue, tax receivables, and debt of tax revenue overpayment. This application is employed by the DGT due to the need to present accurate, valid, sustainable, and integrated information on tax transactions.

Tax transactions recorded by the TPA Module RAS include tax revenue-related transactions consisting of tax revenues from the budget realization report (*laporan realisasi anggaran*/LRA), tax revenues from operational reports (*laporan operasional*/LO), tax

receivable-related transactions, and transactions related to debt of tax revenue overpayment stored in the tax administration system.

The recording process on the TPA Module RAS application is performed automatically and on a daily basis as per the time of recognition, measurement and recording of source documents in accordance with accounting requirements, standard account charts, source documents, and other references. The TPA Module RAS Application records the double-entry accounting for tax transactions relating to Tax Revenues, Tax Receivables, and Debt of Tax Revenue Overpayment as of 1 January 2020.

The TPA Module RAS application can be utilized to prepare financial reports, supervise taxpayers, and for other activities in the implementation of the DGT's duties and functions. To ensure the availability and accuracy of the data used by RAS, the entire process of issuing legal products and tax documents that serve as the source documents for recording RAS must be carried out through the tax administration system.

The TPA Module RAS application can be accessed through the intranet network on the webpage https://ras-sidjp/ using the user and password of the Employee Financial Information and Assets Information System (*Sistem Informasi Keuangan, Kepegawaian, dan Aktiva*/SIKKA). In addition, to optimize the use of the TPA Module RAS application, the helpdesk can be contacted via pajak.tpa@pajak.go.id.

Meanwhile, the internal control system (*sistem pengendalian internal*/SPI) for administering tax receivables is implemented as per applicable regulations. Moreover, other mechanisms such as determining the balance of tax revenues, tax receivables, and debt of tax revenue overpayment in the context of preparing financial statements that are in force before the implementation of the RAS may still apply as per the DGT's needs.

Postponement of Trial Proceedings and Suspension of Administrative Services in the Tax Court

The Tax Court has issued a policy related to the postponement of trial proceedings and the suspension of administrative services within the Tax Tax Court from 29 June 2020 to 5 July 2020. This policy is outlined in Circular No. SE-013/PP/2020 concerning the Postponement of Trial Proceedings and Suspensions Administrative Services within the Tax Court from 29 June 2020 to 5 July 2020 (SE-013/2020).

The Tax Court decree has been issued as two Tax Court staff members, i.e. a non-state civil apparatus employee and a janitor are declared Covid-19 positive. The circular states that the two employees are suspected of being exposed in their residences based on swab test results on 23 June 2020 and tested Covid-19 positive on 27 June 2020. The Tax Court is committed to following up on the provisions on thorough handling of Covid-19. As such, within the Tax Court, trial proceedings are postponed and administrative services are suspended.

In addition to conveying information on postponement of trial proceedings and suspension of administrative services, this circular aims to protect Tax Court judges, registrars, employees, and all service users from exposure to Covid-19. For this reason, the panel of judges or a single judge instructs the alternate registrar to notify the postponement to parties concerned and record it in the minutes of the hearing. The postponement is notified through electronic media and other media.

All direct services through the helpdesk, including submission of appeals, case reviews, information services, submission of letters, as well as the sending of copies of Tax Court decisions and copies of case review decisions are suspended until 5 July. Nevertheless, the Tax Court continues to provide information services via email at informpp@kemenkeu.go.id, contact service at www.setpp.kemenkeu.go.id, or via WhatsApp at 081211007510.

During the suspension, the Tax Court will coordinate with related units in performing contact tracing, data collection, sterilization, rapid tests for parties that based on the contact tracing, have had a history of contact with both positive patients.

Further, in light of the postponement of trial proceedings and the suspension of administrative services, the Tax Court has issued guidelines for all parties concerning the deadline for the submission of appeals and lawsuits, preparation and implementation of trial proceedings, and administrative services. The policy is outlined in Circular No. SE-014/PP/2020 concerning Guidelines on the Adjustments to Trial Proceedings and Administrative Services As a Follow-up to the Head of Tax Court Circular No. SE-013/PP/2020 (SE-014/2020).

Under the provisions in the regulation, if the deadline for the direct filing of an appeal originally fell between 29 June 2020 and 5 July 2020, the deadline is extended for 7 days. If the deadline for the direct filing of a claim was originally between 29 June 2020 and 5 July 2020, the deadline is also suspended for 7 days. As

such, the deadline which was originally 29 June 2020 is extended to 6 July 2020. Likewise, the deadline that falls on 5 July 2020 becomes 12 July 2020. The deadline for the submission of appeals and lawsuits by post still refers to the provisions under Law No. 14 of 2002 concerning the Tax Court.

Further, the period of preparation and implementation of trial proceedings does not take into account the period from 29 June 2020 to 5 July 2020 (7 days) in the calculation of the period under the provisions in Article 48, Article 81, and Article 82 of Law No. 14 of 2002. The period of other administrative services, also under the provisions in SE-014/2020, does not take into account the period of 29 June 2020 until 5 July 2020 (7 days) in the calculation of the period as stipulated in Law No. 14 of 2002. This provision also applies to administrative service of power of attorney licenses.

Adjustments to the Implementation of Unified Periodic Tax Returns for Government Agencies

The implementation of reporting obligation for tax withholding and/or collecting and depositing using unified periodic tax returns for government agencies comes into force in January 2021 tax period and the tax periods thereafter.

The adjustments to the implementation period are outlined in the Announcement No. PENG-75/PJ/2020 concerning the Adjustments to the Implementation of Unified Periodic Tax Returns for Government Agencies (PENG-75/2020). Under the announcement, the Director General of Taxes states that the Covid-19 pandemic has hindered the implementation of government agencies' unified periodic tax returns obligation.

For this reason, the DGT requires sufficient time to prepare information technology support and disseminate information effectively and thoroughly to government agencies throughout Indonesia. Therefore, the implementation of reporting obligations for tax withholding and/or collection and deposits by Government Agencies using Government Agencies Unified Periodic Tax Returns shall apply as of January 2021 Tax Period and the Tax Periods thereafter.

The implementation of reporting obligations for tax withholding and/or collection and deposits for tax periods prior to January 2021 continues to use the old periodic tax return forms. Nevertheless, the exercise of rights and fulfillment of tax obligations for government agencies in the July 2020 tax period and subsequent tax periods have used government agency tax identification numbers.

The Stipulation of Import Duties in the Framework of ASEAN-Hong Kong Free Trade Agreement (AHKFTA)

The government has set import duties tariffs in the framework of the Asean-Hong Kong Free Trade Agreement (AHKFTA). The stipulation of the import duty tariffs is outlined in the Minister of Finance Regulation No. 79/PMK.010/2020 concerning the Stipulation of Import Duty Tariffs in the Framework of the Asean-Hong Kong, the People's Republic of China Free Trade Agreement (MoF Reg. 79/2020).

Promulgated on 3 July and entered into force on 4 July, the regulation outlines the import duties rates in the framework of AHKFTA for 2020 to 2031 onwards. Upon further observation, a large number of import duty tariffs in the framework of AHKFTA have decreased.

Examples of decreased import duty tariffs include that of koi fish and betta fish in 2020 to 2027 of 5%. This tariff decreases to 0% in 2028 onwards. Next, the import duty tariff for boneless mutton in 2020 will be 5% and 0% in 2021 onwards. This regulation, however, emphasizes that if the statutory import duty tariff is lower than the import duty tariff in the framework of AHKFTA, the statutory import duty tariff shall apply.

The provisions under this regulation apply to imported goods of which the customs declaration documents have obtained the number and date of registration from the customs office where customs obligations are fulfilled as per the provisions in the Customs Law.

Import duties are imposed as per the Minister of Finance Regulation No. 80/PMK.04/2020 concerning the Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on the Asean-Hong Kong, People's Republic of China Free Trade Agreement (MoF Reg. 80/2020).

Under MoF Reg. 80/2020, the government confirms that imported goods must meet the Rules of Origin to obtain import duties in the framework of AHKFTA or preferential tariffs. The provisions consist of origin criteria, consignment criteria, and procedural provisions.

The Stipulation of Import Duties in the Context of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

The Government of the Republic of Indonesia has ratified the Indonesia-Australia Comprehensive Economic Partnership Agreement through Law No. 1 of 2020 concerning the Ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement.

The entry into force of this agreement renders preferential tariffs for imported goods from Australia. The stipulation of the preferential tariffs is outlined in the Minister of Finance Regulation No. 81/PMK.010/2020 concerning the Stipulation of Import Duty Tariffs in the Framework of the Indonesia-Australia Comprehensive Economic Partnership Agreement (MoF Reg. 81/2020).

The details of the preferential tariffs for each classification of imported goods from Australia from 2020 to 2036 onwards are listed in Appendix A of MoF Reg. 81/2020. Further, Appendix A also describes the HS Codes and the description of the classification of goods in Indonesian and English.

Under MoF Reg. 81/2020, the government also applies a tariff rate quota (TRQ) scheme on imported goods from Australia. The TRQ scheme is a scheme to impose import duty tariffs based on the quota for certain products specified in MoF Reg. 81/2020. Preferential rates based on the TRQ scheme are listed in Appendix B.

In summary, Appendix B contains information on products subject to the TRQ scheme. The products include live bulls other than cattle and oxen, potatoes, carrots, oranges, mandarin oranges, lemons and limes, feed grains, hot/cold rolled steel coil. In addition, appendix B outlines information on HS Codes, description of goods, TRQ annual quota from 2020 to 2029, in-quota tariff, and out- quota tariff out.

TRQ is stipulated based on five provisions. *First*, 2020 TRQ, in particular, will take effect on 5 July 2020 until 31 December 2020. TRQ of the following year will take effect from 1 January to 31 December.

Second, TRQ annual quota is the total quota set for certain products on an annual basis as per the IA-CEPA. The TRQ annual quota is calculated on a pro-rata basis according to the percentage of remaining years as of 5 July 2020.

Third, the in-quota preferential tariff is the preferential import duty tariff in the TRQ scheme that is stipulated for imported goods using the TRQ certificate and the amount neither exceeds the TRQ certificate nor the annual quota of the TRQ scheme.

Fourth, the out-quota preferential tariff is the preferential import duty tariff in the TRQ scheme stipulated for imported goods that do not use the TRQ certificate or use a TRQ certificate in an amount exceeding the TRQ certificate and/or the annual quota.

The TRQ certificate is a certificate issued by the issuing institution in Australia which contains quotas for certain products per shipment and is sent electronically through the INSW System which will be used as the basis for the granting of in-quota preferential tariffs in the TRQ scheme.

Fifth, there are several commodities of which the out-quota tariffs are based on the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) import duties. This regulation, however, emphasizes that if the statutory import duty tariff is lower than the preferential tariff or the in-quota and/or out-quota preferential tariff, statutory import duty tariff shall apply.

The IA-CEPA-based preferential tariffs are imposed as per the Minister of Finance Regulation No. 82/PMK.04/2020 concerning the Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on the Indonesia-Australia Comprehensive Economic Partnership Agreement (MoF Reg. 82/2020).

Under MoF Reg. 82/2020, the government asserts that to obtain preferential tariffs, in-quota preferential tariffs, and/or out-quota preferential tariffs, imported goods must meet the Rules of Origin. The criteria consist of origin criteria, consignment criteria, and procedural provisions.

Changes in Types of Imported Goods to Address Covid-19 Entitled to Taxation Facilities

The government eliminates the types of imported goods to address Covid-19 pandemic entitled to customs and/or excise and taxation facilities. The reduction is outlined in the Minister of Finance Regulation No. 83/PMK.04/2020 concerning Amendments to the Minister of Finance Regulation No. 34/PMK.04/2020 concerning the Granting of Customs and/or Excise

and Taxation Facilities for Imported Goods to Address the Corona Virus Disease 2019 (Covid-19) (MoF Reg. 83/2020).

These types of goods have been reduced as items to address Covid-19, such as hand sanitizers, products containing disinfectants, as well as masks and certain types of personal protective wear, are sufficient for domestic needs and can be substituted by domestically produced goods.

Compared to the appendix of Minister of Finance Regulation No. 34/PMK.04/2020 concerning the Granting of Customs and/or Excise and Taxation Facilities for Imported Goods to Address Corona Virus Disease 2019 (MoF Reg. 34/2020) Pandemic, several types of goods are no longer listed in the appendix of MoF Reg. 83/2020.

These items include hand sanitizers, disinfectants, and products containing ready-to-use disinfectants. In addition, the facilities formerly given for import of masks in three HS Codes are currently reduced to two HS Codes.

Next, the import facilities for personal protective wear formerly granted 11 HS Codes are currently given for two HS Codes only. At present, the government no longer provides import facilities for personal protective footwear, face shields, protective glasses, and head protectors either.

In addition to reducing the types of goods, under this regulation, the government revises the provisions relating to the validity period of the minister of finance decrees on the granting of customs and/or excise and taxation facilities for the import of goods to address the Covid-19 pandemic. This regulation emphasizes that the decrees remain valid to the extent that:

(i) the import declaration document has obtained the number and date of the notification of the arrival of the means of transport or inward manifest (BC 1.1) before the status of Covid-19 as a national disaster expires; or

(ii) the customs declaration documents on the release of goods from bonded logistics centers, free trade zones, bonded zones, bonded warehouses, special economic zones, and companies receiving import facilities for export, have received the date of registration at the customs and excise office where customs obligations have been fulfilled before the status of Covid-19 as a national disaster expires.

Moreover, this regulation states that requests to obtain facilities for which the import declaration documents have received the number and date of documents for the notification of the arrival of means of transport or inward manifest or customs declaration on the release of goods have received the date of registration from the Customs and Excise Office prior to the enactment of this regulation, are processed as per the provisions under MoF Reg. 34/2020. Promulgated on 7 July 2020, the regulation applies thereafter.

Reduction of Income Tax Rates for Publicly Listed Companies and Establishment of VAT Withholder Criteria for E-Commerce Businesses

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