

NEW REGULATION ON STAMP DUTY AND TAX CLUSTER IN JOB CREATION LAW



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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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New Regulation on Stamp Duty

The government has issued a new regulation to replace the provisions on stamp duty previously regulated under Law No. 13 of 1985 concerning Stamp Duty ([Law No. 13/1985](#)). The new provisions on stamp duty are outlined in Law no. 10 of 2020 concerning Stamp Duty ([Law No. 10/2020](#)).

The law has been issued to adapt to technological and communication developments as well as international prevalence in economic activity. On another note, Law No. 13/1985 is no longer in line with legal developments, society needs, and governance of stamp duty, thus, needs to be substituted. This regulation will come into effect on 1 January 2021.

As per the provisions under Article 2 of Law No. 10/2020, stamp duty is regulated based on the principles of simplicity, efficiency, fairness, legal certainty, and expediency. The regulation of stamp duty covers five purposes. *First*, optimizing state revenues to finance national development independently towards a prosperous Indonesian society.

Second, providing legal certainty in the collection of stamp duty. *Third*, adjusting to society needs. *Fourth*, fairly applying the definition of stamp duty. *Fifth*, harmonizing the provisions of stamp duty with the provisions of other statutory regulations.

Based on Article 3 paragraph (1) of Law No. 10/2020, stamp duty is imposed on documents prepared as a means of explaining a civil event and documents used as evidence in court. Referring to Article 3 paragraph (2) of Law No. 10/2020, civil documents may include the following.

- (i) letters of agreement, certificates, statement letters, or other similar letters, along with the copies thereof;
- (ii) notarial deeds and grosse, copies and excerpts thereof;
- (iii) deeds of Land Deed Officials along with copies and excerpts thereof;
- (iv) securities under whatever name and form;
- (v) securities transaction documents, including futures contract transaction documents, under whatever name and form;
- (vi) auction documents in the form of quotations of auction reports, minutes of auction reports, copies of auction reports, and grosse of auction reports;

(vii) a document that states an amount of money exceeding IDR 5,000,000 and declares the receipt of money or contains an acknowledgment that the debt has been fully or partly paid or calculated; and

(viii) other documents stipulated by Government Regulations.

Stamp duty is charged once for each of the abovementioned documents. The government currently sets the tariff at IDR 10,000. The amount of the document in point vii above and the amount of the stamp duty tariff may be reduced or increased according to national economic conditions and the level of public income.

Moreover, the aforementioned documents may be subject to stamp duty at different fixed tariffs to implement government programs and support the implementation of monetary and/or financial sector policies. These policies are stipulated after consultation with the DPR.

Not all documents, however, are subject to stamp duty. The documents that are not subject to stamp duty remain the same as the previous regulation. However, the government has added one document that is not subject to stamp duty, i.e. documents issued or produced by Bank Indonesia in the context of implementing monetary policy.

Stamp duty becomes payable when the documents are signed, completed, submitted to the parties for whom the documents are prepared, submitted to the court, and prepared abroad for use in Indonesia. Next, parties liable to stamp duty are described in further detail in the new law as indicated in Table 1.

Table 1 Parties Liable to Stamp Duty

Type of Documents	Parties Liable to Stamp Duty
Unilaterally prepared documents	Parties receiving the documents
Documents prepared by two or more parties	Each party for documents they receive
Documents in the form of securities	Parties issuing the securities
Documents used as evidence in court	Parties submitting the documents
Documents listed in Article 3 of Law No. 10/2020 and prepared abroad and used in Indonesia	Parties making benefit of the documents

Source: Law No. 10/2020.

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Nonetheless, the stipulation of parties liable to stamp duty above does not prevent a party or parties from agreeing on or determining which parties pay stamp duty. Stamp duty may be collected by stamp duty collectors, subject to further regulation under a ministerial regulation.

Stamp duty payable on documents is paid using a stamp duty or tax payment slip. The stamp duty may take the form of adhesive stamp, electronic stamp, or stamp in other forms as stipulated by the minister. Anyone who produces stamp duties in other forms must obtain a permit. Stamp duty payable will expire after a period of five years from the time it becomes payable.

In addition, this regulation stipulates postdated duty stamp. Postdated duty stamp is applied for documents for which the stamp duty is not or underpaid and/or documents used as evidence in court. Parties obliged to pay stamp duty through postdated duty stamp are those liable to stamp duty.

Further, Law No. 10/2020 stipulates prohibitions for the competent authority. *First*, receiving, considering, or keeping documents for which the stamp duty are not or underpaid. *Second*, attaching documents for which the stamp duty is not or underpaid on other related documents.

Third, preparing copies, carbon copies, duplicates, or excerpts of documents for which the stamp duty is not or underpaid. *Fourth*, providing information or notes on documents for which the stamp duty is not or underpaid. If the competent authority violates these prohibitions, they shall be subject to administrative penalties as per statutory regulations.

Stamp duty payable may be granted with the exemption from stamp duty facility, either temporarily or permanently. The exemption facility is granted for four items as follows:

- (i) documents referred to in Article 3 which state the transfer of rights to land and/or buildings in the context of accelerating the process of handling and restoring the socio-economic conditions of a region from a natural disaster designated as a natural disaster thereof;
- (ii) documents referred to in Article 3 which state the transfer of rights to land and/or buildings used to carry out activities that are solely religious and/or social and are not commercial;
- (iii) documents referred to in Article 3 in the framework of encouraging or implementing

government programs and/or policies of authorized institutions in the monetary or financial services sector; and/or

- (iv) documents referred to in Article 3 that pertain to the implementation of binding international agreements based on statutory regulations in the field of international agreements or based on the principle of reciprocity.

Further provisions regarding the granting of the exemptions from stamp duty facility shall be further regulated based on government regulations. Further, Law No. 10/2020 stipulates a maximum imprisonment of seven years and a maximum fine of IDR 500 million against anyone who forges or counterfeits stamps or illegally produces stamps using original stamps, including producing electronic stamps and other forms of stamp.

Taxation Cluster in Job Creation Law

The government officially enacted Law No. 11 of 2020 concerning Job Creation (Job Creation Law) on 2 November 2020. Consisting of 1,187 pages in total, the regulation contains 15 Chapters and 186 Articles. The taxation cluster is included in Part Seven of Chapter VI Ease of Doing Business. The taxation cluster includes amendments to four tax laws as stipulated in Article 111, Article 112, Article 113, and article 114.

(i) Income Tax Law

Article 111 contains changes to several provisions under Law No. 7 of 1983 concerning Income Tax as amended by Law No. 36 of 2008 concerning the Fourth Amendment to Law No. 7 of 1983 concerning Income Tax (Income Tax Law). Articles of Income Tax Law amended in Job Creation Law include Article 2 concerning the stipulation of resident or non-resident taxpayers, Article 4 concerning tax objects, and Article 26 concerning Income Tax for non-resident taxpayers (*Subjek Pajak Luar Negeri/SPLN*).

In further detail, Article 111 of Job Creation Law revises the provisions under Article 2 paragraph (3), paragraph (4), and paragraph (5) of Income Tax Law. The important points of changes can be found in Article 2 paragraph (4) of Income Tax Law which regulates SPLN. Article 2 paragraph (4) of Income Tax Law as amended by Article 111 of Job Creation Law adds a new type of SPLN, i.e Indonesian Citizens (*Warga Negara Indonesia/WNI*) who are abroad for more than 183 within a year and meet the requirements of

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a permanent home, a center of vital interests, habitual abode, tax residency status, and/or other certain requirements which will be further regulated in minister of finance regulations.

Further, the important points of changes found in Article 4 of Income Tax Law cover the principle of income taxation of foreign citizens (*Warga Negara Asing/WNA*) who have been designated as residents taxpayers (*Subjek Pajak Dalam Negeri/SPDN*), the elimination of Income Tax on domestic and foreign-source dividends received by resident taxpayers (*Wajib Pajak Dalam Negeri/WPDN*), as well as the deletion of several income tax objects.

In light of the principle of taxation on the income of foreign citizens who have been designated as SPDN, Job Creation Law adds four new paragraphs, i.e. paragraphs (1a), (1b), (1c), and (1d) in Article 4 of Income Tax Law. In essence, Article 4 paragraph (1a) of Income Tax Law as added in Article 111 of Job Creation Law stipulates that foreign citizens who have become an SPDN are subject to income tax only on income received or earned from Indonesia. This policy, however, only applies insofar as the foreign citizen meets two conditions, i.e. having certain expertise and this treatment is only valid for four tax years from the time the foreigner becomes an SPDN.

Article 111 of Job Creation Law also revises Article 4 paragraph (3) subparagraph f of Income Tax Law concerning dividends that are exempted from tax objects. As for Article 4 paragraph (3) subparagraph f of Income Tax Law as amended by Article 111 of Job Creation Law exempts domestic-source dividends that are received or earned by resident corporate or individual taxpayers, from income tax objects insofar as the dividends are invested in Indonesian territory within a certain period of time.

In addition, foreign-source dividends and after-tax income of a Permanent Establishment (PE) abroad that is received/earned by resident corporate or individual taxpayers are exempted from income tax objects, insofar as they are invested or used to support other businesses in the territory of the Republic of Indonesia within a certain period and meet certain requirements.

Foreign-source income that does not go through a Permanent Establishment and is received or earned by resident corporate and individual taxpayers is also exempted from income tax objects if invested in Indonesia, provided that said income originates from active overseas businesses and does not constitute income from companies owned abroad.

On the other hand, if the taxpayer does not invest income from dividends or income from a PE and without going through the PE within a certain stipulated period, the income shall constitute income in the tax year it is earned. Tax on income that has been paid or payable abroad on said income constitutes a tax credit as referred to in Article 24 of Income Tax Law.

Next, Article 4 paragraph (3) subparagraph i of Income Tax Law as amended by Article 111 of Job Creation Law now also exempts part of the profit or residual income received or earned by members of cooperatives from income tax objects. Job Creation Law also adds a new provision in Article 4 paragraph (3) subparagraphs o and p which exempts the funds for Hajj Fees (*Biaya Penyelenggaraan Ibadah Haji/BPIH*), income from the Hajj Financial Management Agency (*Badan Pengelola Keuangan Haji/BPKH*) in certain fields and the surplus received/earned by social and religious bodies or institutions registered with the agency in charge of them insofar as they meet the stipulated conditions, from income tax objects.

Further, important points of changes in Article 26 of Income Tax Law pertain to the adjustment of Article 26 Income Tax rate on interest. Job Creation Law adds Article 26 paragraph (1b) of Income Tax Law which stipulates that the 20% rate on the gross amount of interest, including premiums, discounts, and compensation in connection with debt repayment guarantees received by non-resident taxpayers other than PEs in Indonesia may be decreased by a Government Regulation.

Details of the changes to the additional articles of Income Tax Law in Job Creation Law can be seen in the Comparison Matrix between Income Tax Law and Tax Cluster in Creation Law. [Download here](#).

(ii) VAT Law

Article 112 contains changes to several provisions under Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended by Law No. 42 of 2009 concerning the Third Amendment to Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (VAT Law).

Articles of VAT Law amended in Job Creation Law include Article 1A, Article 4A, Article 9, and Article 13. Broadly speaking, the points of changes to VAT Law in Job Creation Law pertain to the regulation of the rights of input VAT crediting by Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak/PKP*) that have

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not commenced production, relaxation of the rights of input VAT crediting, the stipulation of VAT objects and VAT non-objects, and revitalization of tax invoices.

Important changes in Article 1A can be found in Article 1A paragraph (1) subparagraph g and Article 1A paragraph (2) subparagraph d. Article 1A paragraph (1) subparagraph g of VAT Law as amended in Article 112 of Job Creation Law removes consignment supplies of taxable goods (*Barang Kena Pajak/BKP*) from the definition of supplies of BKP. Next, Article 1A paragraph (2) subparagraph d now also exempts the transfer of BKP for the purpose of share replacement capital remittance provided that the party supplying and receiving is a PKP from the definition of BKP supplies. This implies that BKP consignment supplies and capital participation in the form of assets (if the requirements are met) is now not subject to VAT.

Further, Article 4A paragraph (2) subparagraph a of VAT Law as amended in Article 112 of Job Creation Law exempts coal from mining products that are not subject to VAT. As such, supplies of coal are now included in the definition of BKP supplies and subject to VAT.

Next, the most significant amendments and additions can be found in Article 9 of VAT Law, particularly concerning the regulation of the rights of input VAT crediting by a PKP that has not been in production. As for Article 9 paragraph (2a) of VAT Law as amended in Article 112 of Job Creation Law, a PKP who has not performed any supplies and/or exports of BKP and/or taxable services (*Jasa Kena Pajak/JKP*) may credit their input VAT insofar as provisions on crediting under VAT Law are met.

On the other hand, as per Article 9 paragraph (6a) of VAT Law as amended in Article 112 of Job Creation Law, if up to the first 3 years since the crediting of input VAT, the PKP has not supplied BKP/JKP, the already credited input VAT cannot be credited. Details of the cancellation of input VAT crediting right are also outlined by two new paragraphs, i.e. Article 9 paragraph (6c) and paragraph (6d).

Moreover, Article 9 paragraph (4b) subparagraph j of VAT Law as amended in Article 112 of Job Creation Law removes a PKP that has not been in production from the PKP list that may apply for VAT refunds at each tax period.

Article 112 of Job Creation Law also adds a new paragraph in Article 9 of VAT Law, i.e. paragraph (6e) which regulates the non-creditable input VAT, as well as paragraph (6f) and paragraph (6g) which regulate the

repayment of non-creditable input VAT. On the other hand, Article 112 of Job Creation Law removes the provisions in Article 9 paragraph (8) subparagraphs a, d, h, i, and j, which essentially synchronize the rights of input VAT crediting under certain conditions.

On another note, Article 112 of Job Creation Law also adds 3 new paragraphs to Article 9 of VAT Law, i.e. paragraph 9a, paragraph 9b, and paragraph 9c which are intended to provide relaxation in input VAT crediting under certain conditions. Input VAT crediting is relaxed by the revised provisions under Article 9 paragraph (13) of VAT Law.

In terms of the revitalization of tax invoices, Article 112 of Job Creation Law revises the provisions under Article 13 paragraph (5) subparagraph b which, in essence, stipulates the inclusion of the National Identity Number (*Nomor Induk Kependudukan/NIK*) or passport number for non-resident individual taxpayers for buyers who do not have a Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*) in the Tax Invoice.

Further, Article 112 of Job Creation Law also adds Article 13 paragraph (5a) which confirms that a retail merchant PKP may prepare tax invoices without including information on the buyer's identity as well as the seller's name and signature if supplying BKP and/or JKP to the buyer with the characteristics of an end consumer.

Details of the changes to the additional articles of VAT Law in Job Creation Law can be seen in the Comparison Matrix between VAT Law and the Tax Cluster in Job Creation Law. [Download here.](#)

(iii) General Tax Provisions and Procedures Law

Article 113 contains changes to several provisions in Law No. 6 of 1983 concerning General Tax Provisions and Procedures as amended by Law no. 28 of 2007 concerning General Tax Provisions and Procedures.

Amendments to General Tax Provisions and Procedures Law in Job Creation Law can be found in Article 8, Article 9, Article 11, Article 13, Article 13A (deleted), Article 14, Article 15, Article 17B, Article 19, Article 27A (deleted), Article 27B (new), Article 38, and Article 44B. Broadly speaking, the main points of changes pertain to the imposition of administrative penalties, interest repayment, the provisions on Notice of Tax Collection (*Surat Tagihan Pajak/STP*), and several other provisions.

In further detail, the amount of the administrative penalty in the form of interest was formerly set at a fixed

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rate of 2% per month for a maximum of 24 months. However, the amount of the penalty has changed and refers to the reference interest rate stipulated by the Minister of Finance divided by 12, plus the uplift factor according to the taxpayer's degree of infringement.

Moreover, Job Creation Law removes Article 13 paragraph (5) of General Tax Provisions and Procedures Law which stipulates the issuance of Notice of Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*) by the Directorate General of Taxes (DGT) within 5 years after the tax becomes payable/the end of the tax period, a fraction of the tax year, or the tax year has passed. Additionally, Article 15 paragraph (4) of General Tax Provisions and Procedures Law, which stipulates the issuance of additional SKPKB after a period of 5 years after the tax becomes payable, is also deleted.

Other than changing the amount of the administrative penalty, Job Creation Law also revises the amount of interest repayment granted to taxpayers if his objection, appeal, or request for case review is granted in part or in full. Interest compensation is also given for the notice of tax correction, the decree of the reduction of tax assessment, the decree of the cancellation of tax assessment that is granted in part or in full.

In the former regulation, the interest repayment was given at a fixed rate of 2% per month and there was no ceiling for the calculation of how many months the interest repayment is granted. Currently, however, the amount of monthly interest repayment refers to the reference interest rate stipulated by the Minister of Finance divided by 12 and is given for a maximum of 24 months.

Moreover, Article 113 of Job Creation Law also revises and adds provisions on the expiration of Notice of Tax Collection (*Surat Tagihan Pajak/STP*) and new functions of STP. These provisions are outlined in Article 14 paragraph (5a), (5b), and (5c). These changes essentially emphasize that the DGT may only issue STP within a period of 5 years. In addition, an STP can now be issued to collect interest repayment that should not have been granted.

Details of the changes to the additional articles of General Tax Provisions and Procedures Law in Job Creation Law can be seen in the Comparison Matrix between General Tax Provisions and Procedures Law and the Tax Cluster in Job Creation Law. [Download here](#).

(iv) Local Taxes and Charges Law

Article 114 contains changes to several provisions in Law No. 28 of 2009 concerning Local Taxes and Charges. Amendments to the articles of Local Taxes and Charges Law in Job Creation Law can be found in Article 141, Article 144 (deleted), Article 156A (new), Article 156B (new), Article 157 (new), Article 158, Article 159, and Article 159A (new).

The main points of amendments to Local Taxes and Charges Law in Job Creation Law cover removing retribution for disturbance permits from certain permit retribution and adding Articles 156A and 156B of Local Taxes and Charges Law which regulate national fiscal programs to promote investment.

On another note, Article 114 of Job Creation Law adds paragraph (5a) to Article 157 of Local Taxes and Charges Law which regulates the evaluation of regional regulations related to local taxes and charges by the Minister of Finance, revises the provisions in Article 158 of Local Taxes and Charges Law which stipulates the evaluation process of established regional regulations.

Article 114 of Job Creation Law also revises the provisions under Article 159 and adds Article 159 A which regulates penalties against regional regulations that violate the provisions on the evaluation of draft and established regional regulations.

Accountability for the Implementation of the 2019 State Budget

The government has issued the accountability for the 2019 state budget (*Anggaran Pendapatan dan Belanja Negara/APBN*). This is outlined in Law No. 8 of 2020 concerning the Accountability for the Implementation of the State Budget for Fiscal Year 2019 ([Law No. 8/2020](#)).

The accountability has been issued to disclose the management of state finances that has been implemented openly and responsibly. The accountability for the 2019 state budget is outlined in the 2019 Central Government Financial Report (*Laporan Keuangan Pemerintah Pusat Tahun 2019/LKPP 2019*). LKPP refers to a financial statement that is prepared and presented as per accrual-based government accounting standards and is attached with a summary of the financial statements of

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state companies and other bodies. The attachment constitutes an integral part of Law No. 8/2020.

LKPP 2019 consists of seven reports or notes. *First*, the report on the realization of the state budget for the 2019 fiscal year. The details of the 2019 State Budget realization report are as follows.

Table 2 - State Budget Realization Report for Fiscal Year 2019

Description	2019 (AUDITED)		
	Target (IDR trillion)	Realisasi (IDR trillion)	Realization against Target (%)
State Revenue	2,165.1	1,960.6	90.5
State Expenditure	2,461.1	2,309.3	93.8
Deficit	(296.0)	(348.7)	117.7
Financing to Cover Deficit	296.0	402.1	135.8
Budget Surplus	-	53.4	-

Source: Law No. 8/2020.

Second, the accumulated budget surplus statement for fiscal year 2019. *Third*, the balance sheet as of 31 December 2019. *Fourth*, the operational report for fiscal year 2019. *Fifth*, the cash flow statement for fiscal year 2019. *Sixth*, the equity statement for fiscal year 2019. *Seventh*, notes on the financial statements. The details for points two to seven are as follows.

Table 3 The Accumulated Budget Surplus Statement for Fiscal Year 2019

2019 (AUDITED) (In IDR Trillion)	
Accumulated Budget Surplus Statement for Fiscal Year 2019	
Beginning Accumulated Budget Surplus for Fiscal Year 2019	175.24
Use of Accumulated Budget Surplus	15.00
Budget Surplus for Fiscal Year 2019	53.34
Beginning Accumulated Budget Surplus for Fiscal Year 2019	213.64
Accumulated Budget Surplus for Fiscal Year 2019	0.94
Accumulated Budget Surplus Before Adjustment	212.67
Balance Sheet as of 31 December 2019	
Number of Assets	10,467.53
Number of Liabilities	5,340.22
Number of Equities	5,127.31
Operational Report for Fiscal Year 2019	
Operational Revenue for Fiscal Year 2019	2,168.93
Operating Income for Fiscal Year 2019	2,422.82

Table 3 The Accumulated Budget Surplus Statement for Fiscal Year 2019

2019 (AUDITED) (In IDR Trillion)	
Deficit from Operational Activity	253.88
Surplus from Non-Operational Activity	4.66
Extraordinary Items	-
Deficit of the Operational Report for Fiscal Year 2019	249.23
Cash Flow Statement for Fiscal Year 2019	
Amount of Net Cash Flow from Operational Activity	(171.16)
Amount of Net Cash Flow from Investments	(225.93)
Amount of Net Cash Flow from Financing Activity	450.49
Amount of Net Cash Flow from Transitory Activity	(41.42)
Equity Statement for Fiscal Year 2019	
Beginning Equity for Fiscal Year 2019	1,407.81
Deficit of the Operational Report for Fiscal Year 2019	249.23
Corrections that Directly Increase or Decrease Equity	3,968.33
Intra-Entity Transactions	0.40
Ending Equity for Fiscal Year 2019	5,127.31

Source: Law No. 8/2020.

LKPP has been audited by the Audit Board of the Republic of Indonesia (*Badan Pemeriksa Keuangan/BPK*) with an unqualified opinion. The unqualified opinion is in accordance with the BPK's examination report that has been submitted to the House of Representatives (*Dewan Perwakilan Rakyat/DPR*) and the House of Regional Representatives (*Dewan Perwakilan Daerah/DPD*). Next, the government effectively and comprehensively follows up on BPK's recommendations in the DPR's audit results and recommendations as per statutory regulations.

State Budget for Fiscal Year 2021

Ratified by the House of Representatives on 29 September 2020, the Law on the State Budget (*Anggaran Pendapatan dan Belanja Negara/APBN*) for Fiscal Year 2021 has finally been enacted by the government. 2021 State Budget is outlined in Law No. 9 of 2020 concerning the State Budget for Fiscal Year 2021 ([Law No. 9/2020](#)).

As per the mandate in the regulation promulgated on 26 October 2020, State Budget consists of the state revenue budget, state expenditure budget, and budget financing. State Budget embodies state financial management. The following is the posture of the 2021 State Budget.

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Based on Law no. 9/2020, the state revenue target is set at IDR 1,743.6 trillion, covering tax revenues of IDR 1,444.5 trillion, non-tax state revenues (*Penerimaan Negara Bukan Pajak/PNBP*) of IDR 298.2 trillion, and grant revenues of IDR 902.8 billion.

In further detail, tax revenues targets cover the revenues from income tax of IDR 683.77 trillion, value added tax (VAT) and sales tax on luxury goods (SLTGs) of IDR 518.54 trillion, land and building tax (*Pajak Bumi dan Bangunan/PBB*) of IDR 14.83 trillion, and other tax revenues of IDR 12.43 trillion. Also in the tax revenue post, excise revenue target is set at IDR 180 trillion, import duty revenues at IDR 33.17 trillion, and export duty revenues of IDR 1.78 trillion.

Next, the state expenditure ceiling is set at IDR 2,760.0 trillion. The expenditure is divided into central government expenditures of IDR 1,954.5 trillion and transfers to regions and village funds of IDR 795.47 trillion. The primary balance is minus IDR 663.1 trillion with a budget deficit of IDR 1,006.37 trillion. Thus, budget financing equals the value of the budget deficit.

Table 4 Details of the Posture of State Budget for Fiscal Year 2021

No	Description	Amount (in thousand rupiah)
A.	State Revenues	1,743,648,547,327
	I. Domestic Revenues	1,742,745,730,819
	1. Tax Revenues	1,444,541,564,794
	2. Non-Tax State Revenues	298,204,166,025
	II. Grant Revenues	902,816,508
B.	State Expenditure	2,750,028,018,431
	I. Central Government Expenditure	1,954,548,542,970
	II. Transfer to Regions and Village Funds	795,479,475,461
C.	Primary Balance	-633,116,656,104
D.	Budget (A-B) Surplus/(Deficit)	-1,006,379,471,104
	% Budget Deficit against GDP	-5,70
E.	Budget Financing	1,006,379,471,104
	I. Debt Financing	1,177,350,880,761
	II. Investment Financing	-184,459,515,221
	III. Lending	448,056,564
	IV. Guarantee Obligations	-2,715,736,000
	V. Other Financing	15,755,785,000

Source: Appendix of [Law No. 9/2020](#).

Yachts for Tourism Businesses Exempted from SLTGs

The government restipulates the imposition of Sales Tax on Luxury Goods (SLTGs) on taxable goods (*Barang Kena Pajak/BKP*) classified as luxurious other than motor vehicles. The restipulation is outlined in Government Regulation no. 61/2020 concerning Taxable Goods Classified as Luxurious Other Than Motor Vehicles Subject To Sales Tax On Luxury Goods ([Gov. Reg. 61/2020](#)).

The regulation has been enacted to establish a balance between taxation on low-income consumers and high-income consumers and to encourage the tourism industry.

Promulgated on 16 October 2020, Gov. Reg. 61/2020 takes effect 60 days thereafter. The enactment of Gov. Reg. 61/2020 simultaneously revokes Government Regulation No. 145 of 2000 concerning the Types of Taxable Goods Classified as Luxurious Subject to Sales Tax on Luxury Goods as amended by Government Regulation No. 12 of 2016 ([Gov. Reg. 145/2020](#) as amended by [Gov. Reg. 12/2006](#)). However, all implementing regulations of Gov. Reg. 145/2000 as amended by Gov. Reg. 12/2006 remain valid insofar as they do not contradict the provisions under Gov. Reg. 61/2020.

Gov. Reg. 145/2000 as amended by Gov. Reg. 12/2006 formerly imposed SLTGs on luxurious BKP other than motor vehicles at a rate of 10% to 75%. These rates, however, are amended and restipulated under the Minister of Finance Regulation No. 35/PMK.010/2017 concerning the Types of Taxable Goods Classified as Luxurious Other than Motor Vehicles Subject to Sales Tax on Luxury Goods as amended by the Minister of Finance Regulation No. 86/PMK.010/2019 ([MoF Reg. 35/2017](#) as amended by [MoF Reg. 86/2019](#)).

MoF Reg. 35/2017 as amended by MoF Reg. 86/2019 imposed SLTGs on luxurious BKP other than motor vehicles by classifying them into four groups and imposing rates of 20% to 75%.

As per the comparison between the rates regulated under Gov. Reg. No.61/2020 and the rates under MoF Reg. 35/2017 as amended by MoF Reg. 86/2019, the changes lie in the exemption of the fourth type of goods. The rates and types of goods in the first to the third group remain similar.

In summary, several provisions that remain the same as the previous regulation are as follows. *First*, Gov. Reg. No.61/2020 imposes a 20% SLTGs rate on goods that

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constitute luxury residential groups, such as luxury homes, apartments, condominiums, townhouses, and the like.

Second, a 40% SLTGs rate is imposed on groups of air balloons and air balloons that can be piloted, other aircraft without propulsion, and groups of ammunition and other firearms, except for state needs.

Third, a 50% SLTGs rate is imposed on aircraft groups other than those subject to the 40% rate, except for state or commercial air transportation needs. The 50% SLTGs rate is also imposed on groups of firearms and other firearms, except for state purposes.

Fourth, a 75% SLTGs rate is imposed on cruise ships, excursion boats, and similar vessels specifically designed for the transportation of people, ferries of all types, except for state purposes or public transport and yachts.

Dissimilar to the former regulation, however, **the exemption from a 75% SLTGs rate on yachts** is not only granted for state and public transportation purposes, but it **is now also granted for yachts used for tourism business**.

However, if within four years after the import or acquisition, a yacht for tourism business is not used in accordance with its original purpose or is transferred to another party, the exempted or underpaid SLTGs and/or VAT must be paid.

The exemption from SLTGs on yachts is aimed at encouraging the Indonesian marine tourism industry. The development of the marine tourism industry is expected to promote the growth of other related sectors and increase potential state revenues.

Further provisions regarding the determination of the types of BKP other than motor vehicles that are subject to SLTGs and procedures for the exemptions from SLTGs will be further regulated by the Minister of Finance Regulations.

Types and Tariffs of Export Duties for Exported Timber

The government has re-adjusted the export duty tariffs and the description of the types of export goods in the form of timber. Changes in the amount of export duty tariffs and descriptions of the types of goods are outlined in the Minister of Finance Regulation No. 166/PMK.010/2020 concerning the Second

Amendment to the [Minister of Finance Regulation No. 13/PMK.010/2017](#) concerning the Stipulation of Export Goods Subject to Export Duty and Export Duty Tariffs ([MoF Reg. 166/2020](#)).

This regulation has been issued to promote the export of forestry products in the form of wood veneer and pencil slats and to endorse the domestic downstreaming of processed wood products in the form of merbau wood, white meranti wood, and yellow meranti wood.

Through MoF Reg. 166/2020, the authorities revise the amount of export duty tariffs and the description of the types of export goods in the form of timber subject to export duties previously listed in Appendix II letter A of the Minister of Finance Regulation No. 13/PMK.010/2017 concerning the Stipulation of Export Goods Subject to Export Duty and Export Duty Tariffs as amended by the Minister of Finance Regulation No. 164/PMK.010/2018 ([MoF Reg. 13/2017](#) as amended by [MoF Reg. 164/2018](#)).

Veneer wood in the form of thin sheets of wood obtained by peeling or cutting round logs or sawn timber with a thickness of not more than 6 mm, is currently subject to a 5% export duty tariff. This tariff is lower than that imposed in the previous regulation, i.e. a 15% tariff.

Veneer wood that is currently exempted from export duties comprises wood slats/pencil slats with a width of not more than 80 mm. Wooden slats/pencil slats with a width of not more than 70 mm constitute those formerly exempted. On another note, the details of the HS codes of veneer wood are also more diverse than those listed under the previous regulation.

MoF Reg. 166/2020 also changes the details on the types of processed wood subject to export duties. Currently, 3 types of processed wood products are subject to export duties. *First*, processed wood products that are leveled on the four sides, thus, the surface becomes flat and smooth with a cross-sectional area of 1,000 mm² to 4,000 mm². This first type of product is subject to a 5% export duty.

Second, processed wood products that are leveled on the four sides, thus, the surface becomes flat and smooth, of the following types, merbau, white meranti, and yellow meranti, with a cross-sectional area of more than 4,000 mm² to 10,000 mm². Products of this type are subject to a 10% export duty tariff.

Third, processed wood products that are leveled on the four sides, thus, the surface becomes flat and smooth,

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of the following types, merbau, white meranti, and yellow meranti, with a cross-sectional area of more than 10,000 mm² to 15,000 mm². Products of this type are subject to a 15% export duty tariff.

More concise details on the amount of export duty tariffs and descriptions of the types of exported goods in the form of timber subject to export duties are listed in Attachment II letter A of MoF Reg. 166/2020. The regulation will take effect as of 23 October 2020.

Procedures for the Imposition of Import Duty Tariffs Based on AANZFTA, AKFTA, AIFTA, and ACFTA

The government has issued four new regulations regarding the procedures for the imposition of import duty tariffs based on international agreements.

All of these regulations have been issued to provide more legal certainty in customs services for imported goods from the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), ASEAN-Korea Free Trade Area (AKFTA), ASEAN-India Free Trade Area (AIFTA), and the ASEAN-China Free Trade Area (ACFTA) countries. The four regulations have also been issued to accommodate the dynamics in said agreements.

Import duties on imported goods based on international agreements were formerly regulated under the Minister of Finance Regulation No. 229/PMK.04/2017 concerning Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on International Agreements as last amended by the Minister of Finance Regulation No. 124/PMK.04/2019 ([MoF Reg. 229/2017](#) as amended by [MoF Reg. 124/2019](#)). Based on the regulations, imported goods from member countries of international agreements are entitled to preferential tariffs, the amount of which may differ from statutory import duty tariffs (Most Favored Nation/MFN)

The preferential tariffs are imposed through several schemes, including based on AANZFTA, AKFTA, AIFTA, and ACFTA. However, the procedures for the imposition of preferential tariffs based on the AANZFTA, AKFTA, AIFTA, and ACFTA schemes are currently regulated in separate Minister of Finance Regulations.

First, the procedures for the imposition of preferential tariffs based on the AANZFTA scheme are outlined in the Minister of Finance Regulation No. 168/PMK.04/2020 concerning Procedures for the

Imposition of Import Duty Tariffs on Imported Goods Based on the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area ([MoF Reg. 168/2020](#)).

Second, the procedures for the imposition of preferential tariffs based on the AKFTA scheme are outlined in the Minister of Finance Regulation No. 169/PMK.04/2020 concerning Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Member Countries of the Association of South East Asian Nations and the Republic of Korea ([MoF Reg. 169/2020](#)).

Third, the procedures for the imposition of preferential rates based on the AIFTA scheme are outlined in the Minister of Finance Regulation No. 170/PMK.04/2020 concerning Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation Between the Association of South East Asian Nations and the Republic of India ([MoF Reg. 170/2020](#)).

Fourth, the procedures for the imposition of preferential tariffs based on the ACFTA scheme are outlined in the Minister of Finance Regulation No. 171/PMK.04/2020 concerning Procedures for the Imposition of Import Duty Tariffs on Imported Goods Based on the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation Between the Association of South East Asian Nations and the People's Republic of China ([MoF Reg. 171/2020](#)).

The four regulations were all enacted on 27 October 2020 and took effect 7 days thereafter. Similar to the provisions under the previous regulation, the four regulations outline that imported goods may be subject to preferential tariffs, the amount of which may differ from MFN.

The amounts of the preferential tariffs are stipulated in the Minister of Finance Regulations concerning the determination of import duty tariffs in the framework of AANZFTA, AKFTA, AIFTA, and ACFTA. However, preferential tariffs on imported goods may be obtained if rules of origin are met.

Rules of origin refer to special provisions based on international agreements applied by a country to determine the origin country of goods. To comply with rules of origin, imported goods must meet the following

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three conditions: origin criteria, consignment criteria, and procedural provisions.

Compliance with the rules of origin is proven by the submission of certificates of origin upon imports. Details regarding the terms and conditions for obtaining preferential tariffs from each agreement scheme are also outlined in the four regulations.

In addition to preferential tariffs and rules of origin, in general, the four regulations outline the provisions that must be met by importers, operators/entrepreneurs of Bonded Storage (*Tempat Penimbunan Berikat/TPB*), operators/entrepreneurs of Bonded Logistic Center (*Pusat Logistik Berikat/PLB*), entrepreneurs in free trade zones, and business entities/business actors to obtain preferential tariffs.

The four regulations also stipulate the provisions regarding Certificate of Origin (CoO) Form research for each international agreement as well as the requirements for retroactive check and verification visit requests.

Retroactive check refers to a request made by customs and excise officials to the CoO Issuing Agency to obtain information regarding the fulfillment of the provisions on the origin of goods, and/or the validity of the CoO Form.

Verification visit, on the other hand, refers to an activity carried out by customs and excise officials in the CoO Form issuing member country to obtain data or information regarding the fulfillment of the provisions on the origin of goods and/or the validity of the CoO Form.

In addition, the four regulations also outline the sanctions for violation of provisions, monitoring and evaluation provisions on the use of CoO Forms, as well as other provisions relevant to the imposition of preferential tariffs based on AANZFTA, AKFTA, AIFTA, and ACFTA.

Stipulation of Recess of Tax Court Trial Proceedings

The Chairperson of the Tax Court stipulates the recess of the Tax Court trial proceedings in the context of Christmas 2020 and New Year 2021. This provision is outlined in Circular No. SE 25/PP/2020 concerning the Stipulation of the Recess of Tax Court Trial Proceedings in the Context of Christmas 2020 and New Year 2021 ([SE-25/2020](#)).

The circular stipulates that the recess of Tax Court proceedings starts from 23 December to 12 January 2021. Further, trial proceedings are to resume on 13 January 2021. Although the recess has started, the trial of cases that must be resolved immediately because they are near the cut-off date may still be implemented. The trial proceeding will be held on a working day during the recess.

The recess, as per the Circular, is to be used optimally to prepare files to be trialed later. Decisions on files of which the examination hearing has been declared adequate must also be prioritized.

Composition of the Panel of Judges and Single Judge for Tax Dispute Resolution

The Chairperson of the Tax Court has reestablished the composition of the panel of judges and single judge for dispute resolution in the Tax Court. The composition of the panel of judges and single judge is outlined in the Chairperson of the Tax Court Decree No. KEP-21/PP/2020 concerning the Fifth Amendment to the Chairperson of the Tax Court Decree No. KEP-007/PP/2020 concerning the Composition of the Panel of Judges and Single Judge to Examine and Decide Tax Disputes at the Tax Court ([KEP-21/2020](#)).

These changes are aimed at promoting smooth and expedited dispute resolution. As such, adjustments to the membership composition of the Tax Court Panel of Judges are necessary. The Chairperson of the Tax Court Decree has taken effect as of 30 October 2020.

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