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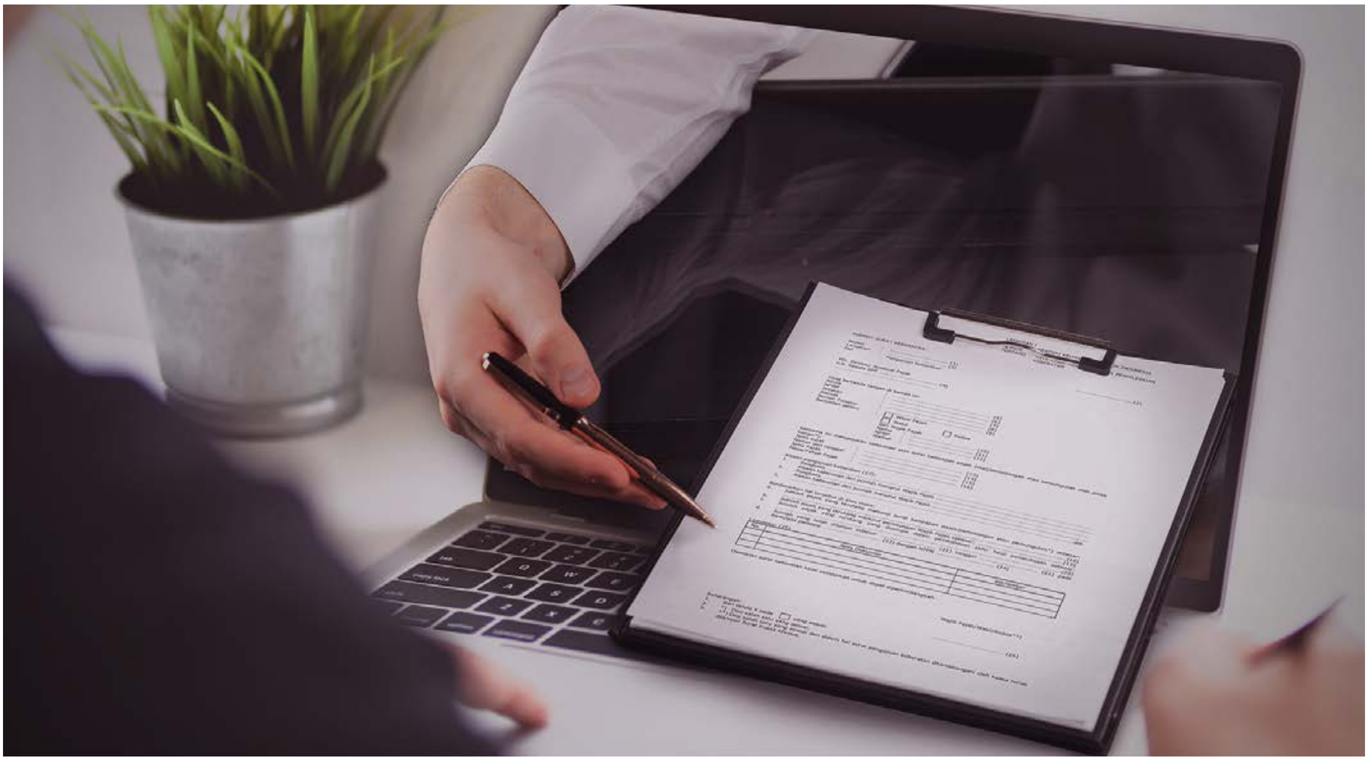
Procedures for Filing Objection Letters Electronically

Sets the Standards and Beyond



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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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Procedures for Electronic Filing of Objection Letters

The Director General of Taxes has issued a regulation outlining the procedures for electronic filing of objection letters under the Director General of Taxes Regulation Number PER-14/PJ/2020 concerning Procedures for Electronic Filing (E-Filing) of Objection Letters (PER-14/PJ/2020).

Coming into force on 1 August 2020, this regulation has been released to further regulate the procedures for the e-filing of objection letters previously stipulated under Article 9 of the Minister of Finance Regulation Number 9/PMK.03/2013 concerning Procedures for Filing and Resolving Objections as amended by the Minister of Finance Regulation Number 202/PMK.03/2015 (MoF Reg. 9/2013 as amended by MoF Reg. 202/2015). On another note, the government provides an option for filing objection letters electronically to improve effectiveness and efficiency in filing objection letters.

Under this regulation, taxpayers may file objection letters by e-filing through the e-Objection feature in DGT Online. Further, taxpayers must use an objection letter of which the format has been converted into an electronic document to file the objection letter by e-filing. Moreover, taxpayers are obliged to convey the reasons for filing the objection. These reasons can be conveyed through the available column in the e-Objection feature or by uploading documents.

Conversely, if the taxpayer uses the available column to submit the reasons for filing an objection, said taxpayer can fill in the reasons underlying the objection with a maximum of 4,000 characters. However, if the taxpayer chooses to upload documents as the reasons for the objection, the documents must be in the form of portable document format (PDF) and serve as an attachment that is integral to the objection letter.

Next, the Directorate General of Taxes (DGT) will validate the objection letters submitted by e-filing. The validation is carried out based on data and information held by DGT and is intended to check compliance with the requirements for filing objections.

In the event that the validation results indicate the unfulfillment of the requirements for the filed objections, the taxpayer will be notified. Further, to obtain clarification on the notification, said taxpayer may contact the Tax Office (*Kantor Pelayanan Pajak*/KPP) where he is registered and/or KPP where he is confirmed as a taxable person for VAT purposes (*Pengusaha Kena Pajak*/PKP). This regulation also emphasizes that objection letters submitted by e-filing must be signed by the taxpayer. The signing is performed with an electronic signature using an electronic certificate.

Based on the time zone, the e-filing of objection letters may be performed within 24 hours a day and seven days a week according to the standard Western Indonesian Time (*Waktu Indonesia Barat*/WIB). In further detail, the procedures for filing objection letters using electronic media is listed in the Appendix of PER-14/PJ/2020.

Moreover, an electronic receipt will be provided for objection letters submitted by e-filing. This electronic receipt serves as proof of receipt of the objection letter. Further, the date stated in the proof is stipulated as the date of receipt of the objection letter by the DGT.

Additionally, the DGT work unit will follow up on the resolution of objections as per tax regulations on procedures for filing and resolving objections as well as the implementing regulations. Some of these regulations are outlined under MoF Reg. 9/2013 as amended by MoF Reg. 202/2015.

The Director General of Taxes is to issue a decision on the filed objection within a maximum period of twelve months as of the date the objection letter is received. In the event that the period is exceeded and there is no decision yet, the objection filed by the taxpayer is deemed granted. In such a case, the Director General of Taxes must issue a decision letter that is deemed to grant the objection application no later than one month as of the end of the twelve-month period.

Stipulation of Article 23 and/or Article 26 Income Tax Withholders

All taxpayers that meet the requirements to use Periodic Article 23 and/or Article 26 Income Tax Returns (*Pajak Penghasilan*/PPh) in the form of electronic documents will be stipulated by the Director General of Taxes as withholders for both types of income tax. This stipulation is outlined in the Director General of Taxes Decree Number KEP-368/PJ/2020 concerning the Stipulation of Article 23 and/or Article 26 Income Tax Withholders that are Required to Prepare Tax Withholding Slips and File Periodic Article 23 and/or Article 26 Income Tax Returns Based on the Director General of Taxes Regulation Number PER-04/PJ/2017 (KEP-368/PJ/2020).

On a side note, taxpayers are required to use Periodic Article 23 and/or Article 26 Income Tax Returns in

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electronic form under four requirements. *First,* issuing more than 20 Article 23 and/or Article 26 Income Tax withholding slips within one tax period. *Second,* the amount of gross income as the tax base exceeds IDR 100 million in one withholding slip.

Third, the taxpayer has submitted the Electronic Periodic Tax Returns. *Fourth*, registered at the Medium Tax Office, Jakarta Special Regional Tax Office, or Large Taxpayer Regional Office of the Directorate General of Taxes. This is as regulated under relevant formerly issued regulations, i.e. PER-04/PJ/2017 concerning the Form, Content, Procedures for the Completion and Filing of Periodic Article 23 and/or Article 26 Income Tax Returns as well as the Form of Article 23 and/or Article 26 Income Tax Withholding Slips (PER-04/PJ/2017). The four requirements are not cumulative.

With the enactment of this regulation in early September 2020, taxpayers are required to produce withholding slips and file Periodic Article 23 and/or Article 26 Income Tax Returns based on PER-04/PJ/2017. Next, for taxpayers that register before 1 September 2020 but do not meet the requirements or register after 1 September 2020, the obligation to prepare withholding slips and Periodic Article 23 and/or 26 Income Tax Returns in the form of electronic documents will be enforced as of the tax period when the requirements are fulfilled.

Further, KEP-368/PJ/2020 stipulates income tax withholders for taxpayers that have not previously been stipulated as Article 23 and/or Article 26 Income Tax withholders under various Director General of Taxes Decrees. Some of these decrees include KEP-178/PJ/2017, KEP-178/PJ/2018, KEP-452/PJ/2018, KEP-599/PJ/2019, KEP-652/PJ/2019, and KEP-269/PJ/2020. Under this regulation, the Director General of Taxes also requires taxpayers that have been designated as Article 23 and/or Article 26 Income Tax Withholders as per the various abovementioned decrees to have electronic certificates according to the provisions under PER-04/PJ/2020.

Additional Institutional Recipients of Deductible Alms or Religious Donations from Gross Income

The government has increased the number of agencies/institutions that receive alms or religious donations that are deductible from gross income from 80 to 89 agencies/institutions. The increase in the number of institutions is stipulated under the Director General of Taxes Regulation Number PER-15/PJ/2020 concerning Bodies/Institutions Established or Legalized by the Government Determined as Recipients of Mandatory Alms or Religious Donations that are Deductible from Gross Income (PER-15/PJ/2020).

Promulgated on 30 July 2020, this regulation has come into force thereafter and simultaneously revokes the Director General of Taxes Regulation Number PER-05/PJ/2019 concerning Bodies/Institutions Established or Legalized by the Government Determined as Recipients of Mandatory Alms or Religious Donations that are Deductible from Gross Income (PER-05/PJ/2019). This addition is intended to harmonize tax regulations with the contents of the Director General of Islamic Society Guidance Letter Number B.917/Dt.III.IV.1/HM01/3/2020.

In further detail, the additional number of bodies/institutions include three national scale alms institutions, four provincial scale alms institutions, and two regency/municipal alms institutions. Details of the additional bodies/institutions are listed in Appendix of PER-15/PJ/2020.

Changes in Types and Criteria of Basic Necessities Not Subject to VAT

The Ministry of Finance has issued policies concerning the criteria and/or details of basic necessities that are not subject to VAT. These provisions are outlined in the Minister of Finance Regulation Number 99/PMK.010/2020 concerning Criteria and/or Details of Basic Necessities that are Not Subject to Value Added Tax (MoF Reg. 99/2020). The issuance of MoF Reg. 99/2020 will repeal MoF Reg. 116/2017.

This regulation has been issued to provide legal certainty regarding types of basic necessities that are not subject to VAT and to align it with the Supreme Court decision Number 32/HUM/2018 and to implement the provisions under Article 7 paragraph (2) Government Regulation Number 1 of 2012 concerning the Implementation of the Value Added Tax and Sales Tax on Luxury Goods Law (Gov. Reg. No. 1 of 2012).

The goods that are not subject to VAT under this regulation include certain goods in the staple goods category that are very much needed by the people at large. Conversely, basic necessities greatly needed by the people are defined as goods that pertain to the livelihoods of many people with a high scale of the fulfillment of needs and serves as a supporting factor for the welfare of society.

Changes in criteria and/or details of basic necessities not subject to VAT may be readjusted upon recommendations from ministries supervising the relevant sectors. The types of basic necessities that concern the livelihood of the public and the criteria for goods that are not subject to VAT as stipulated under MoF Reg. 99/2020 are listed in Table 1.

Coming into effect 5 August 2020, the regulation stipulates the most fundamental change, i.e. certain types of fish under certain criteria and HS codes will not be subject to VAT. Further, referring to the appendix of this regulation, the HS codes of fish that are not subject to VAT include 0302.31.00, 0302.32.00, 0302.33.00, 0302.34.00, 0302.35.00, 0302.36.00, ex 0302.39.00 (only grey tuna), ex 0302.49.39 (only mackerel and kawakawa/mackerel tuna), ex 0302.89.19 (only milkfish), and ex 0302.89.29 (only milkfish).

The Mechanism of Government-Borne Taxes to Address Covid-19

The Minister of Finance has issued implementation and accountability mechanisms for government-borne taxes (*Ditanggung Pemerintah*/DTP) in the context of addressing the Covid-19 pandemic. These mechanisms are outlined under the Minister of Finance Regulation No. 107/PMK.05/2020 concerning Implementation and Accountability Mechanisms for Government-Borne Taxes in the Context of Addressing the 2019 Corona Virus Disease (Covid-19) Pandemic (MoF Reg. 107/2020).

Under this regulation, subsidy spending in the context of providing DTP tax incentives must be administered and managed in an orderly and transparent manner as per legislation. Coming into force on 7 August 2020, the regulation stipulates two scopes of the DTP taxes. *First,* DTP tax subsidies expenditure. *Second,* revenues

Table 1 Criteria and/or Details of Basic Necessities Not Subject to Value Added Tax

Types of Goods	Criteria
Rice and Unhulled Paddy	Unhulled, hulled, half-milled or wholly milled, polished or unpolished, broken, groats, other than those suitable for sowing.
Corn	Peeled or unpeeled, including shelled and broken corn, groats, excluding seeds.
Sago	Sago pith (sago essence), flour, coarse flour, and powder.
Soy	With skin, whole, and broken, excluding seeds.
Edible Salt	Iodized or not (including table salt and denatured salt) for consumption/basic needs of society.
Meat	Unprocessed fresh meat from livestock and poultry with or without bones, chilled, frozen, salted, calcified, pickled, or otherwise preserved.
Eggs	Unprocessed, including eggs that are cleaned, salted, or otherwise preserved, excluding day-old chicks.
Milk	Dairy milk that has been either cooled or pasteurized, does not contain added sugar or other ingredients.
Fruits	Fresh fruits that are picked, washed, sorted, peeled, cut, sliced, graded, other than those that are dried.
Vegetables	Fresh vegetables, which are picked, washed, drained, and/or stored at low temperature or frozen, including chopped fresh vegetables.
Yams	Fresh yams, which have been washed, sorted, peeled, cut, sliced, graded.
Seasonings	Fresh, dried but not crushed or ground.
Edible sugar	White crystal sugar from sugar cane for consumption without added flavouring or colouring.
Fish	Fresh/chilled fish, with head or headless.

Source: MoF Reg. 99/2020

from DTP taxes. Two types of DTP taxes of which the implementation and accountability are regulated under this regulation include Income Tax and Value Added Tax.

DTP tax subsidies may only be spent upon the approval from the State General Treasurer's Budget User Proxy (*Kuasa Pengguna Anggaran Bendahara Umum Negara*/KPA BUN). Under this regulation, the Director of Tax Potential, Compliance, and Revenue of the DGT is designated as KPA BUN of DTP Tax Subsidy Expenditures and has the authority to assign other treasury officials, including Commitment-Making Officers (*Pejabat Pembuat Komitmen*/PPK) and Payment Instruction Signing Officer (*Pejabat Penanda Tangan Surat Perintah Membayar*/PPSPM). On the other hand, the DGT Secretary is designated as the KPA of DTP Tax revenues which also serves as the basis of accountability for the utilization of MoF Reg. 28/2020 and MoF Reg. 86/2020 in this internal government unit.

The DTP tax subsidy expenditure disbursed by the government must be based on the State Budget or Revised State Budget. The budget shift to provide a budget allocation for the DTP tax subsidy is given flexibility, i.e. it can be determined through the Revised State Budget. The budget shift, however, must still be based on the procedures for the use and the budget shift should be legalized in the Budget Implementation Checklist of the State General Treasurer (*Daftar Isian Pelaksanaan Anggaran Bendahara Umum Negara*/DIPA BUN) which is a budget implementation document prepared by KPA BUN.

In the event of a shift in budget allocations, the appointed KPA BUN has to submit a budget revision proposal or issue DIPA BUN to the Director General of Budget by including supporting documents. These documents include the term of reference (TOR) for each activity output, details of the cost budget, review results of the Government Internal Supervisory Apparatus (*Aparat Pengawasan Intern Pemerintah*/APIP), and other data deemed relevant. KPA BUN of the related DTP tax subsidies expenditure will manage data and information on the realization of DTP taxes, both those related to the handling of the Covid-19 pandemic and as a stimulus for affected taxpayers.

Based on data and information on the realization of DTP Taxes, KPA BUN of DTP tax subsidy expenditure will also recapitulate a report on the realization of DTP taxes accompanied by an official report. The recapitulation is compiled based on data from relevant directorates at the DGT and accompanied by an official report. Based on the recapitulation, KPA BUN of the DTP tax subsidy expenditure may process the validation of DTP tax revenues and DTP tax subsidy expenditure.

Based on the recapitulation of the DTP tax realization report and the official report, PPK is required to conduct formal and material tests against the completeness and correctness of the DTP tax subsidy expenditure bill at DIPA BUN. If said bill is declared complete and correct, PPK needs to issue a DTP tax payment slip, compile a statement of absolute responsibility (*Surat Pernyataan Tanggung Jawab Mutlak*/SPTJM), and issue a payment request letter (*Surat Perintah Pembayaran*/SPP) for DTP tax subsidy expenditure.

Next, PPSPM follows up on SPP by conducting a formal test against the administrative completeness and availability of the DTP tax subsidy expenditure budget. SPP that is declared correct will be followed up with the issuance of payment order (*Surat Perintah Membayar*/SPM) to the State Treasury Office (*Kantor Pelayanan Perbendaharaan Negara*/KPPN). The SPM from PPSPM is followed up by KPPN through research and testing. Based on the results of this research, KPPN may issue a fund disbursement order (*Surat Perintah Pencairan Dana*/SP2D) for DTP subsidy tax expenditure.

In terms of accountability, the SPM of DTP tax subsidy expenditure that has been issued by SP2D will subsequently serve as the basis for KPA BUN for DTP tax subsidy expenditure to recognize and record the realization of DTP tax subsidy expenditure in the Financial Statements of BUN that manages subsidy spending as per minister of finance regulations concerning accounting and financial reporting systems of subsidy expenditure. Moreover, the SPM is also used by KPA of DTP tax revenues to recognize and record the realization of DTP tax revenues in the Financial Statements of State Ministries/Institutions as per the provisions under Minister of Finance Regulations concerning guidelines for preparing and filing financial statements of state ministries/institutions.

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