

CORPORATE BONDS

DDTC Newsletter Vol.06 | No.06 | September 2021

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS



ABOUT DDTC

DDTC is a research, technology, 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 (Perpajakan.id), 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.

Contents

- **Reduction of Bond Interest Rates for Resident Taxpayers and Permanent Establishment**
- **VAT Exemptions on Imports of Strategic Taxable Goods and Supplies of Flats**
- **Restipulation of VAT Exemptions on Certain Strategic Taxable Goods**
- **Income Tax on Transfers of Participating Interests in Upstream Oil and Gas Activities**
- **Other Recent Taxation Regulations**

Table of Contents

Reduction of Bond Interest Rates for Resident Taxpayers and Permanent Establishment	3
VAT Exemptions on Imports of Strategic Taxable Goods and Supplies of Flats	4
Restipulation of VAT Exemptions on Certain Strategic Taxable Goods	7
Income Tax on Transfers of Participating Interests in Upstream Oil and Gas Activities	8
Changes to Provisions on Face-to-Face Service Procedures at the Tax Court	10
September 2021 Interest Penalties and Compensation Interest Rates	11
Guidelines for the Granting of Government Agency Identification Numbers and Tax Filing Obligations	12
Procedures for Tax Withholding and Collection and Filing of Periodic Tax Returns for Government Agencies	14
Provisions on the Testing of Tax Invoices for Creditable VAT	16
Regional Fiscal Capacity Maps	17

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Reduction of Bond Interest Rates for Resident Taxpayers and Permanent Establishment

Meet Our Experts



B. Bawono Kristiaji, S.E., M.S.E., M.Sc. IBT, ADIT
Partner of Tax Research & Training Services
kristiaji@ddtc.co.id



Awwaliatul Mukarromah, S.IA, BKP
Assistant Manager of DDTC Fiscal Research
aawe@ddtc.co.id

Bawono Kristiaji is the Partner of Tax Research & Training Services at DDTC. He is an experienced practitioner in public finance, tax policy, and transfer pricing. He is a regular speaker in topics regarding transfer pricing and tax policy in various seminars, trainings, and group discussions held by DDTC, private institutions, educational institutions, and government agencies.

Holding a Master's degree in International Business Tax and Economics (M.Sc. IBT) from School of Economics and Management, Tilburg University, the Netherlands, he attended an international course entitled "Comparative Tax Policy & Administration," held by Harvard Kennedy School, Harvard University, USA (2018). Moreover, he holds an Advanced Diploma in International Taxation (ADIT) from Chartered Institute of Taxation, United Kingdom. He was conferred the CFE Award Albert J. Rädler Medal 2015 for the best thesis on European Taxation by the Confédération Fiscale Européenne (CFE) entitled "Incentives and Disincentives of Profit Shifting in Developing Countries" in academic year 2014/2015 at School of Economics and Management, Tilburg University, the Netherlands.

Awwaliatul Mukarromah is an Assistant Manager at DDTC. She is the former editor of DDTCNews and also the former Editor-in-Chief of InsideTax semi journal magazine in 2016. She has attended several internal seminars and courses, including "Multilateral Instrument Under BEPS," held by Foundation for International Taxation (FIT) in Mumbai, India in 2017, "Global E-Commerce Conference," held by World Customs Organization in Beijing, China in 2018, and "Global Tax: Driving the Future," held by Harvard Kennedy School & Irish Tax Institute in Dublin, Ireland in 2019. The Licensed Tax Consultant is Certified B of Indonesian Tax Consultant Examination and certified in Principles of International Taxation and Transfer Pricing from the Chartered Institute of Taxation, United Kingdom.

The government has issued a regulation concerning the reduction of bond interest rates for resident taxpayers (*Wajib Pajak Dalam Negeri/WPDN*). The policy is outlined in Government Regulation of the Republic of Indonesia No. 91 of 2021 concerning Income Tax on Income in the Form of Bond Interests Received or Accrued by Resident Taxpayers and Permanent Establishments ([Gov. Reg. 91/2021](#)).

This regulation has been issued to harmonize the policy of the reduction of income tax rate on bond interest income received or accrued by non-resident taxpayers (*Wajib Pajak Luar Negeri/WPLN*), to render an equal income tax burden between bond investors, and to encourage the development and strengthening of the bond market.

On another note, bonds refer to debenture, treasury bonds, and regional bonds with maturities of more than 12 months, either issued by the government and non-government, including debenture issued based on sharia principles (*sukuk*). Bond interests, on the other hand, refer to the consideration received or accrued by bondholders in the form of interests, *ujrah/fees*, profit sharing, margins, other similar income, and/or discounts.

This regulation stipulates that income in the form of bond interests received or accrued by WPDN and Permanent Establishments (PE) (*Bentuk Usaha Tetap/BUT*) is subject to final tax. WPDN includes individuals, undivided inheritance as a unit in lieu of the beneficiaries, and entities including mutual funds and collective investment contracts.

As per Article 2 paragraph (2) of Gov. Reg. 91/2021, the income tax rate on bond interests, which was originally 15%, has been reduced to 10% of the income tax base. The final tax rate on bond interests of 10% is imposed on three types of tax bases (*Dasar Pengenaan Pajak/DPP*) as follows:

- (i) for interests on interest-bearing bonds, DPP is set at the gross amount as per the period of ownership of the bonds;
- (ii) for discounts on interest-bearing bonds, DPP amounts to the difference between the selling price or the nominal value over the acquisition cost of the bonds, excluding current interests;
- (iii) for discounts on zero-coupon bonds, DPP amounts to the difference between the selling price or nominal value over the acquisition price of the bonds.

If a discount suffers a loss during the sale of bonds because the coupon or discount is negative, the loss may be calculated with the income tax base on current bond interests. Provisions on final tax on bond interests are excluded for 2 recipients of income as follows:

- (i) pension fund taxpayers whose establishment or accumulation has been approved by the Minister of Finance or has obtained a permit from the Financial Services Authority (*Otoritas Jasa*

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Keuangan/OJK) and fulfills the requirements to be excluded from the imposition of income tax on bond interests; and

- (ii) bank taxpayers established in Indonesia or a branch of a foreign bank in Indonesia.

Interests and/or discounts received by holders of interest-bearing bonds and discounts received by holders of zero-coupon bonds may be subject to final tax withholding by the bond issuer or custodian as the appointed payment agent at maturity.

Next, final tax may also be withheld by securities companies, dealers, banks, pension funds, or mutual funds as intermediary traders and/or buyers on interests and discounts received by the bond seller at the transaction. However, for interests and discounts received by the bond seller for sale transactions carried out directly without going through an intermediary, final tax is withheld by the custodian or sub-registry as the party that records the transfers of ownership rights.

In the event that interests on bonds issued by the government are administered through the Bank Indonesia scriptless securities settlement system, the final tax is self-remitted by the income recipient.

Bank Indonesia scriptless securities settlement system refers to the infrastructure used as a means of electronic administration of transactions and securities. Income tax withholding agents and taxpayers that self-pay their income tax are required to file the income tax withholding and/or remittance to the Directorate General of Taxes (DGT).

When Gov. Reg. 91/2021 comes into force, Government Regulation No. 16 of 2009 concerning Income Taxes on Income in the Form of Bond Interests ([Gov. Reg. 16/2009](#)) is declared revoked and not valid. However, the implementing regulations of Gov. Reg. 16/2009 remain valid insofar as they do not conflict with the provisions under Gov. Reg. 91/2021. This government regulation has come into force as of 30 August 2021.

VAT Exemptions on Imports of Strategic Taxable Goods and Supplies of Flats

Meet Our Experts



Deborah, S.Sos., LL.M. Int. Tax., BKP
Senior Manager of Tax Compliance & Litigation Services
deborah@ddtc.co.id



Puput Bayu Wibowo, S.Ak., BKP
Assistant Manager of Tax Compliance & Litigation Services
bayu@ddtc.co.id

Deborah is the Senior Manager of Tax Compliance & Litigation Services at DDTC. She holds Master's degree in International Tax Law from Vienna University of Economics and Business Administration, Austria and has been involved in transfer pricing study assignments, also significant tax dispute resolution and litigation cases.

From her assignments, she has provided clients with satisfactory outcomes. Her main expertise in tax litigation cases includes transfer pricing and business restructuring cases. She is also a regular speaker in topics regarding international taxation, transfer pricing and Indonesian domestic tax in various seminars, trainings, and group discussions held by DDTC, private institutions, educational institutions and government agencies.

Puput Bayu Wibowo is Assistant Manager of Tax Compliance & Litigation Services at DDTC. His expertise focuses on diagnostic tax review, tax advisory and tax compliance for multinational companies. He is also an experienced practitioner in tax audit, tax objection, tax lawsuit, and tax litigation at the tax court for clients in various industries. The licensed Tax Attorney and Tax Consultant is Certified B of Indonesian Tax Consultant Examination and holds a Diploma's degree in Taxation from Diponegoro University and a Bachelor's degree in Economics from Trisakti University.

The Ministry of Finance has issued a regulation concerning procedures for the granting of VAT exempt facilities on imports of certain strategic Taxable Goods (*Barang Kena Pajak/BKP*) and supplies of flats.

The provisions are stipulated under the Minister of Finance Regulation No. 115/PMK.03/2021 concerning Procedures for the Granting of Value Added Tax Exemption Facilities on Imports and/or Supplies of Certain Strategic Taxable Goods, Procedures for the Payment of Value Added Tax on Certain Strategic Taxable Goods Exempt from Value Added Tax that Are Used Not in Accordance with the Original Purpose or Transferred, and the Imposition of Penalties for the Late Payment of Value Added Tax ([MoF Reg. 115/2021](#)).

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

These provisions constitute an implementing regulation of Article 6 of Government Regulation No. 48/2020 concerning Amendments to Government Regulation No. 81 of 2015 concerning Imports and/or Supplies of Certain Strategic Taxable Goods that Are Exempt from Value Added Tax ([Gov. Reg. 48/2020](#)).

This ministerial regulation has been issued to improve legal certainty and ease of doing business. In addition, this latest regulation is intended to integrate procedures to improve services in the granting of VAT exempt facilities on imports and/or supplies of certain strategic BKP.

This regulation stipulates two main materials, i.e. VAT exemptions on imports of strategic BKP and VAT exemptions on supplies of flats.

a) VAT Exemptions on Imports of Strategic BKP

As per Article 2 paragraph (1) of MoF Reg. 115/2021, imports and/or supplies of certain strategic BKP are exempt from the imposition of VAT. Certain strategic BKP whose imports are exempt from the imposition of include the following ten objects:

- (i) machinery and factory equipment which constitute an integral unit, either installed or detached, which are used directly in the process of producing BKP by a Taxable Person for VAT Purposes (*Pengusaha Kena Pajak/ PKP*) that produces the BKP, including those imported by the party carrying out integrated construction work, excluding the spare parts;
- (ii) goods produced by businesses in the marine and fishery sector, both fish catching and aquaculture, as stated in the appendix of government regulations concerning certain strategic BKP;
- (iii) raw, tanned hides and skins;
- (iv) seeds and/or pips from agricultural, plantation, forestry, animal husbandry, or fishery goods;
- (v) animal feed, not including pet feed;
- (vi) fish feed;
- (vii) feed ingredients for the manufacture of animal feed and fish feed, excluding feed additives and feed supplements, the criteria and/or details of feed ingredients are regulated by a ministerial regulation;
- (viii) raw materials of silver craft in the form of granulated silver and/or in the form of silver bullion; and
- (ix) liquified natural gas.

In contrast, supplies of twelve certain strategic BKPs are exempt from the imposition of VAT as follows:

- (i) machinery and factory equipment which constitute an integral part, either installed or detached, which are used directly in the process of producing BKP by a PKP that produces the BKP, including those imported by the party carrying out integrated construction work, excluding the spare parts;
- (ii) goods produced by businesses in the marine and fishery sector, both fish catching and aquaculture, as stated in the appendix of government regulations concerning certain strategic BKP;
- (iii) raw, untanned hides and skins;
- (iv) livestock whose criteria and/or details are regulated by a ministerial regulation after receiving consideration from the minister who administers government affairs in the agricultural sector;
- (v) seeds and/or pips from agricultural, plantation, forestry, animal husbandry, or fishery goods
- (vi) animal feed, not including include pet feed;
- (vii) fish feed;
- (viii) feed ingredients for the manufacture of animal feed and fish feed, excluding feed additives and feed supplements, the criteria and/or details of feed ingredients are regulated by a ministerial regulation after receiving consideration from the minister who administers government affairs in the agricultural sector;
- (ix) raw materials of silver craft in the form of granulated silver and/or in the form of silver bullion
- (x) residential units of simple proprietary flats of which the acquisition is financed through credit or subsidized housing ownership financing that meets the provisions
- (xi) electricity, including the cost of electricity installation and the cost of electrical loads, except for houses with a power of more than 6,600 volt-amperes; and
- (xii) liquified natural gas.

This regulation also stipulates the criteria for machinery and factory equipment whose imports and/or supplies are exempt from the imposition of VAT. *First*, machinery and factory equipment that are used directly in the process of producing BKP in the production division.

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Second, machinery and factory equipment that are installed or detached, but not including spare parts. *Third*, factory equipment attached to the machinery. Under MoF Reg. 115/2021, the Ministry of Finance expands the definition of machinery and factory equipment, including power generation units, which constitute an integrated part of the processing industry with an electric supply business license.

VAT is exempted using a VAT Exemption Certificate (*Surat Keterangan Bebas/SKB*) or without using a VAT SKB. The VAT SKB is granted for two supplies. *First*, imports of machinery and factory equipment for which an application for import duty exemptions is submitted and eligible for these import duty exemptions. *Second*, imports and/or acquisition of machinery and factory equipment for which an application for import duty exemptions is not submitted.

Initially, Gov. Reg. 48/2020 stipulates that only two parties are eligible for VAT exemption facilities on imports of equipment and machinery and receive a VAT SKB, i.e. Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak/PKP*) that produce BKP or project owners.

With the issuance of MoF Reg. 115/2021, the Ministry of Finance adds one subject as the recipient of VAT exemption facilities on imports of equipment and machinery, i.e. Engineering, Procurement, and Construction (EPC) Contractors that carry out integrated construction work. In other words, currently, three parties are eligible for VAT exemption facilities on imports of equipment and machinery and receive a VAT SKB.

To obtain a VAT SKB on imports of machinery and factory equipment for which an application for import duty exemptions is also submitted, the PKP must first hold a masterlist. The masterlist is issued based on the application for import duty exemptions on imports of machinery and factory equipment submitted electronically by the PKP or project owner through the information system provided by the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*).

VAT SKB is submitted to the Directorate General of Taxes (DGT) electronically through the Indonesia National Single Window System (SINSW). The application for a VAT SKB is followed up if the PKP has fulfilled the following three things cumulatively:

- (i) annual income tax return for the last two taxable years and periodic VAT returns for the last three taxable periods as an obligation based on statutory provisions in the field of taxation;

- (ii) not having tax liabilities or having tax liabilities. If the PKP has tax liabilities, the PKP must obtain a permit to defer or pay taxes in installments based on statutory provisions in the field of taxation; and
- (iii) having submitted a report on the realization of imports and acquisitions as an obligation.

Applications for VAT SKB must also be attached with an Import Requirement and Acquisition Plans (*Rencana Kebutuhan Impor dan Perolehan/RKIP*). Upon applications for VAT SKB attached with RKIP, the DGT automatically issues approved VAT SKB and RKIP through SINSW. The issued VAT SKB is valid until the expiration of the masterlist.

More detailed provisions on procedures for obtaining VAT SKB and the submission process through SINSW for all recipients of VAT exemption facilities are stipulated under Article 6 to Article 16 of MoF Reg. 115/2021.

PKP importing machinery and equipment and PKP supplying strategic BKP must include information on the VAT SKB number which constitutes the basis for the granting of VAT exempt facilities in the customs declaration in the context of importing goods.

Tax invoices are prepared as per the provisions on the granting of VAT exemptions facilities. Tax invoices must include the statement "VAT EXEMPT AS PER GOV. REG NUMBER 81 of 2015 AS AMENDED BY GOV. REG. 48 of 2020". In the event that the information is not yet available in the application for generating tax invoices, the PKP may update the information to be included in the tax invoice through the application.

PKP, project owners, and EPC employers eligible for the VAT SKB facility must submit a report on the realization of imports and acquisitions no later than the end of January after the calendar year concerned. The report on the realization of imports and acquisitions are uploaded through SINSW.

b) VAT Exemptions on Supplies of Simple Proprietary Flats

As per Article 18 paragraph (1) of MoF Reg. 115, VAT exemptions on supplies of simple proprietary flats are granted to individuals. The flats must already have a house identification code in the housing developer information application system provided by the relevant ministry.

To obtain this facility, an individual must submit a statement to the PKP performing the supply before the supply or upon down payment. The statement includes three things as follows:

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

- (i) a stamped statement from the buyer and employer concerning monthly income;
- (ii) a stamped statement from the homeowner that the unit is his/her first unit, used as a residence, and will not be transferred within a period of four years; or
- (iii) a photocopy of filing receipt for Individual Annual Income Tax Returns for the last two years.

Tax invoices must be prepared for supplies of simple proprietary flats eligible for VAT exemptions. The tax invoices shall be filled out completely and correctly and include the buyer's identity, taxpayer identification number (*Nomor Pokok Wajib Pajak/NPWP*) or Single Identity Number (*Nomor Induk Kependudukan/NIK*), and house identification code in the housing developer information application system. The tax invoices must be filed in the Periodic VAT Returns by the PKP supplying the simple proprietary flats. The provisions on tax invoices do not apply to retailer PKP for supplies of simple proprietary flats.

In the event that a tax invoice or document equivalent to a tax invoice does not fulfill the provisions, the import and/or supply of certain strategic BKP is deemed not eligible for VAT exemptions.

Moreover, MoF Reg. 115/2021 also outlines the details of procedures for the replacement, cancellation, and revocation of VAT SKB as well as repayment, crediting, and imposition of penalties. Even though the VAT SKB has been issued and submitted to the PKP, the project owner, or the EPC employer, the Director General of Taxes may replace, cancel, and/or revoke the VAT SKB *ex-officio*.

If the VAT SKB is replaced, cancelled, revoked, or the use of equipment and machinery is not in accordance with the purpose, the PKP, the project owner, or the EPC employer remain required to pay the VAT payable.

When this ministerial regulation comes into force, MoF Reg. No. 268/PMK.03/2015 is declared revoked and not valid. The application for a VAT SKB that has been received by the head of the tax office (*Kantor Pelayanan Pajak/KPP*) prior to the enactment of this regulation shall be completed as per the procedures and requirements when the application was submitted.

VAT SKB issued based on MoF Reg. No. 268/PMK.03/2015, however, may continue to be used no later than 31 December 2021. On another note, valid VAT SKB that has been issued based on MoF Reg. No. 268/PMK.03/2015 shall be replaced or cancelled as per the provisions under this ministerial regulation. This regulation has taken effect as of 1 September 2021.

Restipulation of VAT Exemptions on Certain Strategic Taxable Goods

Meet Our Experts



Rinan Auvi Metally, S.I.A., BKP
Manager of Tax Compliance & Litigation Services
aui@ddtc.co.id



Bintang Perdana Putra, SE
Specialist of Tax Compliance & Litigation Services
bintang@ddtc.co.id

Rinan Auvi Metally is the Manager of Tax Compliance & Litigation Services at DDTC. She is an experienced practitioner involved in various tax advisory and tax disputes resolution projects, where she has represented multinational companies in heavy equipment, coal mining and leather industries. She holds a Bachelor's degree in Fiscal Administration from University of Indonesia. This Licensed Tax Attorney is also a Certified C of Indonesian Tax Consultant Examination and Certified in Principles of International Taxation from the Chartered Institute of Taxation, United Kingdom.

Bintang Perdana Putra is Specialist of Tax Compliance & Litigation Services at DDTC. His expertise is on providing various tax services such as, tax compliance, tax advisory, tax dispute resolution, and tax litigation for several companies in various industries. Holding a Diploma's degree in Tax Administration and a Bachelor's degree in Management from University of Indonesia, the licensed Tax Consultant is Certified A of Indonesian Tax Consultant Examination.

The Director General of Taxes restipulates subjects and objects receiving the VAT exemption facility on imports or acquisition of certain strategic taxable goods (*Barang Kena Pajak/BKP*). The policy is stated in Press Release No. SP-29/2021 (SP-29/2021).

These provisions constitute implementing provisions of Article 6 of Government Regulation No. 48 of 2020 concerning Imports and/or Supplies of Certain Strategic Taxable Goods that are Exempt from the Imposition of Value Added Tax ([Gov. Reg. 48/2020](#)). The restipulation of subjects and objects as recipients of the VAT exempt facility includes the following:

- (i) adding subjects eligible for the facility, i.e. Engineering, Procurement, and Construction (EPC) contractors that carry out integrated construction work;
- (ii) adding liquified natural gas (LNG) as a new object eligible for the facility;
- (iii) broadening the definition of machinery and plant equipment; and

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

- (iv) adding provisions related to the costs of electricity installation and costs of electricity loads, including the definition of electricity which is exempt from VAT imposition.

In addition to regulating subjects and objects eligible for the facility, SP-29/2021 also describes changes in the procedures for the granting of VAT exempt facility and VAT payments for certain strategic BKP.

According to the Directorate General of Taxes (DGT), the procedures have been changed to render ease in doing business and provide legal certainty. Four procedures for the granting of VAT exemption facility are described in SP-29/2021.

First, procedure for the granting of VAT exempt facility on imports or supplies of machinery and plant equipment using a VAT Exemption Certificate (*Surat Keterangan Bebas/SKB*). In this case, Taxable Persons for VAT Purposes (*Pengusaha Kena Pajak/ PKP*) submit VAT SKB to the DGT through the Indonesia National Single Window (INSW) System. *Second*, changes in the mechanism for the issuance of SKB. SKB are currently issued using an automated system that is integrated with the Directorate General of Customs and Excise (DGCE), the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*), and the National Single Window Institution.

Third, procedure for the granting of VAT exempt facility on supplies of residential units of simple proprietary flats by integrating it into the application system of the Ministry of Public Works and Public Housing. *Fourth*, procedure for VAT payments for certain strategic BKP that have been exempted, but are not used according to their original purpose or are transferred.

Further provisions pertaining to procedures for the granting of VAT exempt facility on certain strategic taxable goods can be seen in Minister of Finance Regulation No. 115/PMK.03/2021.

Income Tax on Transfers of Participating Interests in Upstream Oil and Gas Activities

Meet Our Experts



David Hamzah Damian, S.Sos., ADIT, BKP
Partner of Tax Compliance & Litigation Services
david@ddtc.co.id



Dwi Wahyuni, Amd.Pjk
Senior Specialist of Tax Compliance & Litigation Services
dwi.wahyuni@ddtc.co.id

David Hamzah Damian is the Partner of Tax Compliance & Litigation Services at DDTC. He is an experienced practitioner in transfer pricing, customs, and all aspects of Indonesian taxation. He is a co-author of the Indonesian chapter in the 3rd and 7th edition book entitled "The Tax Disputes and Litigation Review", published by Law Business Research. This licensed Tax Consultant and Tax Attorney is a Certified C of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from Chartered Institute of Taxation, United Kingdom. He has been named one of the World's Leading Tax Controversy Advisers 2021 by International Tax Review, United Kingdom. He has attended a number of international courses and seminars, two most recent of which include "Global E-Commerce Conference," held by World Customs Organization, in Beijing, China (2018) and "WU-TA Advanced Transfer Pricing Programme," held by WU Transfer Pricing Center & Tax Academy of Singapore, in Singapore (2019).

Dwi Wahyuni is a Senior Specialist of Tax Compliance & Litigation Services at DDTC. This holder of Diploma's degree in Tax Administration from University of Indonesia attended an international course "Zero Rating of International Services: Correctly Applying Zero-rating Treatment on Services," held by Wolters Kluwer, in Singapore (2017). In addition to being a licensed tax attorney and consultant, she is also Certified A of Indonesian Tax Consultant Examination and Certified in Principles of International Taxation and Principles of Corporate & International Taxation (Singapore option) from the Chartered Institute of Taxation, United Kingdom.

The government has issued provisions on the income tax treatment on transfers of participating interests in upstream oil and gas businesses. These provisions are outlined in Government Regulation No. 93 of 2021 concerning the Income Tax Treatment on Transfers of Participating Interests in Upstream Oil and Gas Businesses ([Gov. Reg. 93/2021](#)).

This regulation has been released to provide legal certainty for contractors by clarifying the provisions concerning income tax on transfers of participating interests. The new Gov. Reg. is also intended to support the restructuring of State-Owned Enterprises

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

(SOEs) (*Badan Usaha Milik Negara/BUMN*). Broadly speaking, Gov. Reg. 93/2021 stipulates the form of ownership and transactions of participating interest transfers, exclusion from the imposition of income tax on transfers of participating interests, income tax rates, and the tax bases, as well as when transfers of participating interests become payable.

These provisions were regulated in [Gov. Reg. 79/2010](#) as amended by [Gov. Reg. 27/2017](#), and [Gov. Reg. 53/2017](#), but not detailed. In addition, the former regulation has not accommodated provisions that support policies to increase company values through SOE restructuring.

Participating interests refer to the rights, interests, and obligations of contractors based on cooperation contracts (*Kontrak Kerja Sama/KKS*) in the oil and gas sector. Participating interests constitute a form of KKS between the government and contractors for the management of an oil and gas working area. Participating interests are included in the immovable property category that can be held directly and indirectly. Direct ownership refers to ownership due to the approval obtained by a contractor from the Minister of Energy and Mineral Resources.

Indirect ownership, on the other hand, refers to ownership through shares or direct equity participation in the contractor or the party that owns the contractor. Such participation interests can be transferred to another party through sale, transfer, supply, or disposal in other ways in whole or in part to share risks or other economic purposes.

The income from transfers of participating interests is considered as income for the contractor and subject to final tax with two types of rates. *First*, 5% of the gross amount for transfers of participating interests during the exploration. *Second*, 7% of the gross amount for transfers of participating interests during the exploitation.

The party required to withhold and/or pay and file income taxes on transfers of participating interests is the contractor. Further provisions will be regulated in a minister of finance regulation. The rates remain the same as those stipulated under Gov. Reg. 79/2010 as amended by Gov. Reg. 27/2017 and Gov. Reg. 53/2017.

However, not all transfers of participating interests are subject to final tax at these rates. Several transfers are excluded from the imposition of final tax if they meet stipulated conditions. *First*, income from transfers of directly held participating interests in the exploration. These provisions apply if they cumulatively meet the following four criteria:

- (i) not transferring all of their Participating Interests;
- (ii) participating interests have been held for more than three years;
- (iii) investment has been made for exploration in the working area; and
- (iv) transfers of participating interest are not profit-oriented.

Second, income during the exploitation from transfers of directly held participating interests to carry out obligations as per the KKS to national companies. *Third*, income from transfers of share ownership which constitute indirect transfers of participating interests.

Four types of income are excluded from the imposition of final tax for transfers of indirectly held participating interests.

- (i) gains or losses from transfers of share ownership are calculated as per the provisions under Article 4 paragraph (1) subparagraph d and Article 6 paragraph (1) subparagraph d of Law No. 7 of 1983 concerning Income Taxes as amended by Law No. 11 of 2020 concerning Job Creation (Income Tax Law);
- (ii) constituting taxable objects of final tax in Indonesia as per applicable regulations;
- (iii) carried out in the context of restructuring and has obtained approval to use book value as per applicable provisions; and/or
- (iv) carried out in the context of restructuring which is not intended to seek profit and does not change the contractor's head office (ultimate parent entity).

To fulfill the four provisions above, contractors must notify data and/or information to the Directorate General of Taxes (DGT) no later than four months after the end of the taxable year of the transfer of share ownership. In the event that the DGT obtains different data and/or information from the data and/or information submitted by the contractors, the DGT may conduct an audit to test compliance with the fulfillment of tax obligations as per applicable regulations.

Further, there are two income tax bases on transfers of directly held participating interests. *First*, the actual amount received by the contractor including the amount of all reimbursements for a transfer of participating interests in whatever name and form.

Second, the amount that the contractor should otherwise receive in the event of an affiliation. In contrast, the income tax base on a transfer of indirectly

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

held participating interests is the portion of shares transferred at the market price of ownership over the working area.

This regulation also stipulates when income tax becomes payable for a transfer of directly and indirectly held participating interests. Income tax on a transfer of participating interests becomes payable at the time of payment, the effective transfer of participating interests, or upon approval from the Minister of Energy and Mineral Resources for the transfer of participating interests. Income tax becomes payable on a transfer of indirectly held participating interests at the end of the taxable year of the transfer of share ownership.

With the enactment of Gov. Reg. 93/2021, Article 1 number 14, Article 27 paragraph (2), paragraph (2a), and paragraph (3) as well as Article 28 of Gov. Reg. 79/2010 as amended by Gov. Reg. 27/2017 are revoked and declared invalid. In addition, Article 1 number 16, Article 19 paragraph (3) and paragraph (4) and Article 20 under Gov. Reg. 53/2017 are revoked and declared invalid.

However, all implementing regulations of Gov. Reg. 79/2010 as amended by Gov. Reg. 27/2017 and Gov. Reg. 53/2017 are declared to remain valid insofar as they do not conflict with this regulation. This government regulation has come into force as of 31 August 2021.

Changes to Provisions on Face-to-Face Service Procedures at the Tax Court

Meet Our Experts



Ganda Christian Tobing, S.Sos., LL.M., Int. Tax., BKP
Senior Manager of Tax Compliance & Litigation Services
christian@ddtc.co.id



Riyhan Juli Asyir, S.I.A., BKP, ADIT
Assistant Manager of Tax Compliance & Litigation Services
riyhan@ddtc.co.id

Ganda Christian Tobing is Senior Manager of Tax Compliance & Litigation Services at DDTC. He is an experienced practitioner involved in tax dispute resolution projects, where he has represented various multinational companies. He advises a wide range of domestic and international clients across industry sectors and provides tax advice for private client. With a Master's degree in International Tax Law from Vienna University of Economics and Business Administration, Austria, this licensed Tax Attorney and Tax Consultant served as a National reporter at Rust Conference 2018 entitled "Tax Treaty Arbitration," held by the Institute for Austrian and International Tax Law and Vienna University

of Economics and Business in 2018 in Rust, Austria. He is also Certified B of Indonesian Tax Consultant Examination and certified in Principles of International Taxation from the Chartered Institute of Taxation, United Kingdom.

Riyhan Juli Asyir is Assistant Manager of Tax Compliance & Litigation Services at DDTC. He has been involved in various projects in the scope of work of tax compliance, tax advisory, tax audit, civil review and dispute resolution procedures, including tax objection and tax litigation (appeal and lawsuit in the tax court) for several multinational companies in various industries. Holding a Bachelor's degree in Fiscal Administration from University of Indonesia, the licensed Tax Attorney and registered Tax Consultant is Certified C of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom. He has attended a number of international courses and seminars, two most recent of which include "Fundamentals of Singapore Corporate Tax," held by TAKX Solutions (2019) and "WU-TA Advanced Transfer Pricing Programme," held by WU Transfer Pricing Center & Tax Academy of Singapore (2019)

The Secretary of the Tax Court has re-adjusted procedures for the provision of face-to-face trial and administrative services within the Tax Court during the Covid-19 Pandemic.

Adjustments to the procedures are stipulated under Circular No. SE-2/SP/2021 concerning Amendments to the Secretary of the Tax Court Circular No. SE-01/SP/2021 concerning Face-to-face Procedures during the Corona Virus Disease 2019 (Covid-19) Pandemic within the Tax Court ([SE-2/2021](#)). This circular has been issued to maintain the quality and smooth running of Tax Court services while taking into account health aspects, service users' safety, and level 3 Emergency Public Activity Restriction (*Pemberlakuan Pembatasan Kegiatan Masyarakat/PPKM*) policy applicable in the Special Capital Region of Jakarta.

This latest circular revises the provisions of number 2 subparagraph b point 1 under SE-01/SP/2021. The former regulation stipulated that service users attending the Tax Court had to be in good health, wear a two-layer mask, and at least show a rapid antigen examination certificate with a negative result valid for a maximum of 3x24 hours from the letter date.

Next, number 2 subparagraph b point 1 of SE-2/2021 stipulates that service users attending the Tax Court must be in good health, wear a two-layer mask, and show one of the following two documents.

First, a rapid antigen examination certificate with a negative result that is valid for a maximum of 3 x 24 hours from the letter date.

Second, proof of having been vaccinated for the first dose at the minimum. The vaccination status may be indicated through the Jakarta Kini (JAKI) application, a vaccination certificate issued by pedulilindungi.id, and/or proof of vaccination issued by an authorized institution.

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

This circular has come into force as of 30 August 2021 and may be subject to changes at any time and periodical improvement as per the development of Covid-19 positive cases at the Tax Court.

September 2021 Interest Penalties and Compensation Interest Rates

Meet Our Experts



Herjuno Wahyu Aji, M.Ak., BKP
Senior Manager of Tax Compliance & Litigation Services
herjuno@ddtc.co.id



Fakry, S.E., BKP
Assistant Manager of Tax Compliance & Litigation Services
fakrysodikin@ddtc.co.id

Herjuno Wahyu Aji is Senior Manager of Tax Compliance & Litigation Services at DDTC. He is responsible for tax advisory and compliance services for multinational companies including those engaged in automotive industry, mining and poultry feed industries. He is also responsible for tax dispute and litigation strategies. He holds a Bachelor's degree in Accounting from University of Indonesia and Indonesia State College of Accountancy (STAN) and a Master's degree in Accounting from University of Indonesia. He has also attended several international courses and seminars, most recently on Value Chain Analysis in Malaysia in 2017. Moreover, he is Certified in Principles of International Taxation from Chartered Institute of Taxation, United Kingdom.

Fakry is Assistant Manager of Tax Compliance & Litigation Services at DDTC. His expertise is Corporate Income Tax (CIT) and preparation of CIT Return for various industries. He has also been involved in tax compliance, tax advisory, tax audit, tax objection, tax litigation (appeal & lawsuit) in the tax court, and tax judicial review in the supreme court for clients in various industries. The licensed Tax Attorney and Tax Consultant holds a Bachelor's degree in Accounting from Indonesian College of Economics and a Diploma's degree in Accounting from State Polytechnic of Jakarta. Moreover, he is Certified B of Indonesian Tax Consultant Examination. He also attended "ITC Leiden South-East Asia (SEA) Program in International Tax Law," held by International Tax Center (ITC) Leiden, in Depok, Indonesia (2017).

The government has released monthly interest rates as the basis for calculating administrative penalties in the form of interest and the granting of interest compensation for the period between 1 September 2021 to 30 September 2021.

Details of the interest rates are stipulated under the Minister of Finance of the Republic of Indonesia Decree No. 49/KM.10/2021 concerning Interest Rates as the Basis for Calculating Administrative Penalties in the Form of Interest and Interest Compensation for the Period between 1 September 2021 to 30 September 2021 ([MoF Decree 49/2021](#)). This regulation was signed on 30 August 2021.

Four monthly interest rates apply for administrative penalties, ranging from 0.52% to 1.77%. The four monthly interest rates are lower than the monthly interest rates for the August 2021 period. Details of monthly interest rates for tax interest penalties for the period between 1 September 2021 to 30 September 2021 are indicated in Table 1.

Table 1 Details of Monthly Interest Rates of Interest Penalties

Articles in General Provisions and Tax Procedures	The Granting of Interest Compensation for	The Imposition of Administrative Penalties
Article 19 paragraph (1)	Notice of Tax Underpayment Assessment (<i>Surat Ketetapan Pajak Kurang Bayar/SKPKB</i>) or Additional SKPKB, and Correction Decree, Objection Decision Letter, Decision on Appeal, or Decision on Case Review, which causes the amount of tax payable to increase, but at the time of maturity, it is not paid or underpaid. (Collection Interest)	0.52%
Article 19 paragraph (2)	Taxpayers are allowed to pay in installments or postpone tax payments. (Installments/postponement of tax payments)	
Article 19 paragraph (3)	Taxpayers are allowed to postpone the filing of Annual Tax Returns and the temporary calculation of the tax payable as referred to in Article 3 paragraph (5) is actually less than the actual amount of tax payable. (Underpayment of postponement of the filing of Annual Tax Returns)	
Article 8 paragraph (2)	Underpayment of Correction of Annual or Periodic Tax Returns.	0.94%
Article 8 paragraph (2a)	The taxpayer corrects Periodic Tax Returns on his own (before audits) which results in higher tax liability.	
Article 9 paragraph (2a)	Late remittance of periodic income tax.	
Article 9 paragraph (2b)	Late remittance of Annual Income Tax/Article 29 Income Tax.	

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Articles in General Provisions and Tax Procedures	The Granting of Interest Compensation for	The Imposition of Administrative Penalties
Article 14 paragraph (3)	The issuance of Notice of Tax Collection (<i>Surat Tagihan Pajak/STP</i>) by the DGT due to: (i) Unpaid/underpaid income tax (ii) Based on the research results, there are taxes that are underpaid due to writing errors and/or miscalculations. (Income tax in the current year is not paid/underpaid or from the results of the research, there is tax underpayment due to writing errors and/or miscalculations)	0.94%
Article 8 paragraph (5)	Disclosure of inaccuracy of Tax Returns after audits, but the Notice of Tax Assessment (<i>Surat Ketetapan Pajak/SKP</i>) has not been issued. (Underpaid tax that arises due to the disclosure of incorrect Tax Return filing)	1.36%
Article 13 paragraph (2)	SKPKB is issued because the tax payable is not paid/underpaid due to matters regulated under Article 13 paragraph 1 subparagraph (a) to (e) of the General Tax Procedures and Provisions Law. (SKPKB Penalties)	1.77%
Article 13 paragraph (2a)	SKPKB is issued as the taxable person for VAT purposes has not performed any supplies, but has received refunds/has credited the input VAT as referred to in Article 9 paragraph (6a) of the VAT Law. (Refund of input VAT from taxable persons for VAT purposes that are not producing)	

Source: Job Creation Law and MoF Decree No. 49/KM.10/2021.

Table 2 Details of Monthly Interest Rates of Interest Compensation

Articles in General Provisions and Tax Procedures	The Granting of Interest Compensation for	Monthly Interest Rate
Article 11 paragraph (3)	Tax overpayment is refunded in 1 (one) month after the application.	0.52%
Article 17B paragraph (3)	Notice of Overpayment Assessment (<i>Surat Ketetapan Pajak Lebih Bayar/SKPLB</i>) is issued late after the 1 month period expires.	
Article 17B paragraph (4)	SKPLB is issued because the preliminary investigation of tax crime: a. does not proceed with the investigation, b. proceeds with the investigation but there is no prosecution of tax crime, or c. proceeds with the investigation and prosecution of the tax crime but it is acquitted.	
Article 27B paragraph (4)	Tax refund on the filing of objections, requests for appeal, or applications for judicial reviews that are granted partially or in full.	

Source: Job Creation Law and MoF Decree No. 49/KM.10/2021.

The monthly interest rates in the MoF Decree vary as they are the result of the calculation of the monthly interest rate. The calculation is based on the reference interest rate formula set by the minister of finance plus the uplift factor of each article and divided by 12.

On the other hand, the interest rate as the basis for the granting of interest compensation is set at 0.52%. The monthly interest rate is lower than the previous period. Details of the monthly rates on tax interest compensation for the period between 1 September 2021 and 30 September 2021 are indicated in Table 2.

Guidelines for the Granting of Government Agency Identification Numbers and Tax Filing Obligations

Meet Our Experts



Denny Vissaro, S.E., M.S.E., M.A., ADIT
Manager of DDTC Fiscal Research
denny@ddtc.co.id



Hamida Amri Safarina, SH
Researcher of Tax Research & Training Services
hamida@ddtc.co.id

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Denny Vissaro is the Manager at DDTC Fiscal Research. His research coverage consists of fiscal policy, international taxation, tax administration, public finance and fiscal decentralization. Most of his research projects are related to the works of Directorate General of Taxes and Fiscal Policy Agency. He is also responsible as the Chief Editor for the Indonesia Taxation Quarterly Report. He holds a Master's degree in Economics of Development from Erasmus Universiteit Rotterdam. In 2017, he was appointed as a national reporter and speaker at Rust Conference, in Austria. Additionally, he holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom.

Hamida Amri Safarina is a Researcher at DDTC whose coverage consists of fiscal policy, international taxation, tax administration, tax law, and tax dispute. The holder of a Bachelor's degree in Law from Gadjah Mada University is also a certified PKPA from the Indonesian Advocates Association (PERADI).

The Director General of Taxes has issued an implementing regulation concerning the guidelines for the granting and use of identification numbers for government agencies and their tax reporting obligations. The policy is stated in Circular No. SE-41/PJ/2021 concerning Implementation Guidelines for the Granting and Use of Identification Numbers for Organization Sub-Units of Government Agencies and Tax Filing Obligations of Government Agencies ([SE-41/2021](#)).

This regulation has been enacted to provide guidelines in the issuance of identification numbers for organization sub-units of government agencies as well as the exercise of their taxation rights and obligations. Therefore, there is uniformity in the implementation.

The Director General of Taxes may issue Taxpayer Identification Numbers (TIN) (*Nomor Pokok Wajib Pajak/NPWP*) for government agencies based on applications submitted to the Tax Office (*Kantor Pelayanan Pajak/KPP*) or the Tax Services, Dissemination, and Consultation Office (*Kantor Pelayanan, Penyuluhan, dan Konsultasi Perpajakan/KP2KP*). In this case, the Head of KPP or KP2KP issues TIN for three government agencies as follows:

- (i) central government agencies. TINs for central government agencies are issued to work units as users of the State Budget and work units that apply the Financial Management Pattern of Public Service Agency (*Pola Pengelolaan Keuangan Badan Layanan Umum/PPK-BLU*).
- (ii) local government agencies. TINs for local government agencies are issued to Local Government Work Units (*Satuan Kerja Perangkat Daerah/SKPD*) as users of the Regional Budget and work units that implement the Financial Management Pattern of Local Public Service

Agency (*Pola Pengelolaan Keuangan Badan Layanan Umum Daerah/PPK BLUD*).

- (iii) village government agencies. TINs for village government agencies are issued to village government organizational units as users of the Village Budget.

The government agencies subject to TIN issuance are obliged to carry out accounting and prepare financial statements of government accounting standards. If the work units/BLU, SKPD/BLUD, and village government organizational units do not carry out accounting and prepare financial statements as per accounting standards, government agency TINs shall not be issued. KPP or KP2KP must continue to verify the applications for TIN registration for government agencies by taking into account the terms and conditions.

This regulation also stipulates that government agencies may authorize implementing units under these agencies to take measures and be accountable for state budget revenues and expenditures.

On another note, government agencies may appoint organizational subunits to assist in the exercise and/or fulfillment of certain tax obligations. Organizational subunits that assist in the exercise of tax rights and obligations must be registered in the e-Bupot application for government agencies.

After the registration, the Directorate General of Taxes (DGT) will issue TINs for the organizational subunits. Next, the organizational subunits registered by government agencies will be automatically given a certificate of registration as organizational subunits through the e-bupot application for government agencies.

The organizational subunits will obtain a username and password to access the e-bupot application for government agencies and carry out their tax rights and obligations. There are several tax rights and obligations of organizational subunits as follows:

- (i) tax withholding and/or collection;
- (ii) electronic issuance and/or cancellation of tax withholding and/or collection receipts;
- (iii) recording of tax invoice data received from partners and tax payment slips (*Surat Setoran Pajak/SSP*) for the collection of Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGs) (*Pajak Penjualan atas Barang Mewah/PPnBM*);
- (iv) generating billing codes and tax payment or remittance transactions through tax payment banks/ post offices;

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

- (v) applying for overbooking for errors in tax payment error or remittance by the subunit of the remitting organization; and/or
- (vi) the exercise of tax rights and/or fulfillment of other tax obligations as stipulated by the DGT and carried out electronically.

Tax rights and obligations, in addition to applying for overbooking, are exercised through the e-bupot application for government agencies. In the event that the e-bupot application for government agencies is not yet available, the exercise of tax rights and/or fulfillment of tax obligations of the organizational subunits, in addition to applying for overbooking, are carried out by these government agencies as per applicable regulations.

TINs are used for the exercise of tax rights and/or fulfillment of tax obligations of government agencies and treasurers for the July 2020 taxable period to August 2021 taxable period as per the provisions of Article 6 paragraph (3) subparagraph a, subparagraph b, and subparagraph c of the Director General of Taxes Regulation Number PER-13/PJ/2021 concerning Amendments to the Director General of Taxes Regulation Number PER-02/PJ/2021 concerning Procedures for the Granting and Use of Identification Numbers for Organizational Subunits of Government Agencies and Tax Filing Obligations of Government Agencies ([PER-13/2021](#)).

On another note, tax obligations in the form of tax withholding and/or collection, remittance, and filing for the July 2020 taxable period to August 2021 taxable period are also fulfilled as per the provisions of Article 8 paragraph (1), paragraph (2), and paragraph (3) of PER-13/2021.

It should be understood that the Director General of Taxes has *ex officio* nullified treasurer TINs as of 1 September 2021. Thus, the exercise of tax rights and/or fulfillment of tax obligations since the September 2021 taxable period only use government agency TINs.

In addition, this regulation stipulates the monitoring and socialization of the registration of organizational subunits and/or the exercise of tax rights and/or fulfillment of tax obligations. This circular was enacted on 27 July 2021.

Procedures for Tax Withholding and Collection and Filing of Periodic Tax Returns for Government Agencies

Meet Our Experts



Erika, S.E., BKP
Assistant Manager of Tax Compliance & Litigation Services
erika@ddtc.co.id



Kalana Bayusuta, S.AP
Specialist of Tax Compliance & Litigation Services
kalana@ddtc.co.id

Erika is the Assistant Manager of Tax Compliance & Litigation Services at DDTC. Holding a Bachelor's degree in Accounting from Atma Jaya University, she has been involved in various tax compliance, tax advisory, due diligence and tax diagnostic review projects for several companies.

Kalana Bayu Suta is a Specialist of Tax Compliance & Litigation Services at DDTC. He has been involved in various projects, such as tax compliance, tax advisory and tax diagnostic review projects for several companies. He has also filed in a Corporate Income Tax Return (CITR) for various industries and a preparation Individual Income Tax Return (IITR) for individual taxpayers including expatriate taxpayers. Holding a Bachelor's degree in Public Administration from STIAM, the Licensed Tax Consultant is a Certified B of Indonesian Tax Consultant Examination. He has also attended a number of international courses and seminars, including "Lego for Tax – The next Digital Transformation, The next digital transformation," held by TPA Global in 2020.

The Director General of Taxes has issued provisions on the procedures for tax withholding and collection as well as the filing of periodic tax returns for government agencies. The policy is outlined in the Director General of Taxes Regulation No. Per-17/PJ/2021 concerning the Format and Procedures for the Preparation of Tax Withholding and/or Collection Receipts, as well as the Format, Contents, Procedures for the Completion and Filing of Periodic Tax Returns for Government Agencies ([PER-17/2021](#)).

This regulation has been issued to provide legal certainty and improve services and convenience for government agency taxpayers in preparing withholding and collection receipts and filing periodic Article 21 and/or Article 26 Income Tax Returns as well as unification periodic tax returns for government agencies.

As per Article 2 paragraph (1) of PER-17/2019, the withholding agent/tax collector withholding and/or collecting taxes on government expenditures

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

must produce tax withholding/collection receipts and submit these receipts to the party subject to withholding/collection. In addition, the withholding agent/collector is also required to file tax withholding/collection receipts to the DGT using periodic tax returns for government agencies.

Withholding/collection receipts may include 21/26 withholding receipts for government agencies, unification withholding/collecting receipts for government agencies, and VAT/STLGs collection receipts. Periodic tax returns for government agencies, on the other hand, consists of 21/26 tax returns for government agencies and unification tax returns for government agencies. Further, unification tax returns for government agencies include several types of taxes, i.e. Article 4 paragraph (2) Income Tax, Article 15 Income Tax, Article 22 Income Tax, Article 23 Income Tax, Article 26 Income Tax, and VAT/STLGs.

21/26 withholding receipts for government agencies need not be prepared if there is no income tax withholding. 21/26 withholding receipts for government agencies may continue to be prepared with the following conditions:

- (i) article 21 Income Tax is not withheld as the amount of received income does not exceed the personal allowance (*Penghasilan Tidak Kena Pajak/PTKP*), daily income threshold, or monthly income threshold as stipulated in applicable regulations;
- (ii) the amount of withheld Article 21 Income Tax is nil due to a withholding exemption certificate (*Surat Keterangan Bebas/SKB*) or is subject to a 0% rate;
- (iii) withheld Article 21 income tax is borne by the government as per applicable regulations;
- (iv) withheld Article 21 income tax is provided with income tax facilities as per the provisions of applicable regulations; and/or
- (v) the amount of withheld Article 26 Income Tax is nil based on the provisions of the tax treaty (*Perjanjian Penghindaran Pajak Berganda/P3B*) indicated by a certificate of domicile and/or receipt of a certificate of domicile for non-resident taxpayers (*Wajib Pajak Luar Negeri/WPLN*).

Unification withholding/collection receipts for government agencies consist of withholding/collection receipts of Article 4 paragraph (2), Article 15, Article 22, Article 23 Income Taxes, and withholding receipts of Article 26 Income Tax. In the event that in a taxable period there are two or more income tax withholding/collection transactions on the same parties and taxable

object code, the tax withholding agent/collector may prepare one unification withholding/collection receipt for government agencies for these transactions.

Moreover, unification withholding/collection receipts for government agencies do not need to be made in the event that there is no income tax withholding or collection. However, unification withholding/collection receipts for government agencies continue to be prepared in the following cases:

- (i) the amount of withheld/collected income tax is nil due to a SKB;
- (ii) transactions are carried out with taxpayers who have confirmed Gov. Reg. No. 23 of 2018 certificates;
- (iii) the amount of withheld Article 26 Income Tax is nil based on the provisions of the tax treaty indicated by a certificate of domicile and/or receipt of a certificate of domicile for non-resident taxpayers;
- (iv) withheld/collected income taxes are borne by the government as per statutory provisions in the field of taxation;
- (v) withheld/collected income taxes are provided with income tax facilities as per statutory provisions in the field of taxation; and/or
- (vi) income tax withholding/collection is carried out using a Tax Payment Slip (*Surat Setoran Pajak/SSP*), state revenue proof (*Bukti Penerimaan Negara/BPN*), or other administrative means equivalent to the SSP.

VAT/STLGs collection receipts may take the form of tax invoices or certain documents equivalent to tax invoices and SSP, BPN, or other administrative means equivalent to SSP.

In preparing 21/26 withholding receipts for government agencies and unification withholding/collection receipts for government agencies, the withheld and/or collected party must provide information on identity for resident taxpayers or non-resident taxpayers to the withholding agent/collector. In the event that a resident taxpayer wishes to apply the provisions of a tax treaty, the non-resident taxpayer must provide a certificate of domicile and/or receipt of a certificate of domicile.

Tax withholding/collection receipts and periodic tax returns for government agencies in the form of electronic documents are prepared and filed through the e-bupot application for government agencies. With regard to tax withholding/collection receipts that have been filed in periodic tax returns for government agencies, three measures may be undertaken by the

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

withholding agent/collector as follows.

- (i) rectification of 21/26 withholding receipts for government agencies and unification withholding/collection receipts for government agencies in the event of errors in the completion of tax withholding/collection receipts or a return transaction;
- (ii) replacement of VAT/STLGs collection receipts in the event of errors in the completion of VAT/STLGs collection receipts or a return transaction; or
- (iii) cancellation of 21/26 withholding receipts for government agencies, unification withholding/collection receipts for government agencies, and VAT/STLGs collection receipts in the event of a cancelled transaction.

Tax withholding agents/collectors may produce 21/26 withholding receipts for government agencies and additional unification withholding/collection receipts for government agencies for taxable objects that have not been filed in periodic tax returns for government agencies.

Rectification, cancellation, or replacement of tax withholding/collection receipts and/or preparation of additional tax withholding/collection receipts may be performed on condition that the Director General of Taxes has not conducted an audit or open preliminary investigation for the taxable period concerned. Rectification, cancellation, replacement, and addition of tax withholding/collection receipts shall be filed in the rectified periodic tax returns for government agencies.

Periodic tax returns for government agencies are rectified by providing marks on the space provided in the periodic tax returns for government agencies. Periodic tax returns for government agencies may be rectified on the condition that the Director General of Taxes has not conducted an audit or open preliminary investigation for the taxable period concerned.

In the event that the rectification of period tax returns for government agencies results in tax underpayment, the tax withholding agent/collector must first pay the tax underpayment. The amount of tax underpayment due to rectifications submitted after the due date of remittance is subject to administrative penalties in the form of interests.

Next, if the rectification of periodic tax returns for government agencies results in tax overpayment, the tax overpayment may be carried forward to the next taxable period by the tax withholding agent/collector. If the rectification results in tax overpayment in the

unification tax returns for government agencies, the tax withholding agent/collector may apply for overbooking.

21/26 withholding receipts for government agencies and unification withholding/collection receipts for government agencies are prepared through the e-bupot application for government agencies. Periodic tax returns for government agencies are also electronically signed with an electronic signature and filed through the e-bupot application for government agencies. Tax withholding/collection receipts are filed using periodic tax returns for government agencies no later than 20 days after the taxable period ends.

When this regulation comes into effect, the obligation to file periodic income tax returns and periodic VAT returns for taxable periods before the September 2021 taxable period shall be carried out based on PER-147/PJ/2006, PER-53/PJ/2009, PER-14/PJ/2013, or PER-04/PJ/2017. This Director General of Taxes Regulation comes into effect from the September 2021 taxable period.

Provisions on the Testing of Tax Invoices for Creditable VAT

Meet Our Experts



Khisi Armaya Dhora, S.I.A., ADIT, BKP
Expert Consultant
khisi@ddtc.co.id



Wulan Clara Kartini, S.I.A., M.Ak
Assistant Manager of Tax Compliance & Litigation Services
wulan@ddtc.co.id

Khisi Armaya Dhora is an Expert Consultant at DDTC. She is a practitioner with expertise and experience in international tax and value added tax (VAT). She is particularly involved in tax advisory projects, where she has received outstanding feedback from clients and peers alike for providing noteworthy tax advice. She has represented several multinational companies in dispute resolution procedures, including tax objections, tax appeals, lawsuits, and litigation at the tax court. In the past, she has attended a number of international courses and seminars, two most recent of which include "Fundamentals of Singapore Corporate Tax," held by TAKX Solutions, in Singapore (2018) and "Global Tax: Driving the Future," held by Harvard Kennedy School & Irish Tax Institute, in Dublin, Ireland (2019). This licensed tax consultant is Certified B of Indonesian Tax Consultant Examination and holds an Advanced Diploma in International Taxation (ADIT) from Chartered Institute of Taxation, United Kingdom.

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Wulan Clara Kartini is Assistant Manager of Tax Compliance & Litigation Services at DDTC. She is particularly involved in tax advisory projects. She has represented several multinational companies in dispute resolution procedures, including tax objection, tax appeal, lawsuits and litigation at the tax court. The Licensed Tax Attorney and Tax Consultant is Certified B of Indonesian Tax Consultant Examination and also holds a Bachelor's degree in Fiscal Administration and a Master's degree in Accounting from University of Indonesia.

The Director General of Taxes has issued provisions on the testing of tax invoices for creditable VAT. The provisions are outlined in the Director General of Taxes Circular No. SE-45/PJ/2021 concerning the Testing of Tax Invoices whose Value Added Tax May be Credited as Input VAT ([SE-45/2021](#)).

This regulation has been issued due to the non-uniformity in testing the VAT listed in tax invoices to be credited as input VAT. This circular is intended to provide guidelines on the testing of tax invoices whose VAT can be credited as input VAT.

This circular stipulates that the VAT stated in tax invoices may be credited as input VAT insofar as it does not constitute VAT on expenditures referred to in Article 9 paragraph (8) of Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended by Law No. 11 of 2020 concerning Job Creation (VAT Law). Moreover, the VAT stated in tax invoices must fulfill formal requirements and material requirements.

To test the material requirements of tax invoices, the underlying transactions of tax invoices are checked in terms of the flow of money, the flow of goods or the acquisition of services, and the flow of documents. Testing is also carried out by confirming tax invoices through the DGT information system. Having performed testing, there are four types of test results on the material requirements of tax invoices.

First, in the event that the testing on the flow of money, the flow of goods or the acquisition of services, and the flow of documents is fulfilled and the confirmation of a tax invoice states "available and conforming", the VAT stated in the tax invoice constitutes a creditable input VAT. The input VAT may be credited insofar as the tax invoice fulfills the formal requirements and does not constitute VAT on expenditures as referred to in Article 9 paragraph (8) of the VAT Law.

Second, if the test on the flow of money, flow of goods or acquisition of services, and document flow is fulfilled but the tax invoice confirmation states "none", the VAT stated in the tax invoice constitutes a creditable input VAT. The crediting may be performed

if the tax invoice meets the formal requirements and does not constitute VAT on expenditures as referred to in Article 9 paragraph (8) of the VAT Law.

The DGT shall follow up the tax invoice as a means of information as per the provisions on the administration guidelines for the development, utilization, and monitoring of data. Subsequently, the tax invoice is sent to the tax office (*Kantor Pelayanan Pajak/KPP*) where the seller constituting a Taxable Person for VAT Purposes (*Pengusaha Kena Pajak/PKP*) is registered for supervision

Third, if the test on money flow, goods flow or service acquisition, and the flow of documents is not fulfilled but the tax invoice confirmation states "available and conforming", the VAT stated in the tax invoice cannot be credited as input VAT.

Fourth, if the test on money flow, goods flow or service acquisition, and the flow of documents is not fulfilled but the tax invoice confirmation states "none", the VAT stated in the tax invoice cannot be credited as input VAT.

With respect to the test results in the third and fourth points, the tax invoice will be followed up as information, data, reports, and complaints as per tax statutory provisions on the implementing guidelines for the development and analysis of information, data, reports, and complaints. The circular was enacted on 20 August 2021.

Regional Fiscal Capacity Maps

Meet Our Experts



Denny Vissaro, S.E., M.S.E., M.A., ADIT
Manager of DDTC Fiscal Research
denny@ddtc.co.id



Lenida Ayumi, S.IP, M.E.
Researcher of Tax Research & Training Services
lenida@ddtc.co.id

Denny Vissaro is the Manager at DDTC Fiscal Research. His research coverage consists of fiscal policy, international taxation, tax administration, public finance and fiscal decentralization. Most of his research projects are related to the works of Directorate General of Taxes and Fiscal Policy Agency. He is also responsible as the Chief Editor for the Indonesia Taxation Quarterly Report. He holds a Master's degree in Economics of Development from Erasmus Universiteit Rotterdam. In 2017, he was appointed as a national reporter and speaker at Rust Conference, in Austria.

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Additionally, he holds an Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom.

Lenida Ayumi is a Researcher at DDTC. Her research coverage consists of fiscal policy, public finance, tax administration, and fiscal decentralization. She is also one of editorial team members for Indonesia Taxation Quarterly Report (ITQR). She has attended a number of courses and seminars, including "Professional Public Speaking," held by Talk Inc, Jakarta, Indonesia (2020) and has undertaken "BREVET A dan B," held by Ikatan Akuntan Indonesia (2021). She holds a Bachelor's degree in Political Science and a Master's degree in Economic Planning and Development Policy from University of Indonesia.

The Ministry of Finance has issued provisions on the Regional Fiscal Capacity (*Kapasitas Fiskal Daerah/KFD*) maps. KFD maps are stipulated in the Minister of Finance Regulation No. 116/PMK.07/2021 concerning Regional Fiscal Capacity Maps ([MoF Reg. 116/2021](#)). The ministerial regulation has been issued to implement the provisions of Article 13 paragraph (2) of Government Regulation No. 2 of 2012 concerning Regional Grants ([Gov. Reg. 2/2012](#)).

As per Article 2 of MoF Reg. 116/2021, KFD maps are used for three things. *First*, as a consideration in determining grant receiving regions. *Second*, the determination of the amount of counterpart funds by the local government, if so required. *Third*, other users as per statutory provisions.

KFD maps consist of two maps, i.e. the provincial KFD map and the regency/municipal KFD map. Provincial and regency/municipal KFD maps are listed in the [Appendix](#) which constitutes an integral part of this regulation.

Provincial and regency/municipal KFD maps are prepared in two stages. In the first stage, provincial and regency/municipal KFD are calculated. Next, in stage II, the provincial and regency/municipal KFD index is calculated. The calculation of provincial KFD and Regional Fiscal Capacity Index (*Indeks Kapasitas Fiskal Daerah/IKFD*) is based on the following formula.

Table 3 Formula for the Calculation of Provincial KFD and IKFD

Category	Formula
Provincial KFD-i	Revenues - [revenues with specified use + certain expenditures]
Provincial IKFD-i	Provincial KFD-i / (Σ Provincial KFD)/n

The revenues referred to in the formula include local own-source revenue (*Pendapatan Asli Daerah/PAD*), transfer revenues, and other legitimate local revenues. On the other hand, revenues with specified use

include cigarette taxes, Revenue Sharing Funds (*Dana Bagi Hasil/DBH*) of tobacco products excise, DBH of reforestation funds for natural resources, physical Special Allocation Funds (*Dana Alokasi Khusus/DAK*), non-physical DAK, special autonomy funds, DBH of oil and natural gas natural resources in the context of special autonomy, special funds for the Special Region of Yogyakarta, and grants.

Non-physical DAK does not include local civil servant teacher professional allowances, additional funds of local civil servant teacher income, and special allowances for local civil servant teachers. The certain expenditure component in the formula, on the other hand, includes personnel expenditures, interest expenditures, and profit sharing expenditures. Next, provincial IKFD may be grouped into five categories as follows.

Table 4 Categories of Provincial KFD

IKFD Range	KFD Category
IKFD < 0.275	Very Low
0.275 ≤ IKFD < 0.458	Low
0.458 ≤ IKFD < 0.863	Moderate
0.863 ≤ IKFD < 1.745	High
IKFD ≥ 1.745	Very High

The calculation of regency/municipal KFD and IKFD is based on the following formula.

Table 5 Formula for the Calculation of Regency/Municipal KFD and IKFD

Regency/municipal KFD-i	Revenues - [revenues with specified use + certain expenditures]
Regency/municipal IKFD-i	Regency/municipal KFD-i / (Σ Regency/municipal KFD)/n

The revenues referred to in the above formula include PAD, transfer revenues, and other legitimate local revenues. Next, revenues with specified use include six elements, i.e. DBH of tobacco products excise, physical DAK, non-physical DAK, special autonomy funds, village funds, and grants. Non-physical DAK does not include local civil servant teacher professional allowances, additional funds of local civil servant teacher income, and special allowances for local civil servant teachers.

Certain expenditures in the formula, on the other hand, include personnel expenditures, interest expenditures, profit sharing expenditures, and village fund allocations. Next, based on IKFD, regency/municipal IKFD may be grouped into five categories as follows.

REDUCTION OF BOND INTEREST RATE FOR RESIDENT TAXPAYERS AND PERMANENT ESTABLISHMENTS

Table 6 Categories of Regency/Municipal KFD

IKFD Range	Regency/Municipal KFD Category
IKFD < 0.530	Very Low
0.530 ≤ IKFD < 0.727	Low
0.727 ≤ IKFD < 1.053	Moderate
1.053 ≤ IKFD < 1.838	High
IKFD ≥ 1.838	Very High

The above calculation of the provincial and regency/municipal KFD uses data from the Local Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) for the 2021 Fiscal Year and Presidential Regulation No. 113 of 2020. When this ministerial regulation comes into effect, MoF Reg. No. 120/PMK.07/2020 is declared revoked and invalid. This policy was enacted on 1 September 2021.

Latest taxation news and regulations, visit:

news.ddtc.co.id & perpajakan.id

CONNECT WITH US:

With just one click



MENARA DDTC

Jl. Raya Boulevard Barat Blok XC 5-6 No. B
Kelapa Gading Barat, Kelapa Gading
Jakarta Utara 14240 - Indonesia

Phone: +6221 2938 2700, Fax: +6221 2938 2699

The information herein is for general purposes only and is not intended to address the circumstances of any particular individual or entity. This content should not be used as reference for consultation without professional advisors.