Sets the Standards and Beyond

THE CONSOLIDATION IN A SINGLE TEXT

GENERAL PROVISIONS AND TAX PROCEDURES LAW, INCOME TAX LAW AND VALUE ADDED TAX LAW

PURSUANT TO LAW NO. 6 OF 2023

Legal Document Translation Committee:

Darussalam, Danny Septriadi, Atika Ritmelina M., Made Astrin D.K. and Daisy Anita

December 2024

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The Consolidation in a Single Text: General Provisions and Tax Procedures Law, Income Tax Law and Value Added Tax Law Pursuant to Law No. 6 of 2023

Darussalam, Danny Septriadi, Atika Ritmelina M., Made Astrin D.K. and Daisy Anita

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Coordinator : Darussalam
Layout : Gallantino Farman
Cover Design : Ekaputra Septyandhani

(PT Dimensi Internasional Tax)
Menara DDTC
Jl. Raya Boulevard Barat Blok XC 5-6 No B, Kelapa Gading Barat
Kelapa Gading, Jakarta Utara, DKI Jakarta, 14240 - Indonesia
Telp. : +62 21 2938 2700
Fax : +62 21 2938 2699
Website : http://www.ddtc.co.id

The Consolidation in a Single Text: General Provisions and Tax Procedures Law, Income Tax Law and Value Added Tax Law Pursuant to Law No. 6 of 2023
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FOREWORD

The Indonesian tax law package has undergone several amendments, most recently through Law Number 6 of 2023 (Law No.6/2023). The amendments are intended to align with business and economic changes, both nationally and globally. The revision to Law No.6/2023 constitutes a notable improvement aimed at improving fairness, legal certainty as well as business competitiveness in Indonesia.

Over the course of its development, Law No.6/2023 amends 3 (three) tax laws in Indonesia, namely the General Provisions and Tax Procedures (GPTP) Law, the Income Tax Law (ITL) and the Value Added Tax (VAT) Law.

The *Consolidation in a Single Text* book is designed to provide comprehensive information on the provisions under the GPTP Law, ITL and VAT Law as well as the amendments thereto. Encompassing details of the amendments in each paragraph, this book offers information on the tax laws in a structured manner based on the history of their amendments.

On another note, this book is also compiled by referring to the summary of amendments to the GPTP Law, ITL and VAT Law. The summary of amendments serves as a reference that enables historical and comprehensive compilation of all of the information in a single text of the laws.

This is in line with one of DDTC's missions, namely, to eliminate asymmetric tax-related information related to taxation. This book is expected to serve as guidelines for the Indonesian tax society in reading the text of the laws in one unit. Hopefully, this book may prove for the Indonesian tax society.

Jakarta, December 2024

Darussalam, Danny Septriadi, Atika Ritmelina M.,
Made Astrin D.K. and Daisy Anita.

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By 2024, DDTC has entered into MoUs and/or MoAs with **40 universities** in Indonesia

- Universitas Indonesia
- Universitas Gadjah Mada
- Universitas Airlangga
- Universitas Diponegoro
- Universitas Brawijaya
- Universitas Sebelas Maret
- Universitas Padjadjaran
- Universitas Sumatera Utara
- Universitas Trunojoyo Madura
- Universitas Mataram
- Universitas Negeri Padang
- Universitas Negeri Malang
- Universitas 17 Agustus 1945
- Universitas Jambi
- Universitas Jember
- Universitas Surabaya
- Universitas Nasional
- Universitas Trisakti
- BINUS University
- STHI Jentera
- STIE YKPN Yogyakarta
- UPN Veteran Jakarta
- Universitas Kristen Petra
- Universitas Kristen Maranatha
- Universitas Muhammadiyah Sukabumi
- Universitas Islam Malang
- Universitas Ibn Khaldun Bogor
- Politeknik Wilmar Bisnis Indonesia
- IBI Kwik Kian Gie
- Institut STIAMI
- Universitas Pamulang
- Universitas BSI
- Universitas Gunadarma
- Universitas Mercu Buana
- Universitas Tidar
- Universitas Multimedia Nusantara
- Universitas Sultan Ageng Tirtayasa
- Universitas Islam Indonesia
- Perbanas Institute
- PKN STAN

THE CONSOLIDATION IN A SINGLE TEXT GENERAL PROVISIONS AND TAX PROCEDURES LAW PURSUANT TO LAW NO. 6 OF 2023

SUMMARY OF AMENDMENTS GENERAL PROVISIONS AND TAX PROCEDURES LAW

Since its first issuance through Law No. 6 of 1983, the General Provisions and Tax Procedures Law (GPTP Law) has been subject to 7 (seven) amendments. The latest amendments are contained in Law No. 6 of 2023. The following is a summary of the amendments to each article, paragraph and detail of the subparagraphs contained in the GPTP Law.

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
1	1		x	x	x	x				
	2		x	x	x	x				
	3		x	x	x	x				
	4		x	x	x	x				
	5		x	x	x	x				
	6		x	x	x	x				
	7		x	x	x	x				
	8		x	x	x	x				
	9		x	x	x	x				
	10		x	x	x	x				
	11		x	x	x	x				
	12		x	x	x	x				
	13		x	x	x	x				
	14		x	x	x	x				
	15		x	x	x	x				
	16		x	x	x	x				
	17		x	x	x	x				
	18		x	x	x	x				
	19		x	x	x	x				
	20			x	x	x				
	21			x	x	x				
	22			x	x	x				
	23			x	x	x				
	24			x	x	x				
	25			x	x	x				
	26			x	x	x				
	27			x	x	x				
	28				x	x				
	29				x	x				
	30				x	x				
	31				x	x				
	32				x	x				
	33					x				
	34					x				
	35					x				
	36					x				
	37					x				
	38					x				
	39					x				
	40					x				

THE CONSOLIDATION IN A SINGLE TEXT:
GENERAL PROVISIONS AND TAX PROCEDURES LAW

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
	41					x				
CHAPTER II					x					
2	(1)		x	x		x				
	(1a)								x	
	(2)			x	x	x				
	(3)			x	x	x				
	(4)			x	x	x				
	(4a)					x				
	(5)			x	x	x			Deleted	
	(6)					x				
	(7)					x				
	(8)					x				
	(9)					x				
	(10)								x	
2A						x				
3	(1)		x	x	x	x				
	(1a)				x	x				
	(1b)					x				
	(2)		x		x	x				
	(3)	a.	x		x	x				
		b.				x				
		c.				x				
	(3a)					x				
	(3b)					x				
	(3c)					x				
	(4)		x		x	x				
	(5)		x		x	x				
	(5a)				x	x				
	(6)		x	x	x	x				
	(7)			x	x	x				
	(7a)					x				
	(8)			x	x	x				
4	(1)		x							
	(2)		x			x				
	(3)		x			x				
	(4)		x		x	x				
	(4a)					x				
	(4b)					x				
	(5)				x	x				
5			x							
6	(1)		x			x				
	(2)		x	x	x	x				
	(3)			x	x	x				
7	(1)		x	x		x				
	(2)				x	x				
8	(1)		x	x	x	x		x		
	(1a)					x		x		
	(2)		x			x		x		
	(2a)					x		x		
	(2b)							x		
	(3)		x		x	x		x		
	(3b)							x		
	(4)			x	x	x		x	x	
	(5)			x	x	x		x		
	(5a)							x		
	(6)				x	x		x		
9	(1)		x		x	x		x		
	(2)		x	x	x	x				
	(2a)				x	x		x		x
	(2b)					x		x		x
	(2c)							x		

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
	(3)		x	x	x	x				
	(3a)					x				
	(4)		x	x	x	x		x		
10	(1)		x		x	x				
	(1a)					x				
	(2)		x		x	x				
11	(1)		x	x	x	x		x		x
	(1a)					x		x		x
	(2)		x	x	x	x		x		x
	(3)		x		x	x		x		x
	(3a)							x		x
	(4)		x		x	x				
12	(1)		x			x				
	(2)				x	x				
	(3)				x	x				
13	(1)	a.	x	x				x	x	
		b.	x	x					x	
		c.	x	x				x	x	
		d.	x	x					x	
		e.				x		x	x	
		f.						x	x	
	(2)		x	x		x		x		
	(2a)							x		
	(2b)							x		
	(3)		x	x		x			x	
	(3a)							x		
	(3b)								x	
	(3c)								x	
	(4)		x	x		x		x		
	(5)		x	x		x		Deleted		
	(6)		x	Deleted		x		x		
	(7)		x	Deleted						
13A						x		Deleted		Deleted
14	(1)	a.	x	x	x	x				
		b.	x	x	x	x				
		c.	x	x	x	x			x	
		d.		x	x	x		x		
		e.		x	x	x		x		
		f.			x	x		Deleted		
		g.				x		Deleted		
		h.						x		
		i.							x	
	(2)		x		x	x				
	(3)			x	x	x		x		
	(4)			x	x	x		x		
	(5)					x		Deleted		
	(5a)							x		
	(5b)							x		
	(5c)							x		
	(6)					x				
15	(1)		x	x	x	x				
	(2)		x	x		x				x
	(3)		x	x	x	x		x		x
	(4)		x	x	x	x		Deleted		
	(5)					x		x		
16	(1)		x	x		x				
	(2)				x	x				
	(3)				x	x				
	(4)					x				
17	(1)		x	x		x				
	(2)		x	Deleted		x				
	(3)					x				

THE CONSOLIDATION IN A SINGLE TEXT:
GENERAL PROVISIONS AND TAX PROCEDURES LAW

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
17A	(1)			x		x				
	(2)					x				
17B	(1)			x	x	x				
	(1a)					x		x		
	(2)			x	x	x				
	(3)			x	x	x		x		x
	(4)					x		x		x
	(5)							x		x
	(6)							x		
	(7)							x		
17C	(1)				x	x				
	(2)				x	x				
	(3)				x	x				
	(4)				x	x				
	(5)				x	x				
	(6)					x				
	(7)					x				
17D	(1)					x				
	(2)					x				
	(3)					x				
	(4)					x				
	(5)					x				
17E						x				
18	(1)		x	x		x				
	(2)		x	x	Deleted					
19	(1)		x		x	x		x		x
	(2)		x		x	x		x		
	(3)		x		x	x		x		x
	(4)							x		
20	(1)				x	x				
	(2)	a.	x	x		x				
		b.	x	x		x				
		c.	x	x		x				
		d.			x					
		e.			x					
	(3)				x	x				
20A	(1)								x	
	(2)								x	
	(3)								x	
	(4)								x	
	(5)								x	
	(6)								x	
	(7)								x	
	(8)								x	
	(9)								x	
21	(1)		x	x	x	x				
	(2)		x		x	x				
	(3)		x	x	x	x				
	(3a)					x				
	(4)		x	x	x	x				
	(5)		x		x	x				
22	(1)		x	x	x	x				
	(2)	a.		x	x	x				
		b.			x	x				
		c.			x	x				
		d.				x				
23	(1)		x	x	Deleted					
	(2)			x	x	x				
	(3)			x	Deleted					
24			x		x	x				
25	(1)		x	x		x				
	(2)		x	x	x	x				

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
	(3)		x	x	x	x				
	(3a)					x				
	(4)		x	x	x	x				
	(5)		x	x	x	x				
	(6)		x	x		x				
	(7)			x		x			Elucidation	
	(8)					x				
	(9)					x			x	
	(10)					x			x	
26	(1)		x			x				
	(2)		x							
	(3)		x			x				
	(4)		x			x				
	(5)		x			x				
26A	(1)					x				
	(2)					x				
	(3)					x				
	(4)					x				
27	(1)		x	x		x				
	(2)		x	x	x	x				
	(3)		x	x	x	x				
	(4)			x	Deleted					
	(4a)					x			x	
	(5)			x		Deleted				
	(5a)					x			Elucidation	
	(5b)					x				
	(5c)					x			x	
	(5d)					x			x	
	(5e)								x	
	(5f)								x	
	(5g)								x	
	(6)			x	x	x				
27A	(1)			x	x	x		Deleted		
	(1a)					x		Deleted		
	(2)				x	x		Deleted		
	(3)				x	x		Deleted		
27B	(1)							x		
	(2)							x		
	(3)							x		x
	(4)							x		
	(5)							x		
	(6)							x		
	(7)							x		x
	(8)							x		x
27C	(1)								x	
	(2)								x	
	(3)								x	
	(4)								x	
	(5)								x	
	(6)								x	
28	(1)		x	x		x				
	(2)		x	x	x	x				
	(3)		x			x				
	(4)		x	x	x					
	(5)		x		x					
	(6)		x	x	x	x				
	(7)			x	x	x				
	(8)			x	x					
	(9)			x	x	x				
	(10)			x	x	Deleted				
	(11)			x	x	x				
	(12)			x	x	x				

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
29	(1)		x	x		x				
	(2)		x		x	x				
	(3)		x	x	x	x				
	(3a)					x				
	(3b)					x				
	(4)		x	x	x	x				
29A						x				
30	(1)		x			x				
	(2)					x				
31	(1)		x	x	x	x				
	(2)					x				
	(3)					x				
32	(1)	a.	x	x		x				
		b.	x	x		x				
		c.	x	x		x				
		d.	x	x		x				
		e.				x				
		f.				x				
	(2)		x		x	x				
	(3)		x	x		x				
	(3a)				x	x			x	
	(4)			x	x	x				
32A	(1)								x	
	(2)								x	
	(3)								x	
	(4)								x	
	(5)								x	
	(6)								x	
	(7)								x	
33			x			Deleted				
34	(1)		x	x	x					
	(2)		x	x	x	x				
	(2a)				x	x				
	(3)		x	x	x	x			x	
	(4)		x	x	x	x				
	(5)		x	x	x	x				
35	(1)		x	x		x				
	(2)		x	x		x				
	(3)					x				
35A	(1)					x				
	(2)					x				
36	(1)	a.	x		x	x				
		b.	x		x	x				
		c.				x				
		d.				x				
	(1a)					x				
	(1b)					x				
	(1c)					x				
	(1d)					x				
	(1e)					x				
	(2)		x		x	x				
36A	(1)				x	x				
	(2)					x				
	(3)					x				
	(4)					x				
	(5)					x				
36B	(1)					x				
	(2)					x				
	(3)					x				
36C						x				
36D	(1)					x				
	(2)					x				

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
	(3)					x				
37			x		x					
37A	(1)					x	x			
	(2)					x				
38			x	x	x	x		x		x
39	(1)	a.	x	x	x	x				
		b.	x	x						
		c.	x	x	x					
		d.	x	x	x					
		e.	x	x	x					
		f.	x	x	x					
		g.			x					
		h.				x				
		i.				x				
	(2)		x		x	x				
	(3)			x	x	x				
39A						x				
40			x						x	
41	(1)		x	x	x	x				
	(2)		x	x	x	x				
	(3)		x		x	x				
41A				x	x	x				
41B				x	x	x				
41C	(1)					x				
	(2)					x				
	(3)					x				
	(4)					x				
42	(1)		x	Deleted						
	(2)		x	Deleted						
43	(1)		x	x		x				
	(2)			x		x				
43A	(1)					x			Elucidation	
	(1a)								x	
	(2)					x			x	
	(3)					x				
	(4)					x				
44	(1)		x		x	x				
	(2)	a.	x	x		x			x	
		b.	x							
		c.	x							
		d.	x							
		e.	x						x	
		f.	x							
		g.		x	x					
		h.		x	x					
		i.		x						
		j.		x					x	
		k.		x	x				x	
		l.							x	
	(3)		x		x	x			x	
	(4)					x				
44A				x					x	
44B	(1)			x		x				
	(2)			x		x		x	x	
	(2a)								x	
	(2b)								x	
	(2c)								x	
	(3)							x	Deleted	
44C	(1)								x	
	(2)								x	
	(3)								x	
44D	(1)								x	

Article	Paragraph	Sub paragraph		1st A	2nd A	3rd A	4th A	5th A	6th A	7th A
			Law 6/1983	Law 9/1994	Law 16/2000	Law 28/2007	Law 16/2009	Law 11/2020	Law 7/2021	Law 6/2023
	(2)								x	
CHAPTER IXA									x	
44E	(1)								x	
	(2)								x	
45			x							
46			x							
47			x	Deleted						
47A					x					
48			x							
49			x							
50			x							

THE CONSOLIDATION IN A SINGLE TEXT
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 1983
CONCERNING
GENERAL PROVISIONS AND TAX PROCEDURES
AS AMENDED SEVERAL TIMES, LAST AMENDED BY
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2023

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein this Law:

1. Tax is a compulsory contribution to the state payable to individuals or entities which is coercive pursuant the Law, by not obtaining direct compensation and used for state purposes for the greatest welfare of the people.**--[3rd A]**
2. Taxpayer is any individual or entity, comprising a taxpayer, a withholding agent and a collection agent having tax rights and obligations pursuant to statutory tax provisions.**--[3rd A]**
3. Entity is a group of people and/or capital that constitutes a unity that either conducts business or does not conduct business, including limited liability companies, limited partnerships, other companies, state-owned enterprises or local-owned enterprises in whatever name and form, firms, joint ventures, cooperatives, pension funds, partnerships, alliances, foundations, mass organisations, social political organisations or other organisations, institutions and other forms of entities, including collective investment contracts and permanent establishments.**--[3rd A]**
4. Entrepreneur is an individual or entity in whatever form that in business activities or work produces goods, imports goods, exports goods, conducts trading business, utilises intangible goods from outside the customs territory, conducts service business or utilises services from outside the customs territory.**--[3rd A]**
5. Taxable Person is an Entrepreneur supplying Taxable Goods and/or supplying Taxable Services that are subject to taxes pursuant to the 1984 Value Added Tax Law and the amendments thereto.**--[3rd A]**
6. Taxpayer Identification Number is a number issued to a Taxpayer as a means of tax administration that is used as the personal identification or identity of the Taxpayer in exercising their tax rights and obligations.**--[3rd A]**
7. Taxable Period is a period constituting the basis for a Taxpayer to calculate, remit and file tax payable in a certain period as stipulated under this Law.**--[3rd A]**
8. Tax Year is a period of 1 (one) calendar year unless a Taxpayer adopts an accounting year that is different from the calendar year.**--[3rd A]**
9. Fraction of a Tax Year is a fraction of a period of 1 (one) Tax Year.**--[3rd A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

10. Tax payable is the tax that must be paid at a particular time, in a Taxable Period, in a Tax Year or in a Fraction of a Tax Year pursuant to statutory tax provisions.**--[3rd A]**
11. Tax Return is a letter used by a Taxpayer to file the calculation and/or payment of taxes, taxable objects and/or non-taxable objects and/or assets and liabilities pursuant to statutory tax provisions.**--[3rd A]**
12. Periodic Tax Return is Tax Return for a Taxable Period.**--[3rd A]**
13. Annual Tax Return is a Tax Return for a Tax Year or a Fraction of a Tax Year. **--[3rd A]**
14. Tax Payment Slip is a receipt of tax payment or remittance that has been performed using a form or that has been performed using other methods to the state treasury, through a place of payment appointed by the Minister of Finance.**--[3rd A]**
15. Notice of tax assessment is a notice of assessment which includes Notice of Tax Underpayment Assessment, Notice of Additional Tax Underpayment Assessment, Notice of Nil Tax Assessment and Notice of Tax Overpayment Assessment.**--[3rd A]**
16. Notice of Tax Underpayment Assessment is a notice of tax assessment that determines the principal amount of tax, the amount of tax credit, the principal amount of tax underpayment, the amount of administrative penalties and the amount of outstanding tax.**--[3rd A]**
17. Notice of Additional Tax Underpayment Assessment is a notice of tax assessment that determines the addition to the assessed amount of tax. **--[3rd A]**
18. Notice of Nil Tax Assessment is a notice of tax assessment that determines the principal amount of tax is equal to the amount of tax credit or the tax is not payable and there is no tax credit.**--[3rd A]**
19. Notice of Tax Overpayment Assessment is a notice of tax assessment that determines the amount of tax overpayment resulting from a greater amount of tax credit than tax payable or should not otherwise be payable.**--[3rd A]**
20. Notice of Tax Collection is a letter to collect tax and/or administrative penalties in the form of an interest and/or fine.**--[3rd A]**
21. Distress Warrant is a payment order for tax liabilities and tax collection costs.**--[3rd A]**
22. Tax Credit for Income Tax is the tax self-paid by a Taxpayer plus the tax principal payable in the Notice of Tax Collection because Income Tax in the current year is not or underpaid plus the tax on income paid or payable overseas, deducted by preliminary tax refunds, which may be deducted from tax payable.**--[3rd A]**
23. Tax Credit for Value Added Tax is creditable Input VAT after being deducted by preliminary tax refunds or after being deducted by the tax that has been carried forward, which may be deducted from tax payable.**--[3rd A]**
24. Independent personal services is work conducted by an individual with special expertise as business to derive income not bound by an employment relationship.**--[3rd A]**

25. Audit is a series of activities to collect and process data, details and/or evidence implemented in an objective and professional manner based on an auditing standard to assess compliance in the fulfilment of tax obligations and/or for other purposes in the context of implementing statutory tax provisions.**--[3rd A]**
26. Preliminary Evidence is a circumstance, action and/or evidence in the form of details, writings or objects that may provide indications of strong allegation that a tax crime is or has occurred that is committed by anyone which may give rise to losses in state revenues.**--[3rd A]**
27. Preliminary Audit is an audit conducted to obtain preliminary evidence concerning the existence of the allegation of whether a tax crime has occurred.**--[3rd A]**
28. Tax Bearer is an individual or entity responsible for tax payment, including a representative that exercises the rights and fulfils the obligations of a Taxpayer pursuant to statutory tax provisions.**--[3rd A]**
29. Bookkeeping is a recording process conducted regularly to collect financial data and information that include assets, liabilities, capital, income and expenses as well as the amount of acquisition and supply prices of goods or services, summarised by preparing financial statements in the form of balance sheet and income statement for the Tax Year period.**--[3rd A]**
30. Examination is a series of actions conducted to assess the completeness of the completion of a Tax Return and its attachments, including the assessment concerning the correctness of its writing and calculation.**--[3rd A]**
31. Tax crime investigation is a series of activities conducted by an investigator to find as well as collect evidence, wherein with the evidence, a tax crime that occurs is uncovered as well as the suspect is found.**--[3rd A]**
32. Investigator is a certain Civil Servant official within the Directorate General of Taxes granted special authority as an investigator to conduct tax crime investigations pursuant to statutory provisions.**--[3rd A]**
33. Amendment Decision Letter is a decision letter that amends misspellings, miscalculations and/or misapplication of certain provisions under statutory tax laws and regulations contained in a notice of tax assessment, Notice of Tax Collection, Amendment Decision Letter, Objection Decision Letter, Administrative Penalty Reduction Decision Letter, Administrative Penalty Nullification Decision Letter, Tax Assessment Reduction Decision Letter, Tax Assessment Cancellation Decision Letter, Preliminary Tax Refunds Decision Letter or Interest Compensation Decision Letter.**--[3rd A]**
34. Objection Decision Letter is a decision letter for an objection against a notice of tax assessment or against withholding or collection by a third party filed by a Taxpayer.**--[3rd A]**
35. Appeal Decision is a tax judicial body decision on an appeal against an Objection Decision Letter filed by a Taxpayer.**--[3rd A]**
36. Lawsuit Decision is a tax judicial body decision on a lawsuit against matters against which pursuant to statutory tax provisions, an objection may be filed.**--[3rd A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

37. Civil Review Decision is a Supreme Court decision on the application for a civil review submitted by a Taxpayer or the Director General of Taxes against an Appeal Decision or Lawsuit Decision from the tax judicial body.--[3rd A]
38. Preliminary Tax Refund Decision Letter is a decision letter that determines the amount of preliminary tax refunds for a certain Taxpayer.--[3rd A]
39. Interest Compensation Decision Letter is a decision letter that determines the amount of interest compensation granted to a Taxpayer.--[3rd A]
40. Date of delivery is the postmark date of the delivery, facsimile date or in the event that it is submitted in person, is the date the letter, decision or ruling is submitted in person.--[3rd A]
41. Date of receipt is the postmark date of the delivery, facsimile date or in the event that it is received in person, is the date the letter, decision or ruling is received in person --[3rd A]

Elucidation of Article 1
Sufficiently clear.

CHAPTER II
TAXPAYER IDENTIFICATION NUMBERS, VALUE ADDED TAX REGISTRATION, TAX RETURNS AND PROCEDURES FOR TAX PAYMENT--[2nd A]

Article 2
(1) Every Taxpayer that has fulfilled subjective and objective requirements pursuant to statutory tax provisions is required to register with the office of the Directorate General of Taxes whose working area covers the Taxpayer's residence or domicile and to him/her, a Taxpayer Identification Number is granted.--[3rd A]

(1a) The Taxpayer Identification Number referred to in paragraph (1) for an individual Taxpayer constituting an Indonesian resident shall use a national identification number.--[6th A]

(2) Every Taxpayer as an Entrepreneur that is subject to taxes pursuant to the 1984 Value Added Tax Law and the amendments thereto is required to report his/her business to the office of the Directorate General of Taxes whose working area covers the Entrepreneur's residence or domicile and the place of business for VAT registration.--[3rd A]

(3) The Director General of Taxes may stipulate:
   a. the place of registration and/or the place of business reporting other than those stipulated under paragraph (1) and paragraph (2); and/or
   b. the place of registration at the office of the Directorate General of Taxes whose working area covers the residence and the office of the Directorate General of Taxes whose working area covers the place of business, for certain entrepreneur individual Taxpayers.--[3rd A]

(4) The Director General of Taxes issues a Taxpayer Identification Number and/or performs VAT registration *ex-officio* if a Taxpayer or a Taxable Person does not implement their obligations as referred to in paragraph (1) and/or paragraph (2).**--[3rd A]**

(4a) The tax obligations of a Taxpayer to whom the Taxpayer Identification Number is issued and/or subject to *ex officio* VAT registration referred to in paragraph (4) start from the time the Taxpayer fulfils subjective and objective requirements pursuant to statutory tax provisions, for a maximum of 5 (five) years before the issuance of the Taxpayer Identification Number and/or VAT registration.**--[3rd A]**

(5) Deleted.**--[6th A]**

(6) Taxpayer Identification Number deregistration is conducted by the Director General of Taxes if:
   a. an application for Taxpayer Identification Number deregistration is submitted by a Taxpayer and/or his/her heirs/heiresses when the Taxpayer no longer fulfils subjective and/or objective requirements pursuant to statutory tax provisions;
   b. a corporate Taxpayer is liquidated due to business termination or merger;
   c. a permanent establishment Taxpayer terminates its business activities in Indonesia; or
   d. deemed necessary by the Director General of Taxes to deregister the Taxpayer Identification Number of a Taxpayer that no longer fulfils subjective and/or objective requirements pursuant to statutory tax provisions.**--[3rd A]**

(7) The Director General of Taxes after conducting an audit must grant a decision on the application for Taxpayer Identification Number deregistration within a period of 6 (six) months for an Individual Taxpayer or 12 (twelve) months for a corporate Taxpayer from the date the application is completely received.**--[3rd A]**

(8) The Director General of Taxes *ex officio* or based on the application by the Taxpayer may conduct Value Added Tax deregistration.**--[3rd A]**

(9) The Director General of Taxes after conducting an audit must grant a decision on the application for Value Added Tax deregistration within a period of 6 (six) months from the date the application is completely received.**--[3rd A]**

(10) In the context of the use of the national identification number as the Taxpayer Identification Number as referred to in paragraph (1a), the minister who administers domestic governmental affairs grants population data and user feedback data to the Minister of Finance to be integrated with the tax database.**--[6th A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 2

Paragraph (1)

All Taxpayers that have fulfilled subjective and objective requirements pursuant to statutory tax provisions based on the self-assessment system are required to register with the office of the Directorate General of Taxes to be recorded as Taxpayers and simultaneously to obtain a Taxpayer Identification Number.

Subjective requirements are the requirements pursuant to the provisions on tax subjects under the 1984 Income Tax Law and the amendments thereto.

Objective requirements are requirements for tax subjects that receive and accrue income or are required to conduct withholding/collection pursuant to the provisions under the 1984 Income Tax Law and the amendments thereto.

The obligation to register also applies to a married woman who is taxed separately because she lives in separation based on a judge's decision or desired in writing based on an income and asset separation agreement.

A married woman other than the above-mentioned may register to obtain a Taxpayer Identification Number under her own name for the woman to be able to exercise her tax rights and fulfil her tax obligations separately from her husband's tax rights and obligations.

The Taxpayer Identification Number is a means in tax administration used as personal identification or identity of a Taxpayer. Therefore, every Taxpayer is only granted one Taxpayer Identification Number. In addition, the Taxpayer Identification Number is also used to maintain the orderliness in tax payment and in the supervision of tax administration. In the event that related to tax documents, the Taxpayer is required to list his/her Taxpayer Identification Number. A Taxpayer that does not register to obtain a Taxpayer Identification Number is subject to penalties pursuant to statutory tax provisions.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

Every Taxpayer as an Entrepreneur subject to Value Added Tax pursuant to the 1984 VAT Law and the amendments thereto, is required to report his/her business for Value Added Tax registration.

Individual entrepreneurs are required to report their business at the office of Directorate General of Taxes whose working area includes the Entrepreneurs' residence and place of business, whereas corporate Entrepreneurs are required to report their business at the office of the

Directorate General of Taxes whose working area includes the Entrepreneurs' domicile and place of business.

Therefore, individual or corporate Entrepreneurs that have a place of business in the area of several offices of the Directorate General of Taxes are required to report their business for Value Added Tax registration, either in the office of the Directorate General of Taxes whose working area covers the Entrepreneurs' residence or domicile or the office of the Directorate General of Taxes whose working area covers the place of business.

The function of Value Added Tax registration in addition to being used to recognise a Taxable Person's actual identification is also useful to implement rights and obligations in the field of Value Added Tax and Sales Tax on Luxury Goods as well as for the supervision of tax administration.

Entrepreneurs that have fulfilled the requirements as Taxable Persons but do not report their business for Value Added Tax registration are subject to penalties pursuant to statutory tax provisions.

Paragraph (3)

For certain Taxpayers or Taxable Person, the Director General of Taxes may stipulate offices of the Directorate General of Taxes other than those stipulated to in paragraph (1) and paragraph (2) as the place of registration to obtain a Taxpayer Identification Number and/or Value Added Tax Registration.

Moreover, certain entrepreneur individual Taxpayers, namely individual Taxpayers who have places of business that are spread in several places, such as electronics retailers who have stores in several shopping centres, in addition to being required to register with the office of the Directorate General of Taxes whose working area covers the Taxpayers' residence, are also required to register with the office of the Directorate General of Taxes whose working area covers the Taxpayers' place of business.

Paragraph (4)

Taxpayers or Taxable Persons that do not fulfil the obligation to register and/or report their business may be subject to *ex officio* Taxpayer Identification Number issuance and/or *ex officio* VAT registration. This may be conducted if based on the data held or obtained by the Director General of Taxes, the individuals or entities or Entrepreneurs have fulfilled the requirements to obtain a Taxpayer Identification Number or Value Added Tax registration.

Paragraph (4a)

This paragraph stipulates that in the *ex officio* Taxpayer Identification Number issuance and/or *ex officio* Value Added Tax registration must take into account the time the subjective and requirements of the Taxpayer concerned are fulfilled. Further, the Taxpayer is not excluded from the fulfilment of tax obligations pursuant to statutory tax provisions.

This is intended to provide legal certainty both to the Taxpayer and the Government related to the Taxpayer's obligation to register and right to obtain a Tax Identification Number and/or Value Added Tax registration, for example, a Taxpayer is subject to *ex officio* Taxpayer Identification Number issuance in 2008 and in fact, the Taxpayer has fulfilled the subjective and objective requirements pursuant to statutory tax provisions since 2005, his/her tax obligations arise from 2005.

Paragraph (5)
Deleted.

Paragraph (6)
Sufficiently clear.

Paragraph (7)
Sufficiently clear.

Paragraph (8)
Sufficiently clear.

Paragraph (9)
Sufficiently clear.

Paragraph (10)
The use of the national identification number as the identity of an individual Taxpayer requires the integration of the population database with the tax database used to establish the Taxpayers' profile as well as may be used by the Taxpayers in the context of exercising their tax rights and/or fulfilling their tax obligations.

Population data and user feedback data constitute population data and user feedback data stipulated under statutory laws and regulations stipulating population administration.

Article 2A

A Taxable Period is equal to a period of 1 (one) calendar month, or another period stipulated by a Minister of Finance Regulation, for a maximum of 3 (three) calendar months.--[3rd A]

Elucidation of Article 2A
Sufficiently clear.

Article 3

(1) Every Taxpayer is required to fill in the Tax Return correctly, completely and clearly, in the Indonesian language using Latin alphabet, Arabic numerals, Rupiah and sign as well as file it to the office of the Directorate General of Taxes where the Taxpayer is registered or subject to VAT registration or other places determined by the Director General of Taxes.--[3rd A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
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3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(1a) Taxpayers that have obtained a permit from the Minister of Finance to maintain bookkeeping using a foreign language and currency other than Rupiah, are required to file Tax Returns in the Indonesian language using the currency other than Rupiah as permitted, the implementation of which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(1b) The signing referred to in paragraph (1) may be conducted regularly with a stamped signature or electronic or digital signature, all of which have equal legal force, the procedures for the implementation of which shall be stipulated by or pursuant to a Minister of Finance Regulation.

(2) The Taxpayers referred to in paragraph (1) and paragraph (1a) self-fetch the Tax Returns at the places determined by the Director General of Taxes or fetch using other means, the procedures for the implementation of which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(3) The filing deadline for Tax Returns is:
   a. for Periodic Tax Returns, no later than 20 (twenty) days after the end of a Taxable Period;
   b. for Annual individual Income Tax Returns, no later than 3 (three) months after the end of a Tax Year; or
   c. for Annual corporate Income Tax Returns, no later than 4 (four) months after the end of a Tax Year.**--[3rd A]**

(3a) Taxpayers with certain criteria may file several Taxable Periods in 1 (one) Periodic Tax Return.**--[3rd A]**

(3b) Taxpayers with certain criteria and the procedures for filing referred to in paragraph (3a) shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(3c) The deadline and procedures for the filing of withholding tax and tax collection conducted by the state treasurer and certain entities shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(4) Taxpayers may extend the filing period for the Annual Income Tax Return referred to in paragraph (3) for a maximum of 2 (two) months by submitting notification in writing or using other methods to the Director General of Taxes, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(5) The notification referred to in paragraph (4) must be accompanied by the temporary calculation of tax payable for 1 (one) Tax Year and the Tax Payment Slip as receipt of settlement of tax underpayment payable, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(5a) If a Tax Return is not filed according to the deadline referred to in paragraph (3) or the extension deadline for the filing of the Tax Return referred to in paragraph (4), a Reprimand Letter may be issued.**--[3rd A]**

(6) The form and contents of Tax Returns as well the details and/or documents that must be attached and the methods used for filing Tax

Returns shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

(7) A Tax Return is deemed not filed if:
a. the Tax Return is not signed as referred to in paragraph (1);
b. the Tax Return is not fully attached with details and/or documents as referred to in paragraph (6);
c. the Tax Return stating an overpayment is filed after 3 (three) years after the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year and the Taxpayer has been reprimanded in writing; or
d. the Tax Return is filed after the Director General of Taxes conducts an audit or issues a notice of tax assessment.--[3rd A]

(7a) If a Tax Return is deemed not filed as referred to in paragraph (7), the Director General of Taxes is required to notify the Taxpayer.--[3rd A]

(8) Excluded from the obligations referred to in paragraph (1) are certain Income Tax Taxpayers stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 3

Paragraph (1)

The function of a Tax Return for Income Tax Taxpayers is as a means to file and account for the calculation of the amount of tax that is actually payable and to file:
a. tax payment or settlement that has been self-implemented and/or through withholding or collection by other parties in 1 (one) Tax Year or Fraction of a Tax Year;
b. income that constitutes a taxable object and/or non-taxable object;
c. assets and liabilities; and/or
d. payments from withholding or collection agents on withholding tax or tax collection on other individuals or entities in 1 (one) Taxable Period pursuant to statutory tax provisions.

For a Taxable Person, the function of a Tax Return is as a means to file and account for the calculation of the amount of Value Added Tax and Sales Tax on Luxury Goods that is actually payable and to file:
a. Input VAT crediting against Output VAT; and
b. tax payment or settlement that has been self-implemented by the Taxable Person and/or through other parties in a Taxable Period, pursuant to statutory tax provisions.

For withholding or collection agents, the function of a Tax Return is as a means to file and account for withholding tax or the taxes they collect and remit.

Filling in a Tax Return refers to filing in the Tax Return form, in the form of paper and/or in the electronic format, correctly, completely and clearly

according to the given completion instructions pursuant to statutory tax provisions.

On the other hand, correct, complete and clear in filling in a Tax Return refers to:

a. correct refers to correct in the calculation, including correct in the application of statutory tax provisions, in the writing and according to the actual circumstances;
b. complete refers to containing all elements related to taxable objects and other elements that must be filed in the Tax Return; and
c. clear refers to filing the origins or sources of taxable objects and other elements that must be filed in the Tax Return.

The Tax Return that has been filled in correctly, completely and clearly must be filed to the office of the Directorate General of Taxes where the Taxpayer is registered or subject to VAT registration or other places determined by the Director General of Taxes.

The obligation to file Tax Returns by withholding or collection agents is conducted every Taxable Period.

Paragraph (1a)

Sufficiently clear.

Paragraph (1b)

Sufficiently clear.

Paragraph (2)

In the context of providing services and convenience for Taxpayers, Tax Return forms are provided at the offices of the Directorate General of Taxes and in other places determined by the Director General of Taxes, which are estimated to be readily accessible to Taxpayers. In addition, Taxpayers may also fetch Tax Returns forms through other methods, such as accessing the Directorate General of Taxes website to obtain the Tax Return forms.

However, to provide better services, the Director General of Taxes may deliver the Tax Returns to the Taxpayers.

Paragraph (3)

This paragraph stipulates the filing deadline for Tax Returns deemed adequate for Taxpayers to prepare everything related to tax payment and the completion of their bookkeeping.

Paragraph (3a)

Taxpayers with certain criteria, among others, small-scale business Taxpayers, may:

a. file Periodic Article 25 Income Tax Returns for several Taxable Periods simultaneously provided that the payment of all of the tax that

must be settled according to the Periodic Tax Returns is conducted simultaneously no later than in the last Taxable Period; and/or

b. file Periodic Tax Returns other than those mentioned in subparagraph a, for several Taxable Periods simultaneously provided that the payment for each Taxable Period is conducted according to the deadline for the Taxable Period concerned.

Paragraph (3b)

Sufficiently clear.

Paragraph (3c)

Sufficiently clear.

Paragraph (4)

If Taxpayers, either individual or corporate, in fact, cannot file a Tax Return within the period stipulated under paragraph (3) subparagraph b or subparagraph c due to the extensiveness of the business activities and technical issues in the preparation of financial statements or other causes, thereby, it is difficult to comply with the completion deadline and requires an extension of the deadline that has been stipulated, the Taxpayers may extend the filing of the Annual Income Tax Return by submitting notification in writing or using other methods, such as using electronic notification to the Director General of Taxes.

Paragraph (5)

To prevent efforts of avoidance and/or extension of the payment period of tax payable in 1 (one) Tax Year that must be paid before the filing deadline for the Annual Tax Return, it is necessary to enact requirements resulting in the imposition of administrative penalties in the form of interest for Taxpayers wishing to extend the filing period for the Annual Income Tax Return.

The requirements are in the form of the obligation to submit temporary notification by stating the amount of tax that must be paid based on the temporary calculation of tax payable in 1 (one) Tax Year and the Tax Payment Slip as the receipt of settlement, as an attachment of the notification of the extension of the filing period of the Annual Income Tax Return.

Paragraph (5a)

In the context of guidance for Taxpayers that until the stipulated deadline, in fact, do not file the Tax Returns, the Taxpayers concerned may be granted a Reprimand Letter.

Paragraph (6)

Considering the function of a Tax Return as a means for a Taxpayer, among others, to file and account for the calculation of the amount of tax payable and its payment, in the context of uniformity and simplification of its completion as well as administration, the form and contents of Tax

Returns, details, documents that must be attached and methods used to file Tax Returns shall be stipulated by or pursuant to a Minister of Finance Regulation.

The Annual Income Tax Return at the minimum contains the amount of turnover, the amount of income, the amount of Taxable Income, the amount of tax payable, the amount of tax credits, the amount of tax underpayment or overpayment as well as assets and liabilities other than those in business activities or independent personal services for individual Taxpayers.

The Annual Income Tax Return of Taxpayers required to maintain bookkeeping must be complemented by financial statements in the form of balance sheet and income statement as well as other details required to calculate the amount of Taxable Income.

A Periodic Value Added Tax Return at the minimum contains the amount of Tax Base, the amount of Output VAT, the amount of creditable Input VAT and the amount of tax underpayment or overpayment.

Paragraph (7)

A Tax Return that is signed as well as its attachments is a single unit that constitutes the validity element of the Tax Return. Therefore, a Tax Return of a Taxpayer that is filed but not attached with the required attachments is not deemed a Tax Return in the administration of the Directorate General of Taxes. In this case, the Tax Return is deemed tax data.

Similarly, if the filing of a Tax Return stating overpayment has past 3 (three) years after the end of a Taxable Period, fraction of a Tax Year or a Tax Year and the Taxpayer has been reprimanded in writing or if the Tax Return is filed after the Director General of Taxes conducts an audit or issues a notice of tax assessment, the Tax Return is deemed tax data.

Paragraph (7a)

Sufficiently clear.

Paragraph (8)

ln principle, every Income Tax Taxpayer is required to file Tax Returns. With considerations of efficiency or other considerations, the Minister of Finance may stipulate Income Tax Taxpayers that are excluded from the obligation to file Tax Returns, for instance, individual Taxpayers who receive or accrue income below the Personal Tax Relief, but due to certain interest, are required to have a Taxpayer Identification Number.

Article 4

(1) Taxpayers are required to fill in and file a Tax Return correctly, completely and clearly and sign it.

(2) Tax Returns of corporate Taxpayers must be signed by the management or board of directors.--[3rd A]

(3) ln the event that a Taxpayer appoints an attorney using a special power of attorney to complete and sign the Tax Return, the special power of attorney must be attached to the Tax Return.--[3rd A]

(4) The Annual Income Tax Return of Taxpayers required to maintain bookkeeping must be attached with financial statements in the form of balance sheet and income statement as well as other details required to calculate the amount of Taxable Income.--[3rd A]

(4a) The Financial Statements referred to in paragraph (4) are financial statements of each Taxpayer.--[3rd A]

(4b) ln the event that the financial statements referred to in subparagraph (4a) are audited by a Public Accountant but are not attached to the Tax Return, the Tax Return is deemed not complete and not clear, thereby, the Tax Return is deemed not filed as referred to in Article 3 paragraph (7) subparagraph b.--[3rd A]

(5) Procedures the receipt and processing of Tax Returns shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (4a)

Financial Statements of each Taxpayer refer to financial Statements on the proceeds of the business activities of each Taxpayer.

Example:
PT A holds shares in PT B and PT C. In the example, PT A has an obligation to attach consolidated financial statement of PT A and its subsidiaries, also attach to attach financial statements on PT A's business (before being consolidated), whereas PT B and PT C are required to attach their respective financial statements, instead of the consolidated financial statement.

Paragraph (4b)

Sufficiently clear.

Paragraph (5)

Procedures for the receipt and processing of Tax Returns contain matters concerning, among others, the examination of completeness, the granting of receipts, the grouping of Overpayment, Underpayment and Nil Tax Returns, procedures for recording and the follow-up to the management, which shall be stipulated by or pursuant to a Minister of Finance Regulation.

Article 5

To file Tax Returns, the Director General of Taxes, in certain cases, may determine other places other than the places referred to in Article 3 paragraph (1).

Elucidation of Article 5

Sufficiently clear.

Article 6

(1) A Tax Return filed in person by a Taxpayer to the office of the Directorate General of Taxes must be granted the date of receipt by the appointed official and the Taxpayer is granted the proof of receipt.--[3rd A]

(2) The filing of Tax Returns may be delivered by post with proof of postage or other methods as stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

(3) The proof of postage and the mailing date for the filing of Tax Returns referred to in paragraph (2) are deemed the proof of receipt and date of receipt insofar as the Tax Returns are complete.--[3rd A]

Elucidation of Article 6

Paragraph (1)

Sufficiently clear.

Paragraph (2)

In the context of the improvement of services to Taxpayers and in line with the developments of information technology, alternative methods are necessary for Taxpayers to fulfil the obligation to file Tax Returns, such as filed electronically.

Paragraph (3)

The proof of postage and mailing date for the filing of a Tax Return by post or other methods constitute the proof of receipt if the Tax Return concerned is complete, namely fulfilling the requirements referred to in Article 3 paragraph (1), paragraph (1a) and paragraph (6).

Article 7

(1) If a Tax Return is not filed within the period referred to in Article 3 paragraph (3) or the extension deadline for the filing of the Tax Return referred to in Article 3 paragraph (4), an administrative penalty in the form of a fine of IDR500,000.00 (five hundred thousand rupiah) for Periodic VAT Returns, IDR100,000.00 (one hundred thousand rupiah) for other Periodic Tax Returns and IDR1,000,000.00 (one million rupiah) for corporate Annual Income Tax Returns as well as IDR100,000.00 (one hundred thousand rupiah) for Individual Annual Income Tax Returns shall be imposed.**--[3rd A]**

(2) The imposition of the administrative penalty in the form of a fine referred to in paragraph (1) is not conducted on:
   a. individual Taxpayers who have passed away;
   b. individual Taxpayers who no longer conduct business activities or independent personal services;
   c. individual Taxpayers of foreign national status who are no longer in Indonesia;
   d. Permanent Establishments that no longer conduct activities in Indonesia;
   e. corporate Taxpayers that no longer conduct business activities but have not been dissolved pursuant to applicable provisions;
   f. Treasurers that no longer perform payments;
   g. Taxpayers subject to disasters, the provisions on which shall be stipulated by a Minister of Finance Regulation; or
   h. other Taxpayers as stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 7

Paragraph (1)

The purpose of the imposition of the administrative penalty in the form of a fine stipulated under this paragraph is for tax administration order and increasing Taxpayers' compliance in fulfilling the obligation to file Tax Returns.

Paragraph (2)

Disasters are national disasters or disasters stipulated by the Minister of Finance.

Article 8

(1) Taxpayers may voluntarily amend Tax Returns that have been filed by submitting a written statement, provided that the Director General of Taxes has not conducted audit measures.**--[5th A]**

(1a) In the event that the amendment of the Tax Returns referred to in paragraph (1) states a loss or tax overpayment, the amendment of the Tax Returns must be filed no later than 2 (two) years before the statute of limitation for the assessment.**--[5th A]**

(2) In the event that Taxpayers voluntarily amend the Annual Tax Return resulting in the amount of tax liability being greater, they shall be subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance of the amount of the underpaid tax, calculated from the time the filing of the Tax Return ends until the date of payment and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[5th A]**

(2a) In the event Taxpayers voluntarily amend Periodic Tax Returns resulting in the amount of tax liability being greater, they shall be subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance of the amount of the underpaid tax, calculated from the payment due date until the date of payment and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[5th A]**

(2b) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (2) and paragraph (2a) is calculated based on the reference interest rate plus 5% (five per cent) and divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.**--[5th A]**

(3) Although preliminary audit measures have been conducted, Taxpayers may voluntarily disclose using a written statement concerning the untruth of their actions, as follows:

a. not filing Tax Returns; or
b. filing Tax Returns whose contents are incorrect or incomplete or attaching details whose contents are incorrect,

referred to in Article 38 or Article 39 paragraph (1) subparagraph c and subparagraph d insofar as the start of the Investigation has not been notified to the Public Prosecutor through official investigators of the Indonesian National Police.**--[5th A]**

(3a) The disclosure of the untruth of actions referred to in paragraph (3) is accompanied by the settlement of the underpayment of the amount of tax actually payable as well as an administrative penalty in the form of a fine of 100% (one hundred per cent) of the amount of the underpaid tax.**--[5th A]**

(4) Although the Director General of Taxes has conducted an audit, provided that the Director General of Taxes has not submitted a notice of tax audit findings, a Taxpayer may voluntarily disclose in a separate report concerning the incorrectness in the completion of the Tax Return according to the actual circumstances and the audit process remains continued.**--[6th A]**

(5) The underpaid tax arising due to the disclosure of incorrectness in the completion of the Tax Return referred to in paragraph (4) must be settled by the Taxpayer before the separate report is submitted as well as the administrative penalty in the form of interest amounting to the monthly

interest rate stipulated by the Minister of Finance of the underpaid tax, calculated from:

a. the filing deadline for the Annual Tax Return ends until the date of payment, for the disclosure of incorrectness in the completion of the Annual Tax Return; or
b. the payment due date ends until the date of payment, for the disclosure of incorrectness in the completion of Periodic Tax Return,

and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[5th A]**

(5a) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (5) is calculated based on the reference interest rate plus 10% (ten per cent) and divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.**--[5th A]**

(6) A Taxpayer may amend the Annual Tax Return that has been filed in the event that the Taxpayer receives a notice of tax assessment, Objection Decision Letter, Amendment Decision Letter, Appeal Decision or Civil Review Decision for the previous Tax Year or several previous Tax Years, which states tax losses that are different from the tax loss that has been carried forward in the Tax Returns that will be amended, within a period of 3 (three) months after receiving the notice of tax assessment, Objection Decision Letter, Amendment Decision Letter, Appeal Decision or Civil Review Decision, provided that the Director General of Taxes has not conducted audit measures.**--[5th A]**

Elucidation of Article 8

Paragraph (1)

For the errors in the completion of Tax Returns prepared by the Taxpayers, the Taxpayers remain entitled to voluntarily conduct the amendment provided that the Director General of Taxes has not started conducting audit measures. Has not starting audit measures refers until the time the Notice of Tax Audit is submitted to the Taxpayers, representatives, attorney, employees or adult family members of the Taxpayers.

Paragraph (1a)

The statute of limitation for the assessment refers to a period of 5 (five) years after the time the tax becomes payable or the end of a Taxable Period, fraction of a Tax Year or Tax Year referred to in Article 13 paragraph (1).

Paragraph (2)

Sufficiently clear.

Paragraph (2a)

Sufficiently clear.

Paragraph (2b)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (3a)

Sufficiently clear.

Paragraph (4)

Although the Director General of Taxes has conducted an audit but has not submitted the notice of tax audit findings, the Taxpayer, either that has or has not amended Tax Returns, continues to be granted the opportunity to disclose the incorrectness in the completion of the Tax Returns that have been filed, which may be in the form of the Annual Tax Returns or Periodic Tax Returns for an audited Tax Year, fraction of a Tax Year or Taxable Period. The disclosure of the incorrectness in the completion of Tax Returns is conducted in a separate report and must reflect the actual circumstances, thereby, the amount of tax actually payable may be known. However, to prove the correctness of the Taxpayer's report, the audit process will be continued until it is completed.

Paragraph (5)

Sufficiently clear.

Paragraph (5a)

Sufficiently clear.

Paragraph (6)

In connection with the issuance of the notice of tax assessment, Objection Decision Letter, Amendment Decision Letter, Appeal Decision or Civil Review Decision for a Tax Year that results in a different tax loss from the tax loss that has been carried forward in the Annual Tax Return for the following year or following years, the adjustment to the tax loss will be conducted according to the notice of tax assessment, Objection Decision Letter, Amendment Decision Letter, Appeal Decision or Civil Review Decision in the calculation of Income Tax for the following years, the limitation of 3 (three) months is intended for administration order without eliminating the Taxpayer's right to loss carry-forward.

In the event that a Taxpayer amends a Tax Return past a period of 3 (three) month or the Taxpayer does not submit any amendment due to the existence of a notice of tax assessment, Objection Decision Letter, Amendment Decision Letter, Appeal Decision or Civil Review Decision for the previous Tax Year or several previous Tax Years, stating a different tax loss from the tax loss carried forward in the Annual Income Tax Return, the Director General of Taxes will set it off in assessing the Taxpayer's tax obligation.

For clarity, the following example is given:
Example 1:

PT A files the 2021 Annual Income Tax Return stating that:

Net Income amounts to	=	IDR 200,000,000.00	
Loss carry-forward based on the 2020 Annual Income Tax Return amounts to	=	IDR 150,000,000.00	(-)
Taxable Income amounts to	=	IDR 50,000,000.00	

The 2020 Annual Income Tax Return is audited and on 6 January 2023, a notice of tax assessment stating a tax loss of IDR70,000,000.00 is issued.

Based on the notice of tax assessment, the Director General of Taxes will amend the calculation of 2021 Taxable Income to be as follows:

Net Income	=	IDR 200,000,000.00	
Loss according to the 2020 tax assessment	=	IDR 70,000,000.00	(-)
Taxable Income	=	IDR 130,000,000.00	

Therefore, the taxable income in the Tax Return that was initially of IDR50,000,000.00 (IDR200,000,000.00 - IDR150,000,000.00) after the amendment becomes IDR130,000,000.00 (IDR200,000,000.00 - IDR70,000,000.00).

Example 2:
PT B files the 2021 Annual Income Tax Return stating:

Net Income amounts to	=	IDR 300,000,000.00	
The loss carry-forward based on the 2020 Annual Income Tax Return amounts to	=	IDR 200,000,000.00	(-)
Taxable Income amounts to	=	IDR 100,000,000.00	

The 2020 Annual Income Tax Return is audited and on 6 January 2023, a notice of tax assessment stating a tax loss of IDR250,000,000.00 is issued.

Based on the notice of tax assessment, the Director General of Taxes will amend the calculation of 2021 Taxable Income to be as follows:

Net Income	=	IDR 300,000,000.00	
Loss according to the 2020 tax assessment	=	IDR 250,000,000.00	(-)
Taxable Income	=	IDR 50,000,000.00	

Therefore, the taxable income in the Tax Return that was initially of IDR100,000,000.00 (IDR300,000,000.00 – IDR200,000,000.00) after the amendment becomes IDR50,000,000.00 (IDR300,000,000.00 – IDR250,000,000.00).

Article 9

(1) The Minister of Finance shall stipulate the due date for payment and remittance of tax payable at any given time or a Taxable Period for each type of taxes no later than 15 (fifteen) days from the time the tax becomes payable or the end of a Taxable Period.**--[5th A]**

(2) The tax underpayment payable based on Annual Income Tax Return must be paid in full before the Annual Income Tax Return is filed.**--[3rd A]**

(2a) The tax payment or remittance referred to in paragraph (1) conducted after the due date for the tax payment or remittance, shall be subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance, calculated from the payment due date until the date of payment and imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[7th A]**

(2b) The tax payment or remittance referred to in paragraph (2) conducted after the filing due date for the Annual Tax Return shall be subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance, calculated from the end of the filing deadline for the Annual Tax Return until the date of payment and imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[7th A]**

(2c) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (2a) and paragraph (2b) is calculated based on the reference interest rate plus 5% (five per cent) and divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.**--[5th A]**

(3) The Notice of Tax Collection, Notice of Tax Underpayment Assessment and Notice of Additional Tax Underpayment Assessment and Objection Decision Letter, Amendment Decision Letter, Appeal Decision as well as Civil Review Decision which cause the amount of outstanding tax to increase, must be settled within a period of 1 (one) month from the date of issuance.**--[3rd A]**

(3a) For small-scale business Taxpayers and Taxpayers in certain regions, the settlement period referred to in paragraph (3) may be extended to a maximum of 2 (two) months, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(4) The Director General of Taxes, based on the application by a Taxpayer, may grant approval to pay in instalments or defer tax payments, including the underpayment referred to in paragraph (2), the implementation of which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[5th A]**

Elucidation of Article 9

Paragraph (1)

The deadline for the payment and remittance of tax payable for any given time or a Taxable Period shall be stipulated by the Minister of Finance

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

with the deadline not exceeding 15 (fifteen) days from the time the tax becomes payable or the end of a Taxable Period. The delay in the payment or remittance results in the imposition of administrative penalties pursuant to statutory tax provisions.

Paragraph (2)
Sufficiently clear.

Paragraph (2a)
Sufficiently clear.

Paragraph (2b)
Sufficiently clear.

Paragraph (2c)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (3a)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Article 10

(1) Taxpayers are required to pay or remit tax payable using the Tax Payment Slip to state treasury through places of payment stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(1a) The Tax Payment Slip referred to in paragraph (1) functions as tax payment receipt if it has been approved by the authorised Official of the payment office or if has obtained validation, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(2) Procedures for the payment, remittance of tax and its filing as well as procedures for payment in instalments and deferral of tax payment shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 10

Paragraph (1)
Sufficiently clear.

Paragraph (1a)
Sufficiently clear.

Paragraph (2)
The existence of procedures for the payment, remittance of tax and its filing as well as procedures for payment in instalments and deferral of tax payment stipulated by or pursuant to a Minister of Finance

Regulation is expected to facilitate the implementation of tax payment and its administration.

Article 11

(1) For the application by the Taxpayer, the tax overpayment referred to in Article 17, Article 17B, Article 17C or Article 17D is refunded, provided that if the Taxpayer has tax liability, it is directly set off to first settle the tax liability.**--[7th A]**

(1a) The tax overpayment due to the existence of the Objection Decision Letter, Amendment Decision Letter, Administrative Penalty Reduction Decision Letter, Administrative Penalty Nullification Decision Letter, Tax Assessment Reduction Decision Letter, Tax Assessment Cancellation Decision Letter and Appeal Decision or Civil Review Decision as well as Interest Compensation Decision Letter is refunded to the Taxpayer provided that if the Taxpayer has tax liability, it is directly set off to first settle the tax liability.**--[7th A]**

(2) The tax refund referred to in paragraph (1) and paragraph (1a) is conducted no later than 1 (one) month from the time the application for the tax refund is received in connection with the issuance of the Notice of Tax Overpayment Assessment referred to in Article 17 paragraph (1) or from the issuance of the Notice of Tax Overpayment Assessment referred to in Article 17 paragraph (2) and Article 17B or from the issuance of the Preliminary Tax Refund Decision Letter referred to in Article 17C or Article 17D or from the issuance of the Objection Decision Letter, Amendment Decision Letter, Administrative Penalty Reduction Decision Letter, Administrative Penalty Nullification Decision Letter, Tax Assessment Reduction Decision Letter, Tax Assessment Cancellation Decision Letter or Interest Compensation Decision Letter or from the receipt of the Appeal Decision or Civil Review Decision, which results in the tax overpayment.**--[7th A]**

(3) If the tax refund is conducted after a period of 1 (one) month, the Government grants interest compensation amounting to the monthly interest rate stipulated by the Minister of Finance for the delay in the tax refund calculated from the issuance due date of the Tax Refund Decision Letter until the time the refund of the overpayment is conducted and is granted for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[7th A]**

(3a) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (3) is calculated based on the reference interest rate divided by 12 (twelve) which comes into force on the date the calculation of interest compensation starts.**--[7th A]**

(4) Procedures for the calculation and tax refunds shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 11

Paragraph (1)

If after the calculation of the amount of the tax actually payable is conducted with the amount of tax credit indicating an excess difference (the amount of tax credit is greater than the amount of tax payable) or after the payment of tax which should not otherwise be payable has been performed, the Taxpayer is entitled to request the tax refund, provided that the Taxpayer has no tax liability.

In the event that the Taxpayer has a tax liability that includes all taxes, either in the head office or branches, the overpayment must be set off first against the tax liability and if there is surplus, it is refunded to the Taxpayer.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

To ensure legal certainty for Taxpayers and orderly administration, the deadline for the tax refund is stipulated for a maximum of 1 (one) month:

a. for the Notice of Tax Overpayment Assessment referred to in Article 17 paragraph (1), calculated from the date of the receipt of written application concerning the tax refund;
b. for the Notice of Tax Overpayment Assessment referred to in Article 17 paragraph (2) and Article 17B, calculated from the date of issuance;
c. for the Preliminary Tax Refund Decision Letter referred to in Article 17C and Article 17D, calculated from the date of issuance;
d. for the Objection Decision Letter, Amendment Decision Letter, Administrative Penalty Reduction Decision Letter, Administrative Penalty Nullification Decision Letter, Tax Assessment Reduction Decision Letter, Tax Assessment Cancellation Decision Letter or Interest Compensation Decision Letter, calculated from the date of issuance;
e. for the Appeal Decision, calculated from the receipt of the Appeal Decisions by the Office of the Directorate General of Taxes authorised to execute court decisions; or
f. for the Civil Review Decision, calculated from the receipt of the Civil Review Decision by the Office of the Directorate General of Taxes authorised to execute court decisions,

until the time the Tax Refund Decision Letter is issued.

Paragraph (3)

Sufficiently clear.

Paragraph (3a)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

CHAPTER III
TAX DETERMINATION AND ASSESSMENTS

Article 12

(1) Every Taxpayer is required to pay tax payable pursuant to statutory tax provisions without relying on the existence of a notice of tax assessment. --[3rd A]

(2) The amount of Tax payable according to the Tax Return filed by a Taxpayer is the amount of tax payable pursuant to statutory tax provisions.--[3rd A]

(3) If the Director General of Taxes obtains proof that the amount of tax payable according to the Tax Return referred to in paragraph (2) is incorrect, the Director General of Taxes shall determine the amount of tax payable.--[3rd A]

Elucidation of Article 12

Paragraph (1)

Tax, in principle, becomes payable at the time a taxable object that may be subject to tax arises, but for the purpose of tax administration, the time the tax becomes payable is:

a. at any given time, for Withholding Tax by a third party;

b. at the end of a period, for Withholding Tax by the employer or Income Tax collected by other parties on business activities or by Taxable Persons on the collection of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods; or

c. at the end of a Tax Year, for Income Tax.

The amount of tax payable that has been withheld, collected or that has to be paid by the Taxpayer after the time or period for the payment settlement referred to in Article 9 and Article 10 paragraph (2), by the Taxpayer must be remitted to the state treasury through places of payment stipulated by or pursuant to a Minister of Finance Regulation referred to in Article 10 paragraph (1).

Pursuant to this Law, the Director General of Taxes is not required to issue a notice of tax assessment for all Tax Returns filed by the Taxpayers. The issuance of a notice of tax assessment is only limited to certain Taxpayers due to the incorrectness in the completion of the Tax Returns or due to the discovery of fiscal data not filed by the Taxpayers.

Paragraph (2)

This provision stipulates that to Taxpayers that have correctly calculated and paid the amount of tax payable pursuant to statutory tax provisions as well as filed it in the Tax Return, no notice of tax assessment or Notice of Tax Collection is necessary to be granted.

Paragraph (3)

If based on audit findings or other details, the tax calculated and filed in the Tax Return is incorrect, for example, the charging of the expenses exceeds the actual amount, the Director General of Taxes determines the amount of tax payable pursuant to statutory tax provisions.

Article 13

(1) The Director General of Taxes may issue a Notice of Tax Underpayment Assessment within a period of 5 (five) years after the time the tax becomes payable or after the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year after audit measures are conducted, in the following cases:
   a. there is unpaid or underpaid tax;
   b. the Tax Return is not filed within the period referred to in Article 3 paragraph (3) and after being reprimanded in writing, it is not filed on time as determined in the Reprimand Letter;
   c. there are Value Added Tax and Sales Tax on Luxury Goods that should not be set off against the tax excess difference or should not be subject to a 0% (zero per cent) rate;
   d. there are obligations referred to in Article 28 or Article 29 that have not been fulfilled, thereby, the amount of tax payable cannot be known;
   e. the Taxpayer is subject to *ex officio* Taxpayer Identification Number issuance and *ex officio* Value Added Tax registration as referred to in Article 2 paragraph (4a); or
   f. the Taxable Person does not conduct a supply of Taxable Goods and/or Taxable Services and/or export of Taxable Goods and/or Taxable Services and has been granted a refund for Input VAT or has credited Input VAT as referred to in Article 9 paragraph (6e) of the 1984 VAT Law and the amendments thereto.**--[6th A]**

(2) The amount of tax underpayment payable in the Notice of Tax Underpayment Assessment referred to in paragraph (1) subparagraph a and subparagraph e is added with an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance, calculated from the time the tax becomes payable or the Taxable Period, fraction of a Tax Year or Tax Year ends until the issuance of the Notice of Tax Underpayment Assessment and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[5th A]**

(2a) The amount of tax underpayment payable in the Notice of Tax Underpayment Assessment referred to in paragraph (1) subparagraph f is added with an administrative penalty in the form of interest amounting to

the monthly interest rate stipulated by the Minister of Finance, calculated from the time the due date for the repayment ends until the date of issuance of the Notice of Tax Underpayment Assessment and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.--[5th A]

(2b) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (2) and paragraph (2a) is calculated based on the reference interest rate plus 15% (fifteen per cent) and divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.--[5th A]

(3) The amount of tax in the Notice of Tax Underpayment Assessment referred to in paragraph (1) subparagraph b, subparagraph c and subparagraph d is added with an administrative penalty in the form of:
a. interest on Income Tax that is not or underpaid in 1 (one) Tax Year;
b. interest on Income Tax that is not or under-withheld or is not or under-collected;
c. a surcharge of 75% (seventy-five per cent) of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods that are not or underpaid; or
d. a surcharge of 75% (seventy-five per cent) of Withholding Tax or Income Tax collection but is not or under-remitted.--[6th A]

(3a) In the event that there is the application of administrative penalties in the form of interest and surcharges based on audit findings on Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) subparagraph a and subparagraph c, only one type of administrative penalty whose amount of the penalty is the highest shall be applied.--[5th A]

(3b) The interest referred to in paragraph (3) subparagraph a and subparagraph b amounts to the monthly interest rate stipulated by the Minister of Finance, calculated from the time the tax becomes payable or the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year until the issuance of the Notice of Tax Underpayment Assessment and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.--[6th A]

(3c) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (3b) is calculated based on the reference interest rate plus 20% (twenty per cent) and divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.--[6th A]

(4) The amount of tax payable notified by the Taxpayer in the Tax Return becomes certain pursuant to statutory tax provisions if within a period of 5 (five) years as referred to in paragraph (1), after the time the tax becomes payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year, no notice of tax assessment is issued unless the Taxpayer commits a tax crime in the Taxable Period, fraction of a Tax Year or Tax Year concerned.--[5th A]

(5) Deleted.--[5th A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(6) Procedures for the issuance of the Notice of Tax Underpayment Assessment referred to in paragraph (1) shall be stipulated by or pursuant to a Minister of Finance Regulation.--**[5th A]**

Elucidation of Article 13

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (2a)
Sufficiently clear.

Paragraph (2b)
Sufficiently clear.

Paragraph (3)
This paragraph stipulates administrative penalties of a notice of tax assessment due to the violation of the tax obligations referred to in paragraph (1) subparagraph b, subparagraph c and subparagraph d. The administrative penalties in the form of interest or surcharges constitute a proportional amount that must be added to the underpaid tax principal.

The administrative penalty for Income Tax that is paid by the Taxpayer and Income Tax that is not or under-withheld or is not or under-collected is in the form of the interest rate stipulated by the Minister of Finance calculated based on the reference interest rate plus 20% (twenty per cent) and divided by 12 (twelve) that comes into force on the date the calculation of the penalty starts, whereas for Withholding Tax and Income Tax collection but is not or under-remitted and Value Added Tax and Sales Tax on Luxury Goods, the administrative penalty is in the form of a surcharge of 75% (seventy-five per cent).

Paragraph (3a)
Sufficiently clear.

Paragraph (3b)
Sufficiently clear.

Paragraph (3c)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Deleted.

Paragraph (6)
Sufficiently clear.

Article 13A

Deleted.--[7th A]

Elucidation of Article 13A
Deleted.

Article 14

(1) The Director General of Taxes may issue a Notice of Tax Collection if:
   a. Income Tax in the current year is not or underpaid;
   b. based on the results of the examination, there is tax underpayment due to misspellings and/or miscalculations;
   c. the Taxpayer is subject to an administrative penalty in the form of a fine and/or interest;
   d. an entrepreneur has been registered as a Taxable Person but does not prepare tax invoices or is late in preparing tax invoices;
   e. an entrepreneur that has been registered as a Taxable Person does not fill in Tax Invoices completely as referred to in Article 13 paragraph (5) and paragraph (6) of 1984 VAT Law and the amendments thereto, except for the identity of the buyer of Taxable Goods or recipient of Taxable Services as well as the name and signature referred to in Article 13 paragraph (5) subparagraph b and subparagraph g of the 1984 VAT Law and the amendments thereto in the event that the supply is conducted by a retailer Taxable Person;
   f. deleted;
   g. deleted;
   h. there is interest compensation that should not otherwise be granted to the Taxpayer, in the event that:
      1. a decision is issued;
      2. a ruling is received; or
      3. data or information is found,

      that indicates the existence of interest compensation that should not otherwise be granted to the Taxpayer; or
   i. there is an amount of tax that is not or underpaid within the period according to the agreement to pay in instalments or defer tax payments as referred to in Article 9 paragraph (4).--[6th A]

(2) The Notice of Tax Collection referred to in paragraph (1) has the same legal force as a notice of tax assessment.--[3rd A]

(3) The amount of tax underpayment payable in the Notice of Tax Collection referred to in paragraph (1) subparagraph a and subparagraph b plus the administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance is calculated from the time the tax becomes payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year until the issuance of the Notice of Tax Collection and is imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.--[5th A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(4) The entrepreneur or Taxable Person referred to in paragraph (1) subparagraph d or subparagraph e, respectively, in addition to being required to remit tax payable, shall be subject to an administrative penalty in the form of a fine of 1% (one per cent) of the Tax Base.--[5th A]

(5) Deleted.--[5th A]

(5a) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (3) is calculated based on the reference interest rate plus 5% (five per cent) and divided by 12 (twelve) that comes into force on the date the calculation of the penalty starts.--[5th A]

(5b) The Notice of Tax Collection is issued no later than 5 (five) years after the time the tax becomes payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year.--[5th A]

(5c) Excluded from the provisions on the issuance period referred to in paragraph (5b):
a. the Notice of Tax Collection for administrative penalties referred to in Article 19 paragraph (1) is issued no later than according to the statute of limitation for the collection of the Notice of Tax Underpayment Assessment as well as the Notice of Additional Tax Underpayment Assessment and Amendment Decision Letter, Objection Decision Letter, Appeal Decision as well as Civil Review Decision which cause the amount of outstanding tax to increase;
b. the Notice of Tax Collection for administrative penalties referred to in Article 25 paragraph (9) may be issued no later than 5 (five) years from the date of issuance of the Objection Decision Letter if the Taxpayer does not file appeal remedies; and
c. the Notice of Tax Collection for administrative penalties referred to in Article 27 paragraph (5d) may be issued within a maximum period of 5 (five) years from the date the Appeal Decision is pronounced by the Tax Court judge in a public trial.--[5th A]

(6) Procedures for the issuance of the Notice of Tax Collection shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 14

Paragraph (1)

Sufficiently clear.

Paragraph (2)

A Notice of Tax Collection pursuant to this paragraph has the same legal force as a notice of tax assessment, thereby, its collection may be conducted using a Distress Warrant.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Paragraph (5)
Deleted.

Paragraph (5a)
Sufficiently clear.

Paragraph (5b)
Sufficiently clear.

Paragraph (5c)
Sufficiently clear.

Paragraph (6)
Sufficiently clear.

Article 15

(1) The Director General of Taxes may issue a Notice of Additional Tax Underpayment Assessment within a period of 5 (five) years after the time the tax becomes payable or the end of a Taxable Period, a fraction of a Tax year or a Tax Year if new data is found that results in an increase in the amount of tax payable after audit measures are conducted in the context of the issuance of a Notice of Additional Tax Underpayment Assessment.**--[3rd A]**

(2) The amount of tax underpayment payable in the Notice of Additional Tax Underpayment Assessment is added with an administrative penalty in the form of a surcharge of 100% (one hundred per cent) of the amount of the tax underpayment.**--[7th A]**

(3) The surcharge referred to in paragraph (2) is not imposed if the Notice of Additional Tax Underpayment Assessment is issued based on voluntary written details from the Taxpayer, provided that the Director General of Taxes has not started conducting audit measures in the context of the issuance of the Notice of Additional Tax Underpayment Assessment.**--[7th A]**

(4) Deleted.**--[5th A]**

(5) Procedures for the issuance of the Notice of Additional Tax Underpayment Assessment referred to in paragraph (1) shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[5th A]**

Elucidation of Article 15
Paragraph (1)
To accommodate the possibility of the occurrence of a Notice of Tax Underpayment Assessment that actually has been determined is lower or the tax payable in a Notice of Nil Tax Assessment is determined lower or a tax refund that should not have been conducted as determined in the Notice of Tax Overpayment Assessment, the Director General of Taxes is authorised to issue a Notice of Additional Tax Underpayment Assessment

within a period of 5 (five) years from the time the tax becomes payable or at the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year.

A Notice of an Additional Tax Underpayment Assessment is a correction of the previous notice of tax assessment. The Notice of Additional Tax Underpayment Assessment is only issued if a notice of tax assessment has already been issued. In principle, to issue the Notice of Additional Tax Underpayment Assessment, an audit is necessary to be conducted. If the previous notice of tax assessment is issued based on an audit, it necessary to conduct a re-audit before issuing the Notice of Additional Tax Underpayment Assessment.

Therefore, the Notice of Additional Tax Underpayment Assessment cannot be issued before being preceded by the issuance of a notice of tax assessment. The issuance of the Notice of an Additional Tax Underpayment Assessment is conducted provided that there is new data, including formerly undisclosed data, which causes the increase in the tax payable in the previous notice of tax assessment. In line with this, after the Notice of Tax Overpayment Assessment is issued because the period of 12 (twelve) months has elapsed as referred to in Article 17B, the Notice of Additional Tax Underpayment Assessment is only issued in the event that new data is found, including formerly undisclosed data. In the event that new data is still found, including formerly undisclosed data, at the time the Notice of Additional Tax Underpayment Assessment is issued and/or new data, including formerly undisclosed data, that is later found by the Director General of Taxes, the Notice of Additional Tax Underpayment Assessment may continue to be issued.

"New data" refers to data or details concerning everything required to calculate the amount of tax payable that has not been disclosed by the Taxpayer at the time of the initial assessment, either in the Tax Return and its attachments or in the Taxpayer's bookkeeping submitted at the time of an audit.

In addition, included in new data is formerly undisclosed data, namely data that is:

a. not disclosed by the Taxpayer in a Tax Return and the attachments thereto (including financial statements); and/or
b. at the time of the audit for the initial assessment, the Taxpayer does not disclose data and/or provides other details correctly, completely and detailed, thereby, not allowing the tax authority to correctly apply statutory tax provisions to calculate the amount of tax payable.

Although a Taxpayer has notified the data in the Tax Return or disclosed it at the time of the audit but if notifying or disclosing it in such a manner, thereby, making it impossible for the tax authority to calculate the amount of tax payable correctly, thereby, the amount of tax payable is

under-assessed, the matter is included in the definition of formerly undisclosed data.

Example:

1. The Tax Return and/or financial statements state the existence of advertisement expenses of IDR10,000,000.00 (ten million rupiah), whereas, in fact, the expenses consist of IDR5,000,000.00 (five million rupiah) of advertisement in mass media expenses and the remaining IDR5,000,000.00 (five million rupiah) is donations or gifts that cannot be charged to expenses.

   If at the time of the initial assessment, the Taxpayer does not disclose such details, thereby, the tax authority does not correct the expenses in the form of donations or gifts, thereby, the tax payable cannot be calculated incorrectly, the data on expenses in the form of donations or gifts are deemed formerly undisclosed data.

2. The Tax Return and/or financial statements state the grouping of fixed assets without being accompanied by the details of the assets in each group concerned, similarly, at the time of the audit for the initial assessment, the Taxpayer does not disclose the details, thereby, the tax authority cannot examine the correctness of the grouping concerned, for example, assets which should be grouped in group 3 non-building tangible assets but are grouped in group 2. As a result, the errors in the grouping of the assets are not corrected, thereby, tax payable cannot be calculated correctly.

   If afterwards, data stating that the asset grouping is incorrect is known, the data is included in formerly undisclosed data.

3. A Taxable Person purchases a number of goods from another Taxable Person and for the purchase, a tax invoice is issued by the seller Taxable Person issues a tax invoice. The goods are, in part, used in activities that have a direct relationship with business activities, such as expenses for production, distribution, marketing and management activities and the others do not have a direct relationship. All of the tax invoices are credited as Input VAT by the buyer Taxable Person.

   If at the time of the initial assessment, the Taxable Person does not disclose details of the use of the goods, thereby, no correction to the Input VAT crediting is conducted by the tax authority, thereby, Value Added Tax payable cannot be calculated correctly. If afterwards, data or details concerning errors in crediting Input VAT that has no direct relationship with the business activities concerned are known, the data or details constitute formerly undisclosed data.

Paragraph (2)

In the event that after a notice of tax assessment is issued, new data is still found, including formerly undisclosed data that has not been taken into account as the basis for the assessment, the underpaid tax is collected using a Notice of Additional Tax Underpayment Assessment plus an

administrate penalty in the form of surcharge of a 100% (one hundred per cent) of the underpaid tax.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Deleted.

Paragraph (5)
Sufficiently clear.

Article 16

(1) Based on the application by the Taxpayer or *ex officio*, the Director General of Taxes may amend a notice of tax assessment, Notice of Tax Collection, Amendment Decision Letter, Objection Decision Letter, Administrative Penalty Reduction Decision Letter, Administrative Penalty Nullification Decision Letter, Tax Assessment Reduction Decision Letter, Tax Assessment Cancellation Decision Letter, Preliminary Tax Refund Decision Letter or Interest Compensation Decision Letter, in whose issuance, there are misspellings, miscalculations and/or misapplication of certain statutory tax laws and regulations.**--[3rd A]**

(2) The Director general of Taxes, within a maximum period of 6 (six) months from the date of the application letter for amendment is received, must grant a decision on the application for amendment submitted by the Taxpayer referred to in paragraph (1).**--[3rd A]**

(3) If the period referred to in paragraph (2) has elapsed, but the Director General of Taxes does not grant a decision, the submitted application for amendment is deemed granted.**--[3rd A]**

(4) If requested by a Taxpayer, the Director General of Taxes is required to grant written details concerning matters constituting the basis to rejection or partially grant the application by the Taxpayer referred to in paragraph (1).**--[3rd A]**

Elucidation of Article 16

Paragraph (1)

The amendment pursuant to this paragraph is implemented in the context of good governance duties, thereby, if there are human errors or mistakes, the amendment needs to be conducted accordingly. The nature of the errors or mistakes does not contain a dispute between the tax authority and Taxpayer.

If the errors or mistakes are found either by the tax authority or based on the application by the Taxpayer, the errors or mistakes must be amended. The following may be amended due to errors or mistakes:

a. the notice of tax assessment, including the Notice of Tax Underpayment Assessment, Notice of Additional Tax Underpayment

Assessment, Notice of Nil Tax Assessment and Notice of Tax Overpayment Assessment;
b. the Notice of Tax Collection;
c. the Preliminary Tax Refund Decision Letter;
d. the Interest Compensation Decision Letter;
e. the Amendment Decision Letter;
f. the Objection Decision Letter;
g. the Administrative Penalty Reduction Decision Letter;
h. the Administrative Penalty Nullification Decision Letter;
i. the Tax Assessment Reduction Decision Letter; or
j. the Tax Assessment Cancellation Decision Letter.

The scope of the amendment stipulated under this paragraph is limited to errors or mistakes due to:

a. misspellings, including errors that may be in the form of the name, address, Taxpayer Identification Number, notice of tax assessment number, type of taxes, Taxable Period or Tax Year and the due date;
b. miscalculations, including errors originating from the addition and/or subtraction and/or multiplication and/or division of a figure; or
c. mistakes in the application of certain provisions under statutory tax laws and regulations, namely mistakes in the application of rates, misapplication of the Deemed Profit percentage, misapplication of administrative penalties, mistakes in Personal Tax Relief, miscalculation of Income Tax in the current year and mistakes in tax crediting.

The definition of "amend" in this paragraph, among others, includes adding, subtracting or nullifying, depending on the nature of the errors or mistakes.

If misspellings, miscalculations and/or misapplication of certain provisions under statutory tax laws and regulations still exist, the Taxpayer may re-apply for amendment to the Director General of Taxes, or the Director General of Taxes may re-conduct the amendment *ex officio*.

Paragraph (2)

To provide legal certainty, the application for amendment submitted by the Taxpayer should be decided within a maximum period of 6 (six) months from the time the application is received.

Paragraph (3)

In the event that the 6 (six) months time limit has elapsed, but the Director General of Taxes has not granted a decision, the application by the Taxpayer is deemed granted.

With the application by the Taxpayer being deemed granted, the Director General of Taxes issues the Amendment Decision Letter according to the application by the Taxpayer.

Paragraph (4)
Sufficiently clear.

Article 17

(1) The Director General of Taxes, after conducting an audit, issues a Notice of Tax Overpayment Assessment, if the amount of tax credit or the amount of paid tax is greater than the amount of tax payable.**--[3rd A]**
(2) Based on the application by the Taxpayer, the Director General of Taxes, after examining the correctness of tax payment, issues a Notice of Tax Overpayment Assessment if there is tax payment that should not otherwise be payable, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**
(3) The additional Notice of Tax Overpayment Assessment may continue be issued if, based on audit findings and/or new data, in fact, the overpaid tax is greater than the tax overpayment that has been assessed.**--[3rd A]**

Elucidation of Article 17

Paragraph (1)
Pursuant to the provisions under this paragraph, a Notice of Tax Overpayment Assessment is issued for:

a. Income Tax if the amount of tax credit is greater than the amount of tax payable;
b. Value Added Tax if the amount of tax credit is greater than the amount of tax payable. If there is tax collected by a Value Added Tax Collection Agent, the amount of tax payable is calculated by the amount of Output VAT being subtracted by the tax collected by the Value Added Tax Collection Agent; or
c. Sales Tax on Luxury Goods, if the amount of paid tax is greater than the amount of tax payable.

The Notice of Tax Overpayment Assessment is issued after an audit is conducted for the Tax Return filed by the Taxpayer that states an underpayment, nil or overpayment that is not accompanied by the application for a tax refund.

If the Taxpayer after receiving the Notice of Tax Overpayment Assessment and wishing for a tax refund, is required to submit a written application as referred to in Article 11 paragraph (2).

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Article 17A

(1) The Director General of Taxes, after conducting an audit, issues a Notice of Nil Tax Assessment if the amount of tax credit or the amount of paid tax is equal to the amount of tax payable or the tax is not payable and there is no tax credit or there is no tax payment.**--[3rd A]**

(2) Procedures for the issuance of the Notice of Nil Tax Assessment shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 17A

Paragraph (1)
Pursuant to the provisions under this paragraph, a Notice of Nil Tax Assessment is issued for:

a. Income Tax if the amount of tax credit is equal to the amount of tax payable or no tax is payable and there is no tax credit;

b. Value Added Tax if the amount of tax credit is equal to the amount of tax payable or no tax is payable and there is no tax credit. If there is tax collected by a Value Added Tax Collection Agent, the amount of tax payable is calculated by the amount of Output VAT being subtracted by the tax collected by the Value Added Tax Collection Agent; or

c. Sales Tax on Luxury Goods, if the amount of paid tax is equal to the amount of tax payable or no tax is payable and there is no tax credit.

Paragraph (2)
Sufficiently clear.

Article 17B

(1) The Director General of Taxes, after auditing the application for a tax refund, other than the application for a tax refund by the Taxpayer referred to in Article 17C and the Taxpayer referred to in Article 17D, must issue a notice of tax assessment no later than 12 (twelve) months from the time the application letter is completely received.**--[3rd A]**

(1a) The provisions referred to in paragraph (1) do not apply to Taxpayers that are subject to a preliminary audit of a tax crime, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[5th A]**

(2) If after the period referred to in paragraph (1) has elapsed, the Director General of Taxes does not grant a decision, the application for the tax refund is deemed granted and a Notice of Tax Overpayment Assessment must be issued no later than 1 (one) month after the period ends.**--[3rd A]**

(3) If the Notice of Tax Overpayment Assessment is late to be issued as referred to in paragraph (2), the Taxpayer is granted interest

compensation amounting to the monthly interest rate stipulated by the Minister of Finance, calculated from the end of the period referred to in paragraph (2) until the time of issuance of the Notice of Tax Overpayment Assessment.--[7th A]

(4) If the preliminary audit of a tax crime referred to in paragraph (1a):
   a. is not proceeded with an investigation;
   b. is proceeded with an investigation, but is not proceeded with a prosecution of a tax crime; or
   c. is proceeded with an investigation and a prosecution of a tax crime, but the verdict is not guilty or released from all charges based on the court decision with permanent legal force,

   and in the event that for the Taxpayer, a Notice of Tax Overpayment Assessment is issued, the Taxpayer is granted interest compensation amounting to the monthly rate stipulated by the Minister of Finance, calculated from the end of the period of 12 (twelve) months referred to in paragraph (1) until the time of issuance of the Notice of Tax Overpayment Assessment.--[7th A]

(5) The interest compensation referred to in paragraph (4) is not granted in the event that the preliminary audit of a tax crime:
   a. is not proceeded with an investigation because the Taxpayer voluntarily discloses the untruth of his/her actions as referred to in Article 8 paragraph (3); or
   b. is proceeded with an investigation, but not proceeded with a prosecution of a tax crime because the termination of the tax crime investigation is conducted as referred to in Article 44B.--[7th A]

(6) The interest compensation referred to in paragraph (3) and paragraph (4) shall be granted for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.--[5th A]

(7) The monthly interest rate stipulated by the Minister of Finance as referred to in paragraph (3) and paragraph (4) is calculated based on the reference interest rate divided by 12 (twelve) which comes into force on the date the calculation of interest compensation starts.--[5th A]

Elucidation of Article 17B

Paragraph (1)

"The application letter has been completely received" refers to a Tax Return has been filled out completely as referred to in Article 3.

A notice of tax assessment issued based on audit findings on the application for a tax refund may be in the form of a Notice of Tax Underpayment Assessment or Notice of Nil Tax Assessment or Notice of Tax Overpayment Assessment.

Paragraph (1a)

"Are subject to a preliminary audit of a tax crime" refers to starting from the time the notice of preliminary audit is submitted to the Taxpayer,

representative, attorney, employee, or adult family member of the Taxpayer.

Paragraph (2)
The deadline referred to in paragraph (1) is intended to provide legal certainty for the applications by Taxpayers or Taxable Persons, thereby, if the deadline elapses and the Director General of Taxes does not grant a decision, the application is deemed granted. In addition, the deadline is also intended for orderly tax administration.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Paragraph (6)
Sufficiently clear.

Paragraph (7)
Sufficiently clear.

Article 17C

(1) The Director General of Taxes, after examining the application for a tax refund by a Taxpayer with certain criteria, issues a Preliminary Tax Refund Decision Letter no later than 3 (three) months from the time the application is completely received for Income Tax and no later than 1 (one) month from the time the application is completely received for Value Added Tax.**--[3rd A]**

(2) The certain criteria referred to in paragraph (1) include:
   a. on time in filing Tax Returns;
   b. not having tax arrears for all taxes, except for tax arrears that have obtained a permit to pay in instalments or defer tax payments;
   c. Financial Statements are audited by Public Accountants or government financial supervisory institutions with Unqualified Opinion for 3 (three) consecutive years; and
   d. having never been sentenced for committing a tax crime based on a court decision with permanent legal force within a period of the last 5 (five) years.**--[3rd A]**

(3) The Taxpayers with certain criteria referred to in paragraph (2) are stipulated by a Director General of Taxes Decree.**--[3rd A]**

(4) The Director General of Taxes may audit the Taxpayers referred to in paragraph (1) and issue a notice of tax assessment after conducting preliminary tax refunds.**--[3rd A]**

(5) If based on audit findings as referred to in paragraph (4), the Director General of Taxes issues a Notice of Tax Underpayment Assessment, the

amount of tax underpayment shall be added with an administrative penalty in the form of a surcharge of 100% (one hundred per cent) of the amount of tax underpayment.--[3rd A]

(6) The Taxpayer referred to in paragraph (1) cannot be granted preliminary tax refunds if:
   a. the Taxpayer is under a tax crime investigation;
   b. late in filing Periodic Tax Returns for a certain single tax for 2 (two) consecutive Taxable Periods;
   c. late in filing Periodic Tax Returns for a certain single tax for 3 (three) Taxable Periods in 1 (one) calendar year; or
   d. late in filing the Annual Tax Return.--[3rd A]

(7) Procedures for the determination of Taxpayers with certain criteria shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 17C

Paragraph (1)

For the application for a tax refund by a Taxpayer with certain criteria, after an examination is conducted, a Preliminary Tax Refund Decision Letter must be issued no later than:
   a. 3 (three) months for Income Tax;
   b. 1 (one) month for Value Added Tax,

from the time the application is completely received, which implies that the Tax Return has been filled in completely as referred to in Article 3 paragraph (1), paragraph (1a) and paragraph (6). The application may be submitted by completing the columns in the Tax Return or using a separate letter. The preliminary tax refund may be granted after the Director General of Taxes confirms the correctness of the tax credit.

Paragraph (2)

Included in the definition of the compliance in the filing of Tax Returns:
   a. on time in filing the Annual Tax Returns within the last three (3) years;
   b. in the last Tax Year, the filing of Periodic Tax Returns for January to November Taxable Periods that is late is no more than 3 (three) Taxable Periods for all taxes and not consecutively; and
   c. the late Periodic Tax Returns referred to in paragraph b have been filed not past the filing deadline for the following Periodic Tax Return.

That the Taxpayer has no tax arrears is the circumstance on 31 December. The tax liability that has not past the settlement deadline is not included in the definition of tax arrears.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The Director General of Taxes may issue a notice of tax assessment within a period of 5 (five) years after auditing a Taxpayer that has obtained the

preliminary tax refund referred to in paragraph (1). The notice of tax assessment may be in the form of a Notice of Tax Underpayment Assessment, Notice of Nil Tax Assessment or Notice of Tax Overpayment Assessment.

Paragraph (5)

To encourage Taxpayers in filing the amount of tax payable pursuant to applicable statutory tax provisions, if based on audit findings referred to in paragraph (4), a Notice of Tax Underpayment Assessment is issued, it shall be added with an administrative penalty in the form of a surcharge of 100% (one hundred per cent) of the tax underpayment.

For clarity, the method for the calculation of the Notice of Tax Underpayment Assessment and the imposition of an administrative penalty in form of a surcharge, the following examples are given:

1) Income Tax
   - The Taxpayer has obtained a preliminary tax refund of IDR80,000,000.00.
   - From the audit, the following findings are obtained:
     a. Income Tax payable amounts to IDR100,000,000.00
     b. Tax credit, namely:

- Article 22 Income Tax	IDR	20,000,000.00	
- Article 23 Income Tax	IDR	40,000,000.00	
- Article 25 Income Tax	IDR	90,000,000.00	

Based on the audit findings, the Notice of Tax Underpayment Assessment is issued with the following calculation:

- Income Tax payable amounts to	IDR	100,000,000.00	
- Tax Credit:			
Article 22 Income Tax	IDR	20,000,000.00	
Article 23 Income Tax	IDR	40,000,000.00	
Article 25 Income Tax	IDR	90,000,000.00	(+)
	IDR	150,000,000.00	
- The amount of the Preliminary Tax Refund	IDR	80,000,000.00	(-)
- The amount of creditable tax	IDR	70,000,000.00	(-)
- Tax that is not/underpaid	IDR	30,000,000.00	
- Administrative penalty in the form of a surcharge of 100%	IDR	30,000,000.00	(+)
Outstanding amount	IDR	60,000,000.00	

2) Value Added Tax
   - The Taxable Person has obtained a preliminary tax refund of IDR60,000,000.00.
   - From the audit, the following findings are obtained:
     a. Output VAT IDR 100,000,000.00

b. Tax credit, namely Input VAT IDR 150,000,000.00

Based on the audit findings, a Notice of Tax Underpayment Assessment is issued with the following calculation:

- Output VAT	IDR 100,000,000.00	
- Tax Credit:		
- Input VAT	IDR 150,000,000.00	
- The amount of the Preliminary Tax Refund	IDR 60,000,000.00	(-)
- The amount of creditable tax	IDR 90,000,000.00	(-)
Underpaid tax	IDR 10,000,000.00	
Surcharge administrative penalty of 100%	IDR 10,000,000.00	(+)
Outstanding amount	IDR 20,000,000.00	

Paragraph (6)
Sufficiently clear.

Paragraph (7)
Sufficiently clear.

Article 17D

(1) The Director General of Taxes, after examining the application for a tax refund by Taxpayers that fulfil certain requirements, issues a Preliminary Tax Refund Decision Letter no later than 3 (three) months from the time the application is completely received for Income Tax and for a maximum of 1 (one) month from the time the application is completely received for Value Added Tax.**--[3rd A]**

(2) The Taxpayers referred to in paragraph (1) that may be granted preliminary tax refunds are:
   a. individual Taxpayers who do not conduct business or independent personal services;
   b. individual Taxpayers who conduct business or independent personal services with the amount of business turnover and the amount of overpayment up to a certain amount;
   c. corporate Taxpayers with the amount of business turnover and the amount of overpayment up to a certain amount; or
   d. Taxable Persons that file Periodic Value Added Tax Returns with the amount of supplies and the amount of overpayment up to a certain amount.**--[3rd A]**

(3) The thresholds of the amount of business turnover, the amount of supplies and the amount of overpayment referred to in paragraph (2) shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(4) The Director General of Taxes may audit the Taxpayers referred to in paragraph (1) and issue a notice of tax assessment after conducting preliminary tax refunds.**--[3rd A]**

(5) If based on the audit findings referred to in paragraph (4), the Director General of Taxes issues a Notice of Tax Underpayment Assessment, the

amount of underpaid tax is added with an administrative penalty in the form of a surcharge of 100% (one hundred per cent).--[3rd A]

Elucidation of Article 17D

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

To reduce the misuse of the granting of the accelerated tax refund concession, the Director General of Taxes may conduct an audit after granting the preliminary tax refund referred to in paragraph (1).

Paragraph (5)

To motivate Taxpayers to file the amount of tax payable pursuant to statutory tax provisions, if based on audit findings referred to in paragraph (4), a Notice of Tax Underpayment Assessment is issued, the amount of underpaid tax is added with an administrative penalty in the form of a surcharge of a 100% (one hundred per cent) of the tax underpayment.

Article 17E

An individual who does not constitute a tax resident purchasing Taxable Goods within the customs territory that are not consumed within the customs territory may be granted a refund of Value Added Tax that has been paid, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 17E

Sufficiently clear.

CHAPTER IV
TAX COLLECTION

Article 18

(1) The Notice of Tax Collection, Notice of Tax Underpayment Assessment as well as Notice of Additional Tax Underpayment Assessment and Amendment Decision Letter, Objection Decision Letter, Appeal Decision as well as Civil Review Decision Letter, which cause the amount of outstanding tax to increase constitute the basis for tax collection. --[3rd A]

(2) Deleted.--[2nd A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 18
Paragraph (1)
Sufficiently clear.

Paragraph (2)
Deleted.

Article 19

(1) If the Notice of Tax Underpayment Assessment or Notice of Additional Tax Underpayment Assessment as well as Amendment Decision Letter, Objection Decision Letter, Appeal Decision or Civil Review Decision, which causes the amount of outstanding tax to increase, at the settlement due date, is not paid or underpaid, the amount of tax that is not or underpaid is subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance for all periods, calculated from the end of the payment due date until the date of payment or the date the Notice of Tax Collection is issued and imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.**--[7th A]**

(2) In the event that Taxpayers are allowed to pay in instalments or defer tax payments, they are also subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance of the amount of outstanding tax and imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as a 1 (one) full month.**--[5th A]**

(3) In the event that Taxpayers are allowed to defer the filing of Annual Tax Return and, in fact, the temporary calculation of tax payable referred to in Article 3 paragraph (5) is less than the amount of tax actually payable, for the tax underpayment, the Taxpayers are subject to an administrative penalty in the form of interest amounting to the monthly interest rate stipulated by the Minister of Finance, calculated from the end of the filing deadline for the Annual Tax Return filing referred to in Article 3 paragraph (3) subparagraph b and subparagraph c until the date the underpayment is paid and imposed for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month. .**--[7th A]**

(4) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (1), paragraph (2) and paragraph (3) is calculated based on the reference interest rate divided by 12 (twelve) which comes into force on the date the calculation of the penalty starts.**--[5th A]**

Elucidation of Article 19
Sufficiently clear.

Article 20

(1) For the amount of outstanding tax, that based on the Notice of Tax Collection, Notice of Tax Underpayment Assessment as well as Notice of Additional Tax Underpayment Assessment and Amendment Decision Letter, Objection Decision Letter, Appeal Decision as well as Civil Review Decision which cause the amount of outstanding tax to increase, that is not paid by the Tax Bearer according to the period referred to in Article 9 paragraph (3) or paragraph (3a), tax collection is implemented using a Distress Warrant pursuant to statutory tax provisions.**--[3rd A]**

(2) Excluded from the provisions referred to in paragraph (1), total and immediate collection is conducted if:
   a. the Tax Bearer will leave Indonesia permanently or intends to do so;
   b. the Tax Bearer transfers property that are owned or controlled movable or immovable property in the context of terminating or reducing business activities or employment he/she conducts in Indonesia;
   c. there are indications that the Tax Bearer will dissolve the business entity or merge or spin-off the business or transfer the company that he/she owns or controls or conduct other changes in form;
   d. the business entity will be dissolved by the state; or
   e. the confiscation of the Tax Bearer's property by a third party occurs or there are indications of bankruptcy.**--[3rd A]**

(3) Tax collection using a Distress Warrant is implemented pursuant to statutory tax provisions.**--[3rd A]**

Elucidation of Article 20

Paragraph (1)

If the amount of tax liability is not or underpaid until the payment due date or until payment deferral due date or the Taxpayer does not fulfil the instalment of tax payment, the collection is implemented using a Distress Warrant pursuant to statutory tax provisions. Tax collection using a Distress Warrant is implemented on the Tax Bearer.

Paragraph (2)

"Total and immediate collection" refers to tax collection measures implemented by Tax Bailiffs on the Tax Bearer without waiting for the payment due date, which includes all tax liabilities of all taxes, Taxable Periods and Tax Years.

Paragraph (3)

Sufficiently clear.

Article 20A

(1) The Minister of Finance is authorised to cooperate for the implementation of assistance in tax collection with tax treaty partners.**--[6th A]**

(2) The implementation of assistance in tax collection referred to in paragraph (1) is conducted by the Director General of Taxes, which includes the

granting of assistance in tax collection and the request for assistance in tax collection from tax treaty partners.--[6th A]

(3) The granting of assistance in tax collection and the request for assistance in tax collection referred to in paragraph (2) is conducted based on reciprocal international agreements.--[6th A]

(4) The tax treaty partners referred to in paragraph (1) are countries or jurisdictions bound with the Government of Indonesia in international agreements.--[6th A]

(5) The international agreements referred to in paragraph (3) constitute bilateral or multilateral agreements that stipulate co-operation concerning matters related to assistance in tax collection, including:
a. tax treaties;
b. convention on mutual administrative assistance in tax matters; or
c. other bilateral or multilateral agreements.--[6th A]

(6) The assistance in tax collection referred to in paragraph (2) may be conducted after a tax claim is received from a tax treaty partner.--[6th A]

(7) The tax claim referred to in paragraph (6) constitutes a legal instrument of the tax treaty partner which at the minimum contains:
a. the value of tax claim for which assistance in collection is requested; and
b. the identity of the tax bearer for the tax claim.--[6th A]

(8) The tax claim referred to in paragraph (7) constitutes the tax base subject to the implementation of tax collection using a Distress Warrant pursuant to statutory provisions in the field of taxation that apply *mutatis mutandis* to the applicable provisions on tax collection in the tax treaty partner.--[6th A]

(9) Proceeds from tax collection on tax claims from the tax treaty partner are deposited in another government account before being remitted to tax treaty partner.--[6th A]

Elucidation of Article 20A

Paragraph (1)

This Law authorises the Minister of Finance to co-operate for the implementation of assistance in tax collection with the government of a tax treaty partner.

"Assistance in tax collection" refers to the assistance in tax collection facility contained in an international agreement that may be utilised by the Government of Indonesia and the government of the tax treaty partner to reciprocally conduct the collection of tax liabilities administered by the Director General of Taxes or the tax authority of the tax treaty partner.

Paragraph (2)

In the implementation of the co-operation in assistance in tax collection, the Director General of Taxes conducts assistance in tax collection activities for the tax authority of the tax treaty partner. The implementation of assistance in tax collection includes the granting of

assistance in tax collection and the request for assistance in tax collection to the tax authority of the tax treaty partner.

Paragraph (3)

The application of the reciprocal principle under this paragraph is intended to enable the Director General of Taxes to grant assistance in tax collection to the government of the tax treaty partner insofar as the government of the tax treaty partner also grants equivalent assistance in tax collection to the Government of Indonesia. For example, tax collection measures will be conducted by notifying the Distress Warrant in the event that the tax treaty partner conducts assistance in tax collection measures by notifying the Distress Warrant or equivalent measures.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

"International agreements" refer to bilateral or multilateral agreements that have been ratified by the Government of Indonesia pursuant to the provisions under the Law concerning International Agreements, which state that the Government of Indonesia has bound itself with a tax treaty partner concerning co-operation on matters related to assistance in tax collection. Included in international agreements is the convention on mutual administrative assistance in tax matters.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Subparagraph a

"The value of tax claim" refers to the value in money for which assistance in tax collection is requested by a tax treaty partner which contains, among others, the value of outstanding principal tax, administrative penalties and collection costs imposed by the tax treaty partner.

On the other hand, the collection costs incurred by the Directorate General of Taxes in the context of the granting of assistance in tax collection are borne by the tax treaty partner that requests assistance in tax collection, in the event that the tax claim is collectible, and this applies vice versa. The collection costs are recorded as Non-Tax State Revenues in the State Budget.

In the event that the tax claim is uncollectible, the tax collection costs that have been incurred by the Directorate General of Taxes are borne by the state.

The tax claim for which assistance in tax collection is requested by the tax treaty partner is not in dispute (already in force) in the tax treaty partner.

Subparagraph b

The identity of the tax bearer at the minimum contains the name, identification number and address of the tax bearer.

Paragraph (8)

The tax claim by a tax treaty partner constitutes the basis for the tax collection that will be subject to tax collection measures by the Director General of Taxes pursuant to statutory tax provisions that apply *mutatis mutandis* to the applicable provisions on tax collection in the tax treaty partner.

The value of the tax claim by the tax treaty partner is equivalent to a tax liability. Therefore, the value of the tax claim is subject to tax collection measures by the Director General of Taxes through activities of reprimanding or warning, issuing and notifying a Distress Warrant, implementing confiscation, selling property that has been confiscated, proposing travel ban and implementing *gijzeling* pursuant to statutory provisions in the field of taxation.

Tax collection measures are conducted equivalently to measures conducted by the tax treaty partner. For example, tax collection measures will be conducted until notifying the Distress Warrant in the event that the tax treaty partner conducts assistance in tax collection until notifying the Distress Warrant or equivalent measures.

Tax collection measures are conducted on the tax bearer whose identity is listed in the tax claim.

Paragraph (9)

Proceeds from the tax collection on the tax claim by the tax treaty partner are deposited in another government account that is separate from the state treasury account or government revenue module before being sent to the tax treaty partner. Proceeds from tax collection on the tax claim by the tax treaty partner do not constitute State Revenues, thereby, are not recorded in the State Budget as not included in the realm of state finances.

Article 21

(1) The state has a right to a writ of seizure and sale for the tax liabilities for the property belonging to Tax Bearer.--[3rd A]

(2) The provisions on the right to a writ of seizure and sale referred to in paragraph (1) include the tax principal, administrative penalties in the form of interest, fines and surcharges and tax collection costs.--[3rd A]

(3) The right to a writ of seizure and sale for tax liabilities supersedes all other rights to a writ of seizure and sale, except for:
   a. case fees that are solely due to the judgment to auction movable property and/or immovable property;
   b. costs that have been incurred to save the property concerned; and/or

c. case fees that are solely due to the auction and settlement of inheritance.--[3rd A]

(3a) In the event that a Taxpayer is declared bankrupt, dissolved or liquidated, the curator, liquidator or a person or entity tasked with to conduct the settlement is prohibited from distributing the assets of the Taxpayer in bankruptcy, dissolution or liquidation to other shareholders or creditors before using the assets to pay the Taxpayer's tax liabilities.--[3rd A]

(4) The right to a writ of seizure and sale is lost after the period of 5 (five) years has elapsed from the date the Notice of Tax Collection, Notice of Tax Underpayment Assessment, Notice of Additional Tax Underpayment Assessment, Amendment Decision Letter, Objection Decision Letter, Appeal Decision or Civil Review Decision which causes the amount of outstanding tax to increase is issued.--[3rd A]

(5) The calculation of the period of the right to a writ of seizure and sale is stipulated as follows:

a. in the event the Distress Warrant for payment is officially notified, the period of 5 (five) years referred to in paragraph (4) is calculated from the notification of the Distress Warrant; or,

b. in the event that payment deferral or approval for payment in instalments is granted, the 5 period of (five) years is calculated from the time the deadline for the deferral is granted.--[3rd A]

Elucidation of Article 21

Paragraph (1)

This paragraph stipulates the status of the state as the preferred creditor that is declared to have the right to a writ of seizure and sale to the Tax bearer's property that will be auctioned in public.

Payments to other creditors are completed after the tax liability is settled.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (3a)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 22

(1) The right to conduct tax collection, including interest, fines, surcharges and tax collection costs elapses expires after a period 5 (five) years has elapsed from the issuance of the Notice of Tax Collection, Notice of Tax Underpayment Assessment as well as the Notice of Additional Tax Underpayment Assessment and Amendment Decision Letter, Objection Decision Letter, Appeal Decision as well as Civil Review Decision.--[3rd A]

(2) The statute of limitation for the tax collection referred to in paragraph (1) is deferred if:
   a. a Distress Warrant is issued;
   b. there is acknowledgment of the tax liability from the Taxpayer, either direct or indirect;
   c. the Notice of Tax Underpayment Assessment referred to in Article 13 paragraph (5) or the Notice of Additional Tax Underpayment Assessment referred to in Article 15 paragraph (4) is issued; or
   d. a tax crime investigation is conducted.--[3rd A]

Elucidation of Article 22

Paragraph (1)

The statute of limitation for tax collection is necessary to be stipulated to provide legal certainty of the time the tax liability is no longer collectible.

The statute of limitation for tax collection of 5 (five) years is calculated from the time the Notice of Tax Collection and notice of tax assessment are issued. In the event that the Taxpayer applies for amendment, objection, appeal or Civil Review, the statute of limitation for tax collection of 5 (five) years is calculated from the date of issuance of the Amendment Decision Letter, Objection Decision Letter, Appeal Decision or Civil Review Decision.

Paragraph (2)

The statute of limitation for tax collection may exceed 5 (five) years as referred to in paragraph (1) if:

a. the Director General of Taxes issues and notifies the Distress Warrant to the Tax Bearer that does not conduct the payment of tax liabilities until the payment due date. In such a case, the statute of limitation for tax collection is calculated from the date of notification of the Distress Warrant.

b. the Taxpayer states the acknowledgment of the tax liability by applying for payment in instalments or deferral of the payment of the tax liability before the payment due date. In such a case, the statute of limitation for tax collection is calculated from the date the application letter for the payment in instalments or deferral of payment of the tax liability is received by the Director General of Taxes.

c. There is a Notice of Tax Underpayment Assessment or Notice of Additional Tax Underpayment Assessment that is issued to the

Taxpayer because the Taxpayer conducts a tax crime and other crimes that may cause losses to state revenues based on a court decision with permanent legal force. In such a case, the statute of limitation for tax collection is calculated from the date of issuance of the notice of tax assessment.

d. The Taxpayer is subject to a tax crime investigation, the statute of limitation for tax collection is calculated from the date of issuance of the tax crime Investigation Order.

Article 23

(1) Deleted.--[2nd A]

(2) The Lawsuit by a Taxpayer or Tax Bearer against:
   a. the implementation of the Distress Warrant, Confiscation Order or Auction Notice;
   b. the decision on travel bans in the context of tax collection;
   c. decisions related to the implementation of tax decisions, other than those stipulated under Article 25 paragraph (1) and Article 26; or
   d. the issuance of the notice of tax assessment or the Objection Decision Letter whose issuance does not comply with the procedures or methods that have been stipulated under statutory tax provisions,

   may only be filed to the tax judicial body.--[3rd A]

(3) Deleted. --[2nd A]

Elucidation of Article 23

Paragraph (1)

Deleted.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Deleted.

Article 24

Procedures for the write-off of tax receivables and the stipulation of amount of the write-off shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 24

The Minister of Finance stipulates procedures for the write-off and stipulates the amount of uncollectible tax receivables, among others, because a Taxpayer has passed away and has no inheritance or assets, a corporate Taxpayer whose bankruptcy process has been completed or a Taxpayer no longer fulfils the requirements as a tax subject and the right to conduct tax

collection has expired. Through this method, the amount of the balance of tax receivables that may be collected or disbursed may be estimated effectively.

CHAPTER V
OBJECTIONS AND APPEALS

Article 25

(1) A Taxpayer may file an objection only to the Director General of Taxes against a:
   a. Notice of Tax Underpayment Assessment;
   b. Notice of Additional Tax Underpayment Assessment;
   c. Notice of Nil Tax Assessment;
   d. Notice of Tax Overpayment Assessment; or
   e. withholding tax or tax collection by third parties pursuant to statutory tax provisions.--[3rd A]

(2) The objection is filed in writing in the Indonesian language by stating the amount of tax payable, the amount of withholding tax or tax collection or the amount of losses according to the Taxpayer's calculation accompanied by reasons constituting the basis for the calculation.--[3rd A]

(3) The objection must be filed within a period of 3 (three) months from the date the notice of tax assessment is delivered or from the date of the withholding tax or tax collection referred to in paragraph (1) unless the Taxpayer can show that the period cannot be fulfilled due to circumstances beyond his/her control.--[3rd A]

(3a) In the event that the Taxpayer files an objection against a notice of tax assessment, the Taxpayer is required to settle the outstanding tax at the minimum amounting to the amount agreed by the Taxpayer in the closing conference, before the objection letter is submitted.--[3rd A]

(4) The objection that does not fulfil the requirements referred to in paragraph (1), paragraph (2), paragraph (3) or paragraph (3a) does not constitute a valid objection letter, thereby, is not considered.--[3rd A]

(5) The proof of receipt for the objection letter granted by employees of the Directorate General of Taxes appointed to receive objection letters or proof of delivery for the objection letter by post using proof of postage or through other methods stipulated by or pursuant to a Minister of Finance Regulation becomes the proof of receipt for the objection letter.--[3rd A]

(6) If requested by the Taxpayer for the purpose of filing an objection, the Director General of Taxes is required to provide details in writing on matters constituting the tax base, the calculation of losses or withholding tax or tax collection.--[3rd A]

(7) In the event that the Taxpayer files an objection, the tax settlement period referred to in Article 9 paragraph (3) or paragraph (3a), the amount of tax that has not been paid at the time the objection is filed, is deferred until 1 (one) month from the date of issuance of the Objection Decision Letter.--[3rd A]

(8) The amount of tax that has not been paid at the time the application for the objection is submitted referred to in paragraph (7) is not included in the tax liabilities referred to in Article 11 paragraph (1) and paragraph (1a).--[3rd A]

(9) In the event that a Taxpayer's objection is rejected or partially granted, the Taxpayer is subject to an administrative penalty in the form of a fine of 30% (thirty per cent) of the amount of tax based on the objection decision subtracted by the amount of tax that has been paid before filing the objection.--[6th A]

(10) In the event that a Taxpayer files an appeal, the administrative penalty in the form of a fine of 30% (thirty per cent) referred to in paragraph (9) is not imposed.--[6th A]

Elucidation of Article 25

Paragraph (1)

If a Taxpayer is of the opinion that the amount of loss, the amount of tax and withholding tax or tax collection are not as they should be, the Taxpayer may file an objection only to the Director General of Taxes.

The filed objection concerns the matters or contents of the tax assessment, namely the amount of loss pursuant to statutory tax provisions, the amount of tax or withholding tax or tax collection. "A" under this paragraph refers to 1 (one) objection must be filed against 1 (one) tax and 1 (one) Taxable Period or Tax Year.

Example:
The objection against Income Tax assessment for the 2008 Tax Year and 2009 Tax Year must be filed respectively in 1 (one) separate objection letter. For the 2 (two) Tax Years, 2 (two) objection letters must be filed.

Paragraph (2)

"Reasons constituting the basis for the calculation" refer to clear reasons and attached with a photocopy of the notice of tax assessment, collection receipt or withholding receipt.

Paragraph (3)

The submission deadline for the objection letter is determined within a period of 3 (three) months from the date the notice of tax assessment is delivered or from the date of the withholding tax or tax collection referred to in paragraph (1) with the purpose for the Taxpayer to have adequate time to prepare the objection letter as well as the reasons.

If, in fact, the deadline of 3 (three) months cannot be fulfilled by the Taxpayer due to circumstances beyond the Taxpayer's control (force majeure), the deadline of 3 (three) months may be considered to be extended by the Director General of Taxes.

Paragraph (3a)

This provision stipulates that the requirement for the filing of an objection for the Taxpayer is being required to first settle the amount of tax liability that has been agreed by the Taxpayer in the closing conference. The settlement must be conducted before the Taxpayer files an objection.

Paragraph (4)

The application for an objection that does not fulfil one of the requirements referred to in this Article does not constitute an objection letter, thereby, cannot be considered and an Objection Decision Letter is not issued.

Paragraph (5)

The proof of letter receipt that has been granted by employees of the Directorate General of Taxes or by post constitutes the proof of receipt for the objection letter if the letter fulfils the requirements as an objection letter. Therefore, the resolution deadline for the objection is calculated from the date of receipt of the letter concerned.

If the Taxpayer's letter does not fulfil the requirements as an objection letter and the Taxpayer amends it within the submission deadline for the objection letter, the resolution deadline for the objection is calculated from the receipt of the next letter that fulfils the requirements as an objection letter.

Paragraph (6)

For the Taxpayer to be able to prepare an objection with strong reasons, the Taxpayer is granted the right to request the tax base, calculation of loss and withholding tax or tax collection that have been assessed. The Director General of Taxes is required to fulfil the request.

Paragraph (7)

This paragraph stipulates that the payment due date stated in the notice of tax assessment is deferred up to 1 (one) month from the date of issuance of the Objection Decision Letter. The deferral of the tax settlement period causes the administrative penalty in the form of interest stipulated under Article 19 to be not applied to the amount of tax that has not been paid at the time the objection is filed.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

In the event that a Taxpayer's objection is rejected or partially granted and the Taxpayer does not apply for an appeal, the amount of tax based on the objection decision subtracted by the amount of tax that has been paid before filing the objection must be settled no later than 1 (one) month from the date of issuance of the Objection Decision Letter and collection using a Distress Warrant will be implemented if the Taxpayer does not

settle the tax liability. In addition, the Taxpayer is subject to an administrative penalty in the form of a fine of 30% (thirty per cent).

Example:
For the 2023 Tax Year, a Notice of Tax Underpayment Assessment (SKPKB) with the amount of standing tax of IDR1,000,000,000.00 (one billion rupiah) is issued to PT A. In the closing conference, the Taxpayer only agrees to outstanding tax of IDR200,000,000.00 (two hundred million rupiah). The Taxpayer has settled part of the SKPKB of IDR200,000,000.00 (two hundred million rupiah) and subsequently files an objection on other corrections. The Director General of Taxes partially grants the Taxpayer's objection with the amount of outstanding tax becomes IDR750,000,000.00 (seven hundred and fifty million rupiah). In this case, the Taxpayer is not subject to the administrative penalty stipulated under Article 19 but is subject to the administrative penalty pursuant to this paragraph, namely amounting to 30% x (IDR750,000,000.00 - IDR200,000,000.00) = IDR165,000,000.00.

Paragraph (10)

Sufficiently clear.

Article 26

(1) The Director General of Taxes within a maximum period of 12 (twelve) months from the date the objection letter is received must grant a decision on the filed objection.**--[3rd A]**

(2) Before the decision letter is issued, the Taxpayer may submit additional reasons or written explanations.

(3) The Director General of Taxes' decision on the objection may be in the form of granting in full or partially, rejected or increasing the amount of outstanding tax.**--[3rd A]**

(4) In the event that the Taxpayer files an objection against the notice of tax assessment referred to in Article 13 paragraph (1) subparagraph b and subparagraph d, the Taxpayer concerned must be able to prove the incorrectness of the tax assessment.**--[3rd A]**

(5) If the period referred to in paragraph (1) has elapsed and the Director General of Taxes does not grant a decision, the filed objection is deemed granted.**--[3rd A]**

Elucidation of Article 26

Paragraph (1)

For the objection letter submitted by the Taxpayer, the resolution authority at the first level is granted to the Director General of Taxes provided that the resolution deadline for the Taxpayer's objection is determined to be a maximum of 12 (twelve) months from the date the objection letter is received.

With the determination of the resolution deadline for the decision on the objection, it implies that legal certainty for Taxpayers will be obtained in addition to the implementation of tax administration.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
This paragraph requires a Taxpayer proves the incorrectness of a tax assessment in the event that the Taxpayer files an objection against taxes that are assessed *ex officio*. The *ex officio* notice of tax assessment is issued because the Taxpayer does not file the Annual Tax Return although has been reprimanded in writing, does not fulfil the obligation to maintain bookkeeping or refuses to allow tax auditors to enter certain places deemed necessary in the context of an audit to assess the amount of tax payable. If the Taxpayer cannot prove the incorrectness of the *ex officio* notice of tax assessment, the filing of the objection is rejected.

Paragraph (5)
Sufficiently clear.

Article 26A

(1) Procedures for the filing and resolution of objections shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**
(2) Procedures for the filing and resolution of objections referred to in paragraph (1), among others, stipulate the granting of the right to Taxpayers to be present to provide details or obtain explanations concerning their objections.**--[3rd A]**
(3) If the Taxpayer does not use the right referred to in paragraph (2), the objection process may continue to be resolved.**--[3rd A]**
(4) For a Taxpayer that discloses bookkeeping, records, data, information or other details during the objection process that are not given at the time of the audit, other than data and information that at the time of the audit have not been obtained by the Taxpayer from third parties, the bookkeeping, records, data, information or the other details concerned are not considered in the resolution of the objection.**--[3rd A]**

Elucidation of Article 26A

Paragraph (1)
Sufficiently clear.

Paragraph (2)
To provide a broader opportunity to Taxpayers to obtain justice in the resolution of their objections, the procedures referred to in this

paragraph, stipulate, among others, the Taxpayers may be present to provide details or obtain explanations concerning their objections.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Article 27

(1) Taxpayers may only apply for an appeal to the tax judicial body against the Objection Decision Letters referred to in Article 26 paragraph (1).--[3rd A]
(2) Tax Court Decision is a decision of a special court within the state administrative court.--[3rd A]
(3) The application referred to in paragraph (1) is submitted in writing in the Indonesian language with clear reasons no later than 3 (three) months from the time the Objection Decision Letter is received and attached with a copy of the Objection Decision Letter.--[3rd A]
(4) Deleted.--[2nd A]
(4a) If requested by the Taxpayer for the purpose of filing an appeal, the Director General of Taxes is required to provide details in matters concerning the matters constituting the basis for the Objection Decision Letter that is issued no later than 1 (one) month from the time the written request is received by the Director General of Taxes.--[6th A]
(5) Deleted.--[3rd A]
(5a) In the event that a Taxpayer files an appeal, the tax settlement period referred to in Article 9 paragraph (3) and paragraph (3a) or Article 25 paragraph (7) for the amount of tax that has not been paid at the time at the time the objection is filed, is deferred until 1 (one) month from the date of issuance of the Appeal Decision.--[3rd A]
(5b) The amount of tax that has not been paid at the time the objection is filed referred to in paragraph (5a) is not included in the tax liabilities referred to in Article 11 paragraph (1) and paragraph (1a).--[3rd A]
(5c) The amount of tax that has not been paid at the time the appeal is filed is not included in the tax liabilities referred to in Article 11 paragraph (1) and paragraph (1) until the Appeal Decision is issued.--[6th A]
(5d) In the event that the application for an appeal is rejected or partially granted, the Taxpayer is subject to an administrative penalty in the form of a fine of 60% (sixty per cent) of the amount of tax based on the Appeal Decision subtracted by the payment of tax that has been paid before filing the objection.--[6th A]
(5e) In the event that the Taxpayer or the Director General of Taxes applies for a civil review, the implementation of the Tax Court decision is not deferred or terminated.--[6th A]
(5f) In the event that a Civil Review Decision which causes the amount of outstanding tax to increase, it is subject an administrative penalty in the form of a fine of 60% (sixty per cent) of the amount of tax based on the Civil

Review Decision subtracted by the tax payment that has been paid before filing the objection.--[6th A]

(5g) The Notice of Tax Collection for the administrative penalty referred to in paragraph (5f) is issued no later than 2 (two) years from the date the Civil Review Decision is received by the Director General of Taxes.--[6th A]

(6) The tax judicial body referred to in paragraph (1) and Article 23 paragraph (2) shall be stipulated by the law.--[3rd A]

Elucidation of Article 27

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Deleted.

Paragraph (4a)
Sufficiently clear.

Paragraph (5)
Deleted.

Paragraph (5a)
This paragraph stipulates that for Taxpayers that file an appeal, the tax settlement period against which an appeal is filed is deferred until 1 (one) month from the date of issuance of the Appeal Decision. The deferral of the tax settlement period results in an administrative penalty in the form of interest stipulated under Article 19 not applied to the amount of tax that has not been paid at the time the objection is filed.--[6th A]

Paragraph (5b)
Sufficiently clear.

Paragraph (5c)
Sufficiently clear.

Paragraph (5d)
In the event that the application for an appeal by a Taxpayer is rejected or partially granted, the amount of tax based on the Appeal Decision subtracted by the tax that has been paid before filing the objection must be settled no later than 1 (one) month from the date of issuance of the Appeal Decision and collection using a Distress Warrant will be implemented if the Taxpayer does not settle the tax liability. In addition, the Taxpayer is subject to an administrative penalty in the form of a fine of 60% (sixty per cent) referred to in this paragraph.

Example:
For the 2023 Tax Year, a Notice of Tax Underpayment Assessment (SKPKB) the amount of outstanding tax of IDR1,000,000,000.00 (one billion rupiah) is issued to PT A. In the closing conference, the Taxpayer only agrees to the outstanding tax of IDR200,000,000.00 (two hundred million rupiah). The Taxpayer has settled part of the SKPKB of IDR200,000,000.00 (two hundred million rupiah) and subsequently files an objection against the other corrections. The Director General of Taxes partially grants the Taxpayer's objection with the amount of standing tax becomes IDR750,000,000.00 (seven hundred and fifty million rupiah).

Further, the Taxpayer files an appeal and the Tax Court decides that the amount of outstanding tax is IDR450,000,000.00 (four hundred and fifty million rupiah). In this case, either the administrative penalty in the form of interest stipulated under Article 19 or the administrative penalty in the form of a fine stipulated under Article 25 paragraph (9) shall not be imposed. However, the Taxpayer is subject to an administrative penalty in the form of a fine pursuant to this paragraph, namely amounting to 60% x (IDR450,000,000.00 - IDR200,000,000.00) = IDR150,000,000.00.

Paragraph (5e)

Sufficiently clear.

Paragraph (5f)

In the event that against the Appeal Decision, an application for a civil review is submitted by the Taxpayer or the Director General of Taxes and the Civil Review Decision causes the amount of outstanding tax for the Taxpayer to increase, the Taxpayer is subject to an administrative penalty in the form of a fine of 60% (sixty per cent) of the amount of tax based on the Civil Review Decision subtracted by tax that has been paid before filing the objection.

Example 1:
A Notice of Tax Underpayment Assessment (SKPKB) is issued to a Taxpayer for the 2023 Tax Year with the amount of outstanding tax of IDR3,000,000,000.00 (three billion rupiah). The Annual corporate Income Tax Return formerly filed by the Taxpayer is of underpaid status with a value of IDR1,000,000,000.00 (one billion rupiah). In the closing conference, the Taxpayer does not entirely agree to the outstanding tax, thereby, there is no payment of the SKPKB conducted by the Taxpayer before the filing of the objection. Based on the filing of the objection by the Taxpayer, the Director General of Taxes issues an Objection Decision Letter whose contents reject all of the Taxpayer's objection. The Taxpayer subsequently applies for an appeal, and the Tax Court Judge decides to accept all of the Taxpayer's appeal. Based on the Appeal Decision, there is no outstanding tax for the Taxpayer. The Director General of Taxes subsequently files a civil review to the Supreme Court. The results of the Civil Review Decision grant the application and state that the amount of

outstanding tax for the Taxpayer amounts to IDR3,000,000,000.00 (three billion rupiah). In this case, the Taxpayer must settle the underpayment of IDR3,000,000,000.00 plus the administrative penalty referred to in this paragraph, namely amounting to 60% x IDR3,000,000,000.00 = IDR1,800,000,000.00.

Example 2:
A Notice of Tax Underpayment Assessment (SKPKB) is issued to a Taxpayer for the 2023 Tax Year with the amount of outstanding tax of IDR3,000,000,000.00 (three billion rupiah). The Annual Corporate Income Tax Return formerly filed by the Taxpayer is of underpaid status with a value of IDR400,000,000.00 (four hundred million rupiah). In the closing conference, the Taxpayer agrees to the amount of outstanding tax of IDR600,000,000.00 (six hundred million rupiah), thereby, the Taxpayer pays the SKPKB in the amount agreed in the closing conference before the filing of the objection. Based on the filing of the objection filed by the Taxpayer, the Director General of Taxes issues an Objection Decision Letter which rejects all of the Taxpayer's objection. The Taxpayer subsequently applies for an appeal, and the Tax Court Judge decides to accept part the Taxpayer's appeal and states that the underpaid tax becomes IDR600,000,000.00 (six hundred million rupiah). Considering that the Taxpayer has performed payment before the filing of the objection whose amount is of the same value to the Appeal Decision, there is no tax that must be settled based on the Appeal Decision by the Taxpayer and no administrative penalty is imposed as referred to in paragraph (5d). The Director General of Taxes subsequently files a civil review to the Supreme Court. The results of the Civil Review Decision grant the application by the applicant and state that the amount of outstanding tax for the Taxpayer amounts to IDR3,000,000,000.00 (three billion rupiah). In this case, the Taxpayer must settle the underpayment of IDR3,000,000,000.00 - IDR600,000,000.00 = IDR2,400,000,000.00 plus the administrative penalty referred to in this paragraph, namely amounting to 60% x (IDR3,000,000,000.00 - IDR600,000,000.00) = IDR1,440,000,000.00.

Paragraph (5g)
Sufficiently clear.

Paragraph (6)
Sufficiently clear.

Article 27A

Deleted.--**[5th A]**

Elucidation of Article 27A
Deleted.

Article 27B

(1) A Taxpayer is granted interest compensation in the event that the filing of an objection, the application for an appeal or the application for a civil review that is partially or entirely granted, thereby, resulting in tax overpayment.--[5th A]

(2) The interest compensation referred to in paragraph (1) is granted for tax overpayment amounting to a maximum of the overpayment amount agreed upon by the Taxpayer in the closing conference for the Tax Return stating the overpayment for which the following has been issued:
   a. the Notice of Tax Underpayment Assessment;
   b. the Notice of Additional Tax Underpayment Assessment;
   c. the Notice of Tax Overpayment Assessment; or
   d. the Notice of Nil Tax Assessment.--[5th A]

(3) A Taxpayer is granted interest compensation in the event that the application for amendment, the application for the reduction or cancellation of a notice of tax assessment or the application for the reduction or cancellation of a Notice of Tax Collection that is partially or entirely granted, thereby, results in the tax overpayment.--[7th A]

(4) The interest compensation referred to in paragraph (1) and paragraph (3) is granted:
   a. based on the monthly interest rate stipulated by the Minister of Finance based on the reference interest rate divided by 12 (twelve); and
   b. is granted for a maximum of 24 (twenty-four) months as well as a fraction of a month is treated as 1 (one) full month.--[5th A]

(5) The monthly interest rate referred to in paragraph (4) used as the calculation basis for the interest compensation is the monthly interest rate which comes into force on the date the calculation of interest compensation starts.--[5th A]

(6) The interest compensation referred to in paragraph (1) is calculated from the date of issuance of the Notice of Tax Underpayment Assessment, Notice of Additional Tax Underpayment Assessment, Notice of Tax Overpayment Assessment or Notice of Nil Tax Assessment until the date of issuance of the Objection Decision Letter, Appeal Decision or Civil Review Decision.--[5th A]

(7) The interest compensation referred to in paragraph (3) is calculated:
   a. from the date of payment of the Notice of Tax Underpayment Assessment or Notice of Additional Tax Underpayment Assessment until the date of issuance of the Amendment Decision Letter, Tax Assessment Reduction Decision Letter or Tax Assessment Cancellation Letter;
   b. from the date of issuance of the Notice of Tax Overpayment Assessment or Notice of Nil Tax Assessment until the date of issuance of the Amendment Decision Letter, Tax Assessment Reduction Decision Letter or Tax Assessment Cancellation Letter; or
   c. from the date of payment of the Notice of Tax Collection until the date of issuance of the Amendment Decision Letter, Tax Assessment Reduction Decision Letter or Tax Assessment Cancellation Decision Letter.--[7th A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(8) Further provisions on procedures for the granting of interest compensation shall be stipulated by or pursuant to a Minister of Finance Regulation.--[7th A]

Elucidation of Article 27B
Sufficiently clear.

Article 27C

(1) The Director General of Taxes is authorised to implement the mutual agreement procedure to prevent or resolve issues arising in the application of a tax treaty.--[6th A]

(2) The mutual agreement procedure referred to in paragraph (1) may be applied for by:
   a. resident Taxpayers;
   b. the Director General of Taxes;
   c. the competent authority of the tax treaty partner; or
   d. Indonesian citizens through the Director General of Taxes related to discriminatory treatment in the tax treaty partner which contradicts the provisions on non-discrimination,

   pursuant to the provisions and deadlines stipulated under the tax treaty. --[6th A]

(3) The application for the implementation of the mutual agreement procedure referred to in paragraph (2) subparagraph a, subparagraph b and subparagraph c may be submitted simultaneously with as the application by a resident Taxpayer for:
   a. the objection referred to in Article 25;
   b. the application for an appeal referred to in Article 27; or
   c. the reduction or cancellation of an incorrect notice of tax assessment referred to in Article 36 paragraph (1) subparagraph b.--[6th A]

(4) In the event that the implementation of mutual agreement procedure referred to in paragraph (3) subparagraph b has not resulted in mutual agreement until the Appeal Decision or Civil Review Decision is pronounced, the Director General of Taxes shall:
   a. continue negotiations, in the event that the matter in dispute decided in the Appeal Decision or Civil Review Decision does not constitute the matter for which the mutual agreement procedure is applied; or
   b. use the Appeal Decision or Civil Review Decision as a position in the negotiations or terminate the negotiations, in the event that the matter in dispute being decided constitutes the matter for which the mutual agreement procedure is applied.--[6th A]

(5) The Director General of Taxes follows up on the results of the implementation of the mutual agreement procedure referred to in paragraph (1) by issuing a decision letter concerning the mutual agreement.--[6th A]

(6) The decision letter concerning the mutual agreement referred to in paragraph (5) includes the basis for tax refunds referred to in Article 11 paragraph (1a) or the basis for tax collection referred to in Article 18.--**[6th A]**

Elucidation of Article 27C

Paragraph (1)

"Mutual agreement procedure" refers to an administrative procedure stipulated under a tax treaty to prevent or resolve issues arising in the application of the tax treaty.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

For the mutual agreement procedure to effectively encourage Taxpayers to obtain justice and eliminate double taxation, the interaction needs to be stipulated in the event that the mutual agreement procedure is implemented simultaneously with the resolution of a domestic dispute, specifically, the filing of an appeal and civil review. This paragraph affirms that in the event that the appeal or civil review decision has been pronounced before a mutual agreement is reached, but the dispute for which the mutual agreement procedure is applied is not decided in the appeal or civil review decision, negotiations in the context of the mutual agreement procedure are continued.

In the event that the appeal or civil review decision also decides on a dispute for which a mutual agreement procedure is applied the negotiations may be continued based on the Director General of Taxes' negotiating position on the appeal or civil review decision. In the event that the mutual agreement cannot be reached with the negotiating position, the Director General of Taxes may propose to terminate the negotiations by taking into account the provisions and rules in international negotiations and discussions, specifically, related to the implementation of the mutual agreement procedure.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

CHAPTER VI
BOOKKEEPING AND AUDITS

Article 28

(1) Individual Taxpayers who conduct business or independent personal services and corporate Taxpayers in Indonesia are required to maintain bookkeeping.--[3rd A]

(2) Taxpayers that are excluded from the obligation to maintain bookkeeping referred to in paragraph (1), but are required to maintain recording are individual Taxpayers who conduct business activities or independent personal services who pursuant to statutory tax provisions, are allowed to calculate net income using Deemed Profit and individual Taxpayers who do not conduct business activities or independent personal services.--[3rd A]

(3) Bookkeeping or recording must be maintained by taking into account good faith and reflecting the actual circumstances or business activities.--[3rd A]

(4) Bookkeeping or recording must be maintained in Indonesia using the Latin alphabet, Arabic numerals, Rupiah and prepared in the Indonesian language or in a foreign language permitted by the Minister of Finance.--[2nd A]

(5) Bookkeeping is maintained using the consistency principle and using the accrual basis or cash basis. --[2nd A]

(6) Changes in the bookkeeping method and/or accounting year must obtain approval from the Director General of Taxes.--[3rd A]

(7) Bookkeeping at the minimum consist of records concerning assets, liabilities, capital, income and expenses as well as sales and purchases, thereby, the amount of tax payable may be calculated.--[3rd A]

(8) Bookkeeping using a foreign language and currency other than Rupiah may be maintained by the Taxpayers after obtaining a permit from the Minister of Finance.--[2nd A]

(9) The recording referred to in paragraph (2) consists of data collected regularly on gross turnover or revenues and/or gross income as the basis for calculating the amount of tax payable, including income that does not constitute a taxable object and/or that subject to final tax.--[3rd A]

(10) Deleted.--[3rd A]

(11) Books of accounts, records and documents constituting the basis for bookkeeping or recording and other documents, including the results of data processing from bookkeeping maintained electronically or through online application programs, must be retained for 10 (ten) years in Indonesia, namely at the place of activities or residence of individual Taxpayers or the domicile of corporate Taxpayers.--[3rd A]

(12) The form and procedures for recording referred to in paragraph (2) shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 28

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

The consistency principle is the same principle used in the bookkeeping method in the previous years to prevent profit or loss shifting. The consistency principle is, for example, in the application of:

a. the revenue recognition basis;
b. accounting year;
c. the inventory valuation method; or
d. the depreciation and amortisation methods.

The accrual basis is a method for the calculation of income and expenses in the sense that income is recognised at the time it is acquired, and expenses are recognised at the time they become payable. Thus, it does not depend on when income is derived and when the expenses are paid in cash.

Included in the definition of the accrual basis is the recognition of income based on the method of the percentage of completion level, which is generally used in the construction sector and other methods used in certain business sectors, such as build, operate and transfer (BOT) and real estate.

The cash basis is a method whose calculation is based on income received and expenses paid in cash.

According to the cash basis, income is only deemed income if it has actually been received in cash within a certain period as well as expenses are only deemed expenses if they have actually been paid in cash within a certain period.

The cash basis is generally used by sole proprietorships or service companies, such as transportation, entertainment and restaurants, where the time frame between the supply of services and the receipt of payments does not last long. In the pure cash basis, income from the supply of goods or services is determined at the time the payment from the customer is received and expenses are determined at the time the goods, services and other operating expenses are paid.

With this method, the use of cash basis may result in the calculation that obscures income, namely the amount of income from year to year may be adjusted by arranging cash revenues and cash expenditures. Therefore, for the calculation of Income Tax in using the cash basis, the following matters must be taken into account:

1) The calculation of the amount of sales within a certain period must include all sales, either those in cash or not. In calculating the cost of goods sold, all purchases and inventories must be taken into account.
2) In acquiring depreciable assets and amortisable rights, the expenses that are deducted from income may only be conducted through depreciation and amortisation.
3) The use of the cash basis must be conducted as per the consistency principle (consistent).

Therefore, the use of the cash basis for tax purposes may also be referred to as the mixed basis.

Paragraph (6)

Basically, the bookkeeping method adopted must comply with the consistency principle, namely the same as the previous years, such as in the event of the use of the revenue and expense recognition method (the cash or accrual basis), the depreciation of fixed assets method and the inventory valuation method. However, the change in the bookkeeping method remains possible provided that it has obtained approval from the Director General of Taxes. The change in the bookkeeping method must be applied for to the Director General of Taxes before the start of the accounting year concerned by submitting logical and acceptable reasons as well consequences that may arise from the change.

The change in the bookkeeping method will result in changes in the consistency principle, which may include the change from the cash basis to the accrual basis or vice versa or the change in the use of the revenue and expense recognition method, for example, in the expense recognition method in respect of the depreciation of fixed assets using a certain depreciation method.

Example:
A Taxpayer, in the 2008 Tax Year, uses the straight-line method. If in 2009, the Taxpayer intends to change the asset depreciation method using the declining balance method, the Taxpayer must first request approval from the Director General of Taxes, submitted before the start of the 2009 accounting year by stating the reasons for the change in the depreciation method and consequences of the change.

In addition, the change in the accounting year period also results in the change in the amount of the Taxpayer's income or loss. Therefore, the change must also obtain approval from the Director General of Taxes.

A Tax Year is the same as the calendar year unless the Taxpayer uses a different accounting year from the calendar year.

If a Taxpayer uses a different accounting year from the calendar year, the mention of the Tax Year concerned uses the year that includes the first 6 (six) months or more.

Example:
a. The accounting year from 1 July 2008 to 30 June 2009 is the 2008 Tax Year.
b. The accounting year from 1 October 2008 to 30 September 2009 is the 2009 Tax Year.

Paragraph (7)

The definition of bookkeeping has been stipulated under Article 1 letter 29. The stipulation under this paragraph is intended to ensure that based on the bookkeeping, the amount of tax payable may be calculated.

In addition to the amount of Income Tax being able to be calculated, other taxes must also be able to be calculated from the bookkeeping. In order for Value Added Tax and Sales Tax on Luxury Goods to be calculated correctly, bookkeeping must also record the acquisition cost or import value, the amount of the selling price or export value, the amount of the selling price of goods subject to Sales Tax on Luxury Goods, the amount of payments for the utilisation of intangible Taxable Goods from outside the customs territory within the customs territory and/or the utilisation of Taxable Services from outside the customs territory within the customs territory, the amount of creditable and non-creditable Input VAT.

Therefore, bookkeeping must be maintained using a method or system commonly used in Indonesia, for example, based on the Indonesian Financial Accounting Principles, unless statutory tax laws and regulations stipulate otherwise.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

Recording by an individual Taxpayer who conducts business activities and independent personal services includes gross turnover or revenues and the receipt of other income, whereas for those that solely receive income from other than business and independent personal services, their recording only concerns gross income, deductible expenses and net income that constitutes an Income Tax object.

In addition, recording also includes income that does not constitute a taxable object and/or that subject to final tax.

Paragraph (10)

Deleted.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Paragraph (11)

Books of accounts, records and documents, including those maintained through online application programs and the results of electronic data processing constituting the basis for bookkeeping or recording must be retained for 10 (ten) years in Indonesia. This is intended that if the Director General of Taxes will release a notice of tax assessment, the necessary bookkeeping or recording materials remain available and may be immediately provided. The period of 10 (ten) years for retaining books of accounts, records and documents constituting the basis for bookkeeping or recording complies with the provisions on the statute of limitation of tax crime investigations. The retention of books of accounts, records and documents constituting the basis for bookkeeping or recording and other documents, including those maintained through online application programs must be conducted by taking into account factors of security, feasibility and reasonableness of the retention.

Paragraph (12)

Sufficiently clear.

Article 29

(1) The Director General of Taxes is authorised to conduct an audit to assess the Taxpayer's compliance with the fulfilment of tax obligations and for other purposes in the context of implementing statutory tax provisions.**--[3rd A]**

(2) For audit purposes, auditor officers must own tax auditor identification and complemented by the Audit Order as well as show it to the audited Taxpayer.**--[3rd A]**

(3) The audited Taxpayer is required to:
   a. show and/or lend books of accounts or records, documents constituting the basis and other documents related to income derived, business activities, independent personal services of the Taxpayer or objects liable to tax;
   b. provide an opportunity to enter premises or rooms deemed necessary and grant assistance for the smooth conduct of the audit; and/or
   c. provide other necessary details.**--[3rd A]**

(3a) The books of accounts, records and documents as well as data, information and other details referred to in paragraph (3) must be fulfilled by the Taxpayer no later than 1 (one) month from the time the request is submitted.**--[3rd A]**

(3b) In the event that an individual Taxpayer who conducts business activities or independent personal services does not fulfil the provisions referred to in paragraph (3), thereby, the amount of taxable income cannot be calculated, the taxable income may be calculated *ex officio* pursuant to statutory tax provisions.**--[3rd A]**

(4) If in disclosing bookkeeping, recording or documents as well as details that are requested, the Taxpayer is bound by an obligation to maintain

confidentiality, the obligation to maintain confidentiality is nullified based on the request for audit purposes referred to in paragraph (1).--[3rd A]

Elucidation of Article 29

Paragraph (1)

The Director General of Taxes, in the context of the supervision of compliance with the fulfilment of tax obligations, is authorised to conduct an audit to:

a. assess the Taxpayer's compliance with the fulfilment of tax obligations; and/or
b. other purposes in the context of implementing statutory tax provisions.

Audits may be conducted at the office (Office Audits) or the Taxpayer's premises (Field Audits) whose audit scope may cover a single tax, several taxes or all taxes, either for the previous years or for the current year.

Audits may be conducted on Taxpayers, including on government agencies and other bodies as withholding agents or collection agents.

The implementation of an audit to assess the fulfilment of the Taxpayers' tax obligations is conducted by tracing the correctness of Tax Returns, bookkeeping or recording and the fulfilment of other tax obligations compared to the Taxpayers' actual circumstances or business activities.

In addition, an audit may also be conducted for other purposes, among others:

a. *ex officio* Taxpayer Identification Number registration;
b. Taxpayer Identification Number deregistration;
c. Value Added Tax registration or deregistration;
d. the Taxpayer files an objection;
e. the collection of materials for the preparation of Deemed Profit;
f. data matching and/or information tools;
g. the determination of Taxpayers located in remote regions;
h. the determination of one or more places of supply for Value Added Tax;
i. audits in the context of tax collection;
j. the determination of the start of commercial production in connection with tax facilities; and/or
k. the fulfilment of the request from information from a Tax Treaty partner.

Paragraph (2)

An audit is implemented by auditor officers whose identity is clear. Therefore, the auditor officers must have tax auditor identification and complemented by an Audit Order as well as show it to the audited Taxpayer. The auditor officers must explain the purpose of the conduct of the audit to the Taxpayer.

Auditor officers must have obtained sufficient technical education and have skills as tax auditors. In conducting their duties, auditor officers must work honestly, responsibly, understandingly, politely and objectively as well as required to avoid disgraceful actions.

Auditor officers' opinions and conclusions must be based on strong and relevant evidence as well as grounded in statutory tax provisions.

Auditor officers must conduct guidance for Taxpayers in fulfilling their tax obligations pursuant to statutory tax provisions.

Paragraph (3)

The obligations that must be fulfilled by the audited Taxpayer referred to in this paragraph are adjusted to the purpose of the conduct of the audit, either to assess compliance with the fulfilment of tax obligations or for other purposes in the context of implementing statutory tax provisions.

If a Taxpayer maintains recording or bookkeeping using electronic data processing (EDP), either that is self-maintained or maintained through other parties, the Taxpayer must grant access to tax auditors to access and/or download data from records, documents and other documents related to the income derived, business activities, independent personal services of the Taxpayer or objects liable to tax.

Pursuant to this paragraph, the audited Taxpayer also has the obligation to provide an opportunity to the tax auditors to enter premises or rooms constituting the place of storage for documents, money and/or property that may provide indications of the Taxpayers' business circumstances and borrow and/or inspect the premises.

In the event that the tax auditors require details other than books of account, records and other documents, the Taxpayer must provide the other details which may be in the form of written details and/or oral details.

The written details are for example:

a. a statement letter of not being audited by a Public Accountant Firm;
b. details that the photocopies of the lent documents correspond to the original;
c. a statement letter concerning the ownership of assets; or
d. a statement letter concerning the estimated living expenses.

Oral details are for example:

a. an interview concerning the Taxpayer's bookkeeping process;
b. an interview concerning the Taxpayer's production process; or
c. an interview with the management concerning special transactions.

Paragraph (3a)

Sufficiently clear.

Paragraph (3b)
Sufficiently clear.

Paragraph (4)
To prevent the existence of an excuse that the audited Taxpayer is bound by confidentiality, thereby, the necessary bookkeeping, records, documents as well as other details cannot be provided by the Taxpayer, this paragraph affirms that the obligation to maintain confidentiality is nullified.

Article 29A

Corporate Taxpayers whose share issuance registration statement has been declared effective by the capital market supervisory agency and file Tax Returns attached with Financial Statements audited by Public Accountants with Unqualified Opinion that:

a. the Taxpayers' Annual Tax Returns state overpayment as referred to in Article 17B; or
b. are selected to be audited based on risk analysis,

may be audited through Office Audits.--[3rd A]

Elucidation of Article 29A

This provision is intended to grant a facility to Taxpayers that register their shares in the stock market, namely in the event that the Taxpayers are audited, the audit may be conducted through an Office Audit. With the Office Audit, the audit process becomes simpler, and the completion is more expeditious, thereby, the Taxpayers obtain legal certainty more expeditiously than through a Field Audit.

Considering that audits may be conducted through Office Audits and the audit period is relatively brief, the Director General of Taxes, through the Taxpayers, may request for the audit working paper prepared by the Public Accountant.

Article 30

(1) The Director General of Taxes is authorised to seal certain premises or rooms as well as movable and/or immovable property if the Taxpayer does not fulfil the obligations referred to in Article 29 paragraph (3) subparagraph b.--[3rd A]
(2) Procedures for sealing referred to in paragraph (1) shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 30

Paragraph (1)
In an audit, the existence of a Taxpayer that does not fulfil the provisions stipulated under Article 29 paragraph (3) subparagraph b may be found,

namely not providing an opportunity to the auditors to enter premises or rooms deemed necessary and does not provide assistance for the smooth conduct of the audit. This circumstance may be caused by various matters, for example, the Taxpayer is not present or intentionally does not provide an opportunity to the auditors to enter the premises or rooms deemed necessary and does not provide assistance for the smooth conduct of the audit.

A taxpayer that at the time an audit is conducted does not provide an opportunity to auditors to enter premises, rooms, movable and/or immovable property as well as access electronically processed data or does not provide assistance for the smooth conduct of the audit is deemed obstructing the implementation of the audit

In this case, to obtain books of account, records, documents, including electronically managed data and other items that may provide indications concerning the audited Taxpayer's business activities or independent personal services, it is deemed necessary to grant authority to the Director General of Taxes that is implemented executed by the auditors to seal premises, rooms and movable and/or immovable property.

Sealing constitutes the auditors' last resort to obtain or secure books of accounts, records, documents, including electronically managed data and other items that may provide indications concerning the audited Taxpayer's business activities or independent personal services, thereby, not moved, removed, destroyed, altered, damaged, switched or falsified.

The sealing of electronic data is conducted insofar as it does not terminate the company's smooth operational activities, specifically those related to the public interest.

Paragraph (2)
Sufficiently clear.

Article 31

(1) Procedures for audits shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(2) Procedures for audits referred to in paragraph (1), among others, stipulate re-audits, audit period, the obligation to submit the notice of tax audit findings to Taxpayers and the Taxpayers' right to be present in the closing conference within the specified deadline.**--[3rd A]**

(3) If in the implementation of an audit, a Taxpayer does not fulfil the obligations referred to in Article 29 paragraph (3), thereby, the calculation of taxable income is conducted *ex officio*, the Director General of Taxes is required to submit the notice of tax audit findings to the Taxpayer and grant the right to the Taxpayer to be present at the closing conference within the specified deadline.**--[3rd A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 31

Paragraph (1)

Sufficiently clear.

Paragraph (2)

To further provide the balance of rights to Taxpayers in responding to audit findings, procedures for audits, among others, stipulate the obligation to submit the notice of tax audit findings to the Taxpayers and grant the right to Taxpayers to be present in the closing conference within the specified deadline. In the event that the Taxpayers are not present within the specified deadline, the audit findings are followed up pursuant to statutory tax provisions.

Paragraph (3)

Sufficiently clear.

CHAPTER VII
SPECIAL PROVISIONS

Article 32

(1) In exercising their rights and fulfilling obligations pursuant to statutory tax provisions, the Taxpayers are represented in the event of:
   a. entities, by the management;
   b. entities declared bankrupt, by the curator;
   c. entities in dissolution, by the person or entity tasked to conduct the settlement;
   d. entities in liquidation, by the liquidator;
   e. inheritance that has not been divided, by one of the heirs/heiresses, executor of the will or trustee; or
   f. minors or persons under guardianship by the custodian or guardian. **--[3rd A]**

(2) The representatives referred to in paragraph (1) are liable individually and/or collectively for the payment of tax payable, unless they can prove and assure the Director General of Taxes that they, in their position, they are, in fact, unable to be borne with the liability for the tax payable.**--[3rd A]**

(3) An individual or entity may appoint an attorney using a special power of attorney to exercise rights and fulfil obligations pursuant to statutory tax provisions.**--[3rd A]**

(3a) The appointed attorney referred to in paragraph (3) must have certain competencies in the taxation aspect unless the appointed attorney is a husband, wife or family member related by blood or marriage up to the second degree of lineage.**--[6th A]**

(4) Included in the definition of the management referred to in paragraph (1) subparagraph a are individuals that are, in fact, have the authority to participate in determining policies and/or making decisions in running the company.**--[3rd A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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Elucidation of Article 32

Paragraph (1)

This Law stipulates Taxpayers' representatives to implement the Taxpayers' tax rights and obligations to an entity, an entity declared bankrupt, an entity in dissolution, an entity in liquidation, undivided inheritance and minors or a person under guardianship. For the Taxpayers, their representatives or attorneys are necessary to be determined as they are not able, or it is not possible for them to conduct the legal actions on their own.

Paragraph (2)

This paragraph affirms that Taxpayers' representatives stipulated under this Law are liable, personally or collectively, for the payment of tax payable.

Exclusions may be considered by the Director General of Taxes if the Taxpayers' representatives may prove and assure that in their position, according to fairness and propriety, they cannot be held accountable.

Paragraph (3)

This paragraph provides leeway and an opportunity for Taxpayers to request assistance from other parties that comprehend tax matters as their attorneys, for and on their behalf, to assist in implementing the Taxpayers' tax rights and obligations.

The assistance includes the implementation of formal and material obligations as well as the fulfilment of Taxpayers' rights stipulated under statutory tax laws and regulations.

An attorney refers to a person who receives certain power of attorney from a Taxpayer to exercise certain tax rights and fulfil certain tax obligations of the Taxpayer pursuant to statutory tax provisions.

Paragraph (3a)

To exercise tax rights and fulfil tax obligations, an attorney appointed by the Taxpayer must have certain competencies in the taxation aspect. These certain competencies include certain levels of education, certification and/or training by associations or the Ministry of Finance. Therefore, the power of attorney may be exercised by tax consultants or other parties insofar as they fulfil the requirements pursuant to statutory provisions in the field of taxation.

Paragraph (4)

A person who is, in fact, authorised to decide policies and/or make decisions in the context of conducting the activities of a company, for example, authorised to sign contracts with third parties, sign cheques and so forth, although the person's name is not listed in the structure of management stated in the deed of incorporation or amendments thereto, is included in the definition of management. The provisions under this

paragraph also apply to the commissioners and the majority or controlling shareholders.

Article 32A

(1) The Minister of Finance appoints other parties to withhold, collect, remit and/or file taxes pursuant to statutory tax provisions.**--[6th A]**

(2) The other parties referred to in paragraph (1) are parties that are directly involved or facilitate transactions between the parties to the transaction. **--[6th A]**

(3) The assessment, collection, legal remedies and imposition of penalties on Taxpayers stipulated under statutory laws and regulations in the field of taxation shall apply *mutatis mutandis* to the other parties referred to in paragraph (2).**--[6th A]**

(4) In the event that the other parties referred to in paragraph (2) constitute electronic system operators, in addition to being subject to the penalties referred to in paragraph (3), the electronic system operators concerned may be subject to a penalty in the form of access termination after being given a reprimand.**--[6th A]**

(5) In the event that the other parties referred to in paragraph (4) have conducted withholding, collection, remittance and/or filing pursuant to statutory tax provisions after being given a reprimand, the other parties are not subject to the access termination penalty.**--[6th A]**

(6) In the event that the other parties referred to in paragraph (4) have conducted withholding, collection, remittance and/or filing pursuant to statutory tax provisions after the access termination is conducted, the other parties are subject to access normalisation.**--[6th A]**

(7) The minister who administers governmental affairs in the field of communication and informatics field of communication and information technology is authorised to terminate access referred to in paragraph (4) and normalise access as referred to in paragraph (6) based on the request from the Minister of Finance.**--[6th A]**

Elucidation of Article 32A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

To increase the realisation of tax potentials as well as to optimise tax imposition, a withholding tax and/or tax collection scheme may be applied through the appointment of withholding and/or collection agents, namely other parties.

Other parties appointed as withholding and/or collection agents are tax subjects, either tax residents or non-tax residents, that are directly involved or facilitate transactions, for example, by providing transaction means or media, including transactions conducted electronically.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
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4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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Example 1:

PT ABC is a resident Taxpayer that provides a peer-to-peer lending platform in Indonesia. Mr. A lends an amount of funds to Mr. B through the platform. In this scheme, although PT ABC only serves as an intermediary for transactions between Mr. A and Mr. B in the peer-to-peer lending platform, the Minister of Finance may appoint PT ABC as another party to withhold, remit and file taxes on income in the form of interests received by Mr. A from Mr. B.

Example 2:

R Inc. is a company that provides sites for video sharing domiciled outside Indonesia. Mr. C, a content creator, derives income from R Inc. In this transaction, R Inc. constitutes another party that may be appointed by the Minister of Finance to withhold, remit and file taxes on the income paid to Mr. C.

Example 3:

PT DEF is a domestic marketplace platform provider as a forum for merchants and/or service providers to post offers of goods and/or services. PT PQR is a Taxable Person that offers goods through the marketplace platform provided by PT DEF. Mr. Z purchases goods offered by PT PQR through the marketplace platform provided by PT DEF. PT DEF may be appointed by the Minister of Finance as a VAT collection agent to collect, remit and file VAT payable on supplies of Taxable Goods by PT PQR to Mr. Z conducted through the marketplace platform provided by PT DEF.

Paragraph (3)

The regulation concerning the assessment, collection, legal remedies and imposition of penalties on Taxpayers pursuant to the General Provisions and Tax Procedures Law and the Law concerning Tax Collection Using Distress Warrants shall also apply to other parties, including tax subjects that are outside Indonesia's jurisdiction.

Paragraph (4)

Electronic system operators refer to electronic system operators stipulated under statutory provisions on electronic information and transactions.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Article 33

Deleted.**--[3rd A]**

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 33
Deleted.

Article 34

(1) Every official is prohibited to notify other parties of all matters that is known or notified to him/her by Taxpayers in the context of his/her position or employment to implement statutory tax provisions.**--[2nd A]**

(2) The prohibition referred to in paragraph (1) shall also apply to professionals appointed by the Director General of Taxes to assist the implementation of statutory tax provisions.**--[3rd A]**

(2a) Excluded from the provisions referred to in paragraph (1) and paragraph (2) are:
   a. officials and professionals acting as witnesses or expert witnesses in trials; or
   b. officials and/or professionals determined by the Minister of Finance to provide details to officials of state institutions or Government agencies authorised to conduct audits in the field of state finances.**--[3rd A]**

(3) For the interest of the state, in the context of investigations, prosecutions or in the context of organising co-operation with state institutions, government agencies, legal entities established through Laws or Government Regulations or other parties, the Minister of Finance is authorised to grant a written permit to the officials referred to in paragraph (1) and the professionals referred to in paragraph (2) to provide details and show written evidence from or concerning a Taxpayer to appointed parties.**--[6th A]**

(4) For examination purposes in courts in criminal or civil cases, based on a request from the Judge pursuant to the Criminal Procedure Law and Civil Procedure Law, the Minister of Finance may grant a written permit to the officials referred to in paragraph (1) and the professionals referred to in paragraph (2) to provide and show written evidence and details of the Taxpayer available to them.**--[3rd A]**

(5) The request from the judges referred to in paragraph (4) must state the name of the suspect or the name of the defendant, requested details as well as the connection between the criminal or civil case and the requested details.**--[3rd A]**

Elucidation of Article 34
Paragraph (1)
Every official, either tax officers or those performing duties in the field of taxation, shall be prohibited from disclosing Taxpayers' confidentiality related to tax matters, among others:
   a. Tax Returns, financial statements and so forth filed by the Taxpayers;
   b. data obtained in the context of the implementation of audits;
   c. documents and/or data acquired from third parties that are confidential;

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
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d. documents and/or confidentialities of the Taxpayers pursuant to relevant statutory provisions.

Paragraph (2)

Experts, such as language experts, accountants and lawyers appointed by the Director General of Taxes to assist in the implementation of tax laws are the same as tax officers who are also prohibited from disclosing Taxpayers' confidentiality referred to in paragraph (1).

Paragraph (2a)

Details that may be disclosed are the Taxpayer's identity and general information concerning taxation.

The Taxpayer's identity includes:

1. the name of the Taxpayer;
2. the Taxpayer Identification Number;
3. the address of the Taxpayer;
4. the address of business activities;
5. the business brand; and/or
6. business activities of the Taxpayer.

General information on taxation includes:

a. national tax revenues;
b. tax revenues per Regional Office of the Directorate General of Taxes and/or per Tax Office;
c. tax revenues per type of taxes;
d. tax revenue per business classification;
e. the number of registered Taxpayers and/or Taxable Persons;
f. the registry of Taxpayers' applications;
g. national tax arrears; and/or
h. tax arrears per Regional Office of the Directorate General of Taxes and/or per Tax Office.

Paragraph (3)

The co-operation referred to in this paragraph is the granting or exchange of data and/or information between the Directorate General of Taxes and state institutions, government agencies, legal entities established through the Law or Government Regulation or other parties for the interest of the state in the context of collecting state revenues or local revenues or administering good governance as well as supporting government policies.

In the permit issued by the Minister of Finance, the name of the Taxpayer, the name of the appointed party and the name of the official, expert or professional permitted to provide details or show written evidence from or concerning the Taxpayer must be included.

The permit issued by the Minister of Finance in the context of the implementation of co-operation for the interest of the state may not include the name of the Taxpayer but still includes the type of data according to that listed in the co-operation.

The granting of the permit is conducted in a limited manner as deemed necessary by the Minister of Finance.

Paragraph (4)

To implement examinations in court trials in criminal or civil cases related to taxation issues, for judicial interest, the Minister of Finance grants the exemption permit for the confidentiality obligation to tax officials and experts referred to in paragraph (1) and paragraph (2) based on the written request from the presiding judge.

Paragraph (5)

This paragraph constitutes a limitation and affirmation that the requested tax details only concern criminal or civil cases concerning actions or events related to the field of taxation and are limited only to the suspect concerned.

Article 35

(1) If, in implementing statutory tax provisions, details or evidence from banks, public accountants, notaries, tax consultants, administrative offices and/or other third parties that are related to Taxpayers being subject to tax audits, tax collection or tax crime investigations are required, based on a written request from the Director General of Taxes, the parties must provide the requested details or evidence.**--[3rd A]**

(2) In the event that the parties referred to in paragraph (1) are bound by the obligation to maintain confidentiality, for tax audit, tax collection or tax crime investigation purposes, the obligation to maintain confidentiality is nullified, except for banks, the obligation to maintain confidentiality is nullified based on a written request from the Minister of Finance.**--[3rd A]**

(3) Procedures for the request for details or evidence from other parties that are bound by the obligation to maintain confidentiality referred to in paragraph (2) shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 35

Paragraph (1)

To implement statutory tax provisions, based on a written request from the Director General of Taxes, third parties, namely banks, public accountants, notaries, tax consultants, administrative offices and other third parties that are related to the business activities of Taxpayer subject to tax audits or tax collection or tax crime investigations, must provide the requested details or evidence.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
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3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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"Tax consultants" refer to every person who within his/her employment independently provides consulting services to Taxpayers in exercising their tax rights and fulfilling their tax obligations pursuant to statutory tax provisions.

Paragraph (2)

For tax purposes, the governor of Bank Indonesia, based on the request from the Minister of Finance, is authorised to issue a written order to banks to provide details and show written evidence as well as letters concerning the financial conditions of certain bank customers to tax officials.

Paragraph (3)

Sufficiently clear.

Article 35A

(1) Every government agency, institution, association and other party is required to provide data and information related to taxation to the Directorate General of Taxes, the provisions on which shall be stipulated by a Government Regulation, taking into account the provisions referred to in Article 35 paragraph (2).--[3rd A]

(2) In the event that the data and information referred to in paragraph (1) are insufficient, the Director General of Taxes is authorised to collect data and information for state revenue purposes, the provisions on which shall be stipulated by a Government Regulation, taking into account the provisions referred to in Article 35 paragraph (2).--[3rd A]

Elucidation of Article 35A

Paragraph (1)

In the context of supervising compliance in the fulfilment of tax obligations as a consequence of the application of the self-assessment system, data and information related to taxation sourced from government agencies, institutions, associations and other parties are highly required by the Directorate General of Taxes. The data and information are data and information on individuals or entities that may describe the activities or businesses, business turnover, income and/or assets concerning, including information on debtor clients, data on financial transactions and foreign exchange flows, credit cards as well as financial statements and/or business activity reports submitted to agencies other than the Directorate General of Taxes.

In the context of the implementation of these provisions, the sources, types and procedures for the submission of data and information to the Directorate General of Taxes shall be stipulated by a Government Regulation.

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2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
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Paragraph (2)

If data and information related to taxation provided by government agencies, institutions, associations and other parties are insufficient, for state revenue purposes, the Director General of Taxes may collect data and information related to taxation in connection with the occurrence of an event that is estimated to be related to the fulfilment of Taxpayers' tax obligations by taking into account the provisions on the confidentiality of the data and information.

Article 36

(1) The Director General of Taxes, *ex officio* or based on the application by a Taxpayer, may:
   a. reduce or nullify administrative penalties in the form of interest, fines and surcharges payable pursuant to statutory tax provisions in the event that the penalties are imposed due to the Taxpayer's negligence or not because of his/her fault;
   b. reduce or cancel incorrect notices of tax assessment;
   c. reduce or cancel incorrect Notices of Tax Collection referred to in Article 14; or
   d. cancel tax audit findings or notices of tax assessment based on audit findings implemented without:
      1. the submission of the notice of tax audit findings; or
      2. a closing conference with the Taxpayer.**--[3rd A]**

(1a) The application referred to in paragraph (1) subparagraph a, subparagraph b and subparagraph c may only be submitted by the Taxpayer a maximum of 2 (two) times.**--[3rd A]**

(1b) The application referred to in paragraph (1) subparagraph d may only be applied by the Taxpayer 1 (one) time.**--[3rd A]**

(1c) The Director General of Taxes, within a maximum period of (six) months from the date the application referred to in paragraph (1) is received, must grant a decision on the submitted application.**--[3rd A]**

(1d) If the period referred to in paragraph (1c) has elapsed, but the Director General of Taxes does not grant a decision, the application by the Taxpayer referred to in paragraph (1) shall be deemed granted.**--[3rd A]**

(1e) If requested by the Taxpayer, the Director General of Taxes is required to provide details in writing concerning the matters constituting the basis to reject or grant part of the application by the Taxpayer referred to in paragraph (1c).**--[3rd A]**

(2) The provisions on the implementation of paragraph (1), paragraph (1a), paragraph (1b), paragraph (1c), paragraph (1d) and paragraph (1e) shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

Elucidation of Article 36

Paragraph (1)

In practice, the administrative penalties imposed on a Taxpayer may be found to be inappropriate due to tax officers' inaccuracy, which may burden the Taxpayer that is not at fault or does not understand tax regulations. In this case, the administrative penalties in the form of interest, fines and surcharges that have been stipulated may be nullified or reduced by the Director General of Taxes.

In addition, the Director General of Taxes, either *ex officio* or based on the application by the Taxpayer and grounded in elements of fairness, may reduce or cancel incorrect notices of tax assessments, for example, a Taxpayer whose filing of objection is rejected because not fulfilling the formal requirements (submitting the objection letter not on time), although the material requirements are fulfilled.

Similarly, incorrect Notices of Tax Collection may be reduced or cancelled by the Director General of Taxes, either *ex officio* or based on the application by the Taxpayer.

In the context of providing fairness and protecting Taxpayers' rights, the Director General of Taxes, either by his authority or based on the application by the Taxpayer, may cancel tax audit findings implemented without the submission of the notice of tax audit findings or without closing conference with the Taxpayer being conducted. However, in the event that the Taxpayer is not present at the closing conference according to the specified deadline, the application by the Taxpayer cannot be considered.

Paragraph (1a)

Sufficiently clear.

Paragraph (1b)

Sufficiently clear.

Paragraph (1c)

Sufficiently clear.

Paragraph (1d)

Sufficiently clear.

Paragraph (1e)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 36A

(1) Tax officers who, either due to negligence or deliberately calculate or assess taxes that do not comply with statutory tax provisions are subject to penalties pursuant to statutory provisions.--[3rd A]

(2) Tax officers who, in performing their duties, deliberately act beyond their authority as stipulated under statutory tax provisions, may be reported to the internal unit of the Ministry of Finance authorised to conduct audits and investigations and if proven guilty, shall be subject to penalties pursuant to statutory provisions.--[3rd A]

(3) Tax officers who, in conducting their duties, are proven of conducting extortion and threats against Taxpayers to unlawfully benefit themselves are subject to criminal charges as referred to in Article 368 of the Indonesian Code of Criminal Procedures Law.--[3rd A]

(4) Tax officers with the intent to unlawfully benefit themselves by misusing their authority to force a person to give something, to pay or receive payment or to conduct something for their benefit, are subject to criminal charges referred to in Article 12 of Law Number 31 of 1999 concerning the Eradication of Crimes of Corruption and the amendments thereto.--[3rd A]

(5) Tax officers cannot be sued, either with criminal or civil laws, if implementing their duties based on good faith and pursuant to statutory tax provisions.--[3rd A]

Elucidation of Article 36A

Paragraph (1)

In the context of securing state revenues and increasing tax officers' professionalism in implementing statutory tax provisions, tax officers who deliberately calculate or assess tax payable that not comply with statutory tax provisions, thereby, resulting in losses to state revenues are to penalties pursuant to statutory provisions.

Paragraph (2)

This paragraph stipulates violations committed by tax officers, for example, if tax officers commit violations in the field of employment, the tax officers may be reported because they have violated statutory laws and regulations in the field of employment. If the tax officers are deemed to commit a crime, the tax officers may be reported because they have committed a crime. Similarly, if tax officers commit a corruption crime, the tax officers may be reported because they have committed a corruption crime.

In this case, Taxpayers may report violations committed by tax officers to the internal unit of the Department of Finance.

Paragraph (3)

Sufficiently clear.

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2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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Paragraph (4)
Sufficiently clear.

Paragraph (5)
Tax officers in implementing their duties are deemed based on good faith if the tax officers in implementing their duties are not for the benefit of themselves, their family and groups and/or other actions that indicate corruption, collusion and/or nepotism.

Article 36B

(1) The Minister of Finance is required to prepare the employee code of conduct of the Directorate General of Taxes.--[3rd A]
(2) Employees of the Directorate General of Taxes are required to comply with the employee code of conduct of the Directorate General of Taxes.--[3rd A]
(3) The supervision of the implementation and handling of the report concerning the violation of the employee code of conduct of the Directorate General of Taxes shall be implemented by the Code of Conduct Committee, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 36B
Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Article 36C

The Minister of Finance shall establish a taxation supervisory committee, the provisions on which shall be stipulated by a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 36C
Sufficiently clear.

Article 36D

(1) The Directorate General of Taxes may be granted incentives based on the achievement of certain performance.--[3rd A]
(2) The granting of the incentives referred to in paragraph (1) shall be stipulated through the State Budget.--[3rd A]
(3) Procedures for the granting and utilisation of the incentives referred to in paragraph (1) shall be stipulated by a Minister of Finance Regulation.--[3rd A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
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Elucidation of Article 36D

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The granting of the amount of the incentives is conducted through a discussion conducted by the Government with the complementary organs of the House of Representatives in charge of finance affairs.

Paragraph (3)

Sufficiently clear.

Article 37

Changes in the amount of interest compensation and administrative penalties in the form of interest, fines and surcharges shall be stipulated by a Government Regulation.--[2nd A]

Elucidation of Article 37

According to the financial economic circumstances, the value in money may change. Thereby, the law authorises the Government, if necessary, may issue a Government Regulation to change and adjust the amount of interest compensation and administrative penalties in the form of interest, fines and surcharges according to the financial economic circumstances.

Article 37A

(1) Taxpayers that file the amendment of the Annual Income Tax Returns before the 2007 Tax Year which causes the outstanding tax to be greater and conducted no later than 28 February 2009, may be granted the reduction or nullification of administrative penalties in the form of interest for the delay in the settlement of tax underpayment, the provisions on which shall be stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

(2) Individual Taxpayers who voluntarily register for a Taxpayer Identification Number no later than 1 (one) year after the entry of force of this Law are granted the nullification of administrative penalties for the tax that is not or underpaid, for the Tax Year before the Taxpayer Identification Number is obtained and no tax audit is conducted, unless there is data or details stating that the Tax Returns filed by the Taxpayers are incorrect or state overpayment.--[3rd A]

Elucidation of Article 37A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
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CHAPTER VIII
CRIMINAL PROVISIONS

Article 38

Every person who due to his/her negligence:
a. does not file Tax Returns; or
b. files Tax Returns but the contents are incorrect or incomplete or attaches details whose contents are incorrect,

thereby, may result in losses to states revenues, shall be sentenced to a fine of a minimum of 1 (one) time the amount of the tax that is not or underpaid and a maximum of 2 (two) times the amount of the tax that is not or underpaid or detention for a minimum of 3 (three) months or a maximum of 1 (one) year.--**[7th A]**

Elucidation of Article 38
Sufficiently clear.

Article 39

(1) Every person who deliberately:
   a. does not register to be granted a Taxpayer Identification Number or does not register his/her business for VAT registration;
   b. misuses or uses without rights thereof the Taxpayer Identification Number or VAT Registration;
   c. does not submit file Tax Returns;
   d. files Tax Returns and/or details whose contents are incorrect or incomplete;
   e. refuses to be audited as referred to in Article 29;
   f. shows bookkeeping, recording or other documents that are false or falsified as if they were correct or do not reflect the actual circumstances;
   g. does not maintain bookkeeping or recording in Indonesia, does not show or does not lend books of accounts, records or other documents;
   h. does not retain books of accounts, records or documents constituting the basis for bookkeeping or recording and other documents, including the results of data processing from bookkeeping that is electronically managed or maintained through online applications in Indonesia referred to in Article 28 paragraph (11); or
   i. does not remit the tax that has been withheld or collected;

   thereby, may result in losses to states revenues, shall be sentenced to imprisonment for a minimum of 6 (six) months and a maximum of 6 (six) years and a fine of a minimum of 2 (two) times the tax that is not or underpaid and a maximum of 4 (four) times the tax that is not or underpaid.--**[3rd A]**

(2) The sentence referred to in paragraph (1) is added by 1 (one) time to 2 (two) times the criminal penalty if a person re-commits a tax crime before

a period of 1 (one) year elapses, calculated from time the imposed imprisonment sentence is completed.--[3rd A]

(3) Every person who attempts to commit a crime of misusing or using without rights thereof Taxpayer Identification Numbers or VAT Registration referred to in paragraph (1) subparagraph b or files Tax Returns and/or details whose contents are incorrect or incomplete referred to in paragraph (1) subparagraph d, in the context of applying for a refund or carrying forward taxes or tax crediting, shall be sentenced to imprisonment for a minimum of 6 (six) months and a maximum of 2 (two) years and a fine of a minimum of 2 (two) times the amount of the refund applied for and/or carry forward of taxes or tax crediting conducted and a maximum of 4 (four) times the amount of the refund applied for and/or carry forward or crediting conducted.--[3rd A]

Elucidation of Article 39

Paragraph (1)

The action or deed referred to in this paragraph that is conducted deliberately is subject to severe penalties considering the importance of tax revenues to state revenues.

This action or deed also includes every person who intentionally does not to register, misuses or uses without rights thereof Taxpayer Identification Numbers or misuses or uses without rights thereof VAT Registration

Paragraph (2)

To prevent the recurrence of a tax crime, those who re-commit a tax crime before 1 (one) year has elapsed from the time a part or all of the imposed imprisonment sentence is completed shall be subject to more severe criminal penalties, namely added by 1 (one) time to 2 (two) times the criminal penalties referred to in paragraph (1).

Paragraph (3)

The misuse or use without rights thereof Taxpayer Identification Numbers or VAT Registration or the filing of Tax Returns whose contents are incorrect or incomplete in the context of applying for incorrect tax refunds and/or carry-forward of taxes or tax crediting is extremely detrimental to the state. Therefore, the attempt to commit a crime constitutes a separate offence.

Article 39A

Every person who deliberately:

a. issues and/or uses tax invoices, collection receipts, withholding receipts and/or tax payment slips that are not based on the actual transactions; or
b. issues tax invoices but has not been registered as a Taxable Person,

shall be sentenced to imprisonment for a minimum of 2 (two) years and a maximum of 6 (six) years as well as a fine of a minimum of 2 (two) times the amount of tax in the tax invoices, withholding receipts and/or tax payment slips

and a maximum of 6 (six) times the amount of tax in the tax invoices, withholding receipts and/or tax payment slips.--[3rd A]

Elucidation of Article 39A

Tax invoices as collection receipts are administrative means that are crucial in the implementation of the provisions on Value Added Tax. Similarly, withholding receipts and collection receipts constitute a means for the crediting or deduction of tax payable, thereby, any misuse of tax invoices, withholding receipts, collection receipts and/or tax payment slips may result in adverse impact on the success of the collection of Value Added Tax and Income Tax. Therefore, the misuse in the form of the issuance and/or use of tax invoices, withholding receipts, collection receipts and/or tax payment slips that are not based on the actual transactions are subject to criminal penalties.

Article 40

A tax crime cannot be prosecuted after a period of 10 (ten) years has elapsed from the time the tax becomes payable, the end of a Taxable Period, the end of a Fraction of a Tax Year or the end of the Tax Year concerned.--[6th A]

Elucidation of Article 40

The statute of limitation for the prosecution of a tax crime is 10 (ten) years from the time the tax becomes payable, the end of a Taxable Period, a Fraction of a Tax Year or the Tax Year concerned. This is intended to provide legal certainty for Taxpayers, Public Prosecutors and Judges.

"Prosecution" refers to the submission of a notice of the start of an investigation to a public prosecutor through official investigators of the Indonesian National Police and/or to the reported party.

Article 41

(1) Officials who, due to their negligence, do not fulfil the obligation to maintain confidentiality referred to in Article 34, are sentenced to detention for a maximum of 1 (one) year and a fine of a maximum of IDR25,000,000.00 (twenty-five million rupiah).--[3rd A]

(2) Officials who deliberately do not fulfil their obligations or a person who causes the non-fulfilment of the obligations of the officials referred to in Article 34, shall be sentenced to imprisonment for a maximum of 2 (two) years and a fine of a maximum of IDR50,000,000.00 (fifty million rupiah). --[3rd A]

(3) The prosecution of a crime referred to in paragraph (1) or paragraph (2) is only be conducted based on a complaint from a person whose confidentiality is breached.--[3rd A]

Elucidation of Article 41

Paragraph (1)

To guarantee that the confidentiality concerning taxation will not be notified to other parties and for Taxpayers in providing data and information not to hesitate information, in the context of the implementation of Tax Laws, criminal penalties are necessary for the officials concerned who cause the disclosure of the confidentiality.

The disclosure of confidentiality referred to in this paragraph is conducted due to oversight in the sense of negligence, incautiousness or dereliction, thereby, the obligation to maintain the confidentiality of details or evidence available to the Taxpayer protected by Tax Laws is violated. For the oversight, the perpetrator shall be sentenced with the appropriate penalties.

Paragraph (2)

The action or deed referred to in this paragraph that is conducted deliberately is subject to more severe penalties than the action or deed conducted due to oversight, thereby, the officials concerned are more careful not to an action of divulging a Taxpayer's secrets.

Paragraph (3)

The criminal prosecution against the breach of confidentiality referred to in paragraph (1) and paragraph (2) according to the nature is related to the personal interest of a person or entity as a Taxpayer.

Article 41A

Every person who is required to provide the requested details or evidence referred to in Article 35, but deliberately does not provide details or evidence or provides incorrect details or evidence, shall be sentenced to detention for a maximum of 1 (one) year and a fine of a maximum of IDR25,000,000.00 (twenty-five million rupiah).--[3rd A]

Elucidation of Article 41A

For a third party to fulfil the request from the Director General of Taxes as stipulated in Article 35, the existence of penalties on third parties that commit the action or deed referred to in this Article is necessary.

Article 41B

Every person who deliberately obstructs or hinders a tax crime investigation shall be sentenced to imprisonment for a maximum of 3 (three) years and a fine of maximum of IDR75,000,000.00 (seventy-five million rupiah).--[3rd A]

Elucidation of Article 41B

A person who commits an action of obstructing or hindering a tax crime investigation, for example, obstructing investigators from conducting a search and/or concealing evidence referred to in this Article shall be subject to criminal penalties.

Article 41C

(1) Every person who deliberately does not fulfil the obligations referred to in Article 35A paragraph (1) shall be sentenced to detention for a maximum of 1 (one) year or a fine of a maximum of IDR1,000,000,000.00 (one billion rupiah).--[3rd A]

(2) Every person who deliberately causes the non-fulfilment of the obligations of officials or other parties referred to in Article 35A paragraph (1) shall be sentenced to detention for a maximum of 10 (ten) months or a fine of a maximum of IDR800,000,000.00 (eight hundred million rupiah).--[3rd A]

(3) Every person who deliberately does not provide data and information requested by the Director General of Taxes referred to in Article 35A paragraph (2) shall be sentenced to detention for a maximum of 10 (ten) months or a fine of a maximum of IDR800,000,000.00 (eight hundred million rupiah).--[3rd A]

(4) Every person who deliberately misuses tax data and information, thereby, resulting in losses to state revenues shall be sentenced to detention for a maximum of 1 (one) year or a fine of a maximum of IDR500,000,000.00 (five hundred million rupiah).--[3rd A]

Elucidation of Article 41C

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 42

Deleted.--[1st A]

Elucidation of Article 42

Sufficiently clear.

Article 43

(1) The provisions referred to in Article 39 and Article 39A also apply to representatives, attorneys, employees of the Taxpayers or other parties that order, that participate, that recommend or that assist in committing a tax crime.--[3rd A]

(2) The provisions referred to in Article 41A and Article 41B also apply to those that order, that recommend or that assist in committing a tax crime.--[3rd A]

Elucidation of Article 43

Paragraph (1)

Those who are sentenced because they have committed a tax crime are not limited to Taxpayers, Taxpayers' representatives, Taxpayers' attorneys, Taxpayers' employees, Public Accountants, Tax Consultants or other parties, but also include those who order, participate, recommend or assist in committing a tax crime.

Paragraph (2)

Sufficiently clear.

CHAPTER IX
INVESTIGATIONS

Article 43A

(1) The Director General of Taxes, based on information, data, reports and complaints, is authorised to conduct a preliminary audit before a tax crime investigation is conducted.--[3rd A]

(1a) The Preliminary Audit is implemented by Civil Servant Investigators within the Directorate General of Taxes who receive the preliminary audit order.--[6th A]

(2) In the event that there are indications of a tax crime involving officers of the Directorate General of Taxes, the Minister of Finance may assign the internal auditor unit within the Ministry of Finance to conduct a preliminary audit.--[6th A]

(3) If from preliminary evidence, elements of a corruption crime are found, the involved employees of the Directorate General of Taxes must be processed pursuant to the legal provisions on Corruption Crimes.--[3rd A]

(4) Procedures for preliminary audits of tax crimes referred to in paragraph (1) and paragraph (2) shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 43A

Paragraph (1)

Information, data, reports and complaints received by the Directorate General of Taxes will be developed and analysed through intelligence

activities and/or other activities whose results may be followed up with an Audit, Preliminary Audit or not followed up.

A Preliminary Audit has the same purpose and standing as investigations as stipulated under the Law stipulating the code of criminal procedures.

Paragraph (1a)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Article 44

(1) A tax crime investigation may only be conducted by certain Civil Servant Officials within the Directorate General of Taxes granted with special authority as tax crime investigators.--[3rd A]

(2) The authority of investigators referred to in paragraph (1) is:
   a. receiving, seeking, collecting and examining details or reports in respect of tax crime, thereby, the details or reports become more complete and clearer;
   b. examining, seeking and collecting details regarding the individuals or entities concerning the correctness of actions committed in connection with a tax crime;
   c. requesting details and evidence from individuals or entities in connection with a tax crime;
   d. auditing books of accounts, records and other documents in respect of a tax crime;
   e. conducting searches to obtain evidence in the form of bookkeeping, recording and other documents as well as other evidence suspected of being related to the tax crime and/or to confiscating the evidence;
   f. requesting assistance from professionals in the context of the implementation of the tax crime investigation duties;
   g. ordering to stop and/or prohibiting individuals from leaving a room or premise while the audit is in progress and inspecting the identity of individuals, objects and/or documents brought;
   h. photographing a person related to a tax crime;
   i. summoning individuals to be heard and examined as the suspect or witness;
   j. conducting the blocking of the suspect's assets pursuant to statutory provisions and/or confiscating the suspect's assets pursuant to the Law stipulating the code of criminal procedures, including but not limited to

the existence of the permit from the presiding judge of the local district court;

k. terminating investigations; and/or

l. conducting other necessary measures for the smooth conduct of tax crime investigations pursuant to statutory provisions.--[6th A]

(3) The investigators referred to in paragraph (1) notify the start of an investigation and submit the results of their investigation to the public prosecutor through official investigators of the Indonesian National Police pursuant to the provisions stipulated under the Code of Criminal Procedures Law.--[6th A]

(4) In the context of the implementation of the investigation authority referred to in paragraph (1), investigators may request assistance from other law enforcement officials.--[3rd A]

Elucidation of Article 44

Paragraph (1)

Certain Civil Servant Officials within the Directorate General of Taxes appointed as tax crime investigators by the competent authority are tax crime investigators. Tax crime investigations are implemented pursuant to the provisions stipulated under the applicable Code of Criminal Procedures Law.

Paragraph (2)

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

Subparagraph e

Sufficiently clear.

Subparagraph f

Sufficiently clear.

Subparagraph g

Sufficiently clear.

Subparagraph h

Sufficiently clear.

Subparagraph i

Sufficiently clear.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Subparagraph j

The confiscation for the purpose of recovering losses to state revenues may be conducted on movable or immovable property, including bank accounts, receivables and securities belonging to a Taxpayer, Tax Bearer and/or other parties that have been determined as the suspect. The confiscation is conducted by investigators with the provisions pursuant to the code of criminal procedures, among others:

1. must obtain a permit from the presiding judge of the local district court;
2. in crucial and urgent circumstances, investigators may conduct confiscation and immediately report to the presiding judge of the local district court to obtain his/her approval.

"Other parties" refer to parties that order, that participate, that recommend or that assist in committing a tax crime.

Blocking is conducted by requesting blocking to the authorities, such as banks, land offices, one roof system offices and so forth.

Subparagraph k

Sufficiently clear.

Subparagraph l

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 44A

The investigators referred to in Article 44 paragraph (1) shall terminate the Investigation referred to in Article 44 paragraph (2) subparagraph k in the event that:

a. the Taxpayer discloses the untruth of actions as stipulated in Article 8 paragraph (3);
b. there is insufficient evidence;
c. the event does not constitute a tax crime; or
d. by law.--**[6th A]**

Elucidation of Article 44A

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c
Sufficiently clear.

Subparagraph d
The termination of an investigation by law is the reason for the nullification of the right to sue and the nullification of the right serve a sentence, among others, because the same case cannot be tried the second time (*nebis in idem*), the suspect passes away or due to statute of limitation referred to in Article 40.

Article 44B

(1) For state revenue purposes, based on a request from the Minister of Finance, the General Attorney may terminate a tax crime investigation within a maximum period of 6 (six) months from the date of the request letter.**--[3rd A]**

(2) The termination of tax crime investigations referred to in paragraph (1) is only conducted after the Taxpayer or suspect settles:
   a. the losses to state revenues referred to Article 38 plus the administrative penalty in the form of a fine of 1 (one) time the amount of the losses to state revenues;
   b. the losses to state revenues referred to Article 39 plus an administrative penalty in the form of a fine of 3 (three) times the amount of the losses to state revenues; or
   c. the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip referred to in Article 39A plus the administrative penalty in the form of a fine of 4 (four) times the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip.**--[6th A]**

(2a) In the event that the criminal case has been transferred to the court, the defendant remains able to settle:
   a. the losses to state revenues plus the administrative penalty referred to in paragraph (2) subparagraph a or subparagraph b; or
   b. the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip plus the administrative penalty referred to in paragraph (2) subparagraph c.**--[6th A]**

(2b) The settlement referred to in paragraph (2a) constitutes a consideration for being prosecuted without being accompanied by the sentence to imprisonment.**--[6th A]**

(2c) In the event that the payment performed by the Taxpayer, suspect or defendant at the investigation stage up to the trial has not fulfilled the amount referred to in paragraph (2), the payment may be taken into account as the payment of the fine imposed on the defendant.**--[6th A]**

(3) Deleted.**--[6th A]**

Elucidation of Article 44B

Paragraph (1)

For state revenue purposes, based on a request from the Minister of Finance, the Attorney General may terminate a tax crime investigation insofar as the criminal case has not been transferred to the court.

Paragraph (2)

In the event that the investigation process has determined the suspect of more than 1 (one) person or entity, every suspect is also entitled to apply for the termination of investigation for themselves.

The application for the termination of investigation is submitted by the suspect after settling the losses to state revenues; the amount of the tax payable that is not or underpaid; the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip; the amount of the refund applied for and/or carryover or tax credit, according to the proportion borne plus an administrative penalty in the form of a fine.

Example:
Investigators investigate PT XYZ with a loss to state revenues of IDR100,000,000.00. For the case, A and B are determined as the suspects. Based on audit findings, A is known to receive a benefit of IDR15,000,000.00, whereas B receives a benefit of IDR5,000,000.00. A and B subsequently apply for the termination of investigation and request for information on the losses to state revenues that they must settle.

Based on the benefits received by A and B, the amount of losses to state revenue that must be settled in the context of the application for the termination of investigation is as follows:

1. A must settle
   (IDR15,000,000.00/IDR20,000,000.00) x IDR100,000,000.00 = IDR75,000,000.00
2. B must settle
   (IDR5,000,000.00/IDR20,000,000.00) x IDR100,000,000.00 = IDR25,000,000.00

Paragraph (2a)

Considering that the handling of criminal tax cases prioritises on the recovery of losses to state revenues rather than sentencing, the opportunity for the defendant to settle the amount of losses to state revenues; the amount of tax payable that is not or underpaid; the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip; the amount of the refund applied for and/or carryover or crediting of tax, according to the proportion borne plus an administrative penalty in the form of a fine is extended until the trial stage.

Paragraph (2b)

"Being prosecuted without being accompanied by a sentence to imprisonment" refers to a criminal case that is proven legally and convincingly to be charged guilty, but without being accompanied by the imposition of imprisonment for the individual defendant. On the other hand, the fine for both individual or entity defendants remains imposed amounting to the amount that has been settled by the defendant referred to in paragraph (2a) and the amount of the settlement is taken into account as a fine.

Paragraph (2c)

In the event that the payment performed by the Taxpayer, suspect or defendant until the trial stage does not settle the amount of the losses to state revenues; the amount of tax payable that is not or underpaid; the amount of tax in the tax invoice, collection receipt, withholding receipt and/or tax payment slip; the amount of the refund applied for and/or carryover or crediting of tax, according to the proportion borne plus an administrative penalty in the form of a fine, the defendant remains charged as guilty with being sentenced to imprisonment for individual defendants and a fine either for individual or entity defendants, but that payment may be taken into account as the payment of the fine imposed on the defendant.

Paragraph (3)

Deleted.

Article 44C

(1) The fine referred to in Article 39 and Article 39A cannot be substituted by detention and must be paid by the convict.

(2) In the event that the convict does not pay the fine referred to in paragraph (1) no later than 1 (one) month after the court decision that has obtained permanent legal force, the prosecutor shall confiscate and auction the convict's assets to pay the fine pursuant to statutory provisions.**--[6th A]**

(3) In the event that after the tracing and confiscation of assets are conducted, the individual convict does not have sufficient assets to pay the fine, the convict may be sentenced to imprisonment with a duration not exceeding the decided imprisonment.**--[6th A]**

Elucidation of Article 44C

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)
The duration of the imprisonment as a subsidiary to the fine is determined in a court decision

Article 44D

(1) In the event that the defendant has been legally summoned and is not present at the trial without any valid reasons, the tax crime case may continue to be examined and decided without the presence of the defendant.--[6th A]
(2) In the event that the defendant referred to in paragraph (1) is present at the trial before the decision is pronounced, the defendant must be examined and all witness statements and letters read out in the previous trial are deemed pronounced in the trials.--[6th A]

Elucidation of Article 44D
Sufficiently clear.

CHAPTER IXA
DELEGATION OF AUTHORITY

Article 44E

(1) Further provisions on the granting of data in the context of integration of the population database with the tax database referred to in Article 2 paragraph (10) shall be stipulated by or based on a Government Regulation.--[6th A]
(2) Further provisions on:
   a. the period of registration and reporting as well as procedures for registration and Value Added Tax registration referred to in Article 2 paragraph (1), paragraph (2), paragraph (3) and paragraph (4), including the use of the national identification number as the Taxpayer Identification Number, the Taxpayer Identification Number deregistration and/or Value Added Tax deregistration;
   b. the granting and request for assistance in tax collection referred to in Article 20A paragraph (2);
   c. the deposit and remittance of proceeds from tax collection on tax claims referred to in Article 20A paragraph (9);
   d. the implementation of mutual agreement procedure referred to in Article 27C paragraph (1);
   e. the exercise of tax rights and fulfilment of tax obligations by an attorney referred to in Article 32 paragraph (3) as well as certain competencies that must be possessed by an attorney referred to in Article 32 paragraph (3a);

f. the appointment, withholding, collection, remittance and/or filing of the tax that has been withheld or collected by other parties referred to in Article 32A paragraph (2);
g. the assessment, collection and legal remedies referred to in Article 32A paragraph (3);
h. the granting of the reprimand referred to in Article 32A paragraph (4) as well as the request for the termination and normalisation of access referred to in Article 32A paragraph (7); and
i. the request for the termination of tax crime investigations referred to in Article 44B paragraph (1) and settlement referred to in Article 44B paragraph (2) and paragraph (2a),

shall be stipulated by or pursuant to a Minister of Finance Regulation.--[6th A]

Elucidation of Article 44E
Sufficiently clear.

CHAPTER X
TRANSITIONAL PROVISIONS

Article 45
To taxes that are payable at any given time, for a Taxable Period, a Fraction of a Tax Year or Tax Year that ends before the entry of force of this Law, the former statutory tax provisions continue to apply until 31 December 1988.

Elucidation of Article 45
Although the former Tax Law has been repealed with the promulgation of this Law, to accommodate the settlement of the assessment of tax payable in taxable periods or tax years before the entry of force of this Law, the implementation thereof remains pursuant to the former statutory tax provisions, this Law stipulates the validity period of the former statutory laws and regulations until 31 December 1988. The stipulation of the period of five years is adjusted to the statute of limitation for tax collection.

Article 46
With the entry of force of this Law, all former implementing tax regulations laws remain in force insofar as not contradicting this Law.

Elucidation of Article 46
Sufficiently clear.

Article 47
Deleted.--[1st A]

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 47
The provisions under this Article are deleted because substantively they constitute materials of the Law concerning Income Tax and have been stipulated in the law.

Article 47A
To all tax rights and obligations from the 1995 Tax Year until the 2000 Tax Year, the provisions under Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended by Law Number 9 of 1994 before the amendment pursuant to Law Number 16 of 2000 is conducted shall apply.--[2nd A]

Elucidation of Article 47A
In the context of providing certainty to Taxpayers concerning tax rights and obligations that have not been settled for the 2000 tax year and earlier, Law Number 6 of 1983 on General Provisions and Tax Procedures as amended by Law Number 9 of 1994 continues to apply.

CHAPTER XI
CLOSING PROVISIONS

Article 48
Matters not sufficiently stipulated under this Law shall be further stipulated by a Government Regulation.

Elucidation of Article 48
To accommodate matters not sufficiently stipulated concerning procedures or completeness whose materials have been listed in this Law, shall be further stipulated by a Government Regulation. Therefore, it is easier to adjust the implementation of this Law and the required procedures.

Article 49
The provisions under this Law also apply to other tax Laws, unless stipulated otherwise.

Elucidation of Article 49
Sufficiently clear.

Article 50
This Law shall come into force on 1 January 1984.

Elucidation of Article 50
Sufficiently clear.

1st A – First Amendment - Law 9/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 16/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 28/2007 - Effective 1 Jan 2008
4th A – Fourth Amendment - Law 16/2009 - Effective 25 Mar 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 9 Oct 2021
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

NOTES

A. Law Number 9 of 1994 concerning the Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures:

Article III

This Law may be referred to as "The Amendment Law to General Provisions and Tax Procedures Law".

Elucidation of Article III
Sufficiently clear.

Article IV

This Law came into force on 1 January 1995.

Elucidation of Article IV
Sufficiently clear.

B. Law Number 16 of 2000 concerning the Second Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures:

Article II

This Law may be referred to as "The Second Amendment Law to General Provisions and Tax Procedures Law".

Elucidation of Article II
Sufficiently clear.

Article III

This Law came into force on 1 January 2001.

Elucidation of Article III
Sufficiently clear.

C. Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures:

Article II

(1) To all tax rights and obligations of the 2001 Tax Year until the 2007 Tax Year that have not been settled, the provisions under Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended several times, last amended by Law Number 16 of 2000 shall apply.
(2) Excluded from the provisions referred to in number 1, the statute of limitation or the assessment for the Taxable Period, Fraction of a Tax Year or the 2007 Tax Year and earlier, other than the assessments referred to in Article 13 paragraph (5) or Article 15 paragraph (4), ends no later than the 2013 Tax Year.
(3) This Law came into force on 1 January 2008.

Elucidation of Article II
Sufficiently clear.

D. Law Number 16 of 2009 concerning the Enactment of Government Regulation in Lieu of Law Number 5 of 2008 concerning the Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures:

Article 2

This Law shall come into force on the date of promulgation.

Elucidation of Article II
Sufficiently clear.

Details:
The Law shall be promulgated on 25 March 2009.

E. Law Number 11 of 2020 concerning Job Creation:

Article 186

This Law may come into force on the date of promulgation.

Elucidation of Article 186
Sufficiently clear.

Details:
The Law shall be promulgated on 2 November 2020.

F. Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations:

Article 19

This Law shall come into force on the date of promulgation.

Elucidation of Article 19

Sufficiently clear.

Details:

The General Provisions and Tax Procedures Law after the amendment through the Harmonisation of Tax Regulations Law came into force on 29 October 2021.

G. Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into a Law.

Article 2

This Law shall come into force on the date of promulgation.

Elucidation of Article 2

Sufficiently clear.

Details:

This Law shall be promulgated on 31 March 2023.

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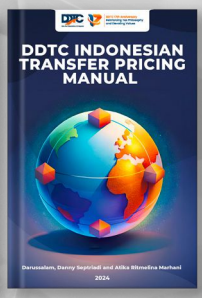

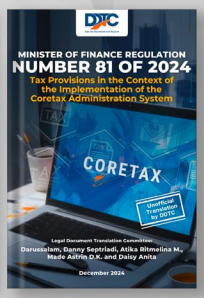

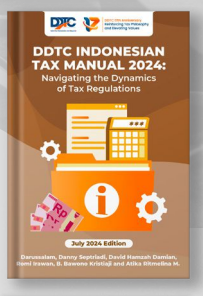

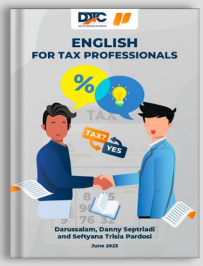

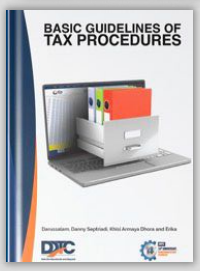

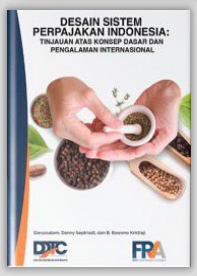

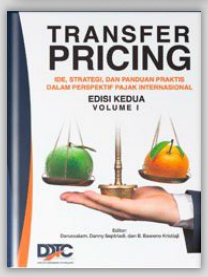

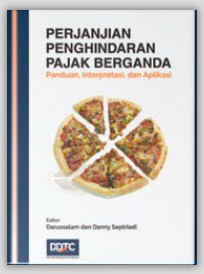

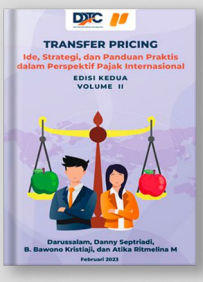

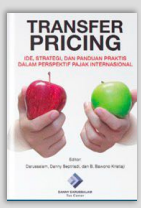

THE CONSOLIDATION IN A SINGLE TEXT INCOME TAX LAW PURSUANT TO LAW NO. 6 OF 2023

SUMMARY OF AMENDMENTS

INCOME TAX LAW

Since its first issuance through Law No. 7 of 1983, the Income Tax Law (ITL) has been subject to 7 (seven) amendments. The latest amendments are contained in Law No. 6 of 2023. The following is a summary of the amendments to each article, paragraph and detail of the subparagraphs contained in the ITL.

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
1			x		x		Elucidation			
2	(1)	a.	x		x		x	x		
		b.	x		x	x	x			
		c.			x					
	(1a)						x			
	(2)		x		x		x			
	(3)	a.	x		x		x	x		
		b.	x		x		x			
		c.	x		x		x			
	(4)		x		x		x			
		a.			x	x	x	x		
		b.			x		x	x		
		c.						x		x
		d.						x		x
	(5)		x		x	x	x	x		
		a.			x					
		b.			x					
		c.			x					
		d.			x					
		e.			x					
		f.			x					
		g.			x		x			
		h.			x		x			
		i.			x		x			
		j.			x	x	x			
		k.			x		x			
		l.			x	x	x			
		m.					x	x		
		n.					x			
		o.					x	x		
		p.					x			
	(6)		x		x	x				x
2A	(1)				x					
	(2)				x					
	(3)				x					
	(4)				x					
	(5)				x					
	(6)				x					
3	(1)						x			
		a.	x		x		Deleted			
		b.	x		x	x	Deleted			
		c.	x		x	x	Deleted			
		d.			x	x	Deleted			
	(2)						x			

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
4	(1)		x		x	x	x	x	x	
		a.	x	x	x				x	
		b.	x	x	x					
		c.	x		x					
		d.	x		x	x	x	x	x	
		e.	x		x		x			
		f.	x		x					
		g.	x		x			x		
		h.	x		x		x			
		i.	x		x					
		j.	x		x					
		k.	x		x	x				
		l.			x		x			
		m.			x					
		n.			x					
		o.			x	x				
		p.			x		x			
		q.					x			
		r.					x			
		s.					x			
	(1a)							x		
		a.						x	x	
		b.						x	x	
	(1b)							x		
	(1c)							x		
	(1d)							x	Deleted	
	(2)		x		x	x	x	x		
		a.					x		x	
		b.					x			
		c.					x			
		d.					x		x	
		e.					x		x	
	(3)	a.	x		x	x	x	x	x	
		b.	x		x					
		c.	x		x					
		d.	x	x	x	x	x		x	
		e.	x		x	x	x	x		
		f.	x		x	x	x	x	x	
		g.	x	x	x	x	x		x	
		h.	x		x	x			x	
		i.	x		x	x	x	x		
		j.	x		x	x	Deleted			
		k.	x		Deleted	x	x		x	
		l.		x	Deleted		x		x	
		m.		x	Deleted		x	x	x	
		n.					x	x	x	
		o.						x	x	
		p.						x	x	
5	(1)	a.	x		x					
		b.	x		x					
		c.			x					
	(2)	a.	x		x					
		b.	x		Deleted					
	(3)	a.			x					
		b.			x					
		c.			x					
6	(1)		x		x		x		x	
		a.	x	x	x	x	x		x	
		b.	x		x					
		c.	x		x				x	
		d.	x		x					
		e.	x		x	x	x			

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
		f.			x					
		g.			x	x				
		h.				x	x		x	
		i.					x			
		j.					x			
		k.					x			
		l.					x		x	
		m.					x		x	
		n.							x	
	(2)		x		x	x	x			
	(3)	a.	x		x					
		b.	x		Deleted					
7	(1)	a.	x		x	x	x		x	
		b.	x		x	x	x		x	
		c.	x		x	x	x		x	
		d.	x		x	x	x		x	
	(2)		x		x		x		Elucidation	
	(2a)								x	
	(3)		x		x	x	x		x	
		a.							x	
		b.							x	
8	(1)		x		x		Elucidation			
	(2)		x		x		x			
		a.			x		x			
		b.			x		x			
		c.					x			
	(3)				x		x			
	(4)				x		x			
9	(1)	a.	x		x					
		b.	x		x					
		c.	x		x	x	x		x	
		d.	x	x	x	x	x		x	
		e.	x		x	x	x		Deleted	
		f.	x		x					
		g.	x		x	x	x			
		h.	x		x					
		i.	x		x					
		j.			x					
		k.			x				x	
	(2)		x		x					
10	(1)	a.	x		x					
		b.	x		Deleted					
		c.	x		Deleted					
	(2)		x		x					
	(3)		x		x					
	(4)	a.			x					
		b.			x					
	(5)				x					
	(6)				x					
11	(1)		x		x	x	Elucidation			
	(2)		x		x	x	Elucidation			
	(3)	a.	x		x	x	Elucidation			
		b.	x		Deleted					
		c.	x		Deleted					
		d.	x		Deleted					
	(4)		x		x	x	Elucidation			
	(5)		x		x					
	(6)		x		x	x			x	
	(6a)								x	
	(7)	a.	x		x		x		x	
		b.	x		Deleted				x	
	(8)		x		x					

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
	(9)	a.	x		x					
		b.	x		Deleted					
		c.	x		Deleted					
		d.	x		Deleted					
	(10)		x		x					
	(11)		x		x	x	x		Deleted	
	(12)		x		Deleted					
	(13)		x		Deleted					
	(14)		x		Deleted					
	(15)	a.		x	Deleted					
		b.		x	Deleted					
	(16)			x	Deleted					
11A	(1)				x	x	x			
	(1a)						x		x	
	(2)				x	x	x			
	(2a)								x	
	(3)				x	x				
	(4)				x					
	(5)				x	x	Elucidation			
	(6)				x	x				
	(7)				x	x				
	(8)				x					
12	(1)		x		Deleted					
	(2)		x		Deleted					
13	(1)		x		Deleted					
	(2)		x		Deleted					
	(3)			x	Deleted					
14	(1)		x		x	x				
	(2)		x		x	x	x			
	(3)		x		x	x	x			
	(4)		x		x	x	Elucidation			
	(5)		x		x	x	x			
	(6)		x		x	Deleted				
	(7)		x		x	x	x			
15			x		x					
16	(1)		x		x		x			
	(2)		x		x		x			
	(3)		x		x		x			
	(4)				x		Elucidation			
17	(1)		x		x	x	x			
		a.				x	x		x	
		b.				x	x		x	
	(2)		x		x	x	x		x	
	(2a)						x		Deleted	
	(2b)						x		x	
		a.							x	
		b.							x	
		c.							x	
	(2c)						x			
	(2d)						x			
	(2e)								x	
	(3)		x		x	x	x		x	
	(4)		x		x	x				
	(5)		x		x		Elucidation		Elucidation	
	(6)				x	x	Elucidation		Elucidation	
	(7)				x	x	Elucidation			
18	(1)		x		x				x	
	(2)		x		x					
		a.			x	x				
		b.			x	x				
	(3)	a.	x		x	x	x		Elucidation	
		b.	x							

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
	(3a)					x	x			
	(3b)						x			
	(3c)						x			
	(3d)						x			
	(3e)						x		Deleted	
	(4)		x		x	x	x			
		a.			x	x	x			
		b.			x	x				
		c.			x	x	x			
	(5)				x	Deleted				
19			x							
	(1)				x					
	(2)				x		x			
20	(1)		x		x					
	(2)		x		x					
	(3)		x		x					
	(4)		x		Deleted					
21	(1)	a.	x		x					
		b.	x		x		x			
		c.	x		x		x			
		d.	x		x		x			
		e.			x	x				
	(2)		x		x	x	x			
		a.			x					
		b.			x					
	(3)		x		x	x	x			
	(4)		x		x	x	x			
	(5)		x		x	x	x			
	(5a)						x			
	(6)		x		x	Deleted				
	(7)		x		x	Deleted				
	(8)		x		x	x	x			
	(9)		x		Deleted					
22	(1)		x		x		x			
		a.					x			
		b.					x			
		c.					x			
	(2)		x		x		x			
	(3)						x			
23	(1)	a.	x	x	x	x	x			
		b.	x	x	x		x			
		c.	x		x		x			
		d.	x		Deleted					
	(1a)						x			
	(2)		x		x	x	x			
	(3)		x		x	x	x			
	(4)	a.			x					
		b.			x					
		c.			x		x			
		d.			x	x	Deleted			
		e.			x	x				
		f.			x					
		g.			x	x	Deleted			
		h.					x			
24	(1)		x		x					
	(2)		x		x					
	(3)		x		x		x			
		a.			x		x			
		b.			x		x			
		c.			x					
		d.			x					
		e.			x		x			

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
		f.					x			
		g.					x			
		h.					x			
	(4)		x		x					
	(5)				x					
	(6)				x		x			
25	(1)		x		x	x				
		a.				x				
		b.				x	x			
	(2)		x		x	x	x			
	(3)		x		x	Deleted				
	(4)				x	x	x			
	(5)				x	Deleted				
	(6)				x	x	x			
		a.			x					
		b.			x					
		c.			x					
		d.			x					
		e.			x					
		f.			x					
	(7)				x	x	x			
		a.					x			
		b.					x			
		c.					x			
	(8)				x	x	x			
	(8a)						x			
	(9)					x	Deleted			
26	(1)				x		x			
		a.	x		x					
		b.	x		x	x	x			
		c.	x		x					
		d.	x		x					
		e.	x		x					
		f.			x		x			
		g.					x			
		h.					x			
	(1a)						x			
	(1b)							x		
	(2)				x	x	x			
	(2a)						x			
	(3)				x	x	x			
	(4)				x	x	x			
	(5)				x	x	x			
		a.			x		x			
		b.			x		x			
27			x		Deleted					
CHAPTER VI					x					
28	(1)				x					
		a.	x		x					
		b.	x		x					
		c.	x		x					
		d.	x		x					
		e.	x		x					
		f.			x					
	(2)				x					
28A					x					
29			x		x		x			
30	(1)		x		Deleted					
	(2)		x		Deleted					
	(3)	a.	x		Deleted					
		b.	x		Deleted					

Article	Paragraph	Sub paragraph	Law 7/1983	1st A Law 7/1991	2nd A Law 10/1994	3rd A Law 17/2000	4th A Law 36/2008	5th A Law 11/2020	6th A Law 7/2021	7th A Law 6/2023
	(4)		x		Deleted					
	(5)		x		Deleted					
31	(1)		x		Deleted					
	(2)		x		Deleted					
31A	(1)				x	x	x			
		a.				x	x			
		b.				x				
		c.				x	x			
		d.				x	x			
	(2)					x	x			
31B	(1)					x	Deleted			
		a.				x	Deleted			
		b.				x	Deleted			
		c.				x	Deleted			
	(2)					x	Deleted			
31C	(1)					x				
	(2)					x	Deleted			
31D							x			
31E	(1)						x			
	(2)						x			
32			x		x	x	x			
32A	a.					x			x	
	b.								x	
	c.								x	
	d.								x	
32B							x			
CHAPTER VIIA									x	
32C									x	
33	(1)		x							
	(2)	a.	x							
		b.	x							
	(3)		x							
33A	(1)				x					
	(2)				x					
	(3)				x					
	(4)				x					
34			x		x					
35			x		x		x			
36	(1)		x							
	(2)		x							

THE CONSOLIDATION IN A SINGLE TEXT
LAW OF THE REPUBLIC OF INDONESIA NUMBER 7 OF 1983
CONCERNING
INCOME TAX
AS AMENDED SEVERAL TIMES, LAST AMENDED BY
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2023

CHAPTER I
GENERAL PROVISIONS

Article 1

Income Tax is imposed on Tax Subjects on income they receive or accrue in a tax year.--[2nd A]

Elucidation of Article 1

This Law stipulates the imposition of Income Tax on tax subjects in respect of income they receive or accrue in a tax year. The tax subjects are subject to taxes if they receive or accrue income. Tax subjects receiving or accruing income, under this Law, are referred to as Taxpayers. Taxpayers are subject to tax on the income they receive or accrue in a tax year or may be subject to tax on the income they receive or accrue in a fraction of a tax year if their subjective tax obligations start or end in the tax year.

"Tax year" under this Law refers to a calendar year, but, Taxpayers may use a different accounting year from the calendar year insofar as the accounting year covers a period of 12 (twelve) months.--[4th A]

CHAPTER II
TAX SUBJECTS

Article 2

(1) Constituting tax subjects are:
   a. 1. individuals; and
      2. undivided inheritance as a unit in lieu of the beneficiaries;
   b. entities; and
   c. permanent establishments.--[5th A]

(1a) A permanent establishment is a tax subject whose tax treatment is equivalent to a corporate tax subject.--[4th A]

(2) Tax subjects are categorised into tax residents and non-tax residents.--[4th A]

(3) A tax resident is:
   a. an individual, either an Indonesian citizen or a foreign national, who:
      1. resides in Indonesia;

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

2. is present in Indonesia for more than 183 (one hundred and eighty-three) days within any 12 (twelve) months period; or
3. in a tax year is present in Indonesia and intends to reside in Indonesia;

b. an entity incorporated or domiciled in Indonesia, except for certain units of government bodies which fulfils the following criteria:
1. its incorporation is pursuant to statutory laws and regulations;
2. its financing is sourced from the State Budget or Local Government Budget;
3. its revenues are included in the State Budget or Local Government Budget; and
4. its bookkeeping is audited by state functional supervisory officers; and

c. undivided inheritance as a unit in lieu of the beneficiaries.**--[5th A]**

(4) A non-tax resident is:
a. an individual who does not reside in Indonesia;
b. a foreign national who has been present in Indonesia for not more than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months; or
c. an Indonesian Citizen who is overseas for more than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months as well as fulfils the following requirements:
1. a residence;
2. a centre of vital interests;
3. a place of habitual abode;
4. tax residency; and/or
5. other certain requirements,

further provisions on the requirements are stipulated in a Minister of Finance Regulation; and
d. an entity that is not incorporated and not domiciled in Indonesia,

that carry out business or conduct activities through a permanent establishment in Indonesia or that may receive or accrue income from Indonesia not from carrying out business or conducting activities through a permanent establishment in Indonesia.**--[7th A]**

(5) A permanent establishment is a form of business used by the individuals referred to in paragraph (4) subparagraph a, subparagraph b and subparagraph c and the entities referred to in paragraph (4) subparagraph d to carry out business or conduct activities in Indonesia, which may be in the form of:
a. a place of management;
b. a branch;
c. a representative office;
d. an office;
e. a factory;

f. a workshop;
g. a warehouse;
h. a room for promotion and selling;
i. mining and extraction of natural resources;
j. an oil and gas mining working area;
k. fishery, animal husbandry, agriculture, plantation or forestry;
l. a construction, installation or assembly project;
m. the provision of services in whatever form by employees or any other persons, insofar as conducted in more than 60 (sixty) days within a period of 12 (twelve) months;
n. an individual or entity acting as a dependent agent;
o. an agent or employee of an insurance company which is not incorporated and is not domiciled in Indonesia, receiving insurance premiums or assuming risks in Indonesia; and
p. computers, electronic agents or automated equipment owned, rented or used by any electronic transaction providers to conduct business activities through the internet.--**[5th A]**

(6) The residence of an individual or the domicile of an entity is determined by the Director General of Taxes according to the actual circumstances.--**[7th A]**

Elucidation of Article 2
Paragraph (1)

Subparagraph a

An individual as a tax subject may reside or be present in Indonesia or overseas. An undivided inheritance as a unit constitutes a substitute to tax subject, substituting those who have the right thereof, namely the heirs/heiresses. The appointment of the undivided inheritance as a substitute to tax subject is intended for the tax imposition on tax on the income derived from the inheritance may continue to be implemented.

Subparagraph b

Entity is a group of people and/or capital that constitutes a unit that either conducts business or that does not conduct business, including limited liability companies, limited partnerships, other companies, state-owned enterprises or local-owned enterprises in whatever name and form, firms, joint ventures, cooperatives, pension funds, partnerships, alliances, foundations, mass organisations, social political organisations or other organisations, institutions and other forms of entities, including collective investment contracts and permanent establishments.

State-owned and local-owned enterprises constitute tax subjects, regardless of their names and forms, thereby, any certain unit of Government bodies, such as institutions, entities and so forth, owned

by the Central Government and Local Governments that carry out business or conduct activities to derive income, constitute tax subjects.

The definition of alliance also includes associations, unions, groups or affiliations of parties with the same interests.

Subparagraph c

Sufficiently clear.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

Tax subjects are differentiated into tax residents and non-tax residents. An individual tax resident constitutes a Taxpayer if he/she has received or accrued income exceeding the Personal Tax Relief. A corporate tax resident constitutes a Taxpayer since it is incorporated or domiciled in Indonesia. Non-tax residents, either individuals or entities, constitute Taxpayers because they receive and/or accrue income sourced from Indonesia or they receive and/or accrue income sourced from Indonesia through a permanent establishment in Indonesia. In other words, a Taxpayer is an individual or entity that has fulfilled subjective and objective obligations in connection with the ownership of a Taxpayer Identification Number. Individual taxpayers who receive income below the Personal Tax Relief are not required to register to obtain a Taxpayer Identification Number.

The important difference between resident Taxpayers and non-resident Taxpayers lies in the fulfilment of their tax obligations, including:

a. resident Taxpayers are taxed on income, either that received or accrued from Indonesia or overseas, whereas non-resident Taxpayers are taxed only on income from sources of income in Indonesia;
b. resident Taxpayers are taxed based on net income at the statutory rates, whereas non-resident Taxpayers are taxed based on gross income at commensurate tax rates; and
c. resident Taxpayers are required to file Annual Income Tax Returns as a means to determine the tax payable in a tax year, whereas non-resident Taxpayers are not required to file Annual Income Tax Returns because their tax obligations are fulfilled through final withholding tax.

For non-resident Taxpayers carrying out business or conducting activities through permanent establishments in Indonesia, the fulfilment of their tax obligations is equivalent to the fulfilment of tax obligations of resident corporate Taxpayers as stipulated under this Law and the Law that stipulates general provisions and tax procedures.

Paragraph (3)

Subparagraph a

In principle, an individual who constitutes a tax resident is an individual residing or present in Indonesia. Included in the definition of individuals residing in Indonesia are those who have the intention to reside in Indonesia. Whether an individual intends to reside in Indonesia shall be considered based on circumstances.

The presence of an individual in Indonesia of more than 183 (one hundred and eighty-three) days does not have to be consecutive but shall be determined by the total number of days the individual is in Indonesia within a period of 12 (twelve) months from his/her arrival in Indonesia.

Subparagraph b

Sufficiently clear.

Subparagraph c

An undivided inheritance inherited by a resident individual shall be considered a resident taxpayer in the definition under this Law pursuant to the status of the heirs/heiresses. For the implementation of the fulfilment of the tax obligations thereof, the said undivided inheritance substitutes the obligations of the heirs/heiresses who have the right thereof. If the inheritance has been divided, the tax obligations thereof shall shift to the heirs/heiresses.

An undivided inheritance inherited by an individual as a non-tax resident not carrying out business or conducting activities through a permanent establishment in Indonesia shall not be deemed a substitute tax subject because the tax imposed on income received or accrued by the individual concerned is attached to the object.

Paragraph (4)

A non-tax resident is an individual or entity residing or domiciled overseas that may receive or accrue income from Indonesia, either through or not through a permanent establishment. An individual not residing in Indonesia but is present in Indonesia for not more than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months, constitutes a non-tax resident.

If the income is received or accrued through a permanent establishment, the individual or entity is taxed through the permanent establishment. For the individual or entity, the status remains a non-tax resident. Therefore, the permanent establishment substitutes the individual or entity as a non-tax resident in fulfilling tax obligations in Indonesia. In the event that the income is not received or accrued not through a permanent establishment, the tax imposition of the tax shall be conducted directly on the non-tax resident.

Paragraph (5)

A permanent establishment contains the definition of the existence of a place of business, namely facilities that may be in the form of lands and buildings, including machines, equipment, warehouses and computers or electronic agents or automated equipment owned, rented or used by an electronic transaction provider to conduct business activities through the internet.

The place of business is permanent and used to conduct business or conduct the activities of an individual who does not reside or an entity that is not incorporated and not domiciled in Indonesia.

The definition of a permanent establishment also includes individuals or entities as agents that are not independent, acting for and on behalf of individuals or entities not residing or not domiciled in Indonesia. Individuals not residing or entities not incorporated and not domiciled in Indonesia cannot be deemed to have a permanent establishment in Indonesia if the individuals or the entities, in carrying out business or conducting activities in Indonesia, use independent agents, brokers or intermediaries, provided that the agents or intermediaries, in reality, fully act in the context of carrying out their own companies.

An insurance company incorporated or domiciled overseas is deemed to have a permanent establishment in Indonesia if the insurance company receives payments of insurance premium or assumes risks in Indonesia through its employees, representatives or agents in Indonesia. Assuming risks in Indonesia shall not mean that the events causing the risks occur in Indonesia. It should be taken into account that the insured resides, is present or domiciled in Indonesia.

Paragraph (6)

The determination of the residence of an individual or the domicile of an entity is important to determine which Tax Office has jurisdiction to tax over the income received or accrued by the individual or entity.

Basically, the residence of an individual or the domicile of an entity is determined based on the actual circumstances. Therefore, the determination of the residence or domicile is not only based on formal considerations but is rather based on reality.

Several matters that are necessary to be considered by the Director General of Taxes in determining the residence of an individual or the domicile of an entity include the domicile, residential address, family residence, place of business or other matters to be considered to facilitate the implementation of the fulfilment of tax obligations.

Article 2A

(1) The subjective tax obligations of an individual referred to in Article 2 paragraph (3) subparagraph a shall commence at the time the individual is born, present or intends to reside in Indonesia and shall end at the time the individual passes away or leaves Indonesia permanently.--[2nd A]

(2) The subjective tax obligations of an entity referred to in Article 2 paragraph (3) subparagraph b shall commence at the time the entity is incorporated or domiciled in Indonesia and shall end at the time the entity is dissolved or is no longer domiciled in Indonesia.--[2nd A]

(3) The subjective tax obligations of an individual or an entity referred to in Article 2 paragraph (4) subparagraph a shall commence at the time the individual or entity carries out business or conducts activities as referred to in Article 2 paragraph (5) and shall end at the time the individual or entity no longer carries out business or conducts activities through a permanent establishment.--[2nd A]

(4) The subjective tax obligations of an individual or an entity as referred to in Article 2 paragraph (4) subparagraph b shall commence at the time the individual or entity receives or accrues income from Indonesia and shall end at the time the individual or entity no longer receives or accrues such income.--[2nd A]

(5) The subjective tax obligations of an undivided inheritance referred to in Article 2 paragraph (1) subparagraph a number 2) shall commence at the rise of the undivided inheritance and shall end at the time the inheritance has been divided.--[2nd A]

(6) If the subjective tax obligations of an individual who resides or is present in Indonesia only include a fraction of a tax year, the fraction of a tax year shall substitute the tax year.--[2nd A]

Elucidation of Article 2A

Income Tax constitutes a subjective tax whose tax obligations are attached to the Tax Subject concerned, which implies that the tax obligations are intended not to be shifted to another Tax Subject. Therefore, in the context of providing legal certainty, the determination of the start and end of subjective tax obligations is important.

Paragraph (1)

The subjective tax obligations of an individual residing in Indonesia shall commence at the time he/she is born in Indonesia. For an individual who is present in Indonesia for more than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months, his/her subjective tax obligations commence since the first day he/she is present in Indonesia. The subjective tax obligations of an individual shall end at the time he/she passes away or leaves Indonesia permanently.

The definition of leaving Indonesia permanently must be related to actual matters at the time the individual leaves Indonesia. If at the time he/she leaves Indonesia, there is physical evidence of his/her intention to leave Indonesia permanently, at that time, he/she no longer constitutes a Tax resident.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

For an individual not residing in Indonesia and is present in Indonesia for not more than 183 (one hundred and eighty-three) days and an entity not incorporated and not domiciled in Indonesia, carrying out business or conducting activities in Indonesia through a permanent establishment, their subjective tax obligations shall commence at the time the permanent establishment is present in Indonesia and shall end at the time the permanent establishment is no longer located in Indonesia.

Paragraph (4)

An individual not residing or is present in Indonesia for not more than 183 (one hundred and eighty-three) days and an entity not incorporated or domiciled in Indonesia and not carrying out business or conducting activities through a permanent establishment in Indonesia shall constitute a non-Tax Resident insofar as the individual or the entity has an economic relationship with Indonesia. The economic relationship with Indonesia is deemed to exist if the individual or entity receives or accrues income from sources of income in Indonesia.

The subjective tax obligations of the individual or entity shall commence at the time the individual or entity has an economic relationship with Indonesia, namely receiving or accruing income from sources in Indonesia and shall end at the time the individual or entity no longer has any economic relationship with Indonesia.

Paragraph (5)

The subjective tax obligations of an undivided inheritance shall commence at the rise of the undivided inheritance, namely at the time the predecessor passes away. Thereafter, the fulfilment of the tax obligations thereof shall be inherent to the said inheritance. The subjective tax obligations of the inheritance shall end at the time the inheritance is divided to the heirs/heiresses. Thereafter, the fulfilment of the tax obligations is shifted to the heirs/heiresses.

Paragraph (6)

It may occur that an individual becomes a Tax Subject not for a period of one full tax year, for example, an individual who starts to become a Tax Subject in the middle of a tax year or permanently leaves Indonesia in the middle of a tax year. The period which is less than one tax year is referred to as a fraction of a tax year that substitutes the tax year.

Article 3

(1) Not included as the tax subjects referred to in Article 2 are:
   a. embassies;
   b. officials of diplomatic and consular missions or other officials from foreign countries and individuals seconded to them who work for and reside with them provided that they are not Indonesian citizens, and in Indonesia, they do not receive nor accrue income other than from their position or employment and the country concerned grants reciprocal treatment;
   c. international organisations, provided that:
      1. Indonesia is a member of the organisation; and
      2. they do not conduct business or other activities to derive income from Indonesia other than granting loans to the government whose funds are sourced from the members' contribution;
   d. representative officials of international organisations referred to in subparagraph c, provided that they are not Indonesian citizens and do not carry out business, activities or other employment to derive income from Indonesia.**--[4th A]**

(2) The international organisations that are not included in tax subjects referred to in paragraph (1) subparagraph c shall be stipulated by a Minister of Finance Decree.**--[4th A]**

Elucidation of Article 3

Paragraph (1)

According to international common practice, embassies as well as officials of diplomatic, consular missions or other officials are excluded from tax subjects at the place where they represent their countries.

The exclusion from tax subjects for the officials does not apply if they derive income other than from their position or they are Indonesian Citizens.

Therefore, if a foreign mission derives other income in Indonesia other than from his/her position and employment, he/she is included as a Tax Subject that may be taxed on the other income.

Paragraph (2)

Sufficiently clear.

CHAPTER III
TAXABLE OBJECTS

Article 4

(1) Constituting a taxable object is income, namely any increase in economic capacity received by or accrued by a Taxpayer, either from Indonesia or from overseas, that may be used for consumption or to increase the Taxpayer's wealth, in whatever name and form, including:
   a. the reimbursement or remuneration in respect of employment or services received or accrued, including salaries, wages, allowances, honoraria, commissions, bonuses, gratuities, pension or remunerations in other forms, including in-kind and/or fringe benefits, unless stipulated otherwise under this Law;
   b. lottery prizes or prizes from work or activities and reward;
   c. business profits;
   d. gains from the sale or due to a transfer of assets, including:
      1. gains from a transfer of assets to a company, a partnership and another entity in exchange for shares or capital participation;
      2. gains from a transfer of assets to shareholders, partners or members derived by a company, a partnership or another entity;
      3. gains due to a liquidation, merger, consolidation, spin-off, split-up, acquisition or reorganisation in whatever name and form;
      4. gains from a transfer of assets in the form of grants, aid or donations, except for those that are granted to family members related by blood within a lineage of one degree and religious bodies, educational bodies, social entities, including foundations, cooperatives or to any individual conducting micro and small business, insofar as not related to the business, employment, ownership or control between the parties concerned; and
      5. gains from the sale or the transfer of part or all of mining rights, participation in financing or capitalisation in a mining company;
   e. refunds of tax payments that have been charged to expenses and additional payment of tax refunds;
   f. interest, including premium, discounts and compensation for loan repayment guarantee;
   g. dividends, in whatever name and form, including dividends from an insurance company to policyholders;
   h. royalty or compensation for the use of a right;
   i. rents and other income in connection with the use of assets;
   j. receipt or acquisition of periodic payments;
   k. gains due to debt relief, except up to a certain amount stipulated by a Government Regulation;
   l. foreign exchange gains;
   m. excess difference due to the revaluation of assets;
   n. insurance premiums;

o. contributions received or accrued by an association from its members that consist of Taxpayers conducting business or independent personal services;
p. an increase in net wealth from income which has not been taxed;
q. income from sharia-based business;
r. interest compensation referred to in the Law stipulating General Provisions and Tax Procedures; and
s. surplus of Bank Indonesia.--[6th A]

(1a) Excluded from the provisions referred to in paragraph (1), a foreign national who has constituted a tax resident is subject to Income Tax only on income received or accrued from Indonesia provided that:
a. having certain skills pursuant to statutory provisions; and
b. valid for 4 (four) tax years calculated from the time he/she becomes a tax resident.--[6th A]

(1b) Included in the definition of income received or accrued from Indonesia referred to in paragraph (1a) is in the form of income received or accrued by a foreign national in connection with employment, services or activities in Indonesia in whatever name and form paid overseas.--[5th A]

(1c) The provisions referred to in paragraph (1a) do not apply to a foreign national utilising the Tax Treaty between the Government of Indonesia and the government of a Tax Treaty partner or jurisdiction where the foreign national accrues income from overseas.--[5th A]

(1d) Deleted.--[6th A]

(2) The income below may be subject to final tax:
a. income in the form of interests on deposits and other savings accounts, interests on bonds and government securities, interests or discounts of short-term securities traded in the money market and interests on deposits paid by cooperatives to individual cooperative members;
b. income in the form of lottery prizes;
c. income from share and other securities transactions, derivative transactions traded on the stock exchange and sales of shares transactions or transfers of capital participation in its investee company received by a venture capital company;
d. income from transactions of assets in the form of land and/or buildings, construction service business, real estate business and land and/or building rents; and
e. other certain income, including business income received or accrued by Taxpayers with certain gross turnover,

as stipulated by or pursuant to a Government Regulation.--[6th A]

(3) Excluded from taxable objects are:
a. 1. aid or donations, including zakat, *infaq* and *sadaqah* received by amil zakat board or amil zakat institutions established or approved by the government and received by eligible zakat recipients or compulsory religious donation for the followers of religions acknowledged by the government, received by religious institutions established and approved by the government and

received by eligible donees, the provisions on which are stipulated by or pursuant to a Government Regulation; and

2. grants received by family members related by blood within a lineage of one degree, religious bodies, educational bodies, social bodies, including foundations, cooperatives or individuals conducting micro and small business,

insofar as not related to the business, employment, ownership or control between the parties concerned;

b. inheritance;

c. assets, including cash remittance received by an entity as referred to in Article 2 paragraph (1) subparagraph b in exchange for shares or in exchange for capital contribution;

d. reimbursements or remunerations in connection with employment or services received or accrued in the form of in-kind or fringe benefits, including:
   1. food, foodstuff, beverage ingredients and/or beverages provided for all employees;
   2. in-kind and/or fringe benefits provided in certain regions;
   3. in-kind and/or fringe benefits that must be provided by the employer in the implementation of work;
   4. in-kind and/or fringe benefits sourced from or financed by the State Budget, the Local Government Budget and/or the Village Budget; or
   5. in-kind and/or fringe benefits of certain types and/or thresholds;

e. payments by an insurance company due to accident, illness or due to death of the insured person and payment of scholarship insurance;

f. dividends or other income with the following provisions:
   1. domestically-sourced dividends received or accrued by Taxpayers:
      a) resident individual Taxpayers insofar as the dividends are invested in the territory of the Unitary State of the Republic of Indonesia within a certain period; and/or
      b) resident corporate Taxpayers;
   2. foreign-sourced dividends and income after tax of an overseas permanent establishment received or accrued by a resident corporate Taxpayer or a resident individual Taxpayer, insofar as invested or used to support other business activities in the territory of the Unitary State of the Republic of Indonesia within a certain period and fulfil the following requirements:
      a) the invested dividends and income after tax amount to a minimum of 30% (thirty per cent) of net income after tax; or
      b) dividends sourced from a non-listed offshore company are invested in Indonesia before the Director General of Taxes issues a notice of tax assessment on such dividends in connection with the application of Article 18 paragraph (2) of this Law;

3. foreign-sourced dividends referred to in number 2 are:
   a) distributed dividends that are sourced from a listed offshore business entity; or
   b) distributed dividends that are sourced from a non-listed offshore business entity as per the proportion of shareholding;
4. in the event that the dividends referred to in number 3 letter b) and income after tax from an overseas permanent establishment referred to in number 2 are invested in the territory of the Unitary State of the Republic of Indonesia of less than 30% (thirty per cent) of the amount of net income after tax referred to in number 2 letter a), the following provisions shall apply:
   a) the invested dividends and income after tax are excluded from the imposition of Income Tax;
   b) the difference of 30% (thirty per cent) of net income after tax less the invested dividends and/or income after tax referred to in letter a) is subject to Income Tax; and
   c) the net income after tax less the invested dividends and/or income after tax as referred to in letter a) as well as the difference referred to in letter b), are not subject to Income Tax;
5. in the event that the dividends referred to in number 3 letter b) and income after tax from an overseas permanent establishment referred to in number 2 are invested in the territory of the Republic of Indonesia of more than 30% (thirty per cent) of the net income after tax referred to in number 2 letter a), the following provisions shall apply:
   a) the invested dividends and income after tax are excluded from the imposition of Income Tax; and
   b) the net income after tax less the invested dividends and/or income after tax referred to in letter a) is not subject to Income Tax;
6. in the event that dividends sourced from a non-listed offshore company are invested in Indonesia after the Director General of Taxes issues a notice of tax assessment for the dividends in connection with the application of Article 18 paragraph (2) of this Law, these dividends are not excluded from the imposition of Income Tax as referred to in number 2;
7. the imposition of Income Tax on foreign-sourced income received or accrued not through a permanent establishment by resident corporate Taxpayers or resident individual Taxpayers is excluded from the imposition of Income Tax in the event that the income is invested in the territory of the Unitary State of the Republic of Indonesia within a certain period and fulfils the following requirements:
   a) the income is sourced from an overseas active business; and

b) not constituting income from a company held overseas;

8. to tax on income that has been paid or payable overseas referred to in number 2 and number 7, the following provisions shall apply:
   a) cannot be set off against Income Tax payable;
   b) cannot be charged to expenses or deductible expenses; and/or
   c) tax refunds cannot be requested;
9. in the event that the taxpayer does not invest the income within a certain period as referred to in number 2 and number 7, the following provisions shall apply:
   a) the foreign-sourced income is included in the definition of income in the tax year it is accrued; and
   b) the Tax on income that have been paid or payable overseas constitutes a tax credit as referred to in Article 24 of this Law;
10. deleted;

g. contributions received or accrued by a pension fund whose incorporation is approved by the Financial Services Authority, either those paid by the employer or employee;
h. income from the capital invested by the pension fund referred to in subparagraph g in certain sectors;
i. surplus or net surplus received or accrued by members of cooperatives, limited partnerships without share capital, partnerships, alliances, firms and joint ventures, including unit holders of collective investment contracts;
j. deleted;
k. income received or accrued by a venture capital company in the form of surplus of an investee company incorporated and carrying out business or conducting activities in Indonesia, provided that the investee company:
   1. constitutes a micro, small, medium-sized enterprise or conducts activities in business sectors stipulated by or pursuant to a Minister of Finance Regulation; and
   2. the shares are not traded in the stock exchange in Indonesia;
l. scholarships that fulfil certain requirements;
m. the surplus received or accrued by a non-profit body or institution engaged in the field of education and/or the field of research and development listed in corresponding agencies, which is reinvested in the forms of means and infrastructure of education and/or research and development, within a maximum period of 4 (for) years from the time the surplus is accrued;
n. aid or donations paid by the Social Security Administrative Body to certain Taxpayers;
o. deposit funds for Hajj Fees (BPIH) and/or special BPIH and income from the development of hajj finances in certain financial fields or instruments received by the Hajj Financial Management Agency (BPKH); and

p. the surplus received or accrued by social and/or religious bodies and institutions registered with corresponding agencies, which is reinvested in the form of social and religious means and infrastructure within a maximum period of 4 (for) years from the time the surplus is derived or pooled as endowment funds.--[6th A]

Elucidation of Article 4
Paragraph (1)

This Law adheres to the principle of taxation of income in a broad sense, namely taxes are imposed on any increase in economic capacity received or accrued by a Taxpayer from whatever source which can be used for consumption or increasing the Taxpayer's wealth.

The definition of income under this Law does not take into account the existence of income from certain sources, but the existence of an increase in economic capacity. The increase in economic capacity received or accrued by a Taxpayer is the best measure of a Taxpayer's ability to jointly share the costs required by the government for routine and development activities.

In view of the flow of the increase in the Taxpayer's economic capacity, income may be grouped into:

i. income from employment in an employment relationship and independent personal services, such as salaries, honoraria and income from the practice of doctors, notaries, actuaries, accountants, lawyers and so forth;
ii. income from business and activities;
iii. income from capital, in the form of movable or immovable assets, such as interests, dividends, royalties, rent and gains from sales of assets or rights which are not used for business; and
iv. other income, such as debt relief and prizes.

In view of its use, income may be used for consumption and may also be saved to increase a Taxpayer's wealth.

Because this Law adheres to the definition of income in a broad sense, all types of income received or accrued in a tax year shall be combined to obtain the tax base. Therefore, if in a tax year, a business or an activity suffers from a loss, the loss may be offset against other income (horizontal offset), except for the loss incurred overseas. However, if a type of income is subject to a final rate or is excluded from taxable objects, the income cannot be combined with other income which is subject to statutory tax rates.

Examples of income referred to under this provision are intended to clarify the broad definition of income that is not limited to the examples concerned.

Subparagraph a

All payments or remunerations in connection with employment, such as wages, salaries, life insurance and health insurance premiums paid by the employer or remunerations in other forms are taxable objects. The definition of remunerations in other forms include remunerations in the form of in-kind and/or fringe benefits, which in essence, constitute income.

In addition, the definition of income includes gratuities which constitute a reasonable gift because of the services and benefits received by the grantor of the gratuities in connection with the implementation of work or the provision of services.

"Remunerations in the form of in-kind" refer to remunerations in the form of goods other than money, whereas "remunerations in the form of fringe benefits" refer to remunerations in the form of the right to the utilisation of facilities and/or services.

Subparagraph b

The definition of "prizes" shall include lottery prizes, prizes from work as well as activities, such as the prize in a saving account lottery and the prize of a sport competition.

"Reward" refers to remunerations granted in connection with certain activities, such as remunerations received in connection with the discovery of ancient artifact.

Subparagraph c

Sufficiently clear.

Subparagraph d

If a Taxpayer sells an asset at a price higher than the net book value or higher than the acquisition cost or value, the price difference constitutes the profit. In the event that the sale of the asset occurs between a business entity and its shareholders, the selling price used as the basis for calculation of profit of the sale is the market price.

For example, PT S owns a car that is used in its business activities with a net book value of IDR40,000,000.00 (forty million rupiah). The car is sold at IDR60,000,000.00 (sixty million rupiah). Therefore, the profit derived by PT S on the sale of the car is IDR20,000,000.00 (twenty million rupiah). If the car is sold to one of its shareholders at IDR55,000,000.00 (fifty-five million rupiah), the selling price of the car continues to be calculated based on the market price of IDR60,000,000.00 (sixty million rupiah). The difference of IDR20,000,000.00 (twenty million rupiah) constitutes profit for PT S and for the shareholder purchasing the car, the difference of IDR5,000,000.00 (five million rupiah) constitutes income.

If an entity is liquidated, the profit from the sales of assets, namely the difference between the selling price based on the market price and the net book value of the assets constitute a taxable object. Similarly, the excess difference between the market price and the net book value in the event of a merger, consolidation, spin-off, split-up or acquisition constitutes income.

In the event that a transfer of an asset occurs in exchange of shares or capital participation, the gain in the form of the difference between the market price of the supplied asset and its book value constitute income.

Gains in the form of the difference between the market price and the acquisition value or net book value of a transfer of an asset in the form of a grant, aid or donation constitutes income to the transferor unless the asset is transferred to family members related by blood within a lineage of one degree. Similarly, the profit in the form of the difference between the market price and the acquisition value or net book value of the transfer of asset in the form of aid or donation and grant to religious bodies, educational bodies, social bodies, including foundations, cooperatives or individuals conducting micro and small business does not constitute income insofar as not related to the business, employment, ownership or control relationship between the parties concerned.

In the event that a Taxpayer constituting the owner of mining rights transfers part or all of the said rights to another Taxpayer, the gains derived constitute a taxable object.

Subparagraph e

Tax refunds that have already been charged to expenses when calculating Taxable Income constitute a taxable object.

For example, Land and Building Tax which has been paid and charged to expenses, due to a reason, is refunded, the amount of the refund constitutes income.

Subparagraph f

The definition of interest also includes premiums, discounts and remunerations in connection with the guarantee for debt repayment.

A premium occurs if, for example, bonds are sold above the par value, whereas a discount occurs if bonds are purchased below their par value. The premium constitutes income for the bond issuer and the discount constitutes income for the bond purchaser.

Subparagraph g

Dividends are the surplus received by shareholders or insurance policyholders.

Included in the definition of dividends are:

1) the surplus, either direct or indirect, in whatever name and form;
2) the repayment due to a liquidation in excess of the paid-in capital;
3) the granting of bonus shares conducted without remittance, including bonus shares derived from the capitalisation of share premium;
4) the distribution of profit in the form of shares;
5) the recording of additional capital conducted without remittance;
6) the sum exceeding the amount of paid-up capital received or accrued by shareholders due to the repurchase of shares by the company concerned;
7) the repayment of all or part of paid-in capital, if in the previous years, profits were derived unless if the repayment is due to a reduction in the statutory capital conducted legally;
8) the payment related to profitability indicators, including that received as redemption of the profitability indicators;
9) the surplus in connection with the ownership of bonds;
10) the surplus received by policyholders;
11) company expenses for the personal benefit of shareholders, charged to company expenses.

In practice, disguised distributions or payments of dividend are frequently found, for example, in the event that shareholders that have fully remitted paid-in capital and granted a loan to a company with a higher interest rate exceeding the arm's length amount. In such a case occurs, the difference between the interest paid and the market rate shall be treated as dividends. The fraction of interest treated as dividends cannot be charged to expenses by the company concerned.

Subparagraph h

Royalties are a sum paid or payable in whatever method or calculations, either conducted periodically or not, as fees for:

1. the use or right to use copyright in the fields of literature, arts or scientific works, patents, designs or models, plans, secret formulas or processes, trademarks or other forms of intellectual/industrial property rights or similar rights;

2. the use or right to use industrial, commercial or scientific tools/equipment;
3. the granting of knowledge or information in the scientific, technical, industrial or commercial sectors;
4. the granting of additional or complementary assistance in connection the use or right to use the rights in number 1, the use or the right to use tools/equipment in number 2 or the granting of knowledge or information in number 3, in the form of:
   a) the receipt or the right to receive image recordings or sound recordings or both, which are distributed to the public via satellites, cables, fibre optic or similar technologies;
   b) the use or right to use image recordings or sound recordings or both, for television or radio broadcasts broadcast/transmitted via satellites, cables, fibre optic or similar technologies;
   c) the use or right to use part or all radio communication spectrums;
5. the use or right to use motion picture films, films or video tapes for television broadcasts or sound tapes for radio broadcasts; and
6. relinquishing of all or part of the rights in respect of the use or granting of intellectual/industrial property rights or other rights as mentioned above.

Subparagraph i

The definition of rent includes remunerations received or accrued in whatever name and form in connection with the use of movable assets or immovable assets, for example, rent of a car, rent of an office, rent of a house or rent of a warehouse.

Subparagraph j

Revenues are in the form of periodic payments, such as “alimony” or a lifetime allowance paid repeatedly at certain times.

Subparagraph k

Debt relief by a creditor is deemed income for the initial debtor, whereas for the creditor, it may be charged to expenses.

However, Government Regulations may stipulate that debt relief for small debtors, for example, Loans for Low-Income Families (Kukesra), Business Loans for Farmers (KUT), People’s Business Credit (KUR), loans for very simple house ownership as well other micro credits up to certain amount shall be excluded from taxable objects.

Subparagraph l

Gains derived due to the fluctuation in foreign currency are recognised based on the accounting system adopted and maintained as per the consistency principle according to the Financial Accounting Standard applicable in Indonesia.

Subparagraph m

The excess difference due to the revaluation of assets referred to in Article 19 constitutes income.

Subparagraph n

The definition of insurance premiums includes reinsurance premiums.

Subparagraph o

Sufficiently clear.

Subparagraph p

Any increase in net wealth is, in essence, the accumulation of income, either that which has already been taxed and that which does not constitute a taxable object as well as that which has not been taxed. If it is known that there is an increase in net wealth that exceeds the accumulation of income that has been taxed and does not constitute a taxable object, the increase in net wealth constitutes income.

Subparagraph q

Sharia-based business activities have a different philosophy from conventional business activities. However, the income received or accrued from sharia-based business activities still constitutes a taxable object pursuant to this Law.

Subparagraph r

Sufficiently clear.

Subparagraph s

Sufficiently clear.

Paragraph (1a)

Sufficiently clear.

Paragraph (1b)

Sufficiently clear.

Paragraph (1c)

Sufficiently clear.

Paragraph (1d)

Deleted.

Paragraph (2)

Pursuant to the provisions under paragraph (1), the income referred to in this paragraph constitutes a taxable object. Based on the following considerations:

- encouragement is necessary in the context the development of investments and community savings accounts;
- simplicity in tax collection;
- the reduction in administrative burden, either for the Taxpayers or the Directorate General of Taxes;
- equity in the tax imposition; and
- taking into account economic and monetary developments,

the income should be granted separate treatment in the tax imposition.

The separate treatment in the tax imposition on these types of income including the nature, amount and procedures for the implementation of the payment or withholding, shall be stipulated by a Government Regulation.

The bonds referred to in this paragraph include notes with maturity of more than 12 (twelve) months, such as Medium-Term Notes, Floating Rate Notes with maturity of more than 12 (twelve) months.

Government Securities referred to in this paragraph include State Bonds and Treasury Notes.

Paragraph (3)

Subparagraph a

Aid or donations, for the recipient, does not constitute a taxable object insofar as received not in the context of employment relationship, business relationship, ownership relationship or control relationship between the parties concerned. Zakat, *infaq* and *sadaqah* received by amil zakat board or amil zakat institutions established or approved by the government and received by eligible zakat recipients as well as compulsory religious donations for other followers of religions acknowledged in Indonesia, received by religious institutions established or approved by the government and received by eligible donees shall be treated the same as aid or donations. "Zakat" refers to zakat as referred to in Law concerning zakat.

A business relationship between the donor and the donee may occur, for example, PT A as the manufacturer of a type of goods whose main raw materials are manufactured by PT B. If PT B donates raw materials to PT A, the donation of raw materials received by PT A constitutes a taxable object.

Grants, for the recipient, do not constitute a taxable object if received by family members related by blood within a lineage of one degree and by religious bodies, educational bodies or social bodies, including

foundations or individuals conducting micro and small business, including cooperatives, insofar as received not in the context of employment, business, ownership relationship or control relationship between the parties concerned.

Subparagraph b

Sufficiently clear.

Subparagraph c

In principle, an asset, including cash remittance, received by an entity constitutes an increase in the economic capability for the entity. However, as the asset is received in exchange of shares or capital participation, pursuant to this provision, the received asset does not constitute a taxable object.

Subparagraph d

Certain regions are regions that fulfil the criteria, among others, remote regions, namely regions that economically have the potential that are feasible to be developed, but the condition of the economic infrastructure is generally inadequate and difficult to reach by public transportation, whether by land, sea or air, thereby, to change available economic potentials into real economic strength, investors assume fairly high risks and a relatively long yield period, including marine waters with a depth of more than 50 (fifty) metres whose seabed has mineral reserves.

Subparagraph e

Reimbursement or compensation received by an individual from an insurance company in connection with health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance policy does not constitute a taxable object. This is in line with the provisions under Article 9 paragraph (1) subparagraph d, namely insurance premiums paid by an individual Taxpayer for his/her own interests cannot be deducted in the calculation of Taxable Income.

Subparagraph f

Sufficiently clear.

Subparagraph g

The exclusion from taxable objects referred to in this paragraph only applies to pension funds whose incorporation has been approved by the Financial Services Authority. Excluded from taxable objects are contributions received from pensioner participants, either those that are self-borne or borne by the employer. Basically, contributions received by pension funds are funds of the pensioner participants, that will be repaid to them in due time. Tax imposition on the contributions implies reducing the right of the pensioner participants and therefore, the contributions are excluded from taxable objects.

Subparagraph h

As mentioned in subparagraph g, the exclusion from taxable objects pursuant to this provision only applies to pension funds whose incorporation has been approved by the Financial Services Authority. Excluded from taxable objects, in this case, is income from capital invested in certain sectors. Investments by pension funds are intended for development and constitute funds for repayment to pensioner participants in the future, thereby, the investments need to be directed to sectors that are not speculative or those with high risks.

Subparagraph i

For tax imposition purposes, entities as mentioned in this provision, which constitute a group of members are taxed as a unit, namely at the entity level. Therefore, surplus or net surplus received by members of the entity no longer constitutes a taxable object.

Subparagraph j

Sufficiently clear.

Subparagraph k

"Venture capital company" refers to a company whose main business activity is financing business entities (as an investee company) in the form of capital participation for a certain period. Pursuant to this provision, the surplus received or accrued from an investee company is not included in taxable objects, provided that the investee company is a small, micro, medium enterprise, or that conducts business or conducts activities in certain sectors as stipulated by the Minister of Finance and the shares of the company are not traded on the Indonesian stock exchange.

If the investee company of a venture capital company fulfils the provisions referred to in paragraph (3) subparagraph f, the dividends received or accrued by the venture capital company do not constitute a taxable object.

For the activities of a venture capital company to be directed toward sectors of economic activities that are prioritised to be developed, such as to increase non-oil and gas exports, the business or activities of the investee company shall be stipulated by the Minister of Finance.

Considering that a venture capital company constitutes alternative financing in the form of capital participation, capital participation that will be conducted by a venture capital company is directed towards companies that do not yet have access to the stock exchange.

Subparagraph l

Sufficiently clear.

Subparagraph m

In the context of supporting efforts to increase the quality of human resources through education and/or research and development, adequate means and infrastructure are required. Therefore, it is deemed necessary to grant tax facilities in the form of the exclusion from tax imposition on the surplus received or accrued insofar as the surplus is reinvested in the form of the construction and procurement of the means and infrastructure concerned. The reinvestment of the surplus must be realised within a maximum period of 4 (four) years from the time the surplus is received or accrued.

To ensure the achievement of the objective of the granting of this facility, institutions or bodies that administer education must be non-profit. Education as well as research and development should be open to any person and has been approved by the corresponding agencies.

Subparagraph n

Aid or donations given by the Social Security Administrative Body (BPJS) to certain Taxpayers are social aid granted specifically to Taxpayers or community members who are underprivileged or currently suffering from a natural disaster or calamity.

Subparagraph o

Sufficiently clear.

Subparagraph p

Sufficiently clear.

Article 5

(1) Constituting Taxable Objects of a permanent establishment are the:
   a. income from businesses or activities of the permanent establishment and from held or controlled assets;
   b. income of the head office from businesses or activities, sales of goods or provision of services in Indonesia which are similar to those carried out or conducted by the permanent establishment in Indonesia;
   c. income referred to in Article 26 that is received or accrued by the head office insofar as there is an effective relationship between the permanent establishment and the assets or activities giving rise to the income concerned.**--[2nd A]**

(2) Expenses in respect of gross income referred to in paragraph (1) subparagraph b and subparagraph c may be deducted from the income of the permanent establishment.**--[2nd A]**

(3) In determining the amount of profit of a permanent establishment:
   a. administrative expenses of the head office that are allowed to be charged are expenses related to the business or activities of the

permanent establishment, the amount of which shall be stipulated by the Director General of Taxes;

b. payments to the head office that cannot be charged to expenses are:
   1. royalties or other remunerations in connection with the use of assets, patents or other rights;
   2. fees in connection with management services or other services;
   3. interests, except for interests in respect of with banking business;

c. the payments referred to in subparagraph b that are received or accrued from the head office are not deemed Taxable Objects, except for interests in respect of banking business.--[2nd A]

Elucidation of Article 5

An individual who does not reside in Indonesia or an entity that is not incorporated and not domiciled in Indonesia that carries out business or conducts activities through a permanent establishment in Indonesia is taxed in Indonesia through the permanent establishment.

Paragraph (1)

Subparagraph a

A permanent establishment is taxed on income from its business or activities and assets it owns or controls. Therefore, all of the income is taxed in Indonesia.

Subparagraph b

Pursuant to this provision, the income of the head office sourced from business or activities, the sales of goods or provision of services which are similar to those conducted by the permanent establishment remains deemed income of the permanent establishment because, in essence, such business or activities are included in the scope of business or activities and may be conducted by the permanent establishment.

A business or activities similar to the business or activities of a permanent establishment, for example, shall occur if a bank overseas that has a permanent establishment in Indonesia grants loans directly without going through its permanent establishment to a company in Indonesia.

Sales of goods similar to those sold by a permanent establishment, for example, an overseas head office that has a permanent establishment in Indonesia sells the same products as the products sold by the permanent establishment directly without going through its permanent establishment to buyers in Indonesia. The provision of services by the head office that are of the same type as the services provided by the permanent establishment, for example, the head office of a consultant company overseas provides the same consulting services as the type of the services conducted by the permanent

establishment directly without going through its permanent establishment to clients in Indonesia.

Subparagraph c

The income referred to in Article 26 that is received or accrued by the head office is deemed income of the permanent establishment in Indonesia if there is an effective relationship between the assets or activities that provide income and the permanent establishment. For example, X Inc. enters into a licensing agreement with PT Y to use the trademark of X Inc. For the use of the right, X Inc. receives fees in the form of royalties from PT Y. In connection with this agreement, X Inc. also provides management services to PT Y through a permanent establishment in Indonesia in the context of marketing the products of PT Y that use the trademark. In this case, the use of the trademark by PT Y has an effective relationship with the permanent establishment in Indonesia and, therefore, X Inc.'s income in the form of royalties shall be treated as income of the permanent establishment.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Subparagraph a

Administrative expenses incurred by a head office, insofar as used to support the business or activities of a permanent establishment in Indonesia, may be deducted from the income of the permanent establishment. The types as well as the amount of deductible expenses are stipulated by the Director General of Taxes.

Subparagraph b and Subparagraph c

Basically, a permanent establishment constitutes a unit with its head office, thereby, payments by the permanent establishment to its head office, such as royalties on the use of the assets of the head office constitute a flow of funds within one company. Therefore, pursuant to this provision, payments by a permanent establishment to its head office in the form of royalties, fees for services and interests may not be deducted from the income of the permanent establishment. However, if the head office and its permanent establishment are engaged in the banking business sector, payments in the form of loan interests may be charged to expenses.

As a consequence of the treatment, similar types of payments received by a permanent establishment from its head office are not deemed Taxable Objects, except for interests received by a permanent establishment from its head office in respect of banking business.

Article 6

(1) The amount of Taxable Income for resident Taxpayers and permanent establishments shall be determined based on gross income deducted by the expenses to derive, collect and maintain income, including:

a. expenses which are directly or indirectly related to business activities, among others:
   1. costs for the purchase of materials;
   2. expenses in respect of employment or services, including wages, salaries, honoraria, bonuses, gratuities and allowances granted in the form of money;
   3. interests, rents and royalties;
   4. travel expenses;
   5. waste management expenses;
   6. insurance premiums;
   7. promotional and sales expenses;
   8. administrative expenses; and
   9. taxes, except for Income Tax;

b. depreciation of costs to acquire tangible assets and amortisation of costs to acquire rights and other costs which have useful life of more than 1 (one) year referred to in Article 11 and Article 11A;

c. contributions to pension funds whose incorporation has been approved by the Financial Services Authority;

d. losses due to sales or transfers of assets owned and used in the company or those owned to derive, collect and maintain income;

e. losses due to foreign exchange differences;

f. expenses for company research and development conducted in Indonesia;

g. expenses for scholarships, internships and training;

h. bad debts, provided that:
   1. having been charged to expenses in the commercial income statement;
   2. the Taxpayer must submit a list of bad debts to the Directorate General of Taxes; and
   3. the collection case has been submitted to the District Court or government agency that handles state receivables; or there is a written agreement concerning the write-off of receivables/debt relief between the creditor and the debtor concerned; or has been published in general or special publication; or there is acknowledgment from the debtor that his/her debt has been written off for a certain amount of the debt;
   4. the requirements referred to in number 3 do not apply to the write-off of bad debts of small debtors referred to in Article 4 paragraph (1) subparagraph k;

i. donations in the context of national disaster management, the provisions on which are stipulated by a Government Regulation;

j. donations in the context of research and development conducted in Indonesia, the provisions on which are stipulated by a Government Regulation;
k. costs for the construction of social infrastructure, the provisions on which are stipulated by a Government Regulation;
l. donations of educational facilities, the provisions on which are stipulated by a Government Regulation;
m. donations in the context of sports coaching, the provisions on which are stipulated by a Government Regulation; and
n. expenses for reimbursements or remunerations granted in the form of in-kind and fringe benefits.--**[6th A]**

(2) If gross income, after the deduction referred to in paragraph (1), results in a loss, the loss is set off against income starting the following tax year consecutively for 5 (five) years.--**[4th A]**

(3) An individual as a resident Taxpayer is granted a deduction in the form of Personal Tax Relief as referred to in Article 7.--**[2nd A]**

Elucidation of Article 6

Paragraph (1)

Deductible expenses may be divided into 2 (two) categories, namely expenses or costs with a useful life of not more than 1 (one) year and those with a useful life of more than 1 (one) year. Expenses that have a useful life of not more than 1 (one) year constitute costs in the year concerned, for example, salaries, administration and interest expenses and routine expenses for waste management, whereas for expenses that have a useful life of more than 1 (one) year, the charging is conducted through depreciation or amortisation. In addition, if within a tax year, there are losses due to sales of assets or due to foreign exchange, such losses may constitute deductible expenses.

Subparagraph a

The expenses referred to in this paragraph are commonly referred to as daily expenses, which may be charged in the year of incurrence.

To be charged to expenses, the costs must be either directly or indirectly related to the business or activities to derive, collect and maintain income that constitutes a taxable object.

Therefore, expenses to derive, collect and maintain income, not constituting a taxable object may not be charged to expenses.

Example:
Pension Fund A, whose incorporation has been approved by the Financial Services Authority, derives gross income that consists of:

a.	income that does not constitute a taxable object pursuant to Article 4 paragraph (3) subparagraph h	IDR	100,000,000.00

b. other gross income	IDR	300,000,000.00	(+)
Total gross income	IDR	400,000,000.00	

If the total expenses amount to IDR200,000,000.00 (two hundred million rupiahs), the expenses which may be deducted to derive, collect and maintain income amount to 3/4 x IDR200,000,000.00 = IDR150,000,000.00.

Similarly, interest on loans used to buy shares may not be charged to expenses, insofar as the dividends received do not constitute taxable objects as referred to in Article 4 paragraph (3) subparagraph f. Loan interest which cannot be expensed may be capitalised as the increase in the acquisition cost of the shares.

Expenses that are not related to efforts to derive, collect and maintain income, for example, expenses for the personal benefits of shareholders, interest payment of loans used for the personal benefit of debtors as well as payments of insurance premiums for personal benefit, may not be charged to expenses.

Payments of insurance premiums by an employer for the benefit of employees may be charged to company expenses, but for the employees concerned, the premiums constitute income.

Deductible expenses must be conducted within reasonable limits according to good trading practice. Therefore, if costs exceeding the arm's length threshold are influenced by a special relationship, the amount exceeding arm's length threshold do not constitute deductible expenses.

Further, see the provisions under Article 9 paragraph (1) subparagraph f and Article 18 as well as the elucidation.

Taxes that are borne by a company in the context of its business other than Income Tax, such as Land and Building Tax (PBB), Stamp Duty (BM), Hotel Tax and Restaurant Tax, may be charged to expenses.

Expenses for promotion should be distinguished between expenses that are actually incurred for promotion and expenses that, in essence, constitute donations. Expenses that are actually incurred for promotion constitute deductible expenses.

Subparagraph b

Costs to acquire tangible assets and intangible assets as well as other costs that have a useful life of more than 1 (one) year, the charging is conducted through depreciation or amortisation.

Further, see the provisions under Article 9 paragraph (2), Article 11 and Article 11A as well as the elucidation.

Expenses that, according to their nature, constitute advance payments, such as rents for several years that are paid in a lump sum, shall be charged through allocation.

Subparagraph c

Contributions to pension funds whose incorporation has been approved by the Financial Services Authority may be charged to expenses, whereas contributions paid to pension funds whose incorporation is not or has not yet been approved by the Financial Services Authority may not be charged to expenses.

Subparagraph d

Losses due to sales or transfers of assets that, according to the initial objective are not intended to be sold or transferred, owned and used in a company or owned to derive, collect and maintain income constitute deductible expenses.

Losses due to sales or transfers of assets that are owned but not used to derive, collect and maintain income do not constitute deductible expenses.

Subparagraph e

Losses due to fluctuations in foreign exchange rates are recognised based on the accounting system adopted and maintained as per the consistency principle according to the Financial Accounting Standards applicable in Indonesia.

Subparagraph f

Expenses for company research and development conducted in Indonesia of a reasonable amount to discover new technologies or systems for company development may be charged to company expenses.

Subparagraph g

Expenses incurred for scholarships, internships and training purposes in the context of improving the quality of human resources may be charged to expenses taking into account fairness, included as scholarships that may be charged to expenses are scholarships given to pupils, university students and other parties.

Subparagraph h

Bad debts may be charged to expenses insofar as the Taxpayer has recognised them as expenses in the commercial income statement and have performed the maximum or final collection efforts.

Publication shall not only refer to national-scale publications, but also internal publications of associations and the like.

Subparagraph i

Sufficiently clear.

Subparagraph j
Sufficiently clear.

Subparagraph k
"Social infrastructure development costs" are costs incurred for the construction of means and infrastructure for the public interest and are non-profit.

Examples of social infrastructure include houses of worship, arts and culture studios and polyclinics.

Subparagraph l
Sufficiently clear.

Subparagraph m
Sufficiently clear.

Subparagraph n
Sufficiently clear.

Paragraph (2)
If deductible expenses pursuant to the provisions under paragraph (1), after being deducted from gross income, result in a loss, the loss is offset against the net income or tax profit in 5 (five) consecutive years starting from the following year after the year the loss is incurred.

Example:
PT A, in 2009, suffers from a tax loss of IDR1,200,000,000.00 (one billion and two hundred million rupiah). In the following 5 (five) years, the tax profit/loss of PT A is as follows:
2010: tax profit IDR200,000,000.00
2011: tax loss (IDR300,000,000.00)
2012: tax profit IDR N I L
2013: tax profit IDR100,000,000.00
2014: tax profit IDR800,000,000.00

The carry-forward of the loss is conducted as follows:

Tax loss in 2009	IDR	(1,200,000,000.00)	
Tax profit in 2010	IDR	200,000,000,00	(+)
Residual tax loss in 2009	IDR	(1,000,000,000.00)	
Tax loss in 2011	IDR	(300,000,000.00)	
Residual tax loss in 2009	IDR	(1,000,000,000.00)	
Tax profit in 2012	IDR	N I L	(+)
Residual tax loss in 2009	IDR	(1,000,000,000.00)	
Tax profit in 2013	IDR	100,000,000,00	(+)
Residual tax loss in 2009	IDR	(900,000,000.00)	
Tax profit in 2014	IDR	800,000,000,00	(+)
Residual tax loss in 2009	IDR	(100,000,000.00)	

The tax loss in 2009 of IDR100,000,000.00 (one hundred million rupiah) remaining at the end of 2014 may not be re-offset against the tax profit in 2015, whereas the tax loss in 2011 of IDR300,000,000.00 (three hundred million rupiah) may only be offset against the tax profit in 2015 and 2016 because the five-year period that starts from 2012 expires at the end of 2016.

Paragraph (3)

In calculating the Taxable Income of a resident individual Taxpayer, to him/her, a deduction shall be granted in the form of Personal Tax Relief pursuant to the provisions referred to in Article 7.

Article 7

(1) Personal Tax Relief per year is granted at a minimum of:
   a. IDR54,000,000.00 (fifty-four million rupiah) for an individual Taxpayer himself/herself;
   b. additional IDR4,500,000.00 (four million and five hundred thousand rupiah) for a married Taxpayer;
   c. additional IDR54,000,000.00 (fifty-four million rupiah) for a wife whose income is combined with her husband's income as referred to in Article 8 paragraph (1); and
   d. additional IDR4,500,000.00 (four million and five hundred thousand rupiah) for each family member related by blood and marriage in a lineage as well as adopted children, constituting full dependants, a maximum of 3 (three) people for each family.--[6th A]

(2) The application of the provisions referred to in paragraph (1) is based on the circumstances at the beginning of a tax year or the beginning of a fraction of a tax year.--[4th A]

(2a) Individual Taxpayers with certain gross turnover referred to in Article 4 paragraph (2) subparagraph e are not subject to Income Tax on the fraction of gross turnover of up to IDR500,000,000.00 (five hundred million rupiah) in 1 (one) tax year.--[6th A]

(3) The adjustments to the amount of:
   a. the Personal Tax Relief referred to in paragraph (1); and
   b. the threshold of gross turnover not subject to Income Tax referred to in paragraph (2a),

   shall be stipulated by a Minister of Finance Regulation, after being consulted with the House of Representatives of the Republic of Indonesia.--[6th A]

Elucidation of Article 7

Paragraph (1)

To calculate the amount of Taxable Income of a resident individual Taxpayer, his/her net income is deducted by the amount of Personal Tax

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Relief. In addition to for himself/herself, a married Taxpayer is granted additional Personal Tax Relief.

For a Taxpayer whose wife receives or accrues income combined with his income, the Taxpayer obtains additional Personal Tax Relief for a wife of a minimum of IDR54,000,000.00 (fifty-four million rupiah).

A Taxpayer who has family members related by blood and marriage in a lineage, constituting full dependants, for example, parents, parents-in-law, biological children or adopted children is granted additional Personal Tax Relief for a maximum of 3 (three) people. "Family members constituting full dependants" refer to family members that do not have income and all of their living expenses are borne by the Taxpayer.

Example:
Taxpayer A has a wife with 4 (four) children constituting dependants . If his wife derives income from an employer that has been subject to Article 21 Withholding Tax and her work is not related to the business of her husband or other family members, the Personal Tax Relief granted to Taxpayer A amounts to IDR72,000,000.00 {IDR54,000,000.00 + IDR4,500,000.00 + (3 x IDR4,500,000.00)}, whereas for the wife, at the time of Article 21 Withholding Tax by her employer, she is granted Personal Tax Relief of IDR54,000,000.00 (fifty-four million rupiah). If the wife's income must be combined with her husband's income, the Personal Tax Relief granted to Taxpayer A amounts to IDR126,00,000.00 (IDR72,000,000.00 + IDR54,000,000.00).

Paragraph (2)

The calculation of the amount of Personal Tax Relief referred to in paragraph (1) is based on the circumstances of the Taxpayer at the beginning of a tax year or the beginning of a fraction of a tax year.

For example, on 1 January 2021, Taxpayer B is of married status with 1 (one) child constituting a dependant. If the second child is born after 1 January 2021, the amount of Personal Tax Relief granted to Taxpayer B for 2021 tax year remains calculated based on the marital status with 1 (one) child.--**[6th A]**

Paragraph (2a)

Sufficiently clear.

Paragraph (3)

Pursuant to this provision, the Minister of Finance is authorised to change the amount of:

a. the Personal Tax Relief referred to in paragraph (1); and
b. the threshold of gross turnover not subject to Income Tax referred to in paragraph (2a),

after consulting with the permanent complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission

whose duties and authorities are in the fields of finance, banking and development planning by considering economic and monetary developments as well as developments in prices of basic necessities every year.

Article 8

(1) All income or losses of a married woman at the beginning of a tax year or the beginning of a fraction of a tax year as well as losses from previous years that have not been offset as referred to in Article 6 paragraph (2), shall be deemed income or loss of her husband unless the income is solely received or accrued from 1 (one) employer that has been subject to withholding tax pursuant to the provisions under Article 21 and the work is not related to the business or independent personal services of her husband or other family members.--[2nd A]

(2) The income of a husband-wife income is taxed separately if:
   a. the husband-wife have lived in separation based on a judge's decision;
   b. desired in writing by the husband-wife based on an income and asset separation agreement; or
   c. desired by wife who chooses to exercise her tax rights and fulfil tax obligations on her own.--[4th A]

(3) The net income of the husband-wife referred to in paragraph (2) subparagraph b and subparagraph c is taxed based on the aggregate net income of the husband-wife and the amount of tax that must be settled by each of the husband-wife is calculated in proportion to their net income.--[4th A]

(4) The income of a minor child shall be combined with the income of his/her parents.--[4th A]

Elucidation of Article 8

The taxation system pursuant to this Law places a family as a single economic unit, which implies that the income or loss of all family members is combined as one unit that is subject to taxes and the fulfilment of tax obligations is conducted by the head of the family. However, in certain cases, the fulfilment of tax obligations is conducted separately.

Paragraph (1)

The income or loss of a married woman at the beginning of a tax year or the beginning of a fraction of a tax year is deemed her husband's income or loss and taxed as a single unit. Such a combination shall not be performed in the event that the wife's income is derived from employment that has been subject to withholding tax by the employer, provided that:

a. the wife's income is solely derived from one employer; and
b. the wife's income is derived from employment that is not related to the business or independent personal services of her husband or other family members.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Example:
Taxpayer A, who accrues net income from business of IDR100,000,000.00, (one hundred million rupiah) has a wife who is an employee with net income of IDR70,000,000.00 (seventy million rupiah). If the wife's income is derived from one employer and has been subject to withholding tax by the employer and the work is not related to the business of her husband or other family members, the net income of IDR70,000,000.00 (seventy million rupiah) is not combined with Taxpayer A's income and the tax imposition on the wife's income is final.

If, in addition to being an employee, Taxpayer A's wife also conducts business, for example, a beauty salon with net income of IDR80,000,000.00 (eighty million rupiah), her entire income of IDR150,000,000.00 (IDR70,000,000.00 + IDR80,000,000.00) is combined with Taxpayer A's net income. With the combination, Taxpayer A is taxed on the net income of IDR250,000,000.00 (IDR100,000,000.00 + IDR70,000,000.00 + IDR80,000,000.00). The withholding tax on his wife's income is not final, which implies it may be credited against the tax payable on the income of IDR250,000,000.00 (two hundred and fifty million rupiah) filed in the Annual Income Tax Return.--[4th A]

Paragraph (2) and Paragraph (3)

In the event that a husband-wife have lived in separation based on a judge's decision, the calculation of the Taxable Income and tax imposition shall be conducted separately. If the husband-wife enter into an income and asset separation agreement or if the wife desires to exercise her tax rights and fulfil her tax obligations on her own, the calculation of the tax is conducted based on the sum of the net income of the husband-wife and each of them bears Tax burden in proportion to the amount of net income.

Example:
The calculation of tax for a husband-wife who enter into a written income and asset separation agreement or if the wife desires to exercise her tax rights and fulfils her tax obligations on her own is as follows.

From the example in paragraph (1), if the wife conducts beauty salon business, the tax imposition is calculated based on the total income of IDR250,000,000.00 (two hundred and fifty million rupiah).

For example, if the tax taxable on the total income amounts to IDR27,550,000.00 (twenty-seven million five hundred and fifty thousand rupiah), for each of the husband-wife, the tax imposition is calculated as follows:

- Husband: $\frac{100,000,000.00}{250,000,000.00}$ x IDR27,550,000.00 = IDR11,020,000.00
- Wife: $\frac{150,000,000.00}{250,000,000.00}$ x IDR27,550,000.00 = IDR16,530,000.00

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Paragraph (4)

The income of a minor child from whatever source of income and whatever nature of work is combined with his/her parents' income in the same tax year.

"A minor child" refers to a person who is not yet 18 (eighteen) years old and has never been married.

If a minor, whose parents have separated, derives or accrues income, his/her tax imposition shall be combined with the income such income with his/her father or mother based on actual circumstances.

Article 9

(1) To determine the amount of Taxable Income for resident Taxpayers and permanent establishments, the following are non-deductible:
   a. the surplus in whatever name and form, such as dividends, including dividends paid by insurance companies to policyholders and the surplus of cooperatives;
   b. expenses charged or incurred for the personal benefit of shareholders, partners or members;
   c. the establishment or accumulation of reserve funds, except for:
      1. allowances for bad debts for bank businesses and other business entities that provide credit, financial leases, consumer financing companies and factoring companies, calculated based on applicable financial accounting standards with certain thresholds after coordinating with the Financial Services Authority;
      2. allowances for insurance businesses, including social aid allowances established by the Social Security Administrative Body;
      3. allowances for guarantee for the Indonesia Deposit Insurance Institution;
      4. reserve funds for reclamation expenses for mining businesses;
      5. reserve funds for reforestation expenses for forestry businesses; and
      6. reserve funds for the expenses for the closing and maintenance of industrial waste landfill for industrial waste treatment businesses,

      that fulfil certain requirements;
   d. premiums for health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance, which are paid by an individual Taxpayer, unless paid by the employer and the premiums are calculated as income for the Taxpayer concerned;
   e. deleted;
   f. the amount exceeding the arm's length amount paid to shareholders or to related parties as remunerations in connection with the work performed;
   g. gifts, aid or donations and inheritance referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, except for the donations referred to in Article 6 paragraph (1) subparagraph i to subparagraph m

as well as zakat received by the amil zakat board or amil zakat institutions established or approved by the government or compulsory religious donations for the followers of religions acknowledged by the government, received by religious institutions established and approved by the government, the provisions on which are stipulated by or pursuant to a Government Regulation;

h. Income Tax;
i. expenses charged or incurred for the personal benefit of the Taxpayers or people constituting their dependants;
j. salaries paid to members of a partnership, firm or limited liability company without share capital;
k. administrative penalties in the form of interest, fines and surcharges as well as criminal sentences in the form of fines in respect of the implementation of statutory provisions in the field of taxation.**--[6th A]**

(2) Expenses to derive, collect and maintain income with a useful life of more than 1 (one) year may not be charged in a lump sum but shall be charged through depreciation or amortisation as referred to in Article 11 or Article 11 A.**--[2nd A]**

Elucidation of Article 9

Paragraph (1)

Expenses incurred by a Taxpayer may be differentiated between expenses that may and may not be charged to expenses.

In principle, deductible expenses are expenses with a direct and indirect relationship with the business or activities to derive, collect and maintain income which constitutes a taxable object whose charging may be conducted in the year of incurrence or during the useful life of these expenses. Non-deductible expenses include expenses whose nature is the use of income or whose amount exceeds the arm's length amount.

Subparagraph a

The distribution of profit in whatever name or form, including dividend payments to shareholders, the distribution of net surplus of cooperatives to their members and dividend payments by insurance companies to policyholders, may not be deducted from the income of the distributing entity as the distribution of profit constitutes part of the entity's income which will be taxed pursuant to this Law.

Subparagraph b

Non-deductible expenses of a company are expenses incurred or charged by the company for the personal benefit of shareholders, partners or members, such as the renovation of private homes, travel expenses, insurance premiums paid by the company for the personal benefit of the shareholders or their families.

Subparagraph c

Sufficiently clear.

Subparagraph d

Premiums for health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance, which are self-paid by an individual Taxpayer do not constitute deductible expenses and at the time the individual receives insurance benefits or compensation, the revenue does not constitute a taxable object.

If the insurance premiums are paid or borne by the employer, for the employer, the payment may be charged to expenses and for the employee concerned, is income that constitutes a taxable object.

Subparagraph e

Deleted.

Subparagraph f

In an employment relationship, payments of remunerations granted to employees who also constitute shareholders may occur. Because basically, expenses to derive, collect and maintain income constituting deductible expenses are expenses whose amount is at arm's length as per the arm's length principle, pursuant to this provision, the amount exceeding the arm's length amount cannot be charged to expenses.

The arm's length amount referred to in this paragraph is an amount that does not exceed the amount that should be incurred by the employer as a remuneration in connection with work if conducted by unrelated parties.

For example, a professional who also constitutes a shareholder of an entity provides services to the entity by deriving a fee of IDR50,000,000.00 (fifty million rupiah).

If the same services supplied by another equivalent professional are only paid IDR20,000,000.00 (twenty million rupiah), the amount of IDR30,000,000.00 (thirty million rupiah) cannot be charged to expenses. For the professional who also constitutes a shareholder, the amount of IDR30,000,000.00 (thirty million rupiah) is deemed a dividend.

Subparagraph g

Sufficiently clear.

Subparagraph h

Income Tax under this provision refers to Income Tax payable to the Taxpayer concerned.

Subparagraph i

Expenses for the personal benefit of Taxpayers or people constituting their dependants, in essence, constitute the use of income by the Taxpayer concerned. Therefore, such expenses do not constitute deductible expenses of the company.

Subparagraph j

Members of a firm, partnership or limited liability company without share capital are treated as a unit, thereby, there is no remuneration as salaries.

Therefore, salaries received by members of a partnership, firm or limited liability company without share capital are not payments constituting the entity's deductible expenses.

Subparagraph k

Sufficiently clear.

Paragraph (2)

According to the common business practice, for expenses that have a role in income for several years, their charging is conducted according to the number of years the expenses have a role in income.

In line with the principle of aligning expenses with income, under this provision, expenses to derive, collect and maintain income that have a useful life of more than 1 (one) year cannot be deducted as company expenses in a lump sum in the year of incurrence but are charged through depreciation and amortisation over their useful life as stipulated under Article 11 and Article 11 A.

Article 10

(1) The acquisition cost or selling price in the event that a sale and purchase of an asset not influenced by a special relationship occurs as referred to in Article 18 paragraph (4) is the amount actually incurred or received, whereas, in the event that there is a special relationship, is the amount that should be incurred or received.**--[2nd A]**

(2) The acquisition value or selling value in the event of an exchange of an asset is the amount that should be incurred or received based on the market price.**--[2nd A]**

(3) The acquisition value or transfer of the asset transferred in the context of a liquidation, merger, consolidation, spin-off, split-up or acquisition is the amount that should be incurred or received based on the market price unless otherwise stipulated by the Minister of Finance.**--[2nd A]**

(4) If a transfer of an asset occurs:

a. that fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, the valuation basis for the transferee is equal to the net book value of the transferor or the value stipulated by the Director General of Taxes;

b. that does not fulfil the requirements referred to in Article 4 paragraph (3) subparagraph a, the valuation basis for the transferee is equal to the market price of the asset.--[2nd A]

(5) If a transfer of an asset occurs as referred to in Article 4 paragraph (3) subparagraph c, the valuation basis for the asset for the entity receiving the transfer is equal to the market price of the asset.--[2nd A]

(6) Inventories and the use of inventories for the calculation of the cost of goods sold shall be valued based on the acquisition cost conducted using the average or first-in-first-out method.--[2nd A]

Elucidation of Article 10

This provision stipulates methods to valuate assets, including inventories, in the context of calculating income in connection with the use of assets in a company, calculating profit or losses if a sale or transfer of assets occurs and calculating income from the sales of merchandise.

Paragraph (1)

In general, in a sale and purchase of an asset, the acquisition cost of the asset for the buyer is the price actually paid and the selling price for the seller is the price actually received. Included in the acquisition cost are the purchase price and costs incurred in the context of acquiring the asset, such as import duty, freight charges and installation costs.

In a sale and purchase influenced by a special relationship referred to in Article 18 paragraph (4), for the buyer, the acquisition value is the amount that should be paid and for the seller, the selling value is the amount that should be received. The existence of the special relationship between the buyer and the seller may cause the acquisition cost to be higher or lower than if the sale and purchase are not influenced by a special relationship. Therefore, this provision stipulates that acquisition value or the selling value of the asset for the parties concerned is the amount that should be incurred or that should be received.

Paragraph (2)

For an asset acquired based on an exchange transaction with another asset, the acquisition value or selling value is the amount that should be incurred or received based on the market price.

Example:

	PT A	PT B
	(Asset X)	(Asset Y)
Net book value	IDR10,000,000.00	IDR12,000,000.00
Market price	IDR20,000,000.00	IDR20,000,000.00

Between PT A and PT B, an exchange of an asset occurs. Although there is no realisation of payment between the parties concerned, because the market price of the exchanged asset is IDR20,000,000,00, the total of IDR20,000,000 constitutes the acquisition value that should be incurred

or the sale value that should otherwise be received. The difference between the market price and the net book value of the exchanged asset constitutes profit which is subject to tax. PT A derives profit of IDR10,000,000.00 (IDR20,000,000.00 – IDR10,000,000.00) and PT B derives profit of IDR8,000,000.00 (IDR20,000,000.00 – IDR12,000,000.00).

Paragraph (3)

In principle, if a transfer of an asset occurs, the valuation of the transferred asset is conducted based on the market price. The transfer of the asset may be conducted in the context of business development in the form of a merger, consolidation, spin-off, split-up and acquisition. Moreover, the transfer may be conducted in the context of liquidation or other causes.

The difference between the market price and the net book value of the transferred asset is income that is taxed.

Example:
PT A and PT B conduct a consolidation and incorporate a new entity, PT C. The net book value and market price of the assets of the two entities are as follows:

	PT A	PT B
Net book value	IDR200,000,000.00	IDR300,000,000.00
Market price	IDR300,000,000.00	IDR450,000,000.00

Basically, the valuation of the assets supplied by PT A and PT B in the context of the consolidation into PT C is the market price of the assets. Therefore, PT A derives profit of IDR100,000,000.00 (IDR300,000,000.00 – IDR200,000,000.00) and PT B derives profit of IDR150,000,000.00 (IDR450,000,000.00 – IDR300,000,000.00). On the other hand, PT C maintains bookkeeping for all of the assets with the amount of IDR750,000,000.00 (IDR300,000,000.00 + IDR450,000,000.00). However, in the context of aligning with the policies in the fields of social, economic, investment, monetary and other policies, the Minister of Finance is authorised to determine values other than the market price, namely based on the net book value (pooling of interest). In such a case, PT C maintains bookkeeping for the revenue from the assets from PT A and PT B of IDR500,000,000.00 (IDR200,000,000.00 + IDR300,000,000.00).

Paragraph (4)

In the event that a transfer of assets due to a grant, aid or donation occurs that fulfils the requirements under Article 4 paragraph (3) subparagraph a, or inheritance, the acquisition value for the transferee of the assets is the net book value of the assets of the transferor. If a Taxpayer does not maintain bookkeeping, thereby, the net book value is unknown, the

acquisition value of the assets shall be stipulated by the Director General of Taxes.

In the event that a supply of assets occurs through a grant, aid or donation that does not fulfil the requirements referred to in Article 4 paragraph (3) subparagraph a, the acquisition value for the transferee of the assets is the market price.

Paragraph (5)

The participation of a Taxpayer in the capitalisation of an entity may be fulfilled by cash remittance or transfers of assets.

This provision stipulates the valuation of assets supplied in exchange of shares or capital participation, namely subject to valuation based on the market price of the transferred assets.

Example:
Taxpayer X supplies 20 units of lathes whose book value is IDR25,000,000.00 to PT Y in exchange of capital participation with the par value of IDR20,000,000.00. The market price of the lathes is IDR40,000,000.00. In this case, PT Y will record the lathes as an asset with the value of IDR40,000,000.00 and this value does not constitute income for PT Y. The difference between the par value of the shares and the market value of the assets, which amounts to IDR20,000,000.00 (IDR40,000,000.00 - IDR20,000,000.00) is maintained in bookkeeping as premiums. For Taxpayer X, the difference of IDR15,000,000.00 (IDR40,000,000.00 - IDR25,000,000.00) constitutes a Taxable Object.

Paragraph (6)

In general, there are 3 (three) categories of inventories: finished goods or merchandise, work-in-process, raw materials and auxiliary materials.

The provisions in this paragraph stipulate that the valuation of the inventory may only use the acquisition cost. The valuation of the use of the inventory for the calculation of the cost of goods sold may only be conducted using the average method or prioritising the inventory that is first acquired ("first-in-first-out or abbreviated to FIFO") method. According to the common practice, these valuation methods also apply to securities.

Example:

1.	Beginning Inventory	100 units	@ IDR9.00
2.	Purchase	100 units	@ IDR12.00
3.	Purchase	100 units	@ IDR11.25
4.	Sold/used	100 units	
5.	Sold/used	100 units	

The calculation of the cost of goods sold and inventory value using the average method is, for example, as follows:

No.	Acquired	Used	Remaining/Inventory
1			100 @ IDR9.00 = IDR900.00
2	100 @ IDR12.00 = IDR1,200.00		200 @ IDR10.50 = IDR2,100.00
3	100 @ IDR11.25 = IDR1,125.00		300 @ IDR10.75 = IDR3,225.00
4		100 @ IDR10.75 = IDR1,075.00	200 @ IDR10.75 = IDR2,150.00
5		100 @ IDR10.75 = IDR1,075.00	100 @ IDR10.75 = IDR1,075.00

The calculation of the cost of goods sold and inventory value using the FIFO method is, for example, as follows:

No.	Acquired	Used	Remaining/Inventory
1			100 @ IDR9.00 = IDR900.00
2	100 @ IDR12.00 = IDR1,200.00		100 @ IDR9.00 = IDR900.00
			100 @ IDR12.00 = IDR1,200.00
3	100 @ IDR11.25 = IDR1,125.00		100 @ IDR9.00 = IDR900.00
			100 @ IDR12.00 = IDR1,200.00
			100 @ IDR11.25 = IDR1,125.00
4		100 @ IDR9.00 = IDR900.00	100 @ IDR12.00 = IDR1,200.00
			100 @ IDR11.25 = IDR1,125.00
5		100 @ IDR12.00 = IDR1,200.00	100 @ IDR11.25 = IDR1,125.00

Once a Taxpayer chooses one of the valuation methods for the use of the inventory for the calculation of the cost of goods sold, for the following years, the same method must be used.

Article 11

(1) The depreciation of the expenses for the purchase, establishment, addition, repair or changes of tangible assets, except for land with ownership rights, the right to build, the right to cultivate and the right to use, which are owned and used to derive, collect and maintain income with a useful life of more than 1 (one) year is conducted in equal parts over the specified useful life for these assets.**--[3rd A]**

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
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5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(2) The depreciation of the expenses for the tangible assets referred to in paragraph (1), other than buildings, may also be conducted in decreasing parts over the useful life, which is calculated by applying the depreciation rate to the net book value and at the end of useful life, the net book value is depreciated at once provided that it is conducted as per the consistency principle.**--[3rd A]**

(3) Depreciation commences in the month the expenses are incurred, except for assets that are in progress, for which depreciation starts in the month the assets are finished.**--[3rd A]**

(4) With the approval from the Director General of Taxes, Taxpayers are allowed to perform depreciation starting in the month the assets are used to derive, collect and maintain income or in the month the assets concerned start to produce.**--[3rd A]**

(5) If a Taxpayer revaluates assets pursuant to the provisions referred to in Article 19, the depreciation basis for the assets shall be the value after the revaluation of the assets is conducted.**--[2nd A]**

(6) To calculate depreciation, the useful life and depreciation rates for tangible assets are stipulated as follows:**--[6th A]**

Tangible Asset Group		Useful Life	Depreciation Rate referred to in	
			Paragraph (1)	Paragraph (2)
I.	Non-Buildings			
	Group 1	4 Years	25%	50%
	Group 2	8 Years	12.5%	25%
	Group 3	16 Years	6.25%	12.5%
	Group 4	20 Years	5%	10%
II.	Buildings			
	Permanent	20 Years	5%	
	Non-Permanent	10 Years	10%	

(6a) If permanent buildings referred to in paragraph (6) have a useful life of more than 20 (twenty) years, the depreciation referred to in paragraph (1) is conducted in equal parts, according to the useful lives referred to in paragraph (6) or according to the actual useful life based on the Taxpayer's bookkeeping.**--[6th A]**

(7) The depreciation of tangible assets owned and used in certain business sectors may be regulated separately.**--[6th A]**

(8) If a transfer or withdrawal of assets occurs as referred to in Article 4 paragraph (1) subparagraph d or a withdrawal of assets due to other causes, the amount of the net book value of the assets is charged to losses and the amount of the selling price or insurance compensation received or accrued shall be maintained in bookkeeping as income in the year the withdrawal of the assets occurs.**--[2nd A]**

(9) If the amount of the insurance compensation that will be received may only be known with certainty in the future, with the approval from the Director

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General of Taxes, the amount of the loss referred to in paragraph (8) shall be maintained in bookkeeping as an expense in the future.--[2nd A]

(10) If a transfer of assets occurs that fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, which are in the form of tangible assets, the amount of the net book value of the assets may not be charged to losses for the transferor.--[2nd A]

(11) Deleted.--[6th A]

Elucidation of Article 11

Paragraph (1) and Paragraph (2)

The costs to acquire tangible assets that have a useful life of more than 1 (one) year must be charged to expenses to derive, collect and maintain income by allocating the costs during the useful life of the tangible assets through depreciation. The costs to acquire land with ownership rights, including land with the right to build, right to cultivate and right to use shall not be depreciated unless the land is used in the company or owned to derive income provided that the value of the land decreases due to its use to derive income, for example, the land is used by a roof tile company, ceramics company or a brick company.

"The first costs to acquire land with the right to build, right to cultivate and right to use" refer to the acquisition cost of the land with the right to build, right to cultivate and right to use from a third party and the administration of these rights from the competent authority for the first time, whereas the expenses for the extension of the right to build, right to cultivate and right to use shall be amortised over the useful life of these rights.

The depreciation methods allowed pursuant to his provision are conducted:

a. in equal parts over the useful life specified for the assets (the straight-line method); or
b. in decreasing parts, by applying the appropriate deprecation rate to the net book value (the declining balance method).

The use of depreciation methods for assets must be conducted as per the consistency principle.

Tangible assets in the form of buildings may only be depreciated using the straight-line method. Tangible assets other than buildings may be depreciated using the straight-line method or declining balance method.

In the event a Taxpayer chooses to use the declining balance method, the net book value at the end of the useful life must be depreciated at once.

According to the Taxpayer's bookkeeping, small tools that are the same or of the same types may be depreciated in one group.

Example of the use of the straight-line method:

A building whose acquisition cost is IDR1,000,000,000.00 (one billion rupiah) and its useful life is 20 (twenty) years, the annual depreciation amounts to IDR50,000,000.00 (fifty million rupiah) (IDR1,000,000,000.00 : 20).

Example of the use of the declining balance method:
A machine that is purchased and installed in January 2009 with an acquisition cost of IDR150,000,000.00 (one-hundred and fifty million rupiah). The useful life of the machine is 4 (four) years. If the depreciation rate is, for example, the depreciation rate is set at 50% (fifty per cent), the calculation of the depreciation is as follows:--[4th A]

Year	Rate	Depreciation	Net Book Value
Acquisition Cost			150,000,000.00
2009	50%	75,000,000.00	75,000,000.00
2010	50%	37,500,000.00	37,500,000.00
2011	50%	18,750,000.00	18,750,000.00
2012	Depreciated at once	18,750,000,00	0.00

Paragraph (3)

Depreciation starts in the month the costs are incurred or in the month an asset is finished, thereby, the depreciation in the first year is calculated on pro-rate basis.

Example 1:
The costs for the construction of a building amount to IDR1,000,000,000.00 (one billion rupiah). Construction starts in October 2009 and is finished to be used in March 2010. The depreciation of the acquisition cost of the building starts in March of the 2010 tax year.

Example 2:
A machine is purchased and installed in July 2009 with an acquisition cost of IDR100,000,000.00 (one hundred million rupiah). The useful life of the machine is 4 (four) years. If the depreciation rate is, for example, the depreciation rate is set at 50% (fifty per cent), the calculation of the depreciation is as follows:--[4thA]

Year	Rate	Depreciation	Net Book Value
Acquisition Cost			100,000,000.00
2009	6/12 x 50%	25,000,000.00	75,000,000.00
2010	50%	37,500,000.00	37,500,000.00
2011	50%	18,750,000,00	18,750,000.00
2012	50%	9,375,000.00	9,375,000.00
2013	Depreciated at once	9,375,000.00	0.00

Paragraph (4)

Based on the approval from the Director General of Taxes, the start of depreciation may be conducted in the month an asset is used to derive, collect or maintain income or in the month the asset starts to produce. The start of production under this provision is related to the start of production and is not related to the time income is received or accrued.

Example:
PT X that is engaged in the plantation sector purchases a tractor in 2009. The plantation starts to produce (harvest) in 2010. With the approval from the Director General of Taxes, the depreciation of the tractor may be conducting starting from 2010.--[4th A]

Paragraph (5)

Sufficiently clear.

Paragraph (6)

To provide legal certainty for Taxpayers in depreciating costs to acquire tangible assets, this provision stipulates groups of useful lives of assets and depreciation rates, either according to the straight-line method or the declining balance method.

"Non-permanent buildings" refer to buildings that are temporary in nature and constructed from materials that are not durable or movable buildings whose useful life is not more than 10 (ten) years, for example, barracks or dormitories constructed from wood for employees.

Paragraph (6a)

Sufficiently clear.

Paragraph (7)

In the context of adjusting to the specific characteristics of certain business sectors, such as perennials plantations, forestry and animal husbandry, it necessary to grant separate regulation for the depreciation of tangible assets that are used by such business sectors.

Paragraph (8) and Paragraph (9)

Basically, profit or loss due to a transfer of an asset is taxed in the year the transfer of the asset is conducted.

If the asset is sold or catches fire, the net revenues from the sale of the asset, namely the difference between the selling price and costs incurred in respect of the sale and/or insurance compensation shall be maintained in bookkeeping as income in the year the sale occurs or the year the insurance compensation is received and the net book value of the asset is charged to losses in the tax year concerned.

In the event that the amount of received insurance compensation may only be known with certainty in the future, the Taxpayer may submit an

application to the Director General of Taxes for an amount equal to the loss to be charged in the year of the insurance compensation.

Paragraph (10)
Notwithstanding the provisions referred to in paragraph (8), in the event of a transfer of a tangible asset that fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, its net book value cannot be charged to losses by the transferor.

Paragraph (11)
Deleted.

Article 11A

(1) The amortisation of costs to acquire intangible assets and other costs, including expenses for the extension of the right to build, right to cultivate and right to use and goodwill that have a useful life of more than 1 (one) year that are used to derive, collect and maintain income shall be conducted in equal parts or in decreasing parts over the useful life, calculated by applying the amortisation rates to the costs or to the net book value and at the end of the useful life, shall be amortised at once provided that it is conducted as per the consistency principle.**--[4th A]**

(1a) Amortisation starts in the month the costs are incurred, except for certain business sectors.**--[6th A]**

(2) To calculate amortisation, the useful life and amortisation rates are stipulated as follows:**--[2nd A]**

Intangible Asset Group	Useful Life	Amortisation Rate Based on the Method	
		Straight-Line	Declining Balance
Group 1	4 years	25%	50%
Group 2	8 years	12.5%	25%
Group 3	16 years	6.25%	12.5%
Group 4	20 years	5%	10%

(2a) If the intangible assets referred to in paragraph (2) have a useful life of more than 20 (twenty) years, the amortisation referred to in paragraph (1) is conducted according to the useful life referred to in paragraph (2) for group 4 intangible assets or according to the actual useful life based on the Taxpayer's bookkeeping.**--[6th A]**

(3) The incurrence of the costs for the incorporation and expansion of the capital of a company shall be charged in the year the incurrence occurs or amortised pursuant to provisions referred to in paragraph (2).**--[3rd A]**

(4) The amortisation of the expenses to acquire rights and other expenses that have a useful life of more than 1 (one) year in the field of oil and gas mining is conducting using the unit of production method.**--[2nd A]**

(5) The amortisation of the expenses to acquire mining rights other than those referred to in paragraph (4), forest concession rights and concession rights

of natural resources as well as other natural products that have a useful life of more than 1 (one year), is conducted using the unit of production method for a maximum of 20% (twenty per cent) a year.--[3rd A]

(6) Costs incurred before the commercial operation that have a useful life of more than 1 (one) year shall be capitalised and subsequently amortised pursuant to provisions referred to in paragraph (2).--[3rd A]

(7) If a transfer of intangible assets or rights occurs as referred to in paragraph (1), paragraph (4) and paragraph (5), the net book value of the assets or the rights shall be charged to losses and the amount received as remuneration constitutes income in the year the transfer occurs.--[3rd A]

(8) If a transfer of intangible assets occurs that fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, that is in the form of intangible assets, the amount of the net book value of such assets cannot be charged to losses for the transferor.--[2nd A]

Elucidation of Article 11A

Paragraph (1)

The acquisition cost of intangible asset and other expenses, including the expenses for the extension of the right to build, right to cultivate and right to use and goodwill that have a useful life of more than 1 (one) year shall be amortised with the following methods:

a. in equal parts each year over the useful life; or
b. in decreasing parts each year by applying the amortisation rate to the net book value.

Specifically for the amortisation of intangible assets that uses the declining balance method, at the end of the useful life, the net book value of the tangible assets or rights shall be amortised at once.

Paragraph (1a)

Amortisation starts in the month the costs are incurred, thereby, amortisation in the first year is calculated on a pro-rate basis.

In the context of adjusting to the characteristics of certain business sectors, separate regulation is necessary to be granted to the start of the amortisation.

Paragraph (2)

The determination of the useful life and amortisation rates for the costs of intangible assets is intended to provide uniformity for Taxpayers in conducting amortisation.

Taxpayers may conduct amortisation according to the method they select as referred to in paragraph (1) based on the actual useful life of each intangible asset. The amortisation rate applied is based on the useful life group as stipulated under this provision. For intangible assets whose useful life is not listed in the existing useful life groups, the Taxpayers use the nearest useful life. For example, an intangible asset with actual useful

life of 6 (six) years may use the useful life group of 4 (four) years or 8 (eight) years. In the event that the actual useful life is 5 (five) years, the intangible asset is amortised using the useful life group of 4 (four) years.

Paragraph (2a)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The unit of production method is conducted by applying the percentage of the amortisation rate whose amount each year is equal to the percentage of the ratio between the realisation of oil and gas mining in the year concerned and the estimated total reserves of oil and gas in that location that may be produced.

If, in fact, the actual amount of production is less than the estimate, thereby, there are remaining expenses to acquire rights or other expenses, the remaining expenses may be charged at once in the tax year concerned.

Paragraph (5)

The expenses to acquire mining rights other than oil and gas, forest concession rights and concession rights of natural resources as well as other natural products, such as marine resource concession rights are amortised based on the unit of production method of a maximum of 20% (twenty per cent) a year.

Example:
Expenses to acquire forest concession rights, that have a potential of 10,000,000.00 (ten million) tonnes of wood of IDR500,000,000.00 (five hundred million rupiah) shall be amortised according to the percentage of the production unit realised in the year concerned. If, in 1 (one) tax year, the quantity of production reaches 3,000,000.00 (three million) tonnes, which implies 30% (thirty per cent) of the available potential, although the quantity of production in that year reaches 30% (thirty per cent) of the available potential, the amount of amortisation allowed to constitute deductible expenses in that year is 20% (twenty per cent) of the expenses or IDR100,000,000.00 (one hundred million rupiah).--[4th A]

Paragraph (6)

In the definition of expenses incurred before the commercial operation are expenses incurred before the commercial operation, for example, expenses for feasibility studies and expenses for trial production, but excluding routine operational expenses, such as employee salaries, expenses for electricity and telephone bills and other office expenses. Routine operational expenses cannot be capitalised but are charged in the year of incurrence.

Paragraph (7)

Example:

PT X incurs expenses to acquire the oil and natural gas mining right at a location of IDR500,000,000.00. The estimated petroleum content in the area is 200,000,000 (two hundred million) barrels. After oil and gas production has reached 100,000,000 (one hundred million) barrels, PT X sells the mining right to another party at a price of IDR300,000,000.00. The calculation of profit and loss from the sale of the right is as follows:

Acquisition cost	IDR500,000,000.00
Amortisation that has been conducted:	
100,000,000/200,000,000 barrel (50%)	IDR250,000,000.00
Book value of the asset	IDR250,000,000.00
Selling value of the asset	IDR300,000,000.00

Therefore, the amount of net book value of IDR250,000,000.00 is charged to losses and the amount of IDR300,000,000.00 is maintained in bookkeeping as income.

Paragraph (8)

Sufficiently clear.

Article 12

Deleted--[2nd A]

Elucidation of Article 12

Sufficiently clear.

Article 13

Deleted--[2nd A]

Elucidation of Article 13

Sufficiently clear.

Article 14

(1) Deemed Profit to determine net income is prepared and improved continuously as well as issued by the Director General of Taxes.--[3rd A]

(2) Individual Taxpayers conducting a business or independent personal services whose gross turnover in 1 (one) year is less than IDR4,800,000,000.00 (four billion and eight hundred million rupiah), may calculate net income using Deemed Profit referred to in paragraph (1), provided that they notify the Director General of Taxes within a period of the first 3 (three) months in the tax year concerned.--[4th A]

(3) The Taxpayers referred to in paragraph (2) who calculate their net income using Deemed Profit are required to maintain recording as referred to in the Law stipulating general provisions and tax procedures.--[4th A]

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(4) The Taxpayers referred to in paragraph (2) who do not notify the Director General of Taxes to calculate net income using Deemed Profit are deemed to choose to maintain bookkeeping.--[3rd A]

(5) Taxpayers that are required to maintain bookkeeping or recording, including Taxpayers referred to in paragraph (3) and paragraph (4) that, in fact, do not or do not fully maintain recording or bookkeeping or do not show the recording or supporting evidence, their net income shall be calculated based on Deemed Profit and their gross turnover shall be calculated using other methods stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

(6) Deleted.--[3rd A]

(7) The amount of gross turnover referred to in paragraph (2) may be changed by a Minister of Finance Regulation.--[4th A]

Elucidation of Article 14

Correct and complete information on a Taxpayer's income is crucial to impose fair and reasonable taxes according to the Taxpayer's economic capacity. To be able to present such information, the Taxpayer must maintain bookkeeping. However, it is realised that not all Taxpayers are capable of maintaining bookkeeping. All corporate Taxpayers and permanent establishments are required to maintain bookkeeping. Individual Taxpayers conducting business or independent personal services with a certain amount of gross turnover are not required to maintain bookkeeping.

To provide convenience in calculating the amount of net income for individual Taxpayers who conduct business or independent personal services with certain gross turnover, the Director General of Taxes issues deemed profit.

Paragraph (1)

Deemed Profit is guidelines to determine net income issued by the Director General of Taxes and improved continuously. The use of Deemed Profit is, basically, conducted in the following matters:

a. there is no better calculation basis, namely complete bookkeeping; or
b. the bookkeeping or recording of the Taxpayer's gross turnover is, in fact, maintained incorrectly.

Deemed Profit is prepared in such a manner based on examination results or other data and by taking into account reasonableness.

Deemed Profit will be very helpful for Taxpayers that are not yet capable of maintaining bookkeeping to calculate net income.

Paragraph (2)

Deemed Profit may only be used by individual Taxpayers who conduct business or independent personal services whose gross turnover is less than IDR4,800,000,000.00 (four billion and eight hundred million rupiah). To be able to use Deemed Profit, the Individual Taxpayers must notify the

Director General of Taxes within a period of the first 3 (three) months in the tax year concerned.

Paragraph (3)

Individual Taxpayers who use Deemed Profit are required to maintain recording of their gross turnover as stipulated in the Law stipulating general provisions and tax procedures. The recording is intended to facilitate the application of deemed profit in calculating net income.

Paragraph (4)

If an eligible individual Taxpayer intends to use Deemed Profit but does not notify the Director of General of Taxes within the specified period, the Taxpayer shall be deemed to choose to maintain bookkeeping.--[4th A]

Paragraph (5)

Taxpayers that are required to maintain bookkeeping, required to maintain recording or deemed to choose to maintain bookkeeping but:

a. do not or do not fully maintain the recording or bookkeeping obligation; or
b. are not willing show the bookkeeping or recording or its supporting evidence at the time an audit is conducted,

thereby, causing the actual gross turnover and net income to be unknown, the gross turnover of the Taxpayers concerned shall be calculated using other manners as stipulated by or pursuant to a Minister of Finance Regulation and their net income shall be calculated using Deemed Profit.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

The Minister of Finance may adjust the amount of the gross turnover threshold referred to in paragraph (2) by taking into account economic developments as well as the capability of the Taxpayers' society to maintain bookkeeping.

Article 15

Special Deemed Profit to calculate net income of certain Taxpayers that cannot be calculated pursuant to the provisions under Article 16 paragraph (1) or paragraph (3) shall be stipulated by the Minister of Finance.--[2nd A]

Elucidation of Article 15

This provision stipulates Special Deemed Profit for groups of certain Taxpayers, among others, international shipping or airline companies, foreign insurance companies, oil, gas and geothermal drilling companies, foreign trading companies and companies investing in the form of build, operate and transfer.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

To avoid difficulties in calculating the amount of Taxable Income for certain groups of Taxpayers, based on practical considerations or according to the common tax imposition in the business sectors, the Minister of Finance is authorised to stipulate Special Deemed Profit to calculate the amount of net income of the certain Taxpayers.

CHAPTER IV
METHODS OF CALCULATING TAX

Article 16

(1) Taxable Income as the basis of the rate application to resident Taxpayers in a tax year shall be calculated by deducting from income referred to in Article 4 paragraph (1) the deductions referred to in Article 6 paragraph (1) and paragraph (2), Article 7 paragraph (1) as well as Article 9 paragraph (1) subparagraph c, subparagraph d, subparagraph e and subparagraph g. **--[4thA]**

(2) The Taxable Income for individual and corporate Taxpayers referred to in Article 14 shall be calculated using deemed profit referred to in Article 14 and for individual Taxpayers, shall be deducted by the Personal Tax Relief as referred to in Article 7 paragraph (1).**--[4th A]**

(3) The Taxable Income for non-resident Taxpayers carrying out business or conducting activities through a permanent establishment in Indonesia in a tax year shall be calculated by deducting from income as referred to in Article 5 paragraph (1) by taking into account the provisions under Article 4 paragraph (1) and the deductions referred to in Article 5 paragraph (2) and (3), Article 6 paragraph (1) and (2) as well as Article 9 paragraph (1) subparagraph c, subparagraph d, subparagraph e and subparagraph g. **--[4th A]**

(4) The Taxable Income for resident individual Taxpayers who are liable to tax in a fraction of a tax year as referred to in Article 2A paragraph (6) shall be calculated based on net income received or accrued in the annualised fraction of the tax year.**--[2nd A]**

Elucidation of Article 16

Taxable Income constitutes the calculation basis to determine the amount of Income Tax payable. Under this Law, two groups of Taxpayers are recognised, namely resident Taxpayers and non-resident Taxpayers.

For resident Taxpayers, basically, there are two methods to determine the amount of Taxable Income, namely the calculation using the regular method and the calculation using Deemed Profit.

In addition, there is a calculation method using Special Deemed Profit, intended for certain Taxpayers as stipulated by or pursuant to a Minister of Finance Regulation.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

For non-resident Taxpayers, the determination of the amount of Taxable Income is differentiated between:

1. non-resident Taxpayers carrying out business or conducting activities through a permanent establishment in Indonesia; and
2. other non-resident Taxpayers.

Paragraph (1)

For resident Taxpayers that maintain bookkeeping, their Taxable Income is calculated using the normal calculation method with the following example.

- Gross turnover		IDR 6,000,000,000.00	
- Expenses to derive, collect and maintain income		IDR 5,400,000,000.00	(-)
- Operating profit (business net income)		IDR 600,000,000.00	
- Other income	IDR 50.000.000,00		
- Expenses to derive, collect and maintain the other income	IDR 30.000.000,00	(-)	
- Total net income		IDR 620,000,000.00	
- Loss carry-forward		IDR 10,000,000.00	(-)
- Taxable Income (for corporate Taxpayers)		IDR 610,000,000.00	
- Deduction in the form of Personal Tax Relief for individual Taxpayers (wife + 2 children)		IDR 19,800,000.00	(-)
- Taxable Income (for individual Taxpayers)		IDR 590,200,000.00	

Paragraph (2)

For individual taxpayers entitled not to maintain bookkeeping, their Taxable Income is calculated using Deemed Profit with the following example.

- Gross turnover	IDR 4,000,000,000.00	
- Net income (according to Deemed Profit), for example 20%	IDR 800,000,000.00	
- Other net income	IDR 5,000,000.00	(+)
- Total net income	IDR 805,000,000.00	
- Personal Tax Relief (wife + 3 children)	IDR 21,120,000.00	(-)
- Taxable Income	IDR 783,880,000.00	

Paragraph (3)

For non-resident Taxpayers carrying out business or conducting activities through a permanent establishment in Indonesia, the method for calculating Taxable Income is basically the same as the method for calculating Taxable Income for resident corporate Taxpayers. Because a permanent establishment is required to maintain bookkeeping, its Taxable Income is calculated using the normal calculation method.

Example:

- Gross turnover	IDR	10,000,000,000,00	
- Expenses to derive, collect and maintain income	IDR	8,000,000,000,00	(-)
	IDR	2,000,000,000,00	
- Interest income	IDR	50,000,000,00	
- Direct sales of goods of the same type as the goods sold by the permanent establishment by the head office	IDR	2,000,000,000,00	
- Expenses to derive, collect and maintain income	IDR	1,500,000,000,00	(-)
	IDR	500,000,000,00	
- Dividends received or accrued by the head office which has an effective relationship with the permanent establishment	IDR	1,000,000,000,00	(+)
	IDR	3,550,000,000,00	
- Expenses pursuant to Article 5 paragraph (3)	IDR	450,000,000,00	(-)
- Taxable Income	IDR	3,100,000,000,00	

Paragraph (4)

Example:

An unmarried individual whose subjective tax obligation as a tax resident is 3 (three) months and within that period, derives income of IDR 150,000,000.00 (one hundred and fifty million rupiah), the calculation of his/her Taxable Income is as follows.--[4th A]

Income in 3 (three) months	IDR	150,000,000.00	
Income in a year amounts to: (360 : (3x30)) x IDR150,000,000.00	IDR	600,000,000.00	
Income in a year amounts to: Personal Tax Relief	IDR	15,840,000.00	(-)
Taxable Income	IDR	584,160,000.00	

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
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3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Article 17

(1) The tax rates applied to Taxable Income for:

a. resident individual Taxpayers are as follows:

Taxable Income Brackets	Tax Rates
up to IDR60,000,000.00 (sixty million rupiah)	5% (five per cent)
above IDR60,000,000.00 (sixty million rupiah) up to IDR250,000,000.00 (two hundred fifty million rupiah)	15% (fifteen per cent)
above IDR250,000,000.00 (two hundred and fifty million rupiah) up to IDR500,000,000.00 (five hundred million rupiah)	25% (twenty-five per cent)
above IDR500,000,000.00 (five hundred million rupiah) up to IDR5,000,000,000.00 (five billion rupiah)	30% (thirty per cent)
above IDR5,000,000,000.00 (five billion rupiah)	35% (thirty-five per cent)

b. resident corporate Taxpayers and permanent establishments of 22% (twenty-two per cent) which will come into force in the 2022 tax year.**--[6th A]**

(2) The rates referred to in paragraph (1) subparagraph a may be changed by a Government Regulation after being submitted by the government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.**--[6th A]**

(2a) Deleted.**--[6th A]**

(2b) Resident corporate Taxpayers:

a. in the form of public companies;
b. with total fully paid shares traded on the stock exchange in Indonesia amounting to a minimum of 40% (forty per cent); and
c. fulfilling certain requirements,

are eligible for a rate of 3% (three per cent) lower than the rate referred to in paragraph (1) subparagraph b.**--[6th A]**

(2c) The rate imposed on income in the form of dividends distributed to resident individual Taxpayers is a maximum of 10% (ten per cent) and is final.**--[4th A]**

(2d) Further provisions on the amount of the rates referred to in paragraph (2c) shall be stipulated by a Government Regulation.**--[4th A]**

(2e) Further provisions on the certain requirements referred to in paragraph (2b) subparagraph c shall be stipulated by or pursuant to a Government Regulation.**--[6th A]**

(3) The amount of Taxable Income brackets referred to in paragraph (1) subparagraph a may be changed by a Minister of Finance Regulation. **--[6th A]**

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(4) For the purpose of the application of the tax rates referred to in paragraph (1), the amount of Taxable Income shall be rounded down to full thousand rupiah.--[3rd A]

(5) The amount of tax payable for resident individual Taxpayers liable to tax in a fraction of a tax year as referred to in Article 16 paragraph (4) shall be calculated in the amount of the number of days in the fraction of a tax year divided by 360 (three hundred and sixty) multiplied by the tax payable for 1 (one) tax year.--[2nd A]

(6) For the purpose of the calculation of tax as referred to in paragraph (5), each full month shall be treated as 30 (thirty)days.--[3rd A]

(7) With a Government Regulation, separate tax rates on the income referred to in Article 4 paragraph (2) maybe stipulated insofar as not exceeding the highest tax rate referred to in paragraph (1).--[3rd A]

Elucidation of Article 17

Paragraph (1)

Subparagraph a

An example of the calculation of tax payable for individual Taxpayers:

The amount of Taxable Income of IDR6,000,000,000.00 (six billion rupiah).

Income Tax payable:

5% x IDR60,000,000.00	=	IDR	3,000,000.00
15% x IDR190,000,000.00	=	IDR	28,500,000.00
25% x IDR250,000,000.00	=	IDR	62,500,000.00
30% x IDR4,500,000,000.00	=	IDR	1,350,000,000.00
35% x IDR1,000,000,000.00	=	IDR	350,000,000.00 (+)
		IDR	1,794,000,000.00

Subparagraph b

An example of the calculation of tax payable for resident corporate Taxpayers and permanent establishments:

The taxable income of PT A in 2022 tax year amounts to IDR1,500,000,000.00 (one billion and five hundred million rupiah).

Income Tax payable for the 2022 tax year:

22% x IDR1.500,000,000.00 = IDR330,000,000.00.

Paragraph (2)

Changes in rates shall be applied nationally starting on 1 January, announced no later than 1 (one) month before the new rates become effective.

Paragraph (2a)

Deleted.

Paragraph (2b)
Sufficiently clear.

Paragraph (2c)
Sufficiently clear.

Paragraph (2d)
Sufficiently clear.

Paragraph (2e)
Sufficiently clear.

Paragraph (3)
The amount of the Taxable Income brackets referred to in paragraph (1) subparagraph a shall be adjusted to adjustment factors, including inflation rate, as stipulated by a Minister of Finance Regulation.

Paragraph (4)
Example:
Taxable Income of IDR5,050,900.00, for the application of rates, shall be rounded down to IDR5,050,000.00.

Paragraph (5)
Sufficiently clear.--[6th A]

Paragraph (6)
Example:
The Taxable Income of an individual Taxpayer in a year (calculated pursuant to the provisions under Article 16 paragraph (4)): IDR 584,160,000.00 (five hundred and eighty-four million and one hundred and sixty thousand rupiah).

Income Tax in a year:

5% x IDR60,000,000.00	=	IDR	3,000,000.00	
15% x IDR190,000,000.00	=	IDR	28,500,000.00	
25% x IDR250,000,000.00	=	IDR	62,500,000.00	
30% x IDR84.160,000.00	=	IDR	25,248,000.00	(+)
		IDR	119,248,000.00	

Income tax payable in a fraction of a tax year (3 months)
((3 x 30) : 360) x IDR119,248,000.00 = IDR29,812,000.00--[6th A]

Paragraph (7)
The provision under this paragraph authorises the Government to stipulate separate tax rates that may be final on the certain types of income referred to in Article 4 paragraph (2), insofar as not higher than the highest tax rate referred to in paragraph (1). The determination of the separate tax rates shall be based on considerations of simplicity, fairness and equity in tax imposition.--[4th A]

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
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6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
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Article 18

(1) The Minister of Finance is authorised to stipulate the threshold of loan expenses that may be charged for the calculation of taxes pursuant to this Law.--[6th A]

(2) The Minister of Finance is authorised to determine the time the dividends are accrued by a resident Taxpayer for capital participation in an overseas business entity other than public-listed business entities with the following provisions:
   a. the amount of capital participation of the resident Taxpayer is a minimum of 50% (fifty per cent) of the total fully paid shares; or
   b. together with another resident Taxpayer, having capital participation of a minimum of 50% (fifty per cent) of the fully paid shares.--[4th A]

(3) The Director General of Taxes is authorised to re-determine the amount of income and deductions as well as determine debt as equity to calculate the amount of Taxable Income for a Taxpayer related to another Taxpayer according to the arm's length principle that is not influenced by a special relationship using the comparable uncontrolled price method, resale price method, cost-plus method or other methods.--[4th A]

(3a) The Director General of Taxes is authorised to enter into an agreement with Taxpayers and cooperate with the tax authorities of other countries to determine the transaction price between related parties as referred to in paragraph (4), which applies to a certain period and to monitor the implementation as well as to renegotiate after the certain period ends.--[4th A]

(3b) A Taxpayer that purchases shares or assets of a company through another party or a special purpose company may be determined as the actual party conducting the purchase, insofar as the Taxpayer is related to the other party or entity and there is non-arm's length pricing.--[4th A]

(3c) Sales or transfers of shares of conduit companies or special purpose companies incorporated or domiciled in tax haven countries related to entities incorporated or domiciled in Indonesia or permanent establishments in Indonesia may be determined as sales or transfers of shares of entities incorporated or domiciled in Indonesia or permanent establishments in Indonesia.--[4th A]

(3d) The amount of income derived by a resident individual Taxpayer from an employer related to another company that is not incorporated and not domiciled in Indonesia may be re-determined in the event that the employer transfers all or part of the resident individual Taxpayer's income in the form of costs or other expenses that are paid to the company that is not incorporated and not domiciled in Indonesia.--[4th A]

(3e) Deleted.--[6th A]

(4) The special relationship referred to in paragraph (3) to paragraph (3d), Article 9 paragraph (1) subparagraph f and Article 10 paragraph (1) is deemed to exist if:

a. a Taxpayer has direct or indirect capital participation of a minimum of 25% (twenty-five per cent) in another Taxpayer; the relationship between the Taxpayer with capital participation of a minimum of 25% (twenty-five per cent) in two or more Taxpayers; or the relationship between the aforementioned two or more Taxpayers;
b. the Taxpayer controls another Taxpayer, or two or more Taxpayers are under the same control, either directly or indirectly; or
c. there is a family relationship either by blood or marriage in a vertical lineage of one degree and/or in a horizontal lineage of one degree.--[4th A]

(5) Deleted.--[3rd A]

Elucidation of Article 18

The government is authorised to prevent tax avoidance practices as an effort conducted by Taxpayers to reduce, avoid or delay the payment of taxes that should be payable that is contrary to the purpose and objective of statutory provisions in the field of taxation. One of tax avoidance methods is conducting transactions that do not correspond to the actual circumstances which is contrary to the substance over form principle, namely the recognition of economic substance over its formal form.--[6th A]

Paragraph (1)

In determining the threshold of loan expenses that may be charged for taxation purposes, a method in international common practice is used, for example, the debt-to-equity ratio, through a certain percentage of loan expenses compared to business earnings before being deducted by loan expenses, depreciation and amortisation (earnings before interest, taxes, depreciation and amortisation) or through other methods.

Paragraph (2)

With economic developments and international trade in line with the era of globalisation, it is possible that resident Taxpayers invest overseas. To minimise tax avoidance, for overseas investments other than in listed business entities, the Minister of finance is authorised to determine the time the dividends are accrued.

Example:
PT A and PT B respectively own shares of 40% (forty per cent) and 20% (twenty per cent) in X Ltd. which is domiciled in state Q. X Ltd.'s shares are not traded on the stock exchange. In 2009, X Ltd derives income after tax of IDR1,000,000,000.00 (one billion rupiah). In such a case, the Minister of Finance is authorised to determine the time the dividends are accrued and the calculation basis.

Paragraph (3)

This provision is intended to prevent tax avoidance that may occur due to a special relationship. Taxpayers conduct tax avoidance by, among

others, under-filing income, over-filing expenses, under-filing operating profits compared to the financial performance of other Taxpayers in similar business sectors or filing business losses at non-arm's length although the Taxpayer has been conducting commercial sales for 5 (five) years.

In such a case, the Director General of Taxes is authorised to re-determine the amount of income and/or expenses according to the arm's length principle that is not influenced by a special relationship.

"The arm's length principle" refers to a principle in sound business practices as applicable between non-related parties and/or parties influenced by a special relationship. In re-determining the amount of income and/or deductions to calculate the amount of Taxable Income, the following may be used:

a. the comparable uncontrolled price method;
b. the resale price method;
c. the cost-plus method; or
d. other methods, such as:
    1. the profit split method;
    2. the transactional net margin method;
    3. the comparable uncontrolled transaction method;
    4. the tangible asset and/or intangible asset valuation method; and
    5. the business valuation method.

For Taxpayers that file operating profits that are too low compared to the financial performance of other Taxpayers in similar business sectors or file non-arm's length operating losses although the Taxpayer has been conducting commercial sales for 5 (five) years, a financial performance benchmarking with Taxpayers in similar business activities may be applied in the context of calculating the tax that should be payable.

Similarly, there may be disguised capital participation by declaring the capital participation as debt, the Director General of Taxes is authorised to determine the debt as company equity. The determination may be conducted, for example, through indications of debt-to-equity ratio that commonly occurs between parties not influenced by a special relationship or based on other data or indications.

Therefore, the interest paid by the Taxpayer in connection with the debt which is deemed capital participation may not be deducted in calculating Taxable Income of the Taxpayer. On the other hand, for parties related to the Taxpayer receiving or accruing such interest payments, the interest payments are deemed dividends subject to tax.

The difference between the value of a transaction influenced by a special relationship that does not comply with the arm's length principle and the value of a transaction influenced by a special relationship that

complies with the arm's length principle shall also be deemed dividends subject to income tax pursuant to statutory provisions in the field of taxation.--[6th A]

Paragraph (3a)

Advance Pricing Agreement (APA) refers to an agreement between a Taxpayer and the Director General of Taxes concerning the arm's length price of the products it produces to related parties. The objective of the implementation of APA is to reduce transfer pricing abuse practices by multinational companies. The agreement between the Taxpayer and the Director General of Taxes may cover several matters, among others, the selling price of products and the amount of royalties and so forth, depending on the agreement. The advantage of APA is that in addition to providing legal certainty and ease of tax calculation, the tax authorities do not need to adjust the selling price and profit of products sold by the Taxpayer to companies in the same group. APA may be unilateral, namely an agreement between the Director General of Taxes and a Taxpayer or bilateral, namely an agreement between the Director General of Taxes and the tax authority of another country related to a Taxpayer in their jurisdictions.

Paragraph (3b)

This provision is intended to prevent tax avoidance by Taxpayers that purchase shares/participation in a resident corporate Taxpayer company through a special purpose company.

Paragraph (3c)

Example:

X Ltd that is incorporated and domiciled in state A, a tax haven country, holds 95% (ninety-five per cent) of PT X's shares that is incorporated and domiciled in Indonesia. X Ltd is a conduit company that is incorporated and fully owned by Y Co, a company in state B, with the purpose as a conduit company in its holding of the majority of PT X's shares.

If Y Co sells all of its shareholding of X Ltd to PT Z which constitutes a resident Taxpayer, in a legally formal manner, the transaction above constitutes a transfer of shares of an overseas company by a non-resident Taxpayer.

However, in essence, this transaction is a transfer of company (share) ownership of a resident Taxpayer by a non-resident Taxpayer, thereby, income from this transfer is subject to Income Tax.

Paragraph (3d)

Sufficiently clear.

Paragraph (3e)

Deleted.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Paragraph (4)

A special relationship between Taxpayers may occur due to dependence or attachment to one another due to:

a. capital ownership or participation; or
b. control through management or use of technologies.

In addition to the above matters, a special relationship between individual Taxpayers may also occur due to relationships by blood or marriage.

Subparagraph a

A special relationship is deemed to exist if there is an ownership relationship in the form of capital participation of 25% (twenty-five per cent) or more, either direct or indirect.

For example, PT A holds 50% (fifty per cent) of PT B's shares. The shareholding by PT A constitutes direct participation.

Further, if PT B holds 50% (fifty per cent) of PT C's shares, PT A as the shareholder of PT B indirectly has participation in PT C of 25% (twenty-five per cent). In such a case, among PT A, PT B and PT C, a special relationship is deemed to exist. If PT A also holds 25% (twenty-five per cent) of PT D's shares, among PT B, PT C and PT D, a special relationship is deemed to exist.

Ownership relationships similar to the above may also occur between individuals and entities.

Subparagraph b

A special relationship between Taxpayers may also occur due to control through management or use of technologies although there is no ownership relationship.

A special relationship is deemed to exist if one or more companies are under the same control.

Similarly, the relationship between companies that are under the same control.

Subparagraph c

"Family relationships by blood in a vertical lineage of one degree" refer to father, mother and children, whereas "family relationships by blood in a horizontal lineage of one degree" refer to siblings.

"Family members related by marriage in a lineage of one degree" refer to parents in-law and stepchildren, whereas "family relationships by marriage in a horizontal lineage of one degree" refer to siblings in-law.

Paragraph (5)

Deleted.

Article 19

(1) The Minister of Finance is authorised to enact regulations concerning the revaluation of assets and adjustment factors if non-conformity of elements of expenses with income due to inflation.--[2nd A]

(2) To the difference in the asset revaluation referred to in paragraph (1), a separate Tax rate shall be applied pursuant to the Minister of Finance Regulation insofar as not exceeding the highest tax rate as referred to in Article 17 paragraph (1).--[4th A]

Elucidation of Article 19

Paragraph (1)

The existence of significant developments in prices or changes in policies in the monetary sector may cause in a mismatch between expenses and income, which may result in an unreasonable tax burden. In such circumstances, the Minister of Finance is authorised to enact regulations concerning the revaluation of fixed assets or the indexation of expenses and income.

Paragraph (2)

Sufficiently clear.

CHAPTER V
TAX SETTLEMENT IN THE CURRENT YEAR

Article 20

(1) The tax estimated to be payable in a tax year shall be settled by the Taxpayers in the current tax year through withholding tax and tax collection by other parties as well as tax payment by the Taxpayers themselves.--[2nd A]

(2) The tax settlement referred to in paragraph (1) is conducted for every month or other periods stipulated by the Minister of Finance.--[2nd A]

(3) The tax settlement referred to in paragraph (1) constitutes a tax instalment which may be credited against Income Tax payable for the tax year concerned, except for income whose tax imposition is final.--[2nd A]

Elucidation of Article 20

Paragraph (1)

For the tax settlement in the current tax year to approximate the amount of tax that will be payable for the tax year concerned, the implementation shall be conducted through:

a. withholding tax by other parties in the event that income is derived by a Taxpayer from employment, services or activities referred to in Article 21, the tax collection on the business income referred to in Article 22 and the withholding tax on income from capital, services and certain activities referred to in Article 23.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

b. payment by Taxpayers themselves referred to in Article 25.

Paragraph (2)

Basically, tax settlement in the current year is conducted every month, however, the Minister of Finance may determine other periods, such as the time a transaction is conducted or the time income is received or accrued, thereby, tax settlement in the current year may be implemented accordingly.

Paragraph (3)

Tax settlement in the current tax year constitutes tax instalment, which may be set off by crediting against Income Tax payable for the tax year concerned.

Based on considerations of convenience, simplicity, certainty, timely tax imposition and other considerations, tax settlement in the current year that is final for certain types of income may be stipulated as referred to in Article 4 paragraph (2), Article 21, Article 22 and Article 23 may be stipulated. The final Income Tax cannot be credited against Income Tax payable.

Article 21

(1) Withholding tax on income in connection with employment, services or activities in whatever name and form received or accrued by resident individual Taxpayers must be performed by:
   a. employers that pay salaries, wages, honoraria, allowances and other payments as remunerations in connection with employment conducted either by employees or non-employees;
   b. government treasurers that pay salaries, wages, honoraria, allowances and other payments in connection with employment, services or activities;
   c. pension funds or other entities that pay pension and other payments in whatever name in the context of pensions;
   d. entities that pay honoraria or other payments in connection with services, including services of professionals who conduct personal independent services; and
   e. event organisers that perform payments in connection with the implementation of an event.--[4th A]

(2) Not included in the employers required to perform withholding tax referred to in paragraph (1) subparagraph a are the embassies and international organisations referred to in Article 3.--[4th A]

(3) The income of permanent employees or pensioners subject to withholding tax every month shall be the amount of gross income after being deducted by occupational tax relief or pension expenses, the amount of which shall be stipulated by a Minister of Finance Regulation, pension contributions and Personal Tax Relief.--[4th A]

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(4) The income of daily and weekly employees as well as other non-permanent employees subject to withholding tax shall be the amount of gross income after being deducted by the fraction of income not subject to withholding, the amount of which shall be stipulated by a Minister of Finance Regulation.--[4th A]

(5) The withholding rates on income referred to in paragraph (1) shall be the tax rates referred to in Article 17 paragraph (1) subparagraph a, unless stipulated otherwise by a Government Regulation.--[4th A]

(5a) The amount of rates referred to in paragraph (5) applied to Taxpayers that do not have a Taxpayer Identification Number shall be 20% (twenty per cent) higher than the rates applied to Taxpayers able to show a Taxpayer Identification Number.--[4th A]

(6) Deleted.--[3rd A]

(7) Deleted.--[3rd A]

(8) The provisions on instructions for the implementation of withholding tax on income in connection with employment, services or activities shall be stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

Elucidation of Article 21

Paragraph (1)

This provision stipulates tax payments in a current year through withholding tax on income received or accrued by resident individual Taxpayers in connection with employment, services and activities. The parties required to perform withholding tax are employers, government treasurers, pension funds, entities, companies and event organisers.

Subparagraph a

The employer required to perform withholding tax is an individual or entity that constitutes the parent, branch, representative office or unit of a company that pays or liable to salaries, wages, allowances, honoraria and other payments in whatever name to the management, employees or non-employees as remunerations in connection with employment, services or activities. The definition of an employer shall also include international organisations that are not excluded from the obligation to withhold taxes.

"Other payments" refer to payments in whatever name other than salaries, wages, allowances and honoraria or other remunerations, such as bonuses, gratuities and tantième.

"Non-employees" refer to individuals who receive or accrue income from employers in connection with non-permanent employment, such as an actor/actress who receives or accrues honoraria from an employer.

Subparagraph b

Government treasurers include treasurers of the Central Government, Local Governments, government agencies or

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
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5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

institutions, other state institutions and Embassies of the Republic of Indonesia overseas that pay salaries, wages, allowances, honoraria and other payments in connection with employment, services or activities.

Also included in the definition of treasurers are treasurers and other officials who carry out the same function.

Subparagraph c

Included in "other entities" are, for example, worker social security program administering agencies that pay pension, old age allowances, old age savings accounts and other similar payments in whatever name.

Included in the definition of pension or other payments are allowances, either those paid periodically or not, that are paid to pensioners, recipients of old age allowances and recipients of old age savings accounts.

Subparagraph d

Included in the definition of entities are international organisations that are not excluded pursuant to paragraph (2).

Included in individual professionals are, for example, doctors, lawyers and accountants who conduct independent personal services and act for and on their own behalf, not for and on behalf of their partnership.

Subparagraph e

Event organisers are required to withhold taxes on payments of gifts or awards in whatever form received or accrued by resident individual Taxpayers in respect of an activity. The definition of event organisers includes, among others, entities, government institutions and organisations, including international organisations, alliances, individuals as well as other institutions that administer activities. The administered activities are, for example, sports, religious and arts activities.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

For permanent employees, the amount of income subject to withholding tax shall be gross income deducted by occupational tax relief, pension contributions and Personal Tax Relief. The definition of pension contributions also includes old age allowances or old age savings accounts paid by employees.

For pensioners, the amount of income subject to withholding tax shall be the amount of gross income deducted by pension expenses and Personal

Tax Relief. The definition of pensioners also includes recipients of old age allowances or old age savings accounts.

Paragraph (4)

The amount of income subject to withholding tax for daily, weekly employees as well as other non-permanent employees shall be the amount of gross income deducted by the fraction of income not subject to withholding, the amount of which shall be stipulated by a Minister of Finance Regulation, taking into account the applicable Personal Tax Relief.

Paragraph (5)

Sufficiently clear.

Paragraph (5a)

The ownership of a Taxpayer Identification Number (TIN) may be proven by a Taxpayer, among others, by showing the TIN card.

Example:
Taxable Income of IDR75,000,000.00
Income Tax that must be withheld for a Taxpayer that has a TIN is:

5% x IDR50,000,000.00	=	IDR	2,500,000.00	
15% x IDR25,000,000.00	=	IDR	3,750,000.00	(+)
Total		IDR	6,250,000.00	

Income Tax that must be withheld if the Taxpayer does not have a TIN is:

5% x 120% x IDR50,000,000.00	=	IDR	3,000,000.00	
15% x 120% x IDR25,000,000.00	=	IDR	4,500,000.00	(+)
Total		IDR	7,500,000.00	

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Sufficiently clear.

Article 22

(1) The Minister of Finance may stipulate:
   a. government treasurers to collect Taxes in connection with payment for supplies of goods;
   b. certain entities to collect tax on Taxpayers conducting activities in the import sector or business activities in other sectors; and
   c. certain corporate Taxpayers to collect taxes on the buyer in sales of very luxurious goods.--[4th A]

(2) The provisions on the collection basis, criteria, characteristics and amount of the tax collection referred to in paragraph (1), shall be stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

(3) The amount of collection referred to in paragraph (2) applied to Taxpayers that do not have a Taxpayer Identification Number shall be 100% (one hundred per cent) higher than the rates applied to Taxpayers that are able to show a Taxpayer Identification Number.--[4th A]

Elucidation of Article 22

Paragraph (1)

Pursuant to this provision, the following may be appointed as collection agents:

- government treasurers, including treasurers of the Central Government, Local Governments, government agencies or institutions and other state institutions in respect of payments for supplies of goods, also included in the definition of treasurers are treasurers and other officials that carry out the same function;
- certain entities, either government or private entities, in respect of activities in the imports sector or business activities in other sectors, such as the production activities of certain goods, including automotive and cement; and
- certain corporate Taxpayers to collect tax on the buyer in sales of very luxurious goods. Tax collection by certain corporate Taxpayers will be imposed on the purchase of goods that fulfil certain criteria as very luxurious goods, either in terms of the types of the goods or prices of goods, such as cruise ships, very luxurious houses, very luxurious apartments and condominiums as well as very luxurious vehicles.

In the implementation of this provision, the Minister of Finance considers the following:

- the selective appointment of collection agents for the implementation of efficient and effective tax collection;
- not disrupting the smooth goods traffic; and
- simple collection procedures resulting in convenient implementation.

Tax collection pursuant to this provision is intended to increase public participation in fund collection through the tax payment system and for the purpose of simplicity, convenience and timely tax imposition. In connection with this matter, tax collection pursuant to this provision may be final.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The ownership of a Taxpayer Identification Number may be proven by a Taxpayer, among others, by showing the Taxpayer Identification Number card.

Article 23

(1) The income below, in whatever name and form, paid, apportioned to be paid or whose payment is due by government bodies, corporate tax residents, event organisers, permanent establishments or representatives of other overseas companies to a resident Taxpayer or permanent establishment, shall be subject to withholding tax by the party required to pay:
   a. by 15% (fifteen per cent) of the gross amount of:
      1. the dividends referred to in Article 4 paragraph (1) subparagraph g;
      2. the interest referred to in Article 4 paragraph (1) subparagraph f;
      3. royalties; and
      4. gifts, awards, bonuses and the like other than those that have been subject to Withholding Tax referred to in Article 21 paragraph (1) subparagraph e;
   b. deleted;
   c. by 2% (two per cent) of the gross amount of:
      1. rent and other income in connection with the use of assets, except for rent and other income in connection with the use of assets that have been subject to Income Tax referred to in Article 4 paragraph (2); and
      2. fees in connection with technical services, management services, construction services, consulting services and other services other than the services that have been subject to Withholding Tax referred to in Article 21.**--[4th A]**

(1a) In the event that the Taxpayer that receives or accrues income referred to in paragraph (1) does not have a Taxpayer Identification Number, the amount of the withholding rates shall be 100% (one hundred per cent) higher than the rates referred to in paragraph (1).**--[4th A]**

(2) Further provisions on the types of other services referred to in paragraph (1) subparagraph c number 2 shall be stipulated by or pursuant to a Minister of Finance Regulation.**--[4th A]**

(3) Individuals as resident Taxpayers may be appointed by the Director General of Taxes to withhold taxes as referred to in paragraph (1).**--[4th A]**

(4) The withholding tax referred to in paragraph (1) is not performed on:
   a. income paid or payable to banks;
   b. rent paid or payable in connection with financial leases;
   c. the dividends referred to in Article 4 paragraph (3) subparagraph f and the dividends received by individuals as referred to in Article 17 paragraph (2c);
   d. deleted;
   e. the distribution of profit referred to in Article 4 paragraph (3) subparagraph i;
   f. the cooperative net surplus paid by a cooperative to its members;
   g. deleted; and

h. income paid or payable to a business entity for financial services functioning as a loan and/or financing provider as stipulated by a Minister of Finance Regulation.--[4th A]

Elucidation of Article 23

Paragraph (1)
Sufficiently clear.

Paragraph (1a)
The ownership of a Taxpayer Identification Number may be proven by a Taxpayer, among others, by showing the Taxpayer Identification Number card.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Article 24

(1) Tax paid or payable overseas on foreign-sourced income received or accrued by resident Taxpayers may be credited against tax payable pursuant to this Law in the same tax year.--[2nd A]

(2) The amount of tax credit referred to in paragraph (1) is equal to the amount of income tax paid or payable overseas but may not exceed the calculation of tax payable pursuant to this Law.--[2nd A]

(3) In calculating the threshold of the amount of creditable taxes, the sources of income are determined as follows:
   a. income from shares and other securities as well as capital gains from transfers of shares and other securities is the country where the entity issuing the shares or securities is incorporated or domiciled;
   b. income in the form of interest, royalty and rent in connection with the use of movable assets is the country where the party that pays or bears the burden of the interest, royalty or rent is domiciled or located;
   c. income in the form of rent in connection with the use of immovable assets is the country where the assets are located;
   d. income in the form of remunerations in connection with services, employment and activities is the country where the party that pays or charged with the remuneration is domiciled or located;
   e. income of a permanent establishment is the country where the permanent establishment conducts a business or activities;
   f. income from the transfer of part or all of the mining right or the certificate of participation in financing or capitalisation in a mining company is the country where the mining is located;

g. capital gains due to a transfer of fixed assets is the country where the fixed assets are located; and
h. capital gains due to a transfer of assets that constitute part of a permanent establishment is the country where the permanent establishment is located.--[4th A]

(4) The determination of sources of income other than income referred to in paragraph (3) uses the same principles as the principles referred to in the paragraph.--[2nd A]

(5) If the credited tax on foreign-sourced income is in fact, subsequently deducted or refunded, tax payable pursuant to this Law must be added with the said amount in the year the deduction or refund is conducted.--[2nd A]

(6) The provisions on the implementation of tax crediting on foreign-sourced income shall be stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

Elucidation of Article 24

Basically, resident Taxpayers are liable to tax on their total income, including income received or accrued overseas. To relieve the burden of double taxation that may occur due to tax imposition on income received or accrued overseas, this provision stipulates the calculation of the amount of tax on income that is paid or payable overseas, which may be credited against tax payable on the total income of the resident Taxpayer.

Paragraph (1)

The tax on income paid or payable overseas which may be credited against tax payable in Indonesia shall only be the tax imposed directly on income received or accrued by a Taxpayer.

Example:
PT A in Indonesia is the sole shareholder of Z Inc. in State X. Z Inc., in 1995, gains a profit of USD100,000.00. Income Tax applicable in state X is 48% and Dividend Tax is 38%. The calculation of the tax on dividends is as follows:

Z Inc's Profit	US$	100,000.00	
Corporate income tax on Z Inc.: (48%)	US$	48,000.00	(-)
	US$	52,000.00	
Tax on dividends (38%)	US$	19,760.00	(-)
Dividends sent to Indonesia	US$	32,240.00	

Income Tax that may be credited against the entire Income Tax payable to PT A is the tax imposed directly on income received or accrued overseas, in the above example, is the amount of USD19,760.00.

The Corporate income tax on Z Inc. of USD48,000.00 cannot be credited against Income Tax payable to PT A because the tax of USD48,000.00 is

not imposed directly on the income received or accrued by PT A overseas but is instead a tax imposed on Z Inc.'s profit in state X.

Paragraph (2)

To grant the same taxation treatment to income received or accrued overseas and income received or accrued in Indonesia, the amount of tax paid or payable overseas may be credited against tax payable in Indonesia but may not exceed the amount of tax calculated pursuant to this Law. The calculation methods of the amount of creditable tax shall be stipulated by the Minister of Finance based on the authority stipulated under paragraph (6).

Paragraph (3) and Paragraph (4)

In the calculation of the tax credit on income paid or payable overseas that may be credited against tax payable pursuant to this Law, the determination of the sources of income is crucial. Further, this provision stipulates the determination of the sources of income to take into account the foreign tax credit.

Considering that this Law adheres to a broad definition of income, pursuant to the provision under paragraph (4), the determination of the sources of income other than those referred to in paragraph (3) uses the same principles as the principles referred to in paragraph (3), for example, A as a resident Taxpayer owns a house in Singapore and in 1995, the house is sold. Gains derived from the sale of the house constitute income sourced in Singapore because the house is located in Singapore.

Paragraph (5)

If tax reduction or refunds occurs for income paid overseas, thereby, the amount of creditable taxes in Indonesia is lower than the amount of the initial calculation, the difference is added to Income Tax payable pursuant to this Law. For example, in 1996, the Taxpayer obtains a tax reduction for foreign-soured income in the 1995 tax year of IDR5,000,000.00, which was formerly included in the amount of tax that may be credited against Tax payable for the 1995 tax year, the amount of IDR5,000,000.00 is added to Income Tax payable in the 1996 tax year.

Paragraph (6)

Sufficiently clear.

Article 25

(1) The amount of tax instalments during the current tax year that must be self-paid by Taxpayers every month amounts to Income Tax payable according to the Annual Income Tax Return for the previous tax year deducted by:
   a. Withholding Tax referred to in Article 21, Article 23 as well as the collected Income Tax referred to in Article 22; and

b. Income Tax paid or payable overseas that may be credited referred to in Article 24,

divided by 12 (twelve) or the number of months in a fraction of a tax year. --[4th A]

(2) The amount of tax instalments that must be self-paid by a Taxpayer for the months before the Annual Income Tax Return is filed before the filing deadline for the Annual Income Tax Return is equal to the amount of tax instalment for the last month of the previous tax year.--[4th A]

(3) Deleted.--[3rd A]

(4) If during the current tax year, a notice of tax assessment for the previous tax year is issued, the amount of tax instalments is recalculated according to the notice of tax assessment and applies starting the following month after the month of issuance of the notice of tax assessment.--[4th A]

(5) Deleted.--[3rd A]

(6) The Director General of Taxes is authorised to stipulate the calculation of the amount of tax instalments in the current tax year, as follows:
a. the Taxpayer is entitled to loss carry-forward;
b. the Taxpayer derives irregular income;
c. the Annual Income Tax Return for the previous year is filed after the specified deadline has elapsed;
d. the Taxpayer is granted an extension of the filing period for the Annual Income Tax Return;
e. the Taxpayer self-amends the Annual Income Tax Return which results in the tax instalment being greater than the monthly tax instalments before the amendment; and
f. there are changes in the circumstances of the Taxpayer's business or activities.--[4th A]

(7) The Minister of Finance stipulates the calculation of the amount of tax instalments for:
a. new Taxpayers;
b. banks, state-owned enterprises, local state-owned enterprises, public-listed Taxpayers and other Taxpayers that pursuant to statutory provisions are required to prepare periodic financial statements; and
c. certain individual entrepreneur Taxpayers with the highest rate of 0.75% (zero-point seventy-five per cent) of gross turnover.--[4th A]

(8) Individual resident Taxpayers who do not have a Taxpayer Identification Number and are 21 (twenty-one) years old departing overseas are required to pay taxes, the provisions on which shall be stipulated by a Government Regulation.--[4th A]

(8a) The provisions referred to in paragraph (8) only apply until 31 December 2010.--[4th A]

(9) Deleted.--[4th A]

Elucidation of Article 25

This provision stipulates the calculation of the amount of monthly instalments that must be self-paid by Taxpayers in the current year.

Paragraph (1)

Example 1:

Income Tax payable based on the Annual Income Tax Return for 2009	IDR	50,000,000.00	
Deducted by:			
a. Withholding Tax by the Employer (Article 21)	IDR	15,000,000.00	
b. Income Tax collected by other parties (Article 22)	IDR	10,000,000.00	
c. Withholding Tax by other parties (Article 23)	IDR	2,500,000.00	
d. Foreign Income Tax Credit (Article 24)	IDR	7,500,000.00	(+)
The amount of tax credit	IDR	35,000,000.00	(-)
Discrepancy	IDR	15,000,000.00	

The amount of tax instalments that must be self-paid every month for 2010 is IDR1,250,000.00 (IDR15,000,000.00 divided by 12).

Example 2:
If the Income Tax referred to in the above example is in respect of the income received or accrued for a fraction of a tax year which covers a period of 6 (six) months in 2009, the amount of monthly instalments that must be self-paid every month in 2010 is IDR2,500,000.00 (IDR15,000,000.00 divided by 6).

Paragraph (2)

Considering the filing deadline for the Annual Income Tax Return for individual Taxpayers is the end of the third month of the following tax year and for corporate Taxpayers, the end of the fourth month of the following tax year, the amount of tax instalments that must be self-paid by the Taxpayers for the months before the Annual Income Tax Return is filed cannot be calculated pursuant to the provision under paragraph (1).

Pursuant to this provision, the amount of tax instalments for the months before the Annual Income Tax Return is filed before the filing deadline for the Annual Income Return is equal to the tax instalment for the last month in the previous tax year.

Example:
If the Annual Income Tax Return is filed by an individual Taxpayer in February 2010, the amount of tax instalment that must be paid by the Taxpayer for January 2010 is equal to the amount of tax instalment in December 2009, for example, IDR1,000,000.00 (one million rupiah).

If in September 2009, a decision on tax instalment reduction to nil is issued, thereby, the tax instalment from October to December 2009 becomes nil, the amount of tax instalment that must be paid by the Taxpayer for January 2010 remains equal to the tax instalment for December 2009, which is nil.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

If in the current year, a notice of tax assessment is issued for the previous tax year, the tax instalment is calculated based on the notice of tax assessment. Changes in the tax instalment shall apply starting from the following month after the month the notice of tax assessment is issued.

Example:
Based on the Annual Income Tax Return for the 2009 tax year filed by the Taxpayer in February 2010, the calculation of the amount tax instalment that must be paid amounts to IDR1,250,000.00 (one million and two hundred and fifty thousand rupiah). In June 2010, a notice of tax assessment has been issued for the 2009 tax year resulting in the amount of tax instalment every month of IDR2,000,000.00 (two million rupiah).

Pursuant to the provision under this paragraph, the amount of the tax instalment from July 2010 is IDR2,000,000.00. (two million rupiah). The determination of the amount of tax instalment based on the notice of tax assessment may be equal, greater or lower than the previous tax instalment based on the Annual Income Tax Return.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Basically, the amount of the payment of tax instalments by the Taxpayers themselves in the current year shall be as approximate as possible to the amount of tax payable at the end of the year. Therefore, pursuant to this provision, in certain cases, the Director General of Taxes is authorised to adjust the calculation of the amount of tax instalment that must be self-paid by the Taxpayers in the current year if there is loss carry-forward; the Taxpayers receive or accrue irregular income; or changes in the circumstances of the Taxpayers' business activities or the Taxpayers' activities.

Example 1:

- PT X's income in 2009	IDR	120,000,000.00
- The residual loss in the previous year that can still be carried forward	IDR	150,000,000.00
- The residual loss that has not been carried forward in 2009	IDR	30,000,000.00

The calculation of Article 25 Income Tax for 2010 is:
Income used as the calculation basis of Article 25 Income Tax instalment = IDR120,000,000.00 – IDR30,000,000.00 = IDR90,000,000.00.

Income Tax payable:
28% x IDR90,000,000.00= IDR25,200,000.00

If, in 2009, there is no Withholding Tax or Income Tax collection by another party and tax that is paid and payable overseas pursuant to provisions under Article 24, the amount of monthly tax instalment of PT X in 2010 is = 1/12 x IDR25,200,000.00 = IDR2,100,000.00.

Example 2:
In 2009, Taxpayer A's regular income from a trading business amounts to IDR48,000,000.00 (forty-eight million rupiah) and irregular income amounts to IDR72,000,000.00 (seventy-two million rupiah). The income used as the calculation basis of Article 25 Income Tax for Taxpayer A in 2010 is only from the regular income.

Example 3:
Changes in the circumstances of a Taxpayer's business or activities may occur due to the decreases and increases in business. PT B that is engaged in the yarn production sector in 2009 pays a monthly tax instalment of IDR15,000,000.00 (fifteen million rupiah).

In June 2009, PT B's factory is burnt down. Therefore, pursuant to the Director General of Taxes Decree, starting July 2009, PT B's monthly tax instalment may be adjusted to be lower than IDR15,000,000.00 (fifteen million rupiah).

On the other hand, if PT B experiences an increase in business, for example, due to an increase in sales and its Taxable Income is estimated to be greater than the previous year, PT B's monthly instalment obligation may be adjusted by the Director General of Taxes.

Paragraph (7)

In principle, the calculation of the amount of monthly tax instalment in the current year is based on the Annual Income Tax Return for the previous year. However, this provision authorises the Minister of Finance to determine the calculation basis of the amount of monthly instalments other than based on the above-mentioned principle. This is intended to approximate the reasonable calculation of the amount of tax instalments because it is based on the latest data on the company's business activities.

Subparagraph a

For new Taxpayers that start to carry out business or conduct activities in the current tax year, it is necessary to stipulate the calculation of the amount of instalments because the Taxpayers have never filed Annual Income Tax Returns, the determination of the

amount of tax instalments is based on the facts of the Taxpayers' business or activities.

Subparagraph b

For Taxpayers engaged in the banking sector, state-owned enterprises and local-owned enterprises as well as public-listed Taxpayers and other Taxpayers that, pursuant to provisions, are required to prepare periodic financial statements, it is necessary to stipulate separate calculation of the amount of tax instalment because there is an obligation to submit reports related to financial management in a certain period to Government agencies that may be used as the calculation basis to determine the amount of tax instalments in the current year.

Subparagraph c

For certain individual entrepreneur Taxpayers, namely individual Taxpayers that have 1 (one) or more places of business, the amount of tax instalments is a maximum of 0,75% (zero-point seventy-five per cent) of gross turnover.

Paragraph (8)

Sufficiently clear.

Paragraph (8a)

Sufficiently clear.

Paragraph (9)

Sufficiently clear.

Article 26

(1) The income below, in whatever name and form, paid, apportioned to be paid or whose payment is due by a government agency, a tax resident, an event organiser, a permanent establishment or a representative to a non-resident company to a non-resident Taxpayer other than a permanent establishment in Indonesia, shall be subject to withholding tax of 20% (twenty per cent) of gross income by the party required to pay:
   a. dividends;
   b. interest, including premium, discounts and remunerations in connection with loan repayment guarantee;
   c. royalties, rents and other income in connection with the use of assets;
   d. remunerations in connection with services, work and activities;
   e. prizes and awards;
   f. pensions and other periodic payments;
   g. premium swaps and other hedging transactions; and/or
   h. gains due to debt relief.**--[4th A]**

(1a) The country of domicile of non-resident Taxpayers other than those conducting business or business activities through a permanent establishment in Indonesia as referred to in paragraph (1) is the country

of residence or domicile where the non-resident Taxpayers that actually receive the benefits from the income (beneficial owners).--[4th A]

(1b) The rate of 20% (twenty per cent) of the gross amount by the party required to pay interest, including premium, discounts and remunerations in connection with loan repayment guarantee referred to in paragraph (1) subparagraph b may be decreased by a Government Regulation.--[5th A]

(2) Income from sales or transfers of assets in Indonesia, except for those stipulated under Article 4 paragraph (2), received or accrued by non-resident Taxpayers other than permanent establishments in Indonesia and insurance premiums paid to overseas insurance companies, shall be subject to withholding tax of 20% (twenty per cent) of the estimated net income.--[4th A]

(2a) The income from sales or transfers of shares referred to in Article 18 paragraph (3c) is subject to withholding tax of 20% (twenty per cent) of the estimated net income.--[4th A]

(3) The implementation of the provisions referred to in paragraph (2) and paragraph (2a) shall be stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

(4) Taxable Income after being deducted by the tax on a permanent establishment in Indonesia is subject to a tax of 20% (twenty per cent) unless the income is reinvested in Indonesia, the provisions on which shall be further stipulated by or pursuant to a Minister of Finance Regulation.--[4th A]

(5) The withholding tax referred to in paragraph (1), paragraph (2), paragraph (2a) and paragraph (4) shall be final, except for:
a. withholding on income referred to in Article 5 paragraph (1) subparagraph b and subparagraph c; and
b. withholding on income received or accrued by an individual or overseas entity whose status has changed into a resident Taxpayer or a permanent establishment.--[4th A]

Elucidation of Article 26

For income received or accrued by non-resident Taxpayers sourced from Indonesia, this Law adheres to two tax imposition systems, namely self-fulfilment of tax obligations for non-resident Taxpayers carrying out business or conducting activities through permanent establishments in Indonesia and withholding by the parties required to pay for other non-resident Taxpayers.

This provision stipulates withholding on income sourced from Indonesia received or accrued by non-resident Taxpayers other than permanent establishments.

Paragraph (1)

Withholding tax pursuant to this provision must be conducted by government agencies, tax residents, event organisers, permanent establishments or other representatives of foreign companies that

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

perform payments to non-resident Taxpayers other than permanent establishments in Indonesia, at a rate of 20% (twenty per cent) of the gross amount.

The types of income that must be subject to withholding may be categorised into:

1. income sourced from capital in the form of dividends, interest, including premium, discounts and remunerations due to loan repayment guarantee, royalties, rents as well as other income in connection with the use of assets;
2. remunerations in connection with services, work and activities;
3. prizes and awards in whatever name and form;
4. pensions and other periodic payments;
5. premium swaps and other hedging transactions; and/or
6. gains due to debt relief.

Pursuant to this provision, for example, a corporate tax resident pays a royalty of IDR100,000,000.00 (one hundred million rupiah) to a non-resident Taxpayer, the tax resident is required to perform Withholding Tax of 20% (twenty per cent) of IDR100,000,000.00 (one hundred million rupiah).

As another example, a foreign athlete who participates in a marathon in Indonesia wins a cash prize, the prize is subject to Withholding Tax of 20% (twenty per cent).

Paragraph (1a)

The country of domicile of non-resident Taxpayers, other than those carrying out business or conducting business activities through permanent establishments in Indonesia that receive income from Indonesia is determined based on the residence or domicile of the Taxpayers actually receiving the benefits of the income (beneficial owners). Therefore, the country of domicile is not only determined based on the Certificate of Domicile but also the residence or domicile of the beneficial owners of the income concerned.

In the event that the beneficial owner is an individual, the country of domicile is the country where the individual resides or is present, whereas, if the beneficial owner is an entity, the country of domicile is the country where the owner or more than 50% (fifty per cent) of shareholders, either individually or collectively, are domiciled or the effective management is located.

Paragraph (1b)

Sufficiently clear.

Paragraph (2)

This provision stipulates withholding tax on income received or accrued by non-resident Taxpayers that is sourced from Indonesia, other than the income referred in paragraph (1), namely income from sales or transfer

of assets and insurance premiums, including reinsurance premiums. Such income is subject to withholding tax of 20% (twenty per cent) of the estimated net income and is final. The Minister of Finance is authorised to determine the amount of the estimated net income as well as other matters in the context of the implementation of the withholding tax.

This provision is not applied in the event that the non-resident Taxpayers conduct business or activities through permanent establishments in Indonesia or if the income from the sales of assets has been subject to Tax pursuant to the provision under Article 4 paragraph (2).

Paragraph (2a)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Taxable Income after being deducted by the tax on the permanent establishment in Indonesia is subject to tax of 20% (twenty per cent).

Example:

Description		Amount (IDR)
Taxable Income of the permanent establishment in Indonesia in 2023:	IDR	17,500,000,000.00
Income Tax:		
22% x IDR17.500,000,000.00	IDR	3,850,000,000.00 (-)
Taxable Income after tax	IDR	13,650,000,000.00
Article 26 Income Tax payable		
20% x IDR13,650,000,000.00	IDR	2,730,000,000.00

If the income after tax of IDR13,65,000,000.00 (thirteen billion six hundred and fifty million rupiah) is reinvested in Indonesia according to or pursuant to the Minister of Finance Regulation, the income is not taxed.

Paragraph (5)

In principle, withholding tax on non-resident Taxpayers is final, but for the income referred to in Article 5 paragraph (1) subparagraph b and subparagraph c and for the income of non-resident individual or corporate Taxpayers whose status has changed to resident Taxpayers or permanent establishments, the withholding tax is not final, thereby, the withholding tax is creditable in the Annual Income Tax Return.

Example:

A as an individual foreign worker enters into an employment agreement with PT B as a resident Taxpayer to work in Indonesia for a period of 5 (five) months starting 1 January 2023. On 20 April 2023, the employment

agreement is extended to 8 (eight) months, thereby, will expire on 31 August 2023.

If the employment agreement is not extended, A's status will remain a non-resident Taxpayer. With the extension of the employment agreement, A's status changes from a non-resident Taxpayer to a resident Taxpayer starting from 1 January 2021. From January to March 2023, A's gross income has been subject to Article 26 Withholding Tax by PT B.

Pursuant to this provision, to calculate Income Tax payable on A's income for January to August 2023 periods, Article 26 Income Tax which has been withheld and remitted by PT B on A's income until March 2023, may be credited against A's tax as a resident Taxpayer.

Article 27

Deleted.--[2nd A]

Elucidation of Article 27
Sufficiently clear.

CHAPTER VI
THE CALCULATION OF TAX AT THE END OF THE YEAR--[2nd A]

Article 28

(1) For resident Taxpayers and permanent establishments, tax payable shall be deducted by the tax credit for the tax year concerned, in the form of:
   a. the withholding tax on income from employment, services or activities referred to in Article 21;
   b. the tax collection on income from activities in the import sector or business activities in other sectors as referred to in Article 22;
   c. the withholding tax on income in the form of dividends, interests, royalties, rents, prizes and awards as well as the fees for services referred to in Article 23;
   d. the tax paid or payable on foreign-sourced income that is creditable referred to in Article 24;
   e. payments conducted by the Taxpayers themselves referred to in Article 25;
   f. the withholding tax on income referred to in Article 26 paragraph (5). --[2nd A]

(2) Administrative penalties in the form of interest, fines and surcharges as well as criminal sentences in the form of fines that in respect of the implementation of applicable statutory laws and regulations in the field of taxation cannot be credited against tax payable referred to in paragraph (1).--[2nd A]

Elucidation of Article 28

Paragraph (1)

The taxes that have been settled in the current year, either those self-paid by the Taxpayers or withheld as well as collected by other parties may be credited against tax payable at the end of the tax year concerned.

Example:

Income Tax payable		IDR 80,000,000.00	
Tax credit:			
Withholding tax from employment (Article 21)	IDR 5,000,000.00		
Tax collection by other parties (Article 22)	IDR 10,000,000.00		
Withholding tax from capital (Article 23)	IDR 5,000,000.00		
Foreign tax credit (Article 24)	IDR 15,000,000.00		
Self-paid by the Taxpayer (Article 25)	IDR 10,000,000.00	(+)	
The amount of creditable Income Tax		IDR 45,000,000.00	(-)
Outstanding Income Tax		IDR 35,000,000.00	

Paragraph (2)

Sufficiently clear.

Article 28A

If the tax payable for a tax year is, in fact, lower than the amount of tax credit referred to in Article 28 paragraph (1), after an audit has been conducted, the tax overpayment is refunded after being offset against tax liabilities as well as the penalties.--[2nd A]

Elucidation of Article 28A

Pursuant to the provision under Article 17B paragraph (1) of the Law concerning General Provisions and Tax Procedures, the Director General of Taxes or appointed officials are authorised to conduct an audit before the refund or calculation of the tax overpayment is conducted.

Matters that must be considered before the refund or calculation of tax overpayment is conducted are:

a. the material correctness concerning the amount of Income Tax payable;
b. the validity of tax collection receipts and withholding receipts as well as tax payment receipts by the Taxpayers themselves during and for the tax year concerned.

Therefore, for audit purposes, the Director General of Taxes or other appointed officials are authorised to conduct audits on financial statements, books of accounts and other records as well as other audits related to the determination of the amount of Income Tax payable, the correctness of the

amount of tax and the amount of the tax that has been credited and to determine the amount of tax overpayment that must be refunded.

The purpose of the audits is to ensure that the money that will be refunded to the Taxpayer as a refund is, in fact, constitutes the Taxpayer's right.

Article 29

If tax payable for a Tax Year is, in fact, greater than the tax credit referred to in Article 28 paragraph (1), the tax underpayment payable must be settled before the Annual Income Tax Return is filed.--[4th A]

Elucidation of Article 29

This provision requires Taxpayers to settle tax underpayment payable pursuant to the provisions under this Law before the Annual Income Tax Return is filed and no later than the filing deadline for the Annual Tax Return. If the accounting year is the same as the calendar year, the tax underpayment must be settled no later than 31 March for individual Taxpayers or 30 April for corporate Taxpayers after the Tax Year ends, whereas if the accounting year is not the same as the calendar year, for example, starting from 1 July until 30 June, the tax underpayment must be settled no later than 30 September for individual Taxpayers or 31 October for corporate Taxpayers.

Article 30

Deleted.--[2nd A]

Elucidation of Article 30

Sufficiently clear.

Article 31

Deleted.--[2nd A]

Elucidation of Article 31

Sufficiently clear.

CHAPTER VII
OTHER PROVISIONS

Article 31A

(1) Taxpayers performing investments in certain business sectors and/or certain regions that receive high priorities on the national scale may be granted tax facilities in the form of:
   a. net income reduction of a maximum of 30% (thirty per cent) of the total investments;

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

b. accelerated depreciation and amortisation;
c. longer carry-forward of losses, but not more than 10 (ten) years; and
d. the imposition of Income Tax on dividends referred to in Article 26 of 10% (ten per cent), unless the rate according to the applicable tax treaty stipulates lower.--[4th A]

(2) Further provisions on certain business sectors and/or certain regions that receive high priorities on the national scale as well as the granting of tax facilities referred to in paragraph (1) shall be stipulated by a Government Regulation.--[4th A]

Elucidation of Article 31A

Paragraph (1)

One of the principles that needs to be upheld under tax Laws is the application of equal treatment to all Taxpayers or to cases in the field of taxation which are, in essence, the same, by adhering to statutory provisions. Therefore, any concession in the field of taxation, if absolutely necessary, must refer to the above rules and needs to be maintained, thereby, in the application, does not deviate from the purpose and objective of the granting of the concession.

The objective of the granting of this tax concession is to encourage direct investment activities in Indonesia, either through foreign investments or domestic investments in certain business sectors and/or in certain regions that receive high priorities on the national scale.

This provision may also be used to accommodate the possibility of agreements with other countries in the trade, investment sectors and other sectors.

Paragraph (2)

Sufficiently clear.

Article 31B

Deleted.--[4th A]

Elucidation of Article 31B

Sufficiently clear.

Article 31C

(1) State revenues from resident individual Income Tax and Article 21 Withholding Tax by employers shall be distributed by a balance of 80% for the Central Government and 20% for Local Governments where the Taxpayers are registered.--[3rd A]

(2) Deleted.--[4th A]

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 31C
Sufficiently clear.

Article 31D

The provisions on taxation on the oil and gas mining business sector, geothermal business sector, general mining business sector, including coal and sharia-based business sectors, are stipulated by or pursuant to a Government Regulation.--[4th A]

Elucidation of Article 31D
Sufficiently clear.

Article 31E

(1) Resident corporate taxpayers with gross turnover of up to IDR50,000,000,000.00 (fifty billion rupiah) obtain facilities in the form of a rate reduction by 50% (fifty per cent) of the rates referred to in Article 17 paragraph (1) subparagraph b and paragraph (2a) that are imposed on the Taxable Income of the fraction of gross turnover of up to IDR4,800,000,000.00 (four billion and eight hundred million rupiah). --[4th A]

(2) The amount of the fraction of gross turnover referred to in paragraph (1) may be increased by a Minister of Finance Regulation.--[4th A]

Elucidation of Article 31E
Paragraph (1)

Example 1:
Gross turnover of PT Y for the 2009 tax year amounts to IDR4,500,000,000.00 (four billion and five hundred million rupiah) with Taxable Income of IDR500,000,000.00 (five hundred million rupiah).

The calculation of tax payable:
All Taxable Income derived from gross turnover is subject to a rate of 50% (fifty per cent) of the applicable corporate Income Tax rate because the amount of PT Y's gross turnover does not exceed IDR4,800,000,000.00 (four billion and eight hundred million rupiah).

Income Tax payable:
(50% x 28%) x IDR500,000,000.00 = IDR70,000,000.00

Example 2:
PT X's gross turnover for the 2009 tax year amounts to IDR30,000,000,000.00 (thirty billion rupiah) with Taxable Income of IDR3,000,000,000.00 (three billion rupiah).

The calculation of Income Tax payable:

1. The amount of Taxable Income of the fraction of gross turnover that obtains the facility:
   (IDR4,800,000,000.00 : IDR30,000,000,000.00) x
   IDR3,000,000,000.00 = IDR480,000,000.00
2. The amount of Taxable Income of the fraction of gross turnover that does not obtain the facility:
   IDR3,000,000,000.00 - IDR480,000,000.00 = IDR2.520,000,000.00
   Income Tax payable:

- (50% x 28%) x IDR480,000,000.00	=	IDR	67,200,000.00	
- 28% x IDR2.520,000,000.00	=	IDR	705,600,000.00	(+)
The amount of Income Tax payable		IDR	772,800,000.00	

Paragraph (2)
Sufficiently clear.

Article 32

Procedures for the imposition of taxes and penalties in respect of the implementation of this Law shall be conducted pursuant to Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended several times, last amended by Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures.--[4th A]

Elucidation of Article 32
Sufficiently clear.

Article 32A

The Government is authorised to enter into and/or implement treaties and/or agreements in the field of taxation with the government of tax treaty partners, either bilaterally or multilaterally, in the context of:

a. avoidance of double taxation and prevention of tax evasion;
b. prevention of base erosion and profit shifting;
c. exchange of tax information;
d. assistance in tax collection; and
e. other tax cooperation.--[6th A]

Elucidation of Article 32A
In the context of improving economic relationships, specifically in the field of taxation, with tax treaty partners and in line with the dynamic developments of the international taxation landscape, the Government of Indonesia is authorised to enter into and/or implement treaties and/or agreements with the governments of tax treaty partners, either bilaterally or multilaterally through legal instruments that apply specifically (*lex*

specialis) for the avoidance of double taxation and prevention of tax evasion, prevention of base erosion and profit shifting, exchange of tax information, assistance in tax collection and other tax cooperation.

"Treaties and/or agreements in the field of taxation" refer to treaties and/or agreements in certain forms and names in the field of taxation, which refer to the law that is effective before, from or after this Law comes into force.

Subparagraph a

"Double taxation" refers to the tax imposition conducted by two or more countries or jurisdictions on the same income received/accrued by the same tax subject and on the same income received/accrued by different tax subjects.

"Tax evasion" refers to tax evasion, fraud or reduction conducted illegally by an individual, entity or permanent establishment with the objective of not paying taxes in any country or jurisdiction or reducing tax payable.

Subparagraph b

"Base erosion and profit shifting" refer to tax planning strategies that aim to utilise the interaction of tax provisions between different countries/jurisdictions, among others, by shifting profits to a country or jurisdiction that does not impose taxes or imposes taxes at low rates and that has no or small contribution to its economic substance activities with the objective of not paying taxes in any country or jurisdiction or reducing tax payable.

Subparagraph c

"Exchange of tax information" refers to the exchange of information related to taxation between countries/jurisdictions as the implementation of international agreements.

Subparagraph d

"Collection in tax assistance" refers to the assistance in tax collection facility contained in agreements that may be utilised by the Government of Indonesia and the government of tax treaty partners reciprocally to conduct the collection of tax liabilities that are administered by the Director General of Taxes or the tax authorities of tax treaty partners.

Subparagraph e

Sufficiently clear.

Article 32B

The provisions on tax imposition on interests or discounts on State Bonds traded in other countries based on reciprocal treatment agreements with the other countries shall be stipulated by a Government Regulation.**--[4th A]**

Elucidation of Article 32B

In the context of expanding the State Bond market, the government may impose lower special rates or exempt tax imposition on State Bonds traded on the stock exchange in other countries. The government may only impose this special treatment insofar as the other countries also grant the same treatment to the bonds of the other countries that are traded on the stock exchange in Indonesia.

CHAPTER VIIA
DELEGATION OF AUTHORITY--[6th A]

Article 32C

Further provisions on:

a. income in the form of gains due to transfers of assets in the form of grants, aid or donations that are excluded from taxable objects because they are granted to family members related by blood within a lineage of one degree, and religious bodies, educational bodies, social bodies, including foundations, cooperatives or individuals conducting micro and small business, insofar as not related to the business, employment, ownership or control between the parties concerned as referred to in Article 4 paragraph (1) subparagraph d number 4;
b. the criteria of certain skills as well as the imposition of Income Tax on foreign nationals referred to in Article 4 paragraph (1a);
c. gifts received by family members related by blood within a lineage of one degree, religious bodies, educational bodies, social bodies, including foundations, cooperatives or individuals conducting micro and small business, insofar as not related to the business, employment, ownership or control between the parties concerned as referred to in Article 4 paragraph (3) subparagraph a number 2;
d. the reimbursements or remunerations in connection with employment or services received or accrued in the form of in-kind and/or fringe benefits that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph d;
e. the criteria, period and changes in the threshold of invested dividends as well as the provisions on the exclusion from Income Tax on dividends or other income referred to in Article 4 paragraph (3) subparagraph f;
f. the income from investments in certain sectors received by pension funds that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph h;
g. the scholarships that fulfil certain requirements that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph l;
h. the surplus received or accrued by non-profit bodies or institutions engaged in the fields of education and/or research and development that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph m;

i. the aid or donations paid by the Social Security Administrative Body to certain Taxpayers that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph n;
j. the deposit funds for Hajj Fees (BPIH) and/or special BPIH and income from the development of hajj finances in certain financial sectors or instruments received by the Hajj Financial Management Agency (BPKH) that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph o;
k. the surplus received/accrued by social and religious bodies or institutions that are excluded from taxable objects referred to in Article 4 paragraph (3) subparagraph p;
l. promotional and sales expenses that constitute deductible expenses referred to in Article 6 paragraph (1) subparagraph a number 7;
m. bad debts that constitute deductible expenses referred to in Article 6 paragraph (1) subparagraph h;
n. the expenses for reimbursements or remunerations granted in the form of in-kind and/or fringe benefits that constitute deductible expenses referred to in Article 6 paragraph (1) subparagraph n;
o. the establishment or accumulation of allowances that constitute deductible expenses referred to in Article 9 paragraph (1) subparagraph c;
p. groups of tangible assets, useful life and the calculation of depreciation referred to in Article 11 paragraph (6) and paragraph (6a);
q. the depreciation of tangible assets owned and used in certain business sectors as referred to in Article 11 paragraph (7);
r. the start of amortisation for certain business sectors referred to in Article 11A paragraph (1a);
s. the calculation of amortisation referred to in Article 11A paragraph (2) and paragraph (2a);
t. the threshold of the amount of loan expenses that may be charged for the calculation of taxes referred to in Article 18 paragraph (1);
u. the determination of the time the dividends are accrued by resident Taxpayers for capital participation in overseas business entities other than business entities that sell their shares on the stock exchange referred to in Article 18 paragraph (2);
v. the application of the arm's length principle in the context of calculating the amount of Taxable Income for Taxpayers related to other Taxpayers referred to in Article 18 paragraph (3);
w. the implementation of the agreement on the setting of the transaction price between related parties referred to in Article 18 paragraph (3a);
x. the determination of the actual party conducting the purchase of shares or company assets through a special purpose company referred to in Article 18 paragraph (3b);
y. the determination on the sales of transfers of shares of entities incorporated or domiciled in Indonesia or permanent establishments in Indonesia referred to in Article 18 paragraph (3c);
z. the re-determination of the amount of income accrued by a resident individual Taxpayer from the employer that is related to another company

that is not incorporated and not domiciled in Indonesia referred to in Article 18 paragraph (3d);

aa. the criteria for the special relationship referred to in Article 18 paragraph (4);

bb. the establishment and/or implementation of treaties and/or agreements in the field of taxation referred to in Article 32A,

shall be stipulated by or pursuant to a Government Regulation.--[6th A]

Elucidation of Article 32C

Sufficiently clear.

CHAPTER VIII
TRANSITIONAL PROVISIONS

Article 33

(1) Taxpayers whose accounting year ends on 30 June 1984 as well as ends between 30 June 1984 and 31 December 1984 may choose the method to calculate their tax pursuant to the provisions under the 1925 Corporate Tax Ordinance or the 1944 Income Tax Ordinance or pursuant to the provisions under this Law.

(2) Tax facilities that had been granted until 31 December 1983 whose:
   a. period is limited may be enjoyed by the Taxpayers concerned until expiration;
   b. period is indefinite may be enjoyed until the tax years before the 1984 tax year.

(3) Taxable Income received or accrued in the oil and gas mining sector as well as in other mining sectors in connection with Contracts of Work and Production Sharing Contracts, which are still in force at the time this Law comes into force is subject to tax pursuant to the provisions under the 1925 Corporate Tax Ordinance and the 1970 Tax on Interest, Dividends and Royalties Law and all the implementing regulations thereto.

Elucidation of Article 33

Paragraph (1)

For Taxpayers whose tax year is the accounting year, there is a possibility that a fraction of the tax year is included in the 1984 calendar year. Pursuant to the provisions under this paragraph, if 6 (six) months of the tax year are included in the 1984 calendar year, the Taxpayers are allowed to choose whether they will use the 1925 Corporate Tax Ordinance or the 1944 Income Tax Ordinance or to choose the application of the provisions contained in this law. Such an opportunity to choose also applies to Taxpayers for whom more than 6 (six) months of the tax year are included in the 1984 calendar year.

Paragraph (2)

Subparagraph a

Tax facilities whose period is limited, for example, tax facilities pursuant to Law Number 1 of 1967 concerning Foreign Investments and Law Number 6 of 1968 concerning Domestic Investments that had been granted until 31 December 1983 may continue to be enjoyed until the expiration of the tax facilities.

Subparagraph b

Tax facilities whose period is indefinite may no longer be enjoyed starting from the date this law comes into force, for example:

- tax facilities granted to PT Danareksa, in the form of the Corporate Tax exemption on operating profits and exemption from Capital Stamp Duty on the placement and remittance of share capital, pursuant to the Minister of Finance Decree No. KEP-1680/MK/II/12/1976 dated 28 December 1976;
- tax facilities granted to Limited Liability companies that sell their shares through the Capital Market, in the form of Corporate Tax rate relief, pursuant to the Minister of Finance Decree No. 112/KMK.04/1979 dated 27 March 1979.

Paragraph (3)

The 1925 Corporate Tax Ordinance and the 1970 Tax on Interest, Dividends and Royalties Law as well as all of the implementing regulations thereto shall continue to apply to taxable income received or accrued in the oil and gas mining sector and in other mining sectors conducted in the context of Contracts of Work and Production Sharing Contracts, insofar as the Contracts of Work and Production Sharing Contracts are still in force at the time this law comes into force.

The provisions under this law only apply to taxable income received or accrued in the oil and gas mining sector conducted in the form of Contracts of Work and Production Sharing Contracts if the Contracts of Work and Production Sharing Contracts are prepared after the entry of force of that law.

Article 33A

(1) Taxpayers whose accounting year end after 30 June 1995 are required to calculate their taxes pursuant to the provisions stipulated under Law Number 7 of 1983 as last amended by this Law.**--[2nd A]**

(2) Taxpayers that obtain tax facilities and had received a decision on the start of production before 1 January 1995, the tax facilities concerned may be enjoyed according to the specified period.**--[2nd A]**

(3) The tax facilities that had been granted expire on 31 December 1994, except for the facilities referred to in paragraph (2).**--[2nd A]**

(4) Taxpayers that conduct business in the sectors of oil and gas mining, general mining and other mining based on production sharing contracts, contracts of

work or mining concession contracts of work that are still in force at the time this Law comes into force, their tax is calculated pursuant to the provisions under the production sharing contracts, contracts of work or mining concession contracts of work until the expiration of the contracts or cooperation agreements concerned.--[2nd A]

Elucidation of Article 33A

Paragraph (1)

If Taxpayers use an accounting year that ends on 30 June 1995 or earlier (different from the calendar year), the accounting year is the 1994 tax year. The tax payable in that year remains calculated pursuant to Law Number 7 of 1983 as amended by Law Number 7 of 1991. On the other hand, taxpayers whose accounting year ends after 30 June 1995 are required to calculate their taxes starting the 1995 tax year pursuant to Law Number 7 of 1983 concerning Income Tax as last amended by this Law.

Paragraph (2) and Paragraph (3)

Taxpayers that have obtained the Minister of Finance Decree on tax facilities concerning the start of production issued before 1 January 1995 may enjoy the tax facilities granted until the period stipulated in the decree concerned. Therefore, from 1 January 1995, the decree on the start of production is no longer issued.

Paragraph (4)

The tax provisions under production sharing contracts, contracts of work or mining concession contracts of work which are still in force at the time this Law comes into force are declared to remain in force until the expiration of the production sharing contracts, contracts of work or mining concession contracts of work. Although this Law has come into force, the tax obligations for Taxpayers bound by the production sharing contracts, contracts of work or mining concession cooperation agreements remain calculated based on the contracts or agreements concerned.

Therefore, the provisions under this Law only apply to tax imposition on income received or accrued by Taxpayers in the sectors of oil and gas mining and other general mining concession conducted in the form of contract of works, production sharing contracts or mining concession contracts of work, signed after the entry of force of this Law.

Article 34

Implementing regulations in the field of Income Tax that are still in force at the time this Law comes into force are declared to remain in force insofar as not contradicting the provisions under this Law.--[2nd A]

Elucidation of Article 34

Sufficiently clear.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

CHAPTER IX
CLOSING PROVISIONS

Article 35

Matters not sufficiently regulated in the context of the implementation of this Law shall be further stipulated by a Government Regulation.--[4th A]

Elucidation of Article 35

With a Government Regulation, matters not sufficiently regulated in the context of the implementation of this Law shall be further stipulated, namely all regulations required for this Law to be implemented as well as possible, including transitional regulations.

Article 36

(1) This Law shall come into force on 1 January 1984.
(2) This Law may be referred to as the 1985 Income Tax Law.

Elucidation of Article 36

Paragraph (1)

This paragraph affirms that the 1984 Income Tax Law shall come into force on 1 January 1984.

For Taxpayers whose tax year is the same as the calendar year, this law applies to them from the 1984 tax year. For Taxpayers that use an accounting year different from the calendar year, this law comes shall apply to the accounting years starting after 1 January 1984.

Paragraph (2)

Sufficiently clear.

1st A – First Amendment - Law 7/1991 - Effective 1 Jan 1992
2nd A – Second Amendment - Law 10/1994 - Effective 1 Jan 1995
3rd A – Third Amendment - Law 17/2000 - Effective 1 Jan 2001
4th A – Fourth Amendment - Law 36/2008 - Effective 1 Jan 2009
5th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
6th A – Sixth Amendment - Law 7/2021 - Effective 1 Jan 2022
7th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

NOTES

A. Law Number 7 of 1991 concerning the Amendment to Law Number 7 of 1983 concerning Income Tax:

Article II

This Law shall come into force on 1 January 1992.

Elucidation of Article II
Sufficiently clear.

B. Law Number 10 of 1994 concerning the Amendment to Law Number 7 of 1983 concerning Income Tax as amended by Law Number 7 of 1991:

Article II

This Law may be referred to as "The Second Amendment Law to the 1984 Income Tax Law".

Elucidation of Article II
Sufficiently clear.

Article III

This Law shall come into force on 1 January 1995.

Elucidation of Article III
Sufficiently clear.

C. Law Number 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax:

Article II

This Law may be referred to as "The Third Amendment Law to the 1984 Income Tax Law".

Elucidation of Article II
Sufficiently clear.

Article III

This Law shall come into force on 1 January 2001.

Elucidation of Article III
Sufficiently clear.

D. Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax:

Article II

When this Law comes into force:
1. Taxpayers whose accounting year end after 30 June 2001 are required to calculate their taxes pursuant to the provisions stipulated under Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by Law Number 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax.
2. Taxpayers whose accounting year end after 30 June 2009 are required to calculate their taxes pursuant to the provisions stipulated under Law Number 7 of 1983 as amended several times, last amended by this Law.

This Law shall come into force on 1 January 2009.

Elucidation of Article II

Number 1

If Taxpayers use an accounting year that ends on 30 June 2001 or before (not the same as calendar year), the accounting year is the 2000 tax year. The tax payable in that year remains calculated pursuant to Law Number 7 of 1983 as amended several times, last amended by Law Number 10 of 1994 concerning the Second Amendment to Law Number 7 of 1983 concerning Income Tax, whereas Taxpayers whose accounting year end after 30 June 2001 are required to calculate their taxes since the 2001 tax year pursuant to Law Number 7 of 1983 concerning Income Tax, as amended several times, last amended by Law Number 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax.

Number 2

If Taxpayers use an accounting year that ends on 30 June 2009 or before (not the same as calendar year), the accounting year is 2008 tax year. The tax payable in that year remains calculated pursuant to Law Number 7 of 1983 as amended several times, last amended by Law Number 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax, whereas Taxpayers whose accounting year end after 30 June 2009 are required to calculate their taxes starting the 2009 tax year pursuant to Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by this Law.

E. Law Number 2 of 2020 concerning the Enactment of Government Regulation In Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System into a Law.

Article II

This Law may come into force on the date of promulgation.

Elucidation of Article II
Sufficiently clear.

Details:
The Law shall be promulgated on 18 May 2020. Government Regulation In Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System shall be promulgated on 31 March 2020.

F. Law Number 11 of 2020 concerning Job Creation.

Article 186

This Law may come into force on the date of promulgation.

Elucidation of Article 186
Sufficiently clear.

Details:
The Law shall be promulgated on 2 November 2020.

G. Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations.

Article 17

(1) The provisions referred to in Article 3 shall come into force in the 2022 Tax Year.
(Editorial Note: Provisions on the Enactment of Income Tax Law)

(2) The provisions referred to in Article 4 shall come into force on 1 April 2022.
(Editorial Note: Provisions on the Enactment of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods Law)

(3) The provisions referred to in Article 13 shall come into force on 1 April 2022, that will be first imposed on entities engaged in coal-fired power

station sector at a rate of IDR30.00 (thirty rupiah) per kilogram of carbon dioxide equivalent (CO_2e) or equivalent unit.
(Editorial Note: Provisions on the Enactment of the Carbon Tax Law)

Elucidation of Article 17
Sufficiently clear.

Details:
Income Tax Law after the amendment through the Harmonisation of Tax Regulations Law shall come into force starting from 1 January 2022.

H. Law Number 6 of 2023 concerning the Enactment of Government Regulation In Lieu of Law Number 2 of 2022 concerning Job Creation into a Law.

Article 2

This Law shall come into force on the date of promulgation.

Elucidation of Article 2
Sufficiently clear.

Details:
This Law shall be promulgated on 31 March 2023.

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THE CONSOLIDATION IN A SINGLE TEXT
VALUE ADDED TAX LAW
PURSUANT TO LAW NO. 6 OF 2023

SUMMARY OF AMENDMENTS
VALUE ADDED TAX LAW

Since its first issuance through Law No. 8 of 1983, the Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (VAT Law) has been subject to 6 (six) amendments. The latest amendments are contained in Law No. 6 of 2023. The following is a summary of the amendments to each article, paragraph and detail of the subparagraphs contained in the VAT Law.

Article	Para.	Sub paragraph	Law 8/1983	1st A Law 11/1994	2nd A Law 18/2000	3rd A Law 42/2009	4th A Law 11/2020	5th A Law 7/2021	6th A Law 6/2023
1	1.		x	x	x	x			
	2.		x	x	x				
	3.		x	x	x	x			
	4.		x	x	x	x			
	5.		x	x	x	x			
	6.		x	x	x	x			
	7.		x	x	x	x			
	8.		x	x	x				
	9.		x	x	x				
	10.		x		x	x			
	11.		x	x	x	x			
	12.		x	x	x	x			
	13.		x	x	x	x			
	14.		x	x	x	x			
	15.		x	x	x	x			
	16.		x	x	x	x			
	17.		x		x	x			
	18.		x	x	x				
	19.		x	x	x	x			
	20.		x	x	x	x			
	21.		x	x	x				
	22.		x	x	x				
	23.		x	x	x	x			
	24.			x	x	x			
	25.				x	x			
	26.				x				
	27.				x	x			
	28.					x			
	29.					x			
1A	(1)	a.			x				
		b.			x	x			
		c.			x				
		d.			x				
		e.			x	x			
		f.			x	x	x		
		g.			x	x	Deleted		
		h.				x			
	(2)	a.			x				
		b.			x	x			
		c.			x	x			
		d.				x	x		
		e.				x			x
2	(1)		x						
	(2)	a.	x	x					

Article	Para.	Sub paragraph	Law 8/1983	1st A Law 11/1994	2nd A Law 18/2000	3rd A Law 42/2009	4th A Law 11/2020	5th A Law 7/2021	6th A Law 6/2023
		b.	x						
3	(1)		x	Deleted					
	(2)		x	Deleted					
	(3)		x	Deleted					
	(4)		x	Deleted					
CHAPTER IIA				x	x				
3A	(1)			x	x	x			
	(1a)					x			
	(2)			x	x	x			
	(3)			x	x	x			
CHAPTER III			x	x	x				
4	(1)	a.	x	x	x	x			
		b.	x	x					
		c.	x	x	x				
		d.	x	x					
		e.		x	x	x			
		f.		x		x			
		g.				x			
		h.				x			
	(2)	a.	x	Deleted		x			
		b.	x	Deleted		x			
4A	(1)			x	x	Deleted			
	(2)				x	x		x	
		a.			x		x	Deleted	
		b.			x			Deleted	
		c.			x	x		x	
		d.			x	x		x	
	(3)				x	x		x	
		a.			x	x		Deleted	
		b.			x	x		Deleted	
		c.			x	x		Deleted	
		d.			x	x		Deleted	
		e.			x	x		Deleted	
		f.			x	x			
		g.			x	x		Deleted	
		h.			x	x		x	
		i.			x	x		Deleted	
		j.			x	x		Deleted	
		k.			x	x		Deleted	
		l.			x	x		x	
		m.				x		x	
		n.				x		x	
		o.				x		Deleted	
		p.				x		Deleted	
		q.				x		x	
5	(1)		x	x		x			
		a.	x	x	x	x			
		b.	x	x					
	(2)		x	x		x			
5A				x		x			
	(1)					x			
	(2)					x			
	(3)					x			
6	(1)		x	x	Deleted				
	(2)		x	x	Deleted				
	(3)		x	x	Deleted				
7	(1)		x	x				x	
		a.						x	
		b.						x	
	(2)		x	x		x			
		a.				x			
		b.				x			
		c.				x			
	(3)		x	x				x	

Article	Para.	Sub paragraph	Law 8/1983	1st A Law 11/1994	2nd A Law 18/2000	3rd A Law 42/2009	4th A Law 11/2020	5th A Law 7/2021	6th A Law 6/2023
	(4)							x	
8	(1)		x	x	x	x			
	(2)		x	x		x			
	(3)		x	x	x	x			
	(4)		x	x	x	x			
	(5)		x	Deleted					
8A	(1)					x			
	(2)					x		Deleted	
	(3)							x	
9	(1)		x	x	x	Deleted			
	(2)		x	x	x	x			
	(2a)				x	x	x		
	(2b)					x			
	(3)		x	x		x			
	(4)		x	x	x	x		Elucidation	
	(4a)					x			
	(4b)					x			
		a.				x			
		b.				x			
		c.				x			
		d.				x			
		e.				x			
		f.				x	Deleted		
	(4c)					x			
	(4d)					x		Deleted	
	(4e)					x			
	(4f)					x			
	(5)		x	x	x	x		x	
		a.						x	
		b.						x	
	(6)		x	x	x	x		x	
		a.						x	
		b.						x	
	(6a)					x	x		
	(6b)					x	Deleted		
	(6c)						x		
	(6d)						x		
	(6e)	a.					x		
		b.					x		
	(6f)	a.					x		
		b.					x		
		c.					x		
	(6g)						x		
	(7)		x	x	x	x	x	Deleted	
	(7a)					x		Deleted	
	(7b)					x		Deleted	
	(8)		x	x	x	x			
		a.	x	x			Deleted		
		b.	x						
		c.	x		x	x		Deleted	
		d.		x			Deleted		
		e.		x	x	Deleted			
		f.		x		x		x	
		g.		x				x	
		h.		x			Deleted		
		i.		x		x	Deleted		
		j.				x	Deleted		
	(9)			x	x	x	x		
	(9a)						x		
	(9b)						x		
	(9c)						x		
	(10)			x	Deleted.				
	(11)			x	Deleted.				
	(12)			x	Deleted.				

Article	Para.	Sub paragraph	Law 8/1983	1st A Law 11/1994	2nd A Law 18/2000	3rd A Law 42/2009	4th A Law 11/2020	5th A Law 7/2021	6th A Law 6/2023
	(13)			x	x	x	x	Deleted	
		a.					x		
		b.					x		
		c.					x		
		d.					x		
		e.					x		
	(14)	a.		x	Deleted.	x	x		
		b.		x	Deleted.	x	x		
9A	(1)							x	
	(2)	a.						x	
		b.						x	
10	(1)		x	x	x				
	(2)		x	x					
	(3)		x	x	x				
11	(1)		x	x	x	x			
	(2)		x	x	x	x Elucidation			
	(3)			x	Deleted.				
	(4)			x	x				
	(5)			x	Deleted.				
12	(1)		x	x	x	x			
	(2)		x	x		x			
	(3)		x	x					
	(4)			x	x	x			
13	(1)		x	x	x	x	Elucidation		
		a.				x			
		b.				x			
		c.				x			
		d.				x			
	(1a)		a.			x	Elucidation		
			b.			x			
			c.			x			
			d.			x			
	(2)		x	x	x	x	Elucidation		
	(2a)					x			
	(3)		x	x		Deleted			
	(4)		x	x		Deleted			
	(5)		x	x	x	x			
		a.		x	x	x			
		b.		x			x		x
		c.		x	x				
		d.		x					
		e.		x	x				
		f.		x	x	x			
		g.		x	x	x			
		h.		x	Deleted				
	(5a)						x		
	(6)			x	x	x			
		a.	x						
		b.	x						
		c.	x						
		d.	x						
		e.	x						
		f.	x						
	(7)		x	x	x	Deleted			
	(8)		x	Deleted		x	Elucidation		
	(9)					x	Elucidation		
14	(1)		x	x					
	(2)		x	x					
15	(1)		x	Deleted					
	(2)		x	Deleted					
	(3)		x	Deleted					
15A	(1)					x			
	(2)					x			

Article	Para.	Sub paragraph	Law 8/1983	1st A Law 11/1994	2nd A Law 18/2000	3rd A Law 42/2009	4th A Law 11/2020	5th A Law 7/2021	6th A Law 6/2023
16	(1)		x	Deleted					
	(2)		x	Deleted					
CHAPTER VA				x					
16A	(1)			x	x				
	(2)			x	x				
16B	(1)			x	x	x			
		a.		x					
		b.		x					
		c.		x					
		d.		x		x			
		e.		x		x			
	(1a)							x	
		a.						x	
		b.						x	
		c.						x	
		d.						x	
		e.						x	
		f.						x	
		g.						x	
		h.						x	
		i.						x	
		j.						x	
	(2)			x		x		x	
	(3)			x		x		x	
16C				x	x				
16D				x		x			
16E	(1)					x			
	(2)	a.				x			
		b.				x			
		c.				x			
	(3)					x			
	(4)	a.				x			
		b.				x			
		c.				x			
	(5)					x			
16F						x			
CHAPTER VB								x	
16G	a.							x	
	b.							x	
	c.							x	
	d.							x	
	e.							x	
	f.							x	
	g.							x	
	h.							x	
	i.							x	
17			x	x					
18	(1)	a.	x						
		b.	x						
	(2)		x						
19			x						
20			x						
21			x						

THE CONSOLIDATION IN A SINGLE TEXT
LAW OF THE REPUBLIC OF INDONESIA NUMBER 8 OF 1983
CONCERNING
VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS
AS AMENDED SEVERAL TIMES, LAST AMENDED BY
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2023

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein this Law:

1. Customs Territory is the territory of the Republic of Indonesia which includes land, waters and airspace above it as well as certain places in the Exclusive Economic Zone and the continental shelf in which the Law stipulating customs is applicable.--[3rd A]
2. Goods are tangible goods, which according to their characteristics and legal status may be movable goods or immovable goods and intangible goods.--[2nd A]
3. Taxable Goods are goods subject to tax pursuant to this Law.--[3rd A]
4. Supply of Taxable Goods is every activity of supplying Taxable Goods.--[3rd A]
5. Service is every service activity that based on a contract or legal action that results in goods, facility, convenience or right being available to be used, including services conducted to produce goods due to an order or demand with materials and based on instructions from the buyer.--[3rd A]
6. Taxable Service are services subject to tax pursuant to this Law.--[3rd A]
7. Supply of Taxable Services is every activity of providing Taxable Services.--[3rd A]
8. Utilisation of Taxable Services from outside the Customs Territory is every activity of utilising Taxable Services from outside the Customs Territory within the Customs Territory.--[2nd A]
9. Import is every activity of entering goods from outside the Customs Territory into the Customs Territory.--[2nd A]
10. Utilisation of Intangible Taxable Goods from outside of the Customs Territory is every activity of utilising Intangible Taxable Goods from outside the Customs Territory within Customs Territory.--[3rd A]
11. Export of Tangible Taxable Goods is every activity of releasing Tangible Taxable Goods from within the Customs Territory to outside the Customs Territory.--[3rd A]
12. Trade is every business activity of purchasing and selling, including barter activities, without changing the form and characteristics.--[3rd A]
13. Entity is a group of people and/or capital that constitutes a unity that either conducts business or does not conduct business, including limited liability

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

companies, limited partnerships, other companies, state-owned enterprises or local-owned enterprises in whatever name and form, firms, joint ventures, cooperatives, pension funds, partnerships, alliances, foundations, mass organisations, social political organisations or other organisations, institutions and other forms of entities, including collective investment contracts and permanent establishments.**--[3rd A]**

14. Entrepreneur is an individual or entity in whatever form that in the business activities or work produces goods, imports goods, exports goods, conducts trading business, utilises intangible goods from outside the customs territory, conducts service business or utilises services from outside the customs territory.**--[3rd A]**
15. Taxable Person is an entrepreneur supplying Taxable Goods and/or supplying Taxable Services that are subject to taxes pursuant to this Law.**--[3rd A]**
16. Producing is the activity of processing through the process of changing the shape and/or the nature of goods from the original form into new goods or having new utility or the activity of processing natural resources, including instructing other individuals or other entities to conduct such an activity.**--[3rd A]**
17. Tax Base is the amount of the Selling Price, Reimbursement, Import Value, Export Value or another value used as the basis to calculate tax payable. **--[3rd A]**
18. Selling Price is value in the form of money, including all costs that are requested or that should be requested by the seller due to a supply of Taxable Goods, excluding Value Added Tax collected pursuant to this Law and price discounts listed in the Tax Invoice.**--[2nd A]**
19. Reimbursement is the value in the form of money, including all costs that are requested or that should be requested by an entrepreneur due to a supply of Taxable Services, an export of Taxable Services or an export of intangible Taxable Goods but excluding Value Added Tax collected pursuant to this Law and price discounts listed in the Tax Invoice or the value in money that is paid or should be paid by the Service Recipient due to utilisation of Taxable Services and/or by the beneficiary of Intangible Taxable Goods due to utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory.**--[3rd A]**
20. Import Value is the value in the form of money that constitutes the calculation basis for import duty plus levies pursuant to the provisions under statutory laws and regulations stipulating customs and excise for imports of Taxable Goods, excluding Value Added Tax and Sales Tax on Luxury Goods collected pursuant to this Law.**--[3rd A]**
21. Buyer is an individual or entity that receives or should receive a supply of Taxable Goods and that pays or should pay the price of the Taxable Goods. **--[2nd A]**
22. Service Recipient is an individual or entity that receives or should receive a supply of Taxable Services and that pays or should pay the Reimbursement for the Taxable Services.**--[2nd A]**

23. Tax Invoice is a collection receipt prepared by a Taxable Person supplying Taxable Goods or supplying Taxable Services.--[3rd A]
24. Input VAT is Value Added Tax that should have been paid by a Taxable Person due to an acquisition of Taxable Goods and/or acquisition of Taxable Services and/or utilisation of Taxable Goods from outside the Customs Territory and/or utilisation of Taxable Service from outside the Customs Territory and/or import of Taxable Goods.--[3rd A]
25. Output VAT is Value Added Tax payable that must be collected by a Taxable Person conducting a supply of Taxable Goods, a supply of Taxable Services, an export of Tangible Taxable Goods, an export of Intangible Taxable Goods and/or an export of Taxable Services.--[3rd A]
26. Export Value is the value in the form of money, including all costs that are requested or should be charged by an exporter.--[2nd A]
27. Value Added Tax Collection Agent is a government treasurer, entity or government agency appointed by the Minister of Finance to collect, remit and file tax payable to Taxable Persons on supplies of Taxable Goods and/or supplies of Taxable Services to the government treasurer, entities or government agencies.--[3rd A]
28. Export of Intangible Taxable Goods is every activity of utilising Intangible Taxable Goods from within the Customs Territory outside the Customs Territory.--[3rd A]
29. Export of Taxable Services is every activity of supplying Taxable Services to outside the Customs Territory.--[3rd A]

Elucidation of Article 1
Sufficiently clear.

Article 1A

(1) Included in the definition of supplies of Taxable Goods are:
   a. supplies of rights to Taxable Goods due to an agreement;
   b. transfers of Taxable Goods under a hire purchase agreement and/or a leasing agreement;
   c. supplies of Taxable Goods to intermediary traders or through auctioneers;
   d. personal use and/or free of charge Taxable Goods;
   e. Taxable Goods in the form of inventories and/or assets that, according to their original purpose, are not for sale and remaining at the time of the dissolution of a company;
   f. supplies of Taxable Goods from the head office to branches or vice versa and/or supplies of Taxable Goods between branches;
   g. deleted; and
   h. supplies of Taxable Goods by Taxable Persons in the context of a financing agreement conducted based on sharia principles, whose supplies are deemed direct from the Taxable Persons to the parties requiring the Taxable Goods.--[4th A]

(2) Not included in the definition of supplies of Taxable Goods are:
a. supplies of Taxable Goods to brokers referred to in the Indonesian Commercial Code;
b. supplies of Taxable Goods to guarantee debts;
c. supplies of Taxable Goods referred to in paragraph (1) subparagraph f in the event that Taxable Persons centralise the place of supply;
d. transfers of Taxable Goods in the context of a merger, consolidation, spin-off, split-up and acquisition as well as transfers of Taxable Goods for paid-up capital purposes, provided that the transferor and the transferee are Taxable Persons; and
e. Taxable Goods in the form of assets that, according to their original purpose, are not for sale, that are remaining at the time of the company's dissolution and whose input VAT on the acquisition is non-creditable as referred to in Article 9 paragraph (8) subparagraph b.**--[6th A]**

Elucidation of Article 1A

Paragraph (1)

Subparagraph a

"Agreement" includes buying and selling, exchanging, buying and selling in instalments or other agreements that result in a supply of rights to goods.

Subparagraph b

A supply of Taxable Goods may occur due to a hire purchase agreement and/or a leasing agreement.

"Transfers of Taxable Goods due to a leasing agreement" refer to supplies of Taxable Goods due to a financial lease.

In the event of a supply of Taxable Goods by a Taxable Person in the context of a financial lease, the Taxable Goods are deemed supplied directly from the supplier Taxable Person to the party requiring the goods (the lessee).

Subparagraph c

"Intermediary traders" refer to individuals or entities that in their business activities or work under their own names enter into agreements or contracts on behalf of and for at the expense of another person, deriving certain wages or fees, for example, commissioners.

"Auctioneers" refer to auctioneers of the Government or those appointed by the Government.

Subparagraph d

"Personal use" refers to the use for the self-interest of an entrepreneur, management or employee, either self-produced or non-self-produced goods.

"Free of charge" refers to the granting without payment of, either self-produced or non-self-produced goods, such as the granting of product samples for promotion to relatives or buyers.

Subparagraph e

Taxable Goods in the form of inventories and/or assets that, according to their original purpose, are not for sale, that are remaining at the time of the company's dissolution are equivalent to personal use, thereby, deemed a supply of Taxable Goods.

Excluded from the provisions under subparagraph e are the supplies referred to in Article 1A paragraph (2) subparagraph e.

Subparagraph f

In the event that a company has more than one place of supply, either as the head office or as a branch of the company, transfers of Taxable Goods between those places constitute supplies of Taxable Goods.

"Head office" refers to the residence or domicile.

"Branch" refers to, among others, the business location, representatives, marketing units and places of similar business activities.

Subparagraph g

Deleted.

Subparagraph h

Example:

In a *murabaha* transaction, the sharia bank acts as a provider of funds to purchase a motor vehicle from a Taxable Person A at the order of a sharia bank customer (Mr. B). Although based on sharia principles, the sharia bank must first purchase the motor vehicle and subsequently sell it to Mr. B, pursuant to this Law, the supply of the motor vehicle is deemed to be conducted directly by Taxable Person A to Mr. B.

Paragraph (2)

Subparagraph a

"Broker" refers to the brokers referred to in the Indonesian Commercial Code, namely intermediary traders appointed by the President or officials declared authorised for that purpose. They administer their companies by conducting work, deriving a certain wage or provision, based on the mandate of and on behalf of other people with whom there is no employment relationship.

Subparagraph b

Sufficiently clear.

Subparagraph c

In the event that a Taxable Person has more than one place of business, either as the head office or company branch, and the Taxable Person has submitted written notification to the Director General of Taxes, transfers of Taxable Goods from one place of business to another place of business (the head office to a branch or vice versa or between branches) are deemed not included in the definition of supplies of Taxable Goods, except for transfers of Taxable Goods between places of supply.

Subparagraph d

"Split-up" refers to the separation of businesses referred to in the Law stipulating limited liability companies.

Transfers of Taxable Goods in the context of a merger, consolidation, spin-off, split-up and acquisition as well as transfers of Taxable Goods for the purpose of paid-up capital, conducted by:

a. a Taxable Person to another Taxable Person, are not included in the definition of supplies of Taxable Goods, thereby, there is no Value Added Tax payable;
b. an Entrepreneur that has not been or is not registered as a Taxable Person, are included in the definition of supplies of Taxable Goods, thereby, there is Value Added Tax payable but not collected by the entrepreneur because has not been or is not registered as a Taxable Person; or
c. a Taxable Person to an entrepreneur that has not been or is not registered as a Taxable Person, are included in the definition of supplies of Taxable Goods, thereby, there is Value Added Tax payable that must be collected by the Taxable Person. In the event that the transferred Taxable Goods are in the form of assets that, according to their original purpose are not for sale, Value Added Tax imposed on the transfer of the Taxable Goods is conducted pursuant to the provisions stipulating supplies of Taxable Goods in the form of assets that, according to their original purpose, are not for sale.

Subparagraph e

Taxable Goods in the form of assets that, according to their original purpose are not for sale, that are remaining at the time of the dissolution of the company, whose Input VAT on the acquisition is non-creditable because not having a direct relationship with business activities as referred to in Article 9 paragraph (8) subparagraph b are not included in the definition of supplies of Taxable Goods.

Article 2

(1) In the event that the Selling Price or Reimbursement is influenced by a special relationship, the Selling Price or Reimbursement is calculated based on the fair market price at the time the supply of Taxable Goods or Taxable Services is conducted.

(2) A special relationship is deemed to exist if:
   a. An Entrepreneur has direct or indirect participation of 25% (twenty-five per cent) or more in another Entrepreneur or the relationship between Entrepreneurs with participation of 25% (twenty-five per cent) or more in two or more Entrepreneurs as well as the relationship between two Entrepreneurs or more of the latter; or
   b. An Entrepreneur controls another Entrepreneur or two or more Entrepreneurs are under the control of the same Entrepreneur, either directly or indirectly; or
   c. There is a family relationship either by blood or by marriage in a vertical lineage of one degree and/or a horizontal lineage of one degree.--[1st A]

Elucidation of Article 2

Paragraph (1)

The influence of the special relationship referred to in this Law is the possibility of a price being suppressed lower than the market price. In this case, the Director General of Taxes is authorised to adjust the Selling Price or Reimbursement constituting the Tax Base with the fair market price applicable in the free market.

Paragraph (2)

The special relationship between a Taxable Person and the party receiving a supply of Taxable Goods and/or Taxable Services may occur due to dependence or linkage with one another due to:
- the ownership or participation factor;
- the existence of control through management or use of technologies.

In addition to the abovementioned matters, a special relationship between individuals may also occur due to a blood relationship or due to marriage.

a) A special relationship is deemed to exist if there is an ownership relationship in the form of capital participation of 25% (twenty-five per cent) or more, either direct or indirect.

   Example:
   If PT. A holds 50% (fifty per cent) of PT. B's shares, the shareholding by PT. A constitutes direct participation. Further, if PT. B holds 50% (fifty per cent) of PT. C's shares, PT. A as a shareholder of PT. B indirectly has participation in PT. C by 25% (twenty-five per cent). In this case, PT. A, PT. B and PT. C are deemed related.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
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If PT. A also holds 25% (twenty-five per cent) of PT. D's shares, PT. B, PT. C and PT. D are deemed related. The abovementioned ownership relationship may also occur between individuals and entities.

b) The relationship between entrepreneurs described in letter a may also occur due to control through management or the use of technologies, although there is no ownership relationship.

A special relationship is deemed to exist if one or more companies are under the control of the same entrepreneur. Similarly, the relationship between several companies that are under the control of the same entrepreneur.

c) Family members related by blood in a vertical lineage of one degree refers to father, mother and children, whereas family relationship by blood in a horizontal lineage of one degree refers to siblings.

Family relationship by marriage in a vertical lineage of one degree refers to parents-in-law and stepchildren, whereas family relationship by marriage in a horizontal lineage of one degree refers to siblings-in-law.

If a husband and wife enter into an income and asset separation agreement, the relationship between the husband and wife is included in the definition of a special relationship pursuant to this Law.

CHAPTER II
VALUE ADDED TAX REGISTRATION

Article 3

Deleted.--[1st A]

Elucidation of Article 3
The provisions under Article 3 stipulating Value Added Tax Registration are deleted and transferred to the Law concerning General Provisions and Tax Procedures.

CHAPTER IIA
THE OBLIGATION TO REPORT BUSINESS AND THE OBLIGATION TO COLLECT, REMIT AND FILE TAX PAYABLE--[2nd A]

Article 3A

(1) Entrepreneurs conducting supplies referred to in Article 4 paragraph (1) subparagraph a, subparagraph c, subparagraph f, subparagraph g and subparagraph h, except for small-scale entrepreneurs whose threshold is stipulated by the Minister of Finance, are required to report their business

for Value Added Tax registration and required to collect, remit and file Value Added Tax and Sales Tax on Luxury Goods payable.--[3rd A]

(1a) The small-scale entrepreneurs referred to in paragraph (1) may choose to be registered as Taxable Persons.--[3rd A]

(2) Small-scale entrepreneurs that choose to be registered as Taxable Persons are required to implement the provisions referred to in paragraph (1).--[3rd A]

(3) Individuals or entities that utilise Intangible Taxable Goods from outside the Customs Territory referred to in Article 4 paragraph (1) subparagraph d and/or that utilise Taxable Services from outside the Customs Territory referred to in Article 4 paragraph (1) subparagraph e are required to collect, remit and file Value Added Tax payable, whose calculation and procedures shall be stipulated by a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 3A

Paragraph (1)

Entrepreneurs conducting supplies of Taxable Goods and/or supplies of Taxable Services within the Customs Territory and/or exports of Tangible Taxable Goods, exports of Taxable Services and/or exports of Intangible Taxable Goods are required to:

a. report their business for VAT registration;
b. collect tax payable;
c. remit the outstanding Value Added Tax in the event that the Output VAT is greater than the creditable Input VAT as well as remit Sales Tax on Luxury Goods payable; and
d. file the calculation of taxes.

The above obligations do not apply to small-scale entrepreneurs whose threshold is stipulated by the Minister of Finance.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

Small-scale entrepreneurs are allowed to choose to be registered as Taxable Persons. If a small-scale entrepreneur chooses to become a Taxable Person, this Law fully applies to the small-scale entrepreneur.

Paragraph (3)

Value Added Tax payable on the utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory must be collected by the individual or entity that utilises the Intangible Taxable Goods and/or Taxable Services.

CHAPTER III
TAXABLE OBJECTS--[2nd A]

Article 4

(1) Value Added Tax is imposed on:
   a. supplies of Taxable Goods within the Customs Territory conducted by entrepreneurs;
   b. imports of Taxable Goods;
   c. supplies of Taxable Services from outside the Customs Territory conducted by entrepreneurs;
   d. the utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory;
   e. the utilisation of Taxable Services from outside the Customs Territory within the Customs Territory;
   f. exports of Tangible Taxable Goods by Taxable Persons;
   g. exports of Intangible Taxable Goods by Taxable Persons; and
   h. exports of Taxable Services by Taxable Persons.--[3rd A]

(2) The provisions on the threshold of activities and types of Taxable Services whose exports are subject to Value Added Tax referred to in paragraph (1) subparagraph h shall be stipulated by a Minister of Finance Regulation. --[3rd A]

Elucidation of Article 4

Paragraph (1)

Subparagraph a

Entrepreneurs conducting supplies of Taxable Goods include both entrepreneurs that have been registered as Taxable Persons as referred to in Article 3A paragraph (1) and entrepreneurs that should be registered as Taxable Persons but have not been registered.

Taxable supplies of goods must fulfil the following requirements:
   a. the supplied tangible goods constitute Taxable Goods;
   b. the supplied intangible goods constitute Intangible Taxable Goods;
   c. the supplies are conducted within the Customs Territory; and
   d. the supplies are conducted in the context of business activities or employment.

Subparagraph b

Taxes are also collected at the time of the import of Taxable Goods. Collection is conducted through the Directorate General of Customs and Excise.

Different from a supply of Taxable Goods in subparagraph a, any person entering Taxable Goods into the Customs Territory, regardless of whether it is conducted in the context of their business activities or employment or not, remains subject to tax.

Subparagraph c

Entrepreneurs conducting supplies of Taxable Services include both entrepreneurs that have been registered as Taxable Persons referred to in Article 3A paragraph (1) and entrepreneurs that should be registered as Taxable Persons but have not been registered.

Taxable supplies of services must fulfil the following requirements:

a. the supplied services constitute Taxable Services;
b. the supplies are conducted within the Customs Territory; and
c. the supplies are conducted in their business activities or employment.

Included in the definition of supplies of Taxable Services are Taxable Services utilised for personal interest and/or granted free of charge.

Subparagraph d

To be able to grant the same taxation treatment as imports of Taxable Goods, Intangible Taxable Goods originating from outside the Customs Territory utilised by any person within the Customs Territory are also subject to Value Added Tax.

Example:
Entrepreneur A that is domiciled in Jakarta obtains the right to use the brand owned by Entrepreneur B that is domiciled in Hong Kong. The utilisation of the brand by Entrepreneur A within the Customs Territory is liable to Value Added Tax.

Subparagraph e

Services originating from outside the Customs Territory utilised by any person within the Customs Territory are subject to Value Added Tax.

For example, Taxable Person C in Surabaya utilises Taxable Services from Entrepreneur B that is domiciled in Singapore. On the utilisation of the said Taxable Services, Value Added Tax is payable.

Subparagraph f

Different from entrepreneurs conducting the activities referred to in subparagraph a, and/or subparagraph c, entrepreneurs exporting Tangible Taxable Goods shall only be entrepreneurs that have been registered as Taxable Persons referred to in Article 3A paragraph (1).

Subparagraph g

Similar to exports of Tangible Taxable Goods activities, entrepreneurs exporting Intangible Taxable Goods shall only be entrepreneurs that have been registered as Taxable Persons referred to in Article 3A paragraph (1).

"Intangible Taxable Goods" refer to:

1. the use or right to use copyright in the fields of literature, arts or scientific works, patents, designs or models, plans, secret formulas

or processes, trademarks or other forms of intellectual/industrial property rights or similar rights;

2. the use or right to use industrial, commercial or scientific tools/equipment;
3. the provision of knowledge or information in the scientific, technical, industrial or commercial sectors;
4. the provision of additional or complementary assistance in connection with the use or right to use the rights in number 1, the use or right to use the tools/equipment in number 2 or the provision of knowledge or information in number 3, in the form of:
   a) the receipt or the right to receive image recordings or sound recordings or both, which are distributed to the public via satellites, cables, fibre optic or similar technologies;
   b) the use or right to use image recordings or sound recordings or both, for television or radio broadcasts broadcast/transmitted via satellites, cables, fibre optic or similar technologies; and
   c) the use or right to use part or all radio communication spectrum;
5. the use or right to use motion picture films, films or videotapes for television broadcasts or sound tapes for radio broadcasts; and
6. the relinquishing of all or part of the rights in respect of the use or the granting of intellectual/industrial property rights or other rights as mentioned above.

Subparagraph h

Included in the definition of exports of Taxable Services are supplies of Taxable Services from within the Customs Territory to outside the Customs Territory by Taxable Persons that produce, and export Tangible Taxable Goods based on orders or demand with materials and based on instructions from buyers outside the Customs Territory.

Paragraph (2)

Sufficiently clear.

Article 4A

(1) Deleted.--**[3rd A]**

(2) The types of goods not subject to Value Added Tax are certain goods within the following groups of goods:
   a. deleted;
   b. deleted;
   c. food and beverages served in hotels, restaurants, eateries, grocery shops and the like, including food and beverages, either consumed on the premises or not, including food and beverages supplied by catering businesses that constitute taxable objects of local taxes and user charges pursuant to statutory provisions in the field of local taxes and user charges; and

d. money, gold bullions for foreign exchange reserves and securities.--[5th A]

(3) The types of services not subject to Value Added Tax are certain services within the following groups of services:
a. deleted;
b. deleted;
c. deleted;
d. deleted;
e. deleted;
f. religious services;
g. deleted;
h. arts and entertainment services, including all types of services conducted by artists and entertainers, that constitute objects of local taxes and user charges pursuant to statutory provisions in the field of local taxes and user charges;
i. deleted;
j. deleted;
k. deleted;
l. hospitality services, including bedroom rental services and/or room rental services in hotels that constitute objects of local taxes and user charges pursuant to statutory provisions in the field of local taxes and user charges;
m. services provided by the government in the context of running the governance in general, including all types of services in connection with service activities that may only be conducted by the government according to its authority pursuant to statutory laws and regulations and the services cannot be provided by other forms of business;
n. the provision of car park services, including the provision or administration of car park services conducted by car parks owners and/or entrepreneurs managing car parks to car park users that constitute objects of local taxes and user charges pursuant to statutory provisions in the field of local taxes and user charges;
o. deleted;
p. deleted; and
q. catering services, including all activities of providing food and beverages that constitute objects of local taxes and user charges pursuant to statutory provisions in the field of local taxes and user charges.--[5th A]

Elucidation of Article 4A

Paragraph (1)

Deleted.

Paragraph (2)

Subparagraph a

Deleted.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Subparagraph b
Deleted.

Subparagraph c
Sufficiently clear.

Subparagraph d
Sufficiently clear.

Paragraph (3)

Subparagraph a
Deleted.

Subparagraph b
Deleted.

Subparagraph c
Deleted.

Subparagraph d
Deleted.

Subparagraph e
Deleted.

Subparagraph f
Religious services include:
1. houses of worship services;
2. services of giving sermons or dawah;
3. services of organising religious activities; and
4. other services in the field of religious affairs.

Subparagraph g
Deleted.

Subparagraph h
Sufficiently clear.

Subparagraph i
Deleted.

Subparagraph j
Deleted.

Subparagraph k
Deleted.

Subparagraph l
Sufficiently clear.

Subparagraph m
Sufficiently clear.

Subparagraph n
Sufficiently clear.

Subparagraph o
Deleted.

Subparagraph p
Deleted.

Subparagraph q
Sufficiently clear.

Article 5

(1) In addition to the imposition of Value Added Tax referred to in Article 4 paragraph (1), Sales Tax on Luxury Goods is also imposed on:
   a. supplies of Taxable luxury Goods conducted by entrepreneurs that produce the goods within the Customs Territory in their business activities or employment; and
   b. imports of Taxable luxury Goods.--[3rd A]

(2) Sales Tax on Luxury Goods is only imposed 1 (one) time at the time of a supply of Taxable luxury Goods by the entrepreneur that produces or at the time of an import of Taxable luxury Goods.--[3rd A]

Elucidation of Article 5

Paragraph (1)

A supply of Taxable luxury Goods by the manufacturer or an import of Taxable luxury Goods, in addition to being subject to Value Added Tax, is also subject to Sales Tax on Luxury Goods based on the consideration that:
a. a balance in the tax imposition between low-income consumers and high-income consumers is necessary;
b. control of the consumption patterns of Taxable luxury Goods is necessary;
c. protection of small-scale or traditional producers is necessary; and
d. it is necessary to secure state revenues.

"Taxable luxury Goods" refer to:
1. goods that do not constitute basic necessities;
2. goods that are consumed by certain people;
3. goods that are generally consumed by high-income people; and/or
4. goods that are consumed to show status.

The imposition of Sales Tax on Luxury Goods on an import of Taxable luxury Goods does not take into account the importer of the Taxable Goods as well as does not take into account if the import is conducted continuously or only once.

In addition, the imposition of Sales Tax on Luxury Goods on a supply of Taxable luxury Goods does not take into account whether a part of the Taxable Goods has been subject to or not subject to Sales Tax on Luxury Goods in the previous transaction.

Included in the definition of producing in this paragraph are activities of:

a. assembling, namely combining loose parts of goods into semi-finished goods or finished goods, such as assembling cars, electronic goods and household furniture;
b. cooking, namely processing goods by heating, either mixed with other materials or not;
c. mixing, namely uniting two or more elements (substances) to produce one or more other goods;
d. packaging, namely placing goods into an object to protect it from damage and/or to improve its marketing; and
e. bottling, namely putting beverages or liquids into bottles that are closed according to certain methods;

as well as other activities that are equivalent to those activities or instructing other people or entities to conduct such activities.

Paragraph (2)

The general definition of Input VAT only applies to Value Added Tax and is not known in Sales Tax on Luxury Goods. Therefore, Sales Tax on Luxury Goods that has been paid cannot be credited against Sales Tax on Luxury Goods payable.

Therefore, the principle of the collection is only 1 (one) time, namely at the time of:

a. the supply by the manufacturer or producer of the Taxable luxury Goods; or
b. the import of Taxable luxury Goods.

Supplies at the next levels are no longer subject to Sales Tax on Luxury Goods.

Article 5A

(1) Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods on a supply of Taxable Goods that are returned may be deducted from Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable in the Taxable Period the return of the Taxable Goods concerned occurs.**--[3rd A]**

(2) Value Added Tax on a cancelled supply of Taxable Goods, either in full or in part, may be deducted from Value Added Tax payable in the Taxable Period the cancellation occurs. .**--[3rd A]**

(3) The provisions on procedures for the deduction of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph

(1) and the deduction of Value Added Tax as referred to in paragraph (2) shall be stipulated by a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 5A

Paragraph (1)

In the event that the supplied Taxable Goods are, in fact, returned by the buyer, Value Added Tax and Sales Tax on Luxury Goods on the returned Taxable Goods reduce the Output VAT and Sales Tax on Luxury Goods payable to the seller Taxable Persons and reduce:

a. Input VAT of the buyer Taxable Person, in the event that Input VAT on the returned Taxable Goods has been credited;
b. costs or assets for the buyer Taxable Person, in the event that the tax on the returned Taxable Goods is not credited and has been charged to expenses or has been added (capitalised) to the acquisition cost of the assets; or
c. costs or assets for the buyer not constituting a Taxable Person in the event that the tax on the returned Taxable Goods has been charged to expenses or has been added (capitalised) to the acquisition cost of the assets.

Paragraph (2)

"Cancelled Taxable Services" refer to the cancellation of all or part of rights or facilities or concessions by the recipient of Taxable Services.

In the event that the supplied of Taxable Service are cancelled, either in part or in full by the recipient of Taxable Services, Value Added Tax on the cancelled Taxable Services reduces Output VAT payable to the Taxable Person providing the Taxable Services and reduces:

a. Input VAT of the Taxable Person receiving the Taxable Services, in the event that Input VAT on the cancelled Taxable Services has been credited;
b. costs or expenses for the Taxable Person receiving the Taxable Services, in the event that Value Added Tax on the cancelled Taxable Services is not credited and has been charged to expenses or has been added (capitalised) to the acquisition cost of the assets; or
c. costs or assets for the recipient of Taxable Services that does not constitute a Taxable Person in the event that Value Added Tax on the cancelled Taxable Services has been charged to expenses or has been added (capitalised) to the acquisition cost of the assets.

Paragraph (3)

Sufficiently clear.

Article 6

Deleted.--[2nd A]

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 6
Sufficiently clear.

CHAPTER IV
TAX RATES AND METHODS FOR CALCULATING TAXES

Article 7

(1) Value Added Tax rate:
   a. amounts to 11% (eleven per cent) effective on 1 April 2022;
   b. amounts to 12% (twelve per cent) effective no later than 1 January 2025. **--[5th A]**

(2) A Value Added Tax rate of 0% (zero per cent) is imposed on:
   a. exports of Tangible Taxable Goods;
   b. exports of Intangible Taxable Goods; and
   c. exports of Taxable Services.**--[3rd A]**

(3) The Value Added Tax rate referred to in paragraph (1) may be changed to a minimum of 5% (five per cent) and a maximum of 15% (fifteen per cent). **--[5th A]**

(4) Changes in the Value Added Tax rate referred to in paragraph (3) shall be stipulated by a Government Regulation after being submitted by the Government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.**--[5th A]**

Elucidation of Article 7

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Value Added Tax is imposed on the consumption of Taxable Goods and/or Taxable Services within the Customs Territory. Therefore, exports of Taxable Goods and/or Taxable Services for consumption outside the Customs Territory are subject to Value Added Tax at a rate of 0% (zero per cent).

The imposition of the 0% (zero per cent) rate does not imply the exemption from Value Added Tax. Therefore, Input VAT that has been paid for an acquisition of Taxable Goods and/or Taxable Services related to the activities is creditable.

Paragraph (3)
Based on considerations of economic development and/or increased need for funds for development, the Value Added Tax rate may be changed to a minimum of 5% (five per cent) and a maximum of 15% (fifteen per cent).

Paragraph (4)

"House of Representatives of the Republic of Indonesia" refers to permanent complementary organs of the House of Representatives of the Republic of Indonesia, namely the commission whose duties and authorities are in the finance, banking and development planning sectors.

Article 8

(1) The Sales Tax on Luxury Goods rate is stipulated at a minimum of 10% (ten per cent) and a maximum of 200% (two hundred per cent).--[3rd A]

(2) Exports of Taxable luxury Goods are subject to a tax at a rate of 0% (zero per cent).--[3rd A]

(3) The provisions on groups of Taxable luxury Goods subject to Sales Tax on Luxury Goods at the rate referred to in paragraph (1) shall be stipulated by a Government Regulation.--[3rd A]

(4) The provisions on the types of goods subject to Sales Tax on Luxury Goods referred to in paragraph (3) shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

Elucidation of Article 8

Paragraph (1)

Sales Tax on Luxury Goods rates may be stipulated in several rate groups, namely the lowest rate of 10% (ten per cent) and the highest of 200% (two hundred per cent). The difference in the rate groups is based on the grouping of Taxable luxury Goods subject to Sales Tax on Luxury Goods referred to in Article 5 paragraph (1).

Paragraph (2)

Sales Tax on Luxury Goods is a tax imposed on the consumption of Taxable luxury Goods within the Customs Territory. Therefore, Taxable luxury Goods that are exported or consumed outside the Customs Territory are subject to Sales Tax on Luxury Goods at a rate of 0% (zero per cent). The refund of the Sales Tax on Luxury Goods that has been paid on the acquisition of the exported Taxable luxury Goods may be requested.

Paragraph (3)

Referring to the considerations listed in the elucidation of Article 5 paragraph (1), the grouping of goods subject to Sales Tax on Luxury Goods is mainly based on the ability to pay of the groups of people using the goods, in addition to being based on their utility for the people in general. In this regard, high rates shall be imposed on goods that are only consumed by high-income people. In the event that goods consumed by the general public need to be subject to Sales Tax on Luxury Goods, the rates used are low rates. The grouping of goods subject to Sales Tax on Luxury Goods is conducted after consulting with the complementary organs of the House of Representatives in charge of finance.

Paragraph (4)
Sufficiently clear.

Article 8A

(1) Value Added Tax payable is calculated by multiplying the rate referred to in Article 7 by the Tax Base which includes the Selling Price, Reimbursement, Import Value, Export Value or other values. .--[3rd A]
(2) Deleted.--[5th A]
(3) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory, wherein the calculation of Value Added Tax payable uses the Tax Base in the form of other values referred to in paragraph (1), is creditable.--[5th A]

Elucidation of Article 8A

Paragraph (1)
Example:

a. The application of the 12% (twelve per cent) rate
Taxable Person A sells Taxable Goods in cash at a Selling Price of IDR10,000,000.00 (ten million rupiah). Value Added Tax payable = 12% x IDR10,000,000.00 = IDR1,200,000,000.00. The Value Added Tax of IDR1,200,000.00 (one million and two hundred thousand rupiah) constitutes Output VAT collected by Taxable Person A.

b. The imposition of the 12% (twelve per cent) rate
A person imports certain Taxable Goods that are subject to the 12% (twelve per cent) rate with an Import Value of IDR10,000,000.00 (ten million rupiah). Value Added Tax collected through the Directorate General of Customs and Excise = 12% x IDR10,000,000.00 = IDR1,200,000.00.

c. The imposition of the 0% (zero per cent) rate
Taxable Person D exports Taxable Goods with an Export Value of IDR10,000,000.00 (ten million rupiah). Value Added Tax payable = 0% x IDR10,000,000.00 = IDR0.00. The Value Added Tax of IDR0.00 (zero rupiah) constitutes Output VAT.

Paragraph (2)
Deleted.

Paragraph (3)
Sufficiently clear.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Article 9

(1) Deleted.--[3rd A]

(2) Input VAT in a Taxable Period is credited against Output VAT in the same Taxable Period.--[3rd A]

(2a) For Taxable Persons that have not conducted supplies of Taxable Goods and/or Taxable Services and/or exports of Taxable Goods and/or Taxable Services, Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods Taxes as well as the utilisation of Intangible Taxable Goods and/or the utilisation of Taxable Services from outside the Customs Territory within the Customs Territory is creditable insofar as fulfilling the provisions on crediting pursuant to Law. --[4th A]

(2b) Input VAT that is credited must use a Tax Invoice that fulfils the requirements referred to in Article 13 paragraph (5) and paragraph (9).--[3rd A]

(3) If in a Taxable Period, Output VAT is greater than Input VAT, the difference constitutes Value Added Tax that must be remitted by the Taxable Persons.--[3rd A]

(4) If in a Taxable Period, creditable Input VAT is greater than Output VAT, the difference constitutes tax overpayment that is carried forward to the next Taxable Period.--[3rd A]

(4a) For the Input VAT overpayment referred to in paragraph (4), the application for a refund may be submitted at the end of the accounting year.--[3rd A]

(4b) Excluded from the provisions referred to in paragraph (4) and paragraph (4a), for the Input VAT overpayment, the application for a refund in each Taxable Period may be submitted by:

a. Taxable Persons conducting exports of Tangible Taxable Goods;
b. Taxable Persons conducting supplies of Taxable Goods and/or supplies of Taxable Services to Value Added Tax Collection Agents;
c. Taxable Persons conducting supplies of Taxable Goods and/or supplies of Taxable Services subject to Value Added Tax but not collected;
d. Taxable Persons conducting exports of Intangible Taxable Goods;
e. Taxable Persons conducting exports of Taxable Services; and/or
f. deleted.--[4th A]

(4c) The refund of Input VAT overpayment to Taxable Persons referred to in paragraph (4b) subparagraph a to subparagraph e, that have the criteria as low-risk Taxable Persons is conducted using preliminary tax refunds pursuant to provisions referred to in Article 17C paragraph (1) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.--[3rd A]

(4d) Deleted.--[5th A]

(4e) The Director General of Taxes may audit Taxable Persons referred to in paragraph (4c) and issue notices of tax assessment after conducting preliminary tax refunds.--[3rd A]

(4f) If based on the audit findings referred to in paragraph (4e), the Director General of Taxes issues a Notice of Tax Underpayment Assessment, the

amount of tax underpayment is added with an administrative penalty in the form of interest referred to in Article 13 paragraph (2) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.**--[3rd A]**

(5) If in a Taxable Period, a Taxable Person conducts:
   a. taxable supplies and Input VAT in respect of the supplies is creditable; and
   b. taxable supplies and Input VAT in respect of the supplies is non-creditable and/or non-taxable supplies,

   in the event that a fraction of the taxable supplies referred to in subparagraph a may be known with certainty from the bookkeeping, the amount of creditable Input VAT constitutes Input VAT in respect of the supplies referred to in subparagraph a.**--[5th A]**

(6) If in a Taxable Period, a Taxable Person conducts:
   a. taxable supplies and input VAT in respect of the supplies is creditable; and
   b. taxable supplies and Input VAT in respect of the supplies is non-creditable and/or non-taxable supplies,

   whereas Input VAT in connection with the taxable supplies referred to in subparagraph a cannot be known with certainty, the amount of creditable Input VAT is calculated using Input VAT crediting guidelines.**--[5th A]**

(6a) If until a period of 3 (three) years from the Taxable Period of the first Input VAT crediting referred to in paragraph (2a), a Taxable Person has not conducted a supply of Taxable Goods and/or Taxable Services and/or export of Taxable Goods and/or Taxable Services related to the Input VAT, Input VAT that has been credited within the period of 3 (three) years becomes non-creditable.**--[4th A]**

(6b) Deleted.**--[4th A]**

(6c) The period referred to in paragraph (6a) for certain business sectors may be set at more than 3 (three) years.**--[4th A]**

(6d) The provisions referred to in paragraph (6a) also apply to Taxable Persons that dissolve (terminate) businesses, conduct VAT deregistration or subject to *ex officio* VAT deregistration within a period of 3 (three) years from the Taxable Period of the first Input VAT crediting.**--[4th A]**

(6e) The non-creditable Input VAT referred to in paragraph (6a):
   a. must be repaid to the state treasury by a Taxable Person, in the event that the Taxable Person:
      1. has received the tax refund for the Input VAT concerned; and/or
      2. has credited the Input VAT concerned against Output VAT payable in a Taxable Period;

      and/or
   b. cannot be carried forward to the next Taxable Period and the application for a refund cannot be submitted, after the period of 3 (three) years referred to in paragraph (6a) ends or at the time of the dissolution (termination) of business or VAT deregistration referred to in

paragraph (6d) by the Taxable Persons, in the event that the Taxable Person carries forward the tax refund concerned.--[4th A]

(6f) The repayment of Input VAT referred to in paragraph (6e) subparagraph a is conducted no later than:
a. at the end of the following month after the date the period of 3 (three) years referred to in paragraph (6a) ends;
b. the end of the following month after the date of the period for certain business sectors referred to in paragraph (6c) ends; or
c. the end of the month after the date of the dissolution (termination) of the business or VAT deregistration referred to in paragraph (6d).--[4th A]

(6g) In the event that Taxable Persons do not implement the repayment obligation according to the period referred to in paragraph (6f), the Director General of Taxes issues a Notice of Tax Underpayment Assessment for the amount of tax that should be repaid referred to in paragraph (6e) subparagraph a by the Taxable Persons plus an administrative penalty in the form of interest referred to in Article 13 paragraph (2a) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.--[4th A]

(7) Deleted.--[5th A]

(7a) Deleted.--[5th A]

(7b) Deleted.--[5th A]

(8) The Input VAT crediting referred to in paragraph (2) cannot be applied to expenses for:
a. deleted;
b. the acquisition of Taxable Goods or Taxable Services without a direct relationship with business activities;
c. deleted;
d. deleted;
e. deleted;
f. the acquisition of Taxable Goods or Taxable Services whose Tax Invoice does not fulfil the provisions referred to in Article 13 paragraph (5) or paragraph (9) or does not list the name, address and Taxpayer Identification Number of the buyer of Taxable Goods or the recipient of Taxable Services;
g. the utilisation of Intangible Taxable Goods or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory whose Tax Invoice does not fulfil the provisions referred to in Article 13 paragraph (6);
h. deleted;
i. deleted; and
j. deleted.--[5th A]

(9) Creditable Input VAT but has not been credited against Output VAT in the same Taxable Period is creditable in the next Taxable Period for a maximum of 3 (three) Taxable Periods after the end of the Taxable Period at the time the Tax Invoice is prepared insofar as it has not been charged to

expenses or has not been added (capitalised) in the acquisition cost of Taxable Goods or Taxable Services as well as fulfils the provisions on crediting pursuant to this Law.--[4th A]

(9a) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory before an Entrepreneur is registered as a Taxable Person, may be credited by the Taxable Person using Input VAT crediting guidelines of 80% (eighty per cent) of Output VAT that should be collected.--[4th A]

(9b) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory that are not filed in Periodic Value Added Tax Returns that are notified and/or found at the time the audit is conducted may be credited by the Taxable Person insofar as fulfilling the provisions on crediting pursuant to this Law.--[4th A]

(9c) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory that is collected with the issuance of tax assessments may be credited by the Taxable Person amounting to the principal amount of Value Added Tax listed in the tax assessment provided that the tax assessment concerned has been settled and no legal action is conducted as well as fulfilling the provisions on crediting pursuant to this Law.--[4th A]

(10) Deleted.--[2nd A]

(11) Deleted.--[2nd A]

(12) Deleted.--[2nd A]

(13) Deleted.--[5th A]

(14) In the event that a transfer of Taxable Goods occurs in the context of a merger, consolidation, spin-off, split-up and acquisition, Input VAT on the transferred Taxable Goods that has not been credited by the transferor Taxable Person may be credited by the transferee Taxable Person insofar as the Tax Invoice is received after the transfer occurs and Input VAT has not been charged to expenses or capitalised.--[3rd A]

Elucidation of Article 9

Paragraph (1)

Deleted.

Paragraph (2)

Buyers of Taxable Goods, recipients of Taxable Services, importers of Taxable Goods, parties utilising Intangible Taxable Goods from outside the Customs Territory or parties utilising Taxable Services from outside the Customs Territory are required to pay Value Added Tax and entitled

to receive collections receipts. Value Added Tax that should have been paid constitutes Input VAT for buyers of Taxable Goods, recipients of Taxable Services, importers of Taxable Goods, parties utilising Intangible Taxable Goods from outside the Customs Territory within the Customs Territory or parties utilising Taxable Services from outside the Customs Territory within the Customs Territory of Taxable Person status. Input VAT that must be paid by the Taxable Persons may be credited against the Output VAT they collect in the same Taxable Period.

Paragraph (2a)

Sufficiently clear.

Paragraph (2b)

To credit Input VAT, Taxable Persons use Tax Invoices that fulfil the requirements referred to in Article 13 paragraph (5).

In addition, Input VAT that will be credited must also fulfil the requirements of formal and material correctness referred to in Article 13 paragraph (9).

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Input VAT referred to in this paragraph is creditable Input VAT.

In a Taxable Period, creditable Input VAT may be greater than Output VAT. The refund of the Input VAT overpayment cannot be requested in the Taxable Period concerned but is carried forward to the following Taxable Period.

Example:

May 2023 Taxable Period

Output VAT	=	IDR 2,000,000.00	
Creditable Input VAT	=	IDR 4,500,000.00	(-)
Overpaid tax	=	IDR 2,500,000.00	

The overpaid tax is carried forward to the June 2023 Taxable Period.

June 2023 Taxable Period

Output VAT	=	IDR 3,000,000.00	
Creditable Input VAT	=	IDR 2,000,000.00	(-)
The underpaid tax	=	IDR 1,000,000.00	
Overpaid tax from the May 2023 Taxable Period carried forward to the June 2023 Taxable Period	=	IDR 2,500,000.00	(-)
The overpaid tax in the June 2023 Taxable Period	=	IDR 1,500,000.00	

The overpaid tax is carried forward to the July 2023 Taxable Period.**--[5th A]**

Paragraph (4a)

The Input VAT overpayment in a Taxable Period pursuant to the provisions under paragraph (4) is carried forward to the following Taxable Period.

However, if the Input VAT overpayment occurs in a Taxable Period at the end of an accounting year, the application for a refund of the Input VAT overpayment may be submitted.

Included in the definition of the end of an accounting year under this provision is the Taxable Period when the Taxpayer conducts business termination (dissolution).

Paragraph (4b)

Sufficiently clear.

Paragraph (4c)

Sufficiently clear.

Paragraph (4d)

Deleted.

Paragraph (4e)

To reduce the misuse of the granting of the accelerated tax refund concession, the Director General of Taxes may conduct an audit after granting preliminary tax refunds.

Paragraph (4f)

In the event that the Director General of Taxes, after conducting an audit, issues a Notice of Tax Underpayment Assessment, the surcharge penalty referred to in Article 17C paragraph (5) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto shall not be applied although at the previous stage, a Preliminary Tax Refund Decision Letter has been issued.

On the other hand, administrative penalties that are imposed shall comply with Article 13 paragraph (2) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

If in the audit concerned, indications of a tax crime are found, this provision shall not apply.

Paragraph (5)

"Taxable supplies" refer to supplies of goods or services that pursuant to the provisions under this Law are subject to Value Added Tax. There are two Input VAT treatments for taxable supplies, namely creditable or non-creditable.

"Non-taxable supplies" refer to the supplies of goods and services that are not subject to Value Added Tax referred to in Article 4A and that are exempt from the imposition of Value Added Tax referred to in Article 16B. Input VAT on non-taxable supplies is non-creditable.

A Taxable Person that in a Taxable Period conducts taxable supplies and the Input VAT is creditable, the taxable supplies on which the Input VAT is non-creditable and non-taxable supplies, may only credit Input VAT in respect of taxable supplies and the Input VAT is creditable. The fraction of the taxable supplies must be known with certainty from the Taxable Person's bookkeeping.

Example:
A Taxable Person conducts several types of supplies, namely:

a. a taxable supply and the Input VAT is creditable with a selling price of IDR25,000,000.00 (twenty-five million rupiah) against Output VAT of IDR3,000,000.00 (three million rupiah) under the assumption of the imposition of a normal rate of 12% (twelve per cent);
b. a taxable supply and the Input VAT is non-creditable with a selling price of IDR20,000,000.00 (twenty million rupiah) against Output VAT of IDR400,000.00 (four hundred thousand rupiah) under the assumption of the imposition of a final rate of 2% (two per cent);
c. a supply not subject to Value Added Tax of IDR5,000,000.00 (five million rupiah) without collecting Output VAT.

The amount of Output VAT that must be collected is IDR3,400,000.00 (three million and four hundred thousand rupiah).

Input VAT paid on the acquisition of:

a. Taxable Goods and/or Taxable Services related to a taxable supply and the Input VAT is creditable, amounts to IDR1,500,000.00 (one million and five hundred thousand rupiah);
b. Taxable Goods and/or Taxable Services related to a taxable supply and the Input VAT is non-creditable, amounts to IDR1,000,000.00 (one million rupiah);
c. Taxable Goods and Taxable Services related to a non-taxable supply amount to IDR300,000.00 (three hundred thousand rupiah).

The amount of Input VAT that has been paid is IDR2,800,000.00 (two million and eight hundred thousand rupiah).

Pursuant to this provision, Input VAT that may be credited against Output VAT of IDR3,400,000.00 only amounts to IDR1,500,000.00 which originates from the Input VAT on the acquisition of Taxable Goods and/or Taxable Services related to the taxable supplies.

Paragraph (6)

In the event that Input VAT on a taxable supply and the creditable Input VAT cannot be known with certainty, the method of Input VAT crediting is calculated based on Input VAT crediting guidelines, which are intended to provide convenience and certainty to Taxable Persons.

Example:

A Taxable Person conducts 3 (three) types of supplies, namely:

a. a taxable supply and the Input VAT is creditable of IDR35,000,000.00 (thirty-five million rupiah) against the Output VAT of IDR4,200,000.00 (four million and two hundred thousand rupiah) under the assumption of the imposition of a normal rate of 12% (twelve per cent);

b. a taxable supply and the Input VAT is non-creditable of IDR20,000,000.00 (twenty million rupiah) against the Output VAT of IDR400,000.00 (four hundred thousand rupiah) under the assumption of the imposition of a final rate of 2% (two per cent);

c. a non-taxable supply of IDR15,000,000.00 (fifteen million rupiah) without collecting Output VAT.

The amount of Output VAT that must be collected is IDR4,600,000.00 (four million and six hundred thousand rupiah).

Input VAT paid for the acquisition of Taxable Goods and/or Taxable Services related to the entire supplies shall amount to IDR2,500,000.00 (two million and five hundred thousand rupiah), whereas Input VAT related to the taxable supplies and creditable Input VAT cannot be known with certainty. Pursuant to this provision, the Input VAT of IDR2,500,000.00 (two million and five hundred thousand rupiah) cannot be credited entirely against the Output VAT of IDR4,600,000.00 (four million and six hundred thousand rupiah).

The amount of creditable Input VAT is calculated based on Input VAT crediting guidelines.

Paragraph (6a)

Sufficiently clear.

Paragraph (6b)

Deleted.

Paragraph (6c)

Sufficiently clear.

Paragraph (6d)

Sufficiently clear.

Paragraph (6e)

Sufficiently clear.

Paragraph (6f)
Sufficiently clear.

Paragraph (6g)
Sufficiently clear.

Paragraph (7)
Deleted.

Paragraph (7a)
Deleted.

Paragraph (7b)
Deleted.

Paragraph (8)
Input VAT is, basically, creditable against Output VAT. However, for costs referred to in this paragraph, Input VAT is non-creditable.

Subparagraph a
Deleted.

Subparagraph b
Costs directly related to business activities are costs for production, distribution, marketing and management activities.

This provision applies to all business sectors. To be creditable, Input VAT must also fulfil the requirement that the cost relates to the existence of supplies subject to Value Added Tax. Therefore, although a cost has fulfilled the requirement of the existence of a direct relationship with business activities, the Input VAT may be non-creditable, namely if the costs are not related to the supplies subject to Value Added Tax.

Subparagraph c
Deleted.

Subparagraph d
Deleted.

Subparagraph e
Deleted.

Subparagraph f
Sufficiently clear.

Subparagraph g
Sufficiently clear.

Subparagraph h
Deleted.

Subparagraph i
Deleted.

Subparagraph j
Deleted.

Paragraph (9)
Sufficiently clear.

Paragraph (9a)
Sufficiently clear.

Paragraph (9b)
Sufficiently clear.

Paragraph (9c)
Sufficiently clear.

Paragraph (10)
Deleted.

Paragraph (11)
Deleted.

Paragraph (12)
Deleted.

Paragraph (13)
Deleted.

Paragraph (14)
Sufficiently clear.

Article 9A

(1) Taxable Persons that:
   a. have business turnover in 1 (one) accounting year not exceeding a certain amount;
   b. conduct certain businesses activities; and/or
   c. conduct supplies of certain Taxable Goods and/or certain Taxable Services,

   may collect and remit Value Added Tax payable on supplies of Taxable Goods and/or Taxable Services in a certain amount.**--[5th A]**

(2) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory, that are related to supplies by the Taxable Persons referred to in paragraph (1) is non-creditable.**--[5th A]**

Elucidation of Article 9A

Paragraph (1)

In the context of providing convenience and simplification of tax administration as well as a sense of fairness, the Minister of Finance may determine the amount of Value Added Tax collected and remitted by:

a. Taxable Persons whose business turnover in 1 (one) accounting year does not exceed a certain amount;

b. Taxable Persons conducting certain businesses activities, among others those that:

1. experience difficulties in administering Input VAT;
2. those conducting transactions through third parties, both supplies of Taxable Goods and/or Taxable Services and the payments; or
3. have complexities of business processes, thereby, the imposition of Value Added Tax using normal mechanisms is not possible,

and/or

c. Taxable Persons conducting supplies of certain Taxable Goods and/or certain Taxable Services.

"Certain Taxable Goods and/or certain Taxable Services" are:

1. Taxable Goods and/or Taxable Services subject to Value Added Tax in the context of expanding the tax basis; and
2. Taxable Goods that are highly needed by the general public.

Paragraph (2)

Sufficiently clear.

Article 10

(1) Sales Tax on Luxury Goods payable is calculated by multiplying the rates referred to in Article 8 by the Tax Base.--[2nd A]

(2) Sales Tax on Luxury Goods that has been paid at the time of the acquisition or import of Taxable Luxury Goods, cannot be credited against Value Added Tax or Sales Tax on Luxury Goods collected pursuant to this Law.--[1st A]

(3) Taxable Persons that export Taxable Luxury Goods may apply for a refund of Sales Tax on Luxury Goods that has been paid at the time of the acquisition of the exported Taxable Luxury Goods.--[2nd A]

Elucidation of Article 10

Paragraph (1)

Sales Tax on Luxury Goods payable is calculated by multiplying the Selling Price, Import Value, Export Value or Other Values stipulated by the Minister of Finance Decree by the tax rates stipulated under Article 8.

Paragraph (2)

Different from the Value Added Tax collected at each level of a supply, Sales Tax on Luxury Goods is only collected at the supply level by a

Taxable Person that produces Taxable Luxury Goods or on an import of Taxable Luxury Goods. Therefore, Sales Tax on Luxury Goods does not constitute Input VAT, thereby, is non-creditable. Therefore, Sales Tax on Luxury Goods may be added to the price of the Taxable Goods concerned or charged to expenses pursuant to Income Tax statutory provisions.

Example:
Taxable Person "A" imports Taxable Goods with an Import Value of IDR5,000,000.00. The Taxable Goods, in addition to being subject to Value Added Tax, for example, are also subject to Sales Tax on Luxury Goods at a rate of 20%. Therefore, the calculation of Value Added Tax and Sales Tax on Luxury Goods payable on the import of the Taxable Goods is:

- Tax Base = IDR5,000,000.00
- Value Added Tax: 10% x IDR5,000,000.00 = IDR500,000.00
- Sales Tax on Luxury Goods:
  20% x IDR5,000,000.00 = IDR1,000,000.00

Further, Taxable Person "A" uses the Taxable Goods as part of other Taxable Goods whose supply is subject to Value Added Tax of 10% and Sales Tax on Luxury Goods of 35%. Because the Sales Tax on Luxury Goods that has been paid for the imported Taxable Goods is non-creditable, the Sales Tax on Luxury Goods of IDR1,000,000.00 may be added to the price of Taxable Goods produced by Taxable Person "A" or charged to expenses.

Further, Taxable Person "A" sells the Taxable Goods he produces to Taxable Person "B" with a Selling Price of IDR 50,000,000.00. Thus, the calculation of Value Added Tax and Sales Tax on Luxury Goods payable is:

- Tax Base = IDR50,000,000.00
- Value Added Tax: 10% x IDR50,000,000.00 = IDR5,000,000.00
- Sales Tax on Luxury Goods:
  35% x IDR50,000,000.00 = IDR17,500,000.00

In this example, Taxable Person "A" may credit the Value Added Tax of IDR500,000.00 above against the Value Added Tax of IDR5,000,000.00.

On the other hand, the Sales Tax on Luxury Goods of IDR1,000,000.00 is non-creditable, either against the Value Added Tax of IDR5,000,000.00 or against the Sales Tax on Luxury Goods of IDR17,500,000.00.

Paragraph (3)

For Taxable Persons that have paid Sales Tax on Luxury Goods at the time of the acquisition of Taxable Luxury Goods, insofar as the Sales Tax on Luxury Goods has not been charged to expenses, the Taxable Persons are entitled to request a refund of the Sales Tax on Luxury Goods they paid, if the Taxable Persons concerned have exported the Taxable Luxury Goods.

Example:
Taxable Person "A" purchases a car from a Sole Licensee Agent at IDR100,000,000.00.

He pays Value Added Tax and Sales Tax on Luxury Goods of IDR10,000,000.00 and IDR35,000,000.00 respectively. If the car is subsequently exported, Taxable Person "A" is entitled to request a refund of Value Added Tax of IDR10,000,000.00 and Sales Tax on Luxury Goods of IDR35,000,000.00 that he has paid when purchasing the car.

CHAPTER V
THE TIME AND PLACE OF SUPPLY AND REPORTS ON TAX CALCULATION

Article 11

(1) The time of supply occurs at the time of the:
   a. supply of Taxable Goods;
   b. import Taxable Goods;
   c. supply of Taxable Services;
   d. utilisation of Intangible Taxable Goods from outside the Customs Territory;
   e. utilisation of Taxable Services from outside the Customs Territory;
   f. export of Tangible Taxable Goods;
   g. export of Intangible Taxable Goods; or
   h. export of Taxable Services.--[3rd A]

(2) In the event that payment is received before a supply of Taxable Goods or before a supply of Taxable Services or in the event that the payment is performed before the start of the utilisation of Intangible Taxable Goods or Taxable Services from outside the Customs Territory, the time of supply is at the time of payment.--[3rd A]

(3) Deleted.--[2nd A]

(4) The Director General of Taxes may stipulate other times as the time of supply in the event that the time of supply is difficult to determine or there are changes in the provisions that may result in unfairness.--[2nd A]

(5) Deleted.--[2nd A]

Elucidation of Article 11

Paragraph (1)

The collection of Value Added Tax and Sales Tax on Luxury Goods adheres to the accrual principle, which implies that the time of supply occurs at the time of supply of Taxable Goods or Taxable Services although the payment for the supply has not been received or has not been completely received or at the time of the import of Taxable Goods. The time of supply for transactions conducted through electronic commerce shall comply with this provision.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Subparagraph a
Sufficiently clear.

Subparagraph b
Sufficiently clear.

Subparagraph c
Sufficiently clear.

Subparagraph d
In the event that an individual or entity utilises Intangible Taxable Goods from outside the Customs Territory within the Customs Territory or utilises Taxable Services from outside the Customs Territory within the Customs Territory, the time of supply occurs at the time the individual or entity starts to utilise the Intangible Taxable Goods or Taxable Services within the Customs Territory. This is connected to the fact that the supplier of the Intangible Taxable Goods or Taxable Services is outside the Customs Territory, thereby, they cannot be registered as Taxable Persons. Therefore, the time of supply is no longer associated with the time of supply but is associated with the time of utilisation.

Subparagraph e
Sufficiently clear.

Subparagraph f
Sufficiently clear.

Subparagraph g
Sufficiently clear.

Subparagraph h
Sufficiently clear.

Paragraph (2)
In the event that the payment is received before the supply of Taxable Goods referred to in Article 4 paragraph (1) subparagraph a, before the supply of Taxable Services referred to in Article 4 paragraph (1) subparagraph c, before the start of utilisation of Intangible Taxable Goods from outside the Customs Territory referred to in Article 4 paragraph (1) subparagraph d or before the start of utilisation of Taxable Services from outside the Customs Territory referred to in Article 4 paragraph (1) subparagraph e, the time of supply is at the time of payment.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Article 12

(1) The Taxable Persons conducting supplies referred to in Article 4 paragraph (1) subparagraph a, subparagraph c, subparagraph f, subparagraph g and/or subparagraph h are liable to tax at the residence or domicile and/or place of business or a place other than the residence or domicile and/or place of business stipulated by a Director General of Taxes Regulation.--[3rd A]

(2) Upon written notification from the Taxable Person, the Director General of Taxes may determine 1 (one) or more places as the place of supply.--[3rd A]

(3) In the event of imports, the place of supply is the place where the Taxable Goods are entered and collected through the Directorate General of Customs and Excise.--[1st A]

(4) Individuals or entities utilising Intangible Taxable Goods and/or Taxable Services from outside the Customs Territory within the Customs Territory as referred to in Article 4 paragraph (1) subparagraph d and subparagraph e, are liable to tax at the residence or domicile and/or place of business.--[3rd A]

Elucidation of Article 12

Paragraph (1)

Individual Taxable Persons are liable to tax at the residence and/or place of business, whereas corporate Taxable Persons are liable to tax at the domicile and place of business.

If Taxable Persons have one or more places of business other than their residence or domicile, each of these places constitutes the place of supply and the Taxable Persons concerned are required to report their businesses for VAT registration.

If Taxable Persons have more than one place of supply located in the working area of 1 (one) Office of the Directorate General of Taxes, for all of the places of supply, the Taxable Persons shall choose one of the places of business as the place of supply responsible for all of their places of business, unless the Taxable Persons desire more than 1 (one) place of supply, the Taxable Persons are required to notify the Director General of Taxes.

In certain cases, the Director General of Taxes may determine a place other than the residence or domicile and place of business as the place of supply.

Example 1:
Individual A who resides in Bogor has a business in Cibinong. If in the residence of individual A, there are no supplies of Taxable Goods and/or Taxable Services, individual A is only required to report his business to be registered as a Taxable Person at the Cibinong Small Taxpayer Office because the place of supply for individual A is Cibinong. On the other hand, if the supplies of Taxable Goods and/or Taxable Services are conducted by individual A only at his residence, individual A is only required to register at the Bogor Small Taxpayer Office. However, if both in his residence and place of business, individual A supplies Taxable Goods and/or Taxable Services, individual A is required to register at the Bogor Small Taxpayer Office and Cibinong Small Taxpayer Office because the places of supply are Bogor and Cibinong.

Different from individuals, corporate Taxable Persons are required to register both at the domicile and place of business because corporate Taxable Persons in both places are deemed to conduct supplies of Taxable Goods and/or Taxable Services.

Example 2:
PT A has 3 (three) places of business, namely in the cities of Bengkulu, Bintuhan and Manna, all three of which are under the service of 1 (one) tax office, namely the Bengkulu Small Taxpayer Office. The three places of business conduct supplies of Taxable Goods and/or Taxable Services and conduct sales administration and financial administration, thereby, PT A is liable to tax in those three places or cities. In such circumstances, PT A is required to choose one of the places of business to report its business for VAT registration, for example, the place of business in Bengkulu. PT A, which has a place of business in Bengkulu, is responsible for reporting all business activities conducted by the company's three places of business.

In the event that PT A desires the places of business in Bengkulu and Bintuhan to be determined as the places of supply for all of its business activities, PT A is required to notify the Head of the Bengkulu Small Taxpayer Office.

Paragraph (2)
If Taxable Persons are liable to tax at more than 1 (one) place of business, the Taxable Persons, in the fulfilment of their tax obligations, may notify to the Director General of Taxes in writing to choose 1 (one) or more places as the place of supply.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Individuals or entities, either as Taxable Persons or non-Taxable Persons, that utilise Intangible Taxable Goods from outside the Customs Territory within the Customs Territory and/or utilise Taxable Services from

outside the Customs Territory within the Customs Territory, remain liable to tax at the residence and/or place of business of the individuals or at the domicile and/or place of business of the entities.

Article 13

(1) A Taxable Person is required to prepare a Tax Invoice for each:
   a. supply of Taxable Goods referred to in Article 4 paragraph (1) subparagraph a or subparagraph f and/or Article 16D;
   b. supply of Taxable Services referred to in Article 4 paragraph (1) subparagraph c;
   c. export of Intangible Taxable Goods referred to in Article 4 paragraph (1) subparagraph g; and/or
   d. export of Taxable Services referred to in Article 4 paragraph (1) subparagraph h.**--[3rd A]**

(1a) The Tax Invoice referred to in paragraph (1) must be prepared at:
   a. the time of supply of Taxable Goods and/or supply of Taxable Services;
   b. the time of receipt of payment in the event that the receipt of the payment occurs before the supply of Taxable Goods and/or before the supply of Taxable Services;
   c. the receipt of term payment in the event of a supply of a part of work phases; or
   d. other times stipulated by or pursuant to a Minister of Finance Regulation.**--[3rd A]**

(2) Excluded from the provisions referred to in paragraph (1), a Taxable Person may prepare 1 (one) Tax Invoice that covers all supplies conducted to the same buyer of Taxable Goods or recipient of Taxable Services in 1 (one) calendar month.**--[3rd A]**

(2a) The Tax Invoice referred to in paragraph (2) must be prepared no later than the end of the month of the supply.**--[3rd A]**

(3) Deleted.**--[3rd A]**

(4) Deleted.**--[3rd A]**

(5) A Tax Invoice must list details concerning supplies of Taxable Goods and/or supplies Taxable Services which at the minimum contain:
   a. the name, address and Taxpayer Identification Number of the supplier of Taxable Goods or Taxable Services;
   b. the identity of the buyer of Taxable Goods or Taxable Services that includes:
      1. the name, address and Taxpayer Identification Number or national identification number or passport number for individual non-tax residents; or
      2. the name and address, in the event that the buyer of Taxable Goods or the recipient of Taxable Services is a corporate non-tax resident or is not a tax subject referred to in Article 3 of the Law concerning Income Tax;
   c. the types of goods or services, the amount of the Selling Price or Reimbursement and price discount;

d. the collected Value Added Tax;
e. the collected Sales Tax on Luxury Goods;
f. the code, serial number and preparation date of the Tax Invoice; and
g. the name and signature of the person entitled to sign the Tax Invoice.--[6th A]

(5a) Retailer Taxable Persons may prepare Tax Invoices without listing details concerning the identity of the buyer as well as the name and signature of the seller in the event of supplying Taxable Goods and/or Taxable Services to buyers with the characteristics of end consumers which are further stipulated by a Minister of Finance Regulation.--[4th A]

(6) The Director General of Taxes may stipulate certain documents that are equivalent to Tax Invoices.--[3rd A]

(7) Deleted.--[3rd A]

(8) Further provisions on procedures for the preparation of Tax Invoices and procedures for the amendment or replacement of Tax Invoices shall be stipulated by or pursuant to a Minister of Finance Regulation.--[3rd A]

(9) Tax Invoices must fulfil formal and material requirements.--[3rd A]

Elucidation of Article 13

Paragraph (1)

In the event that a supply of Taxable Goods and/or a supply of Taxable Services occurs, the Taxable Person supplying the Taxable Goods and/or supplying the Taxable Services is required to collect Value Added Tax payable and provide a Tax Invoice as the collection receipt. The Tax Invoice does not need to be prepared specifically or differently from a sales invoice. The Tax Invoice may be in the form of a sales invoice, or certain documents designated as Tax Invoices by the Director General of Taxes.

Pursuant to this provision, for every supply of Taxable Goods in the form of assets that, according to the original purpose are not for sale referred to in Article 16D, a Tax Invoice must be prepared.--[4th A]

Paragraph (1a)

In principle, a Tax Invoice must be prepared at the time of a supply or at the time of receipt of payment in the event that the payment occurs before the supply. In certain cases, it is possible that the time of preparation of a Tax Invoice is not the same as the times, for example, in the event that a supply of Taxable Goods and/or supply of Taxable Services occurs to government agencies. Therefore, the Minister of Finance is authorised to stipulate other times as the time of preparation of the Tax Invoice.--[4th A]

Paragraph (2)

Excluded from the provisions referred to in paragraph (1), to ease the administrative burden, a Taxable Person is allowed to prepare 1 (one) Tax Invoice which includes all supplies of Taxable Goods or supplies of

Taxable Services that occur in 1 (one) calendar month to the same buyer of Taxable Goods or the same recipient of Taxable Services, which is referred to as a consolidated Tax Invoice.--[4th A]

Paragraph (2a)

To ease the administrative burden, a Taxable Person is allowed to prepare a consolidated Tax Invoice no later than the end of the month of the supplies of Taxable Goods and/or supplies of Taxable Services although in the month of supply, payments have occurred, either in part or in full.

Example 1:
In the event that Taxable Person A supplies Taxable Goods to entrepreneur B on 1, 5, 10, 11, 12, 20, 25, 28 and 31 July 2023, but up to 31 July 2023, there is no payment for the supplies, Taxable Person A is allowed to prepare 1 (one) consolidated Tax Invoice that includes all supplies conducted in July 2023, namely no later than 31 July 2023.

Example 2:
Taxable Person A supplies Taxable Goods to entrepreneur B on 2, 7, 9, 10, 12, 20, 26, 28, 29 and 30 September 2023. On 28 September 2023, there is a payment by entrepreneur B for the supply on 2 September 2023. In the event that Taxable Person A prepares a consolidated Tax Invoice, the consolidated Tax Invoice is prepared on 30 September 2023 which includes all supplies that occur in September 2023.

Example 3:
Taxable Person A supplies Taxable Goods to entrepreneur B on 2, 7, 8, 10, 12, 20, 26, 28, 29 and 30 September 2023. On 28 September 2023, there is a payment for the supply on 2 September 2023 and an advance payment for the supply in October 2023 by entrepreneur B. In the event that the Taxable Person A prepares a consolidated Tax Invoice, the consolidated Tax Invoice is prepared on 30 September 2023 which includes all supplies and advance payments conducted in September 2023.

Paragraph (3)

Deleted.

Paragraph (4)

Deleted.

Paragraph (5)

A Tax Invoice constitutes a collection receipt and may be used as a means to credit Input VAT. The Tax Invoice must be filled in correctly, completely and clearly as well as signed by the party appointed by the Taxable Person to sign it. However, the details concerning Sales Tax on Luxury Goods are only filled in if, on a supply of Taxable Goods, Sales Tax on Luxury Goods is payable. A Tax Invoice that is not filled in pursuant to the provisions under this paragraph results in the Value Added Tax listed therein being

non-creditable pursuant to the provisions in Article 9 paragraph (8) subparagraph f.

Paragraph (5a)

Sufficiently clear.

Paragraph (6)

Excluded from the provisions referred to in paragraph (5), the Director General of Taxes may determine documents commonly used in the business world that are equivalent to Tax Invoices.

This provision is necessary, among others, because:

a. sales invoices used by entrepreneurs that are recognised by the general public, such as receipts for payments of telephone bills and airline tickets;
b. for a collection receipt to exist, a Tax Invoice must exist, whereas the party that should prepare the Tax Invoice, namely the party supplying the Taxable Goods or Taxable Services, is outside the Customs Territory, for example, in the event of the utilisation of Taxable Services from outside the Customs Territory, the Tax Payment Slip may be stipulated as the Tax Invoice; and
c. there are certain documents that are used in the event of imports or exports of Tangible Taxable Goods.

Paragraph (7)

Deleted.

Paragraph (8)

Amended Tax Invoices are, among others, Tax Invoices with errors in the completion or errors in the writing. Included in the definition of errors in the completions or errors in the writing are, among others, the existence of the adjustments to the Selling Price due to a reduction in the quantity or quality of Taxable Goods that reasonably occurs at the time of the delivery.**--[4th A]**

Paragraph (9)

A Tax Invoice fulfils the formal requirements if filled in correctly, completely, and clearly according to the requirements referred to in paragraph (5) or the requirements stipulated by a Director General of Taxes Regulation as referred to in paragraph (6).

Tax Invoices or certain documents equivalent to Tax Invoices fulfil material requirements if containing factual or actual details concerning supplies of Taxable Goods and/or supplies of Taxable Services, exports of Tangible Taxable Goods, exports of Intangible Taxable Goods, exports of Taxable Services, imports of Taxable Goods or utilisation of Taxable Services and utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory.

Therefore, although Tax Invoices or certain documents equivalent to Tax Invoices already fulfil the formal requirements and Value Added Tax has been paid, if the details listed in the Tax Invoices or certain documents equivalent to Tax Invoices do not comply with the actual facts concerning supplies of Taxable Goods and/or supplies of Taxable Services, exports of Tangible Taxable Goods, exports of Intangible Taxable Goods, exports of Taxable Services, imports of Taxable Goods or utilisation of Taxable Services and utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory, the Tax Invoices or certain documents equivalent to Tax Invoices do not fulfil the material requirements.--[4th A]

Article 14

(1) Individuals or entities that are not registered as Taxable Persons are prohibited from preparing Tax Invoices.--[1st A]

(2) In the event that a Tax Invoice has been prepared, the individuals or entities referred to in paragraph (1) must remit the amount of tax listed in the Tax Invoice to the State Treasury.--[1st A]

Elucidation of Article 14

Paragraph (1)

Tax Invoices may only be prepared by Taxable Persons. The prohibition of preparing Tax Invoices by non-Taxable Persons is intended to protect buyers from inappropriate tax collection.

Paragraph (2)

Sufficiently clear.

Article 15

Deleted.--[1st A]

Elucidation of Article 15

The provisions under Article 15 stipulating the obligation to report the calculation of taxes using Periodic Tax Returns are deleted and transferred to Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended by Law Number 9 of 1994.

Article 15A

(1) The remittance of Value Added Tax by Taxable Persons referred to in Article 9 paragraph (3) must be conducted no later than the end of the following month after the end of a Taxable Period and before the Periodic Value Added Tax Return is filed.--[3rd A]

(2) Periodic Value Added Tax Returns are filed no later than the end of the following month after the end of a Taxable Period.--[3rd A]

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 15A

In the context of providing leeway for Taxable Persons to remit tax underpayment and file Periodic Value Added Tax Returns, this Article specifically stipulates the payment and filing deadlines for Periodic Value Added Tax Returns which are different from those stipulated under Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

In the event that delay occurs in the payment of tax payable based on the Periodic Value Added Tax Returns and/or delay in the filing of Periodic Value Added Tax Returns pursuant to the provisions stipulated under this Article, the Taxable Persons remain subject to administrative penalties stipulated under Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

Article 16

Deleted.--[1st A]

Elucidation of Article 16

The provisions under Article 16 that stipulate the tax refund period, are deleted and transferred to Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended by Law Number 9 of 1994.

CHAPTER VA
SPECIAL PROVISIONS--[1st A]

Article 16A

(1) Tax payable on supplies of Taxable Goods and or supplies of Taxable Services to Value Added Tax Collection Agents shall be collected, remitted and filed by the Value Added Tax Collection Agents.--[2nd A]

(2) Procedures for the collection, remittance and filing of tax by Value Added Tax Collection Agents referred to in paragraph (1), shall be stipulated by a Minister of Finance Decree.--[2nd A]

Elucidation of Article 16A

Paragraph (1)

In the event that Taxable Persons supply Taxable Goods or supply Taxable Services to Value Added Tax Collection Agents, the Value Added Tax Collection Agents are required to collect, remit and file the tax they collect. However, Taxable Persons that supply Taxable Goods or supply Taxable Services to Value Added Tax Collection Agents remain required to file the tax collected by Value Added Tax Collection Agents.

Paragraph (2)

Sufficiently clear.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Article 16B

(1) Tax payable is not collected in part or in full or exempt from tax imposition, either temporarily or permanently for:
   a. activities in certain areas or certain places within the Customs Territory;
   b. supplies of certain Taxable Goods or supplies of certain Taxable Services;
   c. Imports of certain Taxable Goods;
   d. the utilisation of certain Intangible Taxable Goods from outside the Customs Territory within the Customs Territory; and
   e. the utilisation of certain Taxable Services from outside the Customs Territory within the Customs Territory,

   shall be stipulated by a Government Regulation.**--[3rd A]**

(1a) Tax payable not collected in part or in full or exempt from tax imposition, either temporarily or permanently, as referred to in paragraph (1) is granted in a limited manner for the purpose of:
   a. encouraging exports and industrial downstreaming which constitute a national priority;
   b. accommodating the possibility of agreements with other countries in the trade and investment sectors, international conventions that have been ratified as well as other international common practice;
   c. encouraging the improvement of public health through the procurement of vaccines in the context of the national vaccination programme;
   d. improving national education and intelligence by increasing the availability of general textbooks, scriptures and religious textbooks at relatively affordable prices for the society;
   e. encouraging the construction of houses of worship;
   f. ensuring the implementation of government projects financed by grants and/or foreign loans;
   g. accommodating international common practice in the imports of certain Taxable Goods that are exempt from the collection of Import Duty;
   h. assisting in the availability of Taxable Goods and/or Taxable Services required in the context of handling natural disasters and non-natural disasters that are designated as national natural disasters and national non-natural disasters;
   i. ensuring the availability of public air transportation to encourage the smooth movement of goods and people in certain regions in which other adequate transportation facilities are not available, whose ratio between the volume of goods and people to be moved and the available means of transport is very high; and/or
   j. supporting the availability of certain strategic goods and services in the context of national development, including:
      1. basic necessities that are highly needed by the general public;
      2. certain medical healthcare services and those in the national health insurance program system;
      3. social services;
      4. financial services;

5. insurance services;
6. educational services;
7. public transportation services on land and water and domestic air transportation services which constitute an integral part of foreign air transportation services; and
8. labour services.--[5th A]

(2) Input VAT paid on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory whose supplies are subject to Value Added Tax but not collected on referred to in paragraph (1) is creditable.--[5th A]

(3) Input VAT paid on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods from outside the Customs Territory within the Customs Territory and/or utilisation of Taxable Services from outside the Customs Territory within the Customs Territory whose supplies are exempt from the imposition of Value Added Tax referred to in paragraph (1) is non-creditable.--[5th A]

Elucidation of Article 16B

Paragraph (1)

One of the principles that must be adhered to in the Tax Law is the enactment and application of the same treatment to all Taxpayers or to cases in the field of taxation which are, in essence, the same by adhering to statutory provisions. Therefore, every concession in the field of taxation, if absolutely necessary, must refer to the above rules and must be maintained, thereby, in the application, does not deviate from the purpose and objective of the granting of the concessions.

The purpose and objective of the granting of the concessions are, in essence, to grant tax facilities that are absolutely necessary, specifically for the success of sectors of economic activities with high priorities on the national scale, encouraging exports with high national priorities in certain areas or certain places, encouraging the development of the business world and increasing competitiveness, assisting in the handling of national natural disasters and national non-natural disasters as well as facilitating national development.

Paragraph (1a)

Subparagraph a

The tax concessions granted to encourage exports, among others, are in the form of concessions in supporting activities of the entrepreneurs conducting exports.

Conducting exports refers to the activity of releasing Tangible Taxable Goods from within the Customs Territory to outside the Customs Territory without going through supplies to other parties.

Subparagraph b
Sufficiently clear.

Subparagraph c
Sufficiently clear.

Subparagraph d
Sufficiently clear.

Subparagraph e
Sufficiently clear.

Subparagraph f
Sufficiently clear.

Subparagraph g
Sufficiently clear.

Subparagraph h
Sufficiently clear.

Subparagraph i
Sufficiently clear.

Subparagraph j
The tax concessions granted to support the availability of certain strategic goods and services in the context of national development are granted highly selectively and limitedly as well as take into account the impact on state revenues.

Certain Taxable Goods and/or Taxable Services that are exempt from the imposition of Value Added Tax are, among others:

1. basic necessities that are highly needed by the general public include:
   a) rice;
   b) grains;
   c) corn;
   d) sago;
   e) soybeans;
   f) salt, both iodised and non-iodised;
   g) meat, namely unprocessed fresh meat, but has undergone the process of being slaughtered, skinned, cut, cooled, frozen, packaged or unpackaged, salted, limed, pickled, preserved using other methods and/or boiled;
   h) eggs, namely eggs that are not processed, including eggs that are cleaned, salted or packaged;

i) milk, namely dairy milk, that has undergone the process of being cooled or heated, does not contain added sugar or other ingredients and/or packaged or unpackaged;

j) fruits, namely picked fresh fruits that have undergone the process of being washed, sorted, peeled, cut, sliced, graded and/or packaged or unpackaged; and

k) vegetables, namely fresh vegetables that are picked, washed, drained and/or stored at low temperatures, including chopped fresh vegetables.

2. certain healthcare services, including:
   a) certain healthcare services, including:
      1) general practitioner, specialist and dentist services;
      2) veterinary services;
      3) health professional services, such as acupuncturists, dentists, nutritionists and physiotherapists;
      4) midwifery and traditional birth attendant services;
      5) paramedical and nursing services;
      6) hospital, maternity hospital, health clinic, health laboratory and sanatorium services;
      7) psychologist and psychiatrist services; and
      8) alternative medicine services, including those performed by psychics; and
   b) health services covered by the national health insurance.

3. social services, including:
   a) orphanage and nursing home services;
   b) firefighting services;
   c) aid in accident services;
   d) rehabilitation institution services;
   e) the provision of funeral homes or funeral services, including crematoriums; and
   f) services in the sports sector,

   that are non-profit.

4. financial services, including:
   a) services of raising funds from the public in the form of current accounts, time deposits, deposit certificates, savings accounts and/or other equivalent forms;
   b) services of fund placement, fund borrowing or fund lending to other parties using letters, means of telecommunication or sight drafts, cheques or other means;
   c) financing services, including financing based on sharia principles, in the form of:
      1) financial lease;
      2) factoring;

3) credit card business; and/or
4) consumer financing;

d) loan distribution services on the basis of pawn law, including sharia and fiduciary pawns; and
e) guarantee services.

5. "insurance services" refer to insurance services that include loss insurance, life insurance and reinsurance conducted by insurance companies to insurance policy holders, excluding insurance support services, such as insurance agents, insurance loss assessors and insurance consultants.

6. educational services, including:
   a) school education administration services, such as general education, vocational education, special education, official education, religious education, academic education and professional administration services; and
   b) out-of-school education administration services.

7. sufficiently clear;

8. labour services, including:
   a) labour services;
   b) worker outsourcing services insofar as the entrepreneur supplying the workers is not responsible for the work results of the workers; and
   c) training administration services for workers.

Paragraph (2)

The existence of the special treatment in the form of Value Added Tax payable but not collected, implies that Input VAT related to supplies of Taxable Goods and/or Taxable Services that obtain the special treatment concerned remains creditable. Therefore, Value Added Tax remains payable but is not collected.

Example:
Taxable Person A produces Taxable Goods that obtain a facility from the state, namely Value Added Tax payable on the supplies of Taxable Goods is not collected.

To produce the Taxable Goods, Taxable Person A uses other Taxable Goods and/or Taxable Services as raw materials, indirect materials, capital goods or as other cost components.

When purchasing the other Taxable Goods and/or Taxable Services, Taxable Person A pays Value Added Tax to the Taxable Person that sells or supplies the Taxable Goods and/or Taxable Services.

Value Added Tax paid by Taxable Person A to the supplier Taxable Person constitutes Input VAT that may be credited against Output VAT, Input

VAT remains creditable against Output VAT although Output VAT is nil because enjoying the subject to Value Added Tax but not collected facility from the state pursuant to provisions referred to in paragraph (1).

Paragraph (3)

Different from the provisions under paragraph (2), the existence of the special treatment in the form of the exemption from the imposition of Value Added Tax results in the Output VAT being non-existent, thereby, Input VAT related to the supplies of Taxable Goods and/or Taxable Services that obtain the exemption is non-creditable.

Example:
Taxable Person B produces Taxable Goods that obtain a facility from the state, namely the supplies of these Taxable Goods are exempt from the imposition of Value Added Tax. To produce these Taxable Goods, Taxable Person B uses other Taxable Goods and/or Taxable Services as raw materials, indirect materials, capital goods or as other cost components. When purchasing the other Taxable Goods and/or Taxable Services, Taxable Person B pays Value Added Tax to the Taxable Person that sells or supplies the Taxable Goods and/or Taxable Services. Although the Value Added Tax paid by Taxable Person B to the supplier Taxable Person constitutes creditable Input VAT, because there is no Output VAT due to the granting of the exemption from the tax imposition facility referred to in paragraph (1), the Input VAT becomes non-creditable.

Article 16C

Value Added Tax is imposed on self-building activities that are conducted not in the business activities or employment by individuals or entities whose results are subject to personal use or used by other parties whose threshold and procedures shall be stipulated by a Minister of Finance Decree.--[2nd A]

Elucidation of Article 16C

Self-building activities that are conducted not in business activities or employment are subject to Value Added Tax with the consideration to prevent the avoidance of the imposition of Value Added Tax.

To protect low-income community from the imposition of Value Added Tax on self-building activities, the threshold of self-building activities shall be stipulated by a Minister of Finance Decree.

Article 16D

Value Added Tax is imposed on supplies of Taxable Goods in the form of assets, that according to the original purpose, are not for sale by Taxable Persons, except for the supplies of assets for which the Input VAT is non-creditable referred to in Article 9 paragraph (8) subparagraph b and subparagraph c.--[3rd A]

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 16D

Supplies of Taxable Goods are, among others, in the form of machines, buildings, equipment, furniture or other Taxable Goods that, according to the original purpose, are not for sale by Taxable Persons are subject to tax.

However, Value Added Tax is not imposed on transfers of Taxable Goods that do not have a direct relationship with business activities and transfers of assets that, according to the original purpose, are not for sale, namely motor vehicles in the form of sedans and station wagons, which pursuant to the provisions under Article 9 paragraph (8) subparagraph b and subparagraph c, Input VAT for the acquisition of the assets is non-creditable

Article 16E

(1) The refund of Value Added Tax and Sales Tax on Luxury Goods that have been paid for a purchase of Taxable Goods brought outside the Customs Territory by an individual holding a foreign passport may be requested.--**[3rd A]**

(2) The refundable Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) must fulfil the following requirements:
   a. the value of Value Added Tax is a minimum of IDR500,000.00 (five hundred thousand rupiah) and may be adjusted by a Government Regulation;
   b. the purchase of Taxable Goods is conducted within a period of 1 (one) month before departure to outside the Customs Territory; and
   c. the Tax Invoice fulfils the requirements referred to in Article 13 paragraph (5), except the buyer's Taxpayer Identification Number and address columns are completed with the passport number and full address in the country that issues the passport for the sale to the individual holding a foreign passport who does not have a Taxpayer Identification Number.--**[3rd A]**

(3) The request for the refund of Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) is submitted at the time the individual holding a foreign passport leaves Indonesia and submitted to the Director General of Taxes through the Office of the Directorate General of Taxes at the airports stipulated by the Minister of Finance.--**[3rd A]**

(4) Documents that must be shown at the time the refund of Value Added Tax and Sales Tax on Luxury Goods is requested are:
   a. the passport;
   b. the boarding pass for the departure of the individual referred to in paragraph (1) to outside the Customs Territory; and
   c. the Tax invoice referred to in paragraph (2) subparagraph c.--**[3rd A]**

(5) The provisions on procedures for the application for and settlement of the request for refunds of Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) shall be stipulated by or pursuant to a Minister of Finance Regulation.--**[3rd A]**

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article 16E

Paragraph (1)

In the context of attracting individuals holding foreign passports to visit Indonesia, the individuals are granted tax incentives. The incentives are in the form of refunds of Value Added Tax and Sales Tax on Luxury Goods that have been paid on purchases of Taxable Goods in Indonesia which are subsequently brought by the individuals outside the Customs Territory.

Paragraph (2)

Taxable Goods purchased within a period of 1 (one) month before an individual holding a foreign passport leaves Indonesia are deemed to be consumed outside the Customs Territory. Therefore, the Tax Invoice that may be used as the basis to request a refund of Value Added Tax and Sales Tax on Luxury Goods is required only for Tax Invoices issued within a period of 1 (one) month before the individual holding the foreign passport leaves Indonesia.

For an individual holding a foreign passport who does not have a Taxpayer Identification Number, the Tax Invoice that may be used to request a refund of Value Added Tax and Sales Tax on Luxury Goods must include identity in the form of the name, passport number and full address of the individual in the country that issues the passport.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 16F

Buyers of Taxable Goods or recipients of Taxable Services are collectively responsible for the payment of taxes, insofar as they cannot show proof that the taxes have been paid.--[3rd A]

Elucidation of Article 16F

According to the principle that the burden of tax payment for Value Added Tax on Goods and Services and Sales Tax on Luxury Goods is on the buyer or consumer of goods or service recipient. Therefore, the buyer or consumer of goods and service recipient should be collectively responsible for the payment of tax payable if, in fact, the tax payable cannot be collected from the seller or service provider and the buyer or service recipient cannot show proof of having paid taxes to the seller or service provider.

CHAPTER VB
DELEGATION OF AUTHORITY--[5th A]

Article 16G

Further provisions on:

a. the other values referred to in Article 8A paragraph (1);
b. the criteria of not having conducted supplies of Taxable Goods and/or Taxable Services and/or exports of Taxable Goods and/or Taxable Services referred to in Article 9 paragraph (2a);
c. the calculation and procedures for refunds of Input VAT referred to in Article 9 paragraph (4c);
d. the low-risk Taxable Persons that are granted preliminary tax refunds referred to in Article 9 paragraph (4c);
e. the input VAT crediting guidelines referred to in Article 9 paragraph (6);
f. the determination of certain business sectors referred to in Article 9 paragraph (6c);
g. the repayment of Input VAT referred to in Article 9 paragraph (6e) subparagraph a;
h. the Input VAT crediting referred to in Article 9 paragraph (9a), paragraph (9b), and paragraph (9c); and
i. the certain amount of business turnover, types of certain business activities, types of certain Taxable Goods, types of certain Taxable Services and the amount of the collected and remitted Value Added Tax referred to in Article 9A paragraph (1),

shall be stipulated in a Minister of Finance Regulation.--[5th A]

Elucidation of Article 16G

Subparagraph a

The Tax Base in the form of other values shall be applied to ensure legal certainty in the event that the Selling Price, Reimbursement Value, Import Value and Export Value as the Tax Base is difficult to determine.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

Subparagraph e

Sufficiently clear.

Subparagraph f

Sufficiently clear.

Subparagraph g
Sufficiently clear.

Subparagraph h
Sufficiently clear.

Subparagraph i
Sufficiently clear.

CHAPTER VI
OTHER PROVISIONS

Article 17

To matters concerning the definitions and procedures for collection in respect of the implementation of this Law, which have not been specifically stipulated this Law, the provisions under the Law concerning General Provisions and Tax Procedures as well as other statutory laws and regulations shall apply.--[1st A]

Elucidation of Article 17
Sufficiently clear.

CHAPTER VII
TRANSITIONAL PROVISIONS

Article 18

(1) With the entry of force of this law:
   a. all supplies of Taxable Goods or Taxable Services and Imports of Taxable Goods that have been conducted before this law comes into force, remain liable to taxes pursuant to the 1951 Sales Tax Law;
   b. insofar as the implementing regulations of this Law have not been issued, the implementing regulations that do not contradict this Law which have not been repealed and replaced are declared to remain valid.

(2) The provisions on the implementation referred to in paragraph (1) shall be further stipulated by the Minister of Finance.

Elucidation of Article 18
Paragraph (1)
Subparagraph a
Sufficiently clear.

Subparagraph b
All existing implementing regulations, issued in the context of the implementation of the 1951 Sales Tax Law, which do not contradict the contents and objective of this Law, remain in force insofar as they have

not been repealed and replaced by implementing regulations issued pursuant to this Law.

Paragraph (2)

The provisions under paragraph (2) are intended to address the difficulties arising in the transitional period due to the entry of force of the Law concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and the repeal of the 1951 Sales Tax Law, for the same imposition objects, such as:

- long-term contracts or contracts whose validity period includes two terms of the law as mentioned above;
- the remaining Selling Price or Reimbursement that has not been paid;
- the inventory of Goods for which Input VAT had not existed.

In this case, the Minister of Finance is authorised to stipulate implementing regulations other than the provisions under paragraph (1), to reduce unfairness in tax imposition and facilitate the implementation of this Law.

CHAPTER VIII
CLOSING PROVISIONS

Article 19

Matters that have not been stipulated under this Law shall be further stipulated by a Government Regulation.

Elucidation of Article 19

Sufficiently clear.

Article 20

This Law may be referred to as the 1984 Value Added Tax Law.

Elucidation of Article 20

Sufficiently clear.

Article 21

This Law shall come into force on 1 July 1984.

Elucidation of Article 21

Sufficiently clear.

NOTES

A. Law Number 11 of 1994 concerning the Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods:

Article III

This Law may be referred to as "The Amendment Law to the 1984 Value Added Tax Law."

Elucidation of Article III
Sufficiently clear.

Article IV

This Law shall come into force on 1 January 1995.

Elucidation of Article IV
Sufficiently clear.

B. Law Number 18 of 2000 concerning the Second Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods:

Article II

This Law may be referred to as "The Second Amendment Law to the 1984 Value Added Tax Law."

Elucidation of Article II
Sufficiently clear.

Article III

This Law shall come into force on 1 January 2001.

Elucidation of Article III
Sufficiently clear.

C. Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods:

Article II

This Law shall come into force on 1 April 2010.

1st A – First Amendment - Law 11/1994 - Effective 1 Jan 1995
2nd A – Second Amendment - Law 18/2000 - Effective 1 Jan 2001
3rd A – Third Amendment - Law 42/2009 - Effective 1 Jan 2010
4th A – Fifth Amendment - Law 11/2020 - Effective 2 Nov 2020
5th A – Sixth Amendment - Law 7/2021 - Effective 1 Apr 2022
6th A – Seventh Amendment - Law 6/2023 - Effective 31 Mar 2023

Elucidation of Article II
Sufficiently clear.

D. Law Number 11 of 2020 concerning Job Creation:

Article 186

This Law shall come into force on the date of promulgation.

Elucidation of Article 186
Sufficiently clear.

Details:
The Law shall be promulgated on 2 November 2020.

E. Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations:

Article 17

(1) The provisions referred to in Article 3 shall come into force in the 2022 Tax Year.
(Editorial Note: The provisions on the Enactment of the Income Tax Law)
(2) The provisions referred to in Article 4 shall come into force on 1 April 2022.
(Editorial Note: The provisions on the Enactment of the Value Added Tax on Goods and Services and Sales Tax on Luxury Goods Law)
(3) The provisions referred to in Article 13 shall come into force on 1 April 2022, that will be first imposed on entities engaged in coal-fired power station sector at a rate of IDR30.00 (thirty rupiah) per kilogram of carbon dioxide equivalent (CO_2e) or equivalent unit.
(Editorial Note: The provisions on the Enactment of the Carbon Tax Law)

Elucidation of Article 17
Sufficiently clear.

Details:
Value Added Tax on Goods and Services and Sales Tax on Luxury Goods Law after the amendment through the Harmonisation of Tax Regulations Law shall come into force starting from 1 April 2022.

G. Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into a Law.

Article 2

This Law shall come into force on the date of promulgation.

Elucidation of Article 2

Sufficiently clear.

Details:

This Law shall be promulgated on 31 March 2023.

FOUNDERS OF DDTC

Darussalam
Founder of DDTC
Areas of Expertise:
All Taxes

Danny Septriadi
Founder of DDTC
Areas of Expertise:
All Taxes

TAX EXPERT TEAM OF DDTC

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Managing Partner, DDTC Consulting
Areas of Expertise:
Corporate Income Tax, Business Restructuring, Tax Dispute and Litigation

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Areas of Expertise:
Tax Policy and System Design, Tax Advisory, International Tax and Transfer Pricing

Romi Irawan
Transfer Pricing Leader and Senior Advisor, DDTC Consulting
Areas of Expertise:
Transfer Pricing Documentation, Transfer Pricing Policy Design, Transfer Pricing Control Framework, Business Restructuring

Yusuf Wangko Ngantung
Partner, DDTC Consulting
Areas of Expertise:
Transfer Pricing, Tax Litigation, MAP & APA, High Net Worth Individual (HNWI), Business Restructurings

Ganda Christian Tobing
Associate Partner, DDTC Consulting
Areas of Expertise:
International Tax, Financial Transactions, Business Restructuring, Tax Litigation

Khisi Armaya Dhora
Senior Manager, DDTC Consulting
Areas of Expertise:
Value Added Tax, International Tax, Tax Advisory and Risk Management

Cindy Kikhonia Febby
Senior Manager, DDTC Consulting
Areas of Expertise:
Transfer Pricing Disputes, Transfer Pricing Litigation and Audit Support, Transfer Pricing Risk Management and Mitigation

Veronica Kusumawardani
Senior Manager, DDTC Consulting
Areas of Expertise:
Transfer Pricing Disputes, Transfer Pricing Litigation and Audit Support, Transfer Pricing Risk Management and Mitigation

Rinan Auvi Metally
Manager, DDTC Consulting
Areas of Expertise:
Corporate Income Tax, Tax Dispute and Litigation

Pretty Wulandari
Manager, DDTC Consulting
Areas of Expertise:
Transfer Pricing Issues in Specific Industries: Automotive, Electronics, Pharmacy, Logistics, Consumer Goods

Flouresya Lousha
Manager, DDTC Consulting
Areas of Expertise:
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Manager, DDTC Consulting
Areas of Expertise:
Transfer Pricing Issues in Specific Transactions: Financial Transactions, Intellectual Property Licensing, Cost Contribution

Riyhan Juli Asyir
Manager, DDTC Consulting
Areas of Expertise:
Tax Compliance, Tax Management, Tax Dispute and Litigation, International Tax

Erika
Manager, DDTC Consulting
Areas of Expertise:
Individual Income Tax, Corporate Income Tax, Tax Due Diligence

Denny Vissaro
Manager, DDTC Fiscal Research & Advisory
Areas of Expertise:
Tax Facility Support, Tax Advisory, Local Taxes

Atika Ritmelina Marhani
Tax Expert, CEO Office
Areas of Expertise:
Transfer Pricing, International Tax, Tax Risk Management, Income Tax

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THE CONSOLIDATION IN A SINGLE TEXT
GENERAL PROVISIONS AND TAX PROCEDURES LAW, INCOME TAX LAW AND VALUE ADDED TAX LAW
PURSUANT TO LAW NO. 6 OF 2023

The issuance of Law Number 6 of 2023 (Law No.6/2023) concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 (Gov. Reg. in Lieu of Law No.2/2022) concerning Job Creation into a Law by the Government of Indonesia, unveils a new frontier in statutory provisions in the field of taxation. Several amendments stipulated under Gov. Reg. in Lieu of Law No.2/2022 include the General Provisions and Tax Procedures Law, Income Tax Law and Value Added Tax on Goods and Services and Sales Tax on Luxury Goods Law.

On account of the needs of the tax society in Indonesia in terms of the consolidation of statutory tax provisions, in this book, DDTC presents *the Consolidation in a Single Text: General Provisions and Tax Procedures Law, Income Tax Law and Value Added Tax Law*. This book is compiled by referring to the mapping of the summary of amendments for each paragraph.

In light of the fact that taxes are the backbone of state financing, the presence of *the Consolidation in a Single Text: General Provisions and Tax Procedures Law, Income Tax Law and Value Added Tax Law* is expected to be beneficial for the Indonesian people as a reference in the implementation of tax rights and obligations in Indonesia. This embodies one of DDTC's missions, namely eliminating asymmetric tax information in the Indonesian tax society. DDTC seeks to provide historical and comprehensive information on the tax laws. This book is expected to bridge the needs of the tax society with the latest, reliable and trustworthy information on tax regulations.

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