

# TaxFlash

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## 2006 Annual Tax Return Filing

**Deadlines fall on Sunday and a Public Holiday. Pay your tax by Friday 23 March.**

Indonesian companies with 31 December 06 year ends normally must settle their corporate income tax underpayment by 25 March 07, and file their corporate income tax returns (CITR or F1771) by 31 March 07. This year, 25 March and 31 March fall on Sunday and a public holiday. Accordingly, the director general of taxes (DGT) requires that final tax settlement be made no later than Friday 23 March while tax return filing can be done up to 2 April 2007. This is set out in SE-08/PJ/2007. Employee Income Tax Return (EITR or F1721) and Individual Income Tax Return (IITR or F1770) must also be filed by 2 April 07.

It is possible you may not be ready to file the 2006 annual tax returns by 31 March 2007. The tax law allows you to request an extension of the filing period from the DGT up to a maximum of six months. Please make sure that any extension request is filed no later than 2 April 2007, and that any tax underpayment based on a tentative tax calculation is settled by Friday 23 March even if you get an extension to file.

Ignoring the filing deadline could open the door for the DGT to calculate your tax liabilities using the "Calculation Norm" method (Deemed Profit), resulting in potentially high tax assessments, and late penalties of 2% per month could also apply.

## Individual tax ID registration

### Cooperation and help requested from employers

The DGT has been working towards increasing the number of registered taxpayers for some time. To assist in this process, the DGT has issued Reg.16/PJ/2007, which asks for employers to provide the DGT with a list of their employees and their tax ID registration status:

- Those who have obtained NPWP;
- Qualifying individuals who have not yet obtained NPWP; and
- Non-qualifying individuals (their income is below the non-taxable threshold).

You do not need to voluntarily send this information. The DGT intends to issue letters of request first, so you can wait for this letter before making a decision about submitting this data. It should be noted that tax registration is normally the obligation of the individual taxpayer concerned. If you have any concerns about supplying private information of employees to the DGT, or whether you should inform and engage the employees in this process, please contact your tax adviser to discuss.

## Customs coding for 2007

### Changes in HS codes may mean different import duties and Luxury Sales Tax

HS (Harmonised System) 2007 was put into effect in Indonesia on 1 January 2007, with the aim of simplifying goods classification for import purposes. There are now new codes for the same goods, bringing the Indonesian system in line with international customs protocols (the Harmonized Tariff Nomenclature (AHTN) classification structure for ASEAN countries). The new codes are set out in MoF Decrees Nos.110/PMK.010/2006 and 125/PMK.010/2006.



The number of HS codes has shrunk from 11,173 to 8,744. This means your goods might have different import duties and Luxury Sales Tax (both higher and lower) which now apply compared to previous years, caused by the reclassification process. You need to check your imports against the new codes, and whether the correct rates of duties and taxes have been applied. We have customs specialists who can assist you in this important development.

## Tax incentives to boost investment

### Companies might now be able access generous tax incentives due to new regulations

The Government issued regulation GR 1/2007 in January, which contains generous tax incentives for certain industries and business set up in certain regions. These incentives include accelerated depreciation, a reduction of taxable income, extension for loss utilisation and others. These incentives are only available upon approval by the DGT, in conjunction with a recommendation by BKPM (investment authority).

In February, the Minister of Finance issued MoF Reg. 16/PMK.03/2007, which contains the implementation guidelines for the above incentive regulation. This means companies can start to explore whether they can access these generous tax incentives, and if so, can apply through BKPM and the DGT for approval.

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