

TaxFlash



New facility for international route shipping companies

In line with international customary standards, the Government has issued Regulation No.15/2015 (GR-15) that provides a tax facility for petrol-fuelled ships that transport goods to or from overseas ports. Value Added Tax (VAT) is not collected on the deliveries of certain fuels for these ships, i.e. petrol type Marine Fuel Oil 380 and Marine Gas Oil, that meet the specification set by the Minister of Energy and Mineral Resources. The fuel suppliers under this facility are required to have the petrol processing and storage facilities in Indonesia.

For tax administration purposes, the fuel supplier should issue a VAT invoice (*Faktur Pajak/FP*) on every relevant fuel delivery stamped with the information that the VAT due is not collected and should also issue an approval letter for sailing overseas.

The VAT which is uncollected must be repaid if the fuel is misused or transferred to another party, and the repayment must be made within one month of the misuse or transfer.

GR-15 is dated 12 March 2015 and has been in effect from 10 April 2015 (i.e. 30 days after its enactment date). A Minister of Finance (MoF) Regulation will be issued detailing the procedures on VAT collection, payment and reporting on this type of delivery of goods.

VAT on fertilizers for agricultural sector

The MoF issued Regulation No.62/PMK.03/2015 on 26 March 2015 that stipulates other values used as the tax base and other timing to issue the relevant FPs for certain fertilizers, i.e. Urea, SP 36, ZA and NPK. These fertilizers used by agriculture farmers are partly subsidised by the Government, including the associated VAT.

The value and timing of VAT imposition on the subsidised and the unsubsidised portions are different, as summarised below:

| | Subsidised portion | Unsubsidised portion |
|---------------------------|---|--|
| VAT base | 100/110 of the subsidy value | 100/110 of the highest retail price (<i>HET</i>) determined by the Minister of Agriculture |
| VAT paid by | The Proxy of Budget User (<i>KPA</i>); by way of deducting the VAT amount directly from the manufacturer's claims on the relevant Payment Instruction Letter (<i>SPM</i>) | The buyer; following general VAT procedures |
| Timing to issue FP | Upon the manufacturer's claims for subsidy payment via KPA | Upon the manufacturer delivering the fertilizers to the buyer or upon the payment, depending on which event occurs first |

VAT is only collected at the manufacturing level across the whole distribution chain from the manufacturers, distributors and retailers until the farmers. Therefore, there is no obligation for the distributors and retailers to collect VAT on the deliveries of the above fertilizers.

PMK-62 will come into effect starting 24 April 2015 (i.e. 30 days after its enactment date) and revokes the old MoF Decree No.579/KMK.04/1996 regarding the appointment of Directorate General of Budget as the VAT Collector on the delivery of subsidised fertilizers and pesticides.

Confirmation of VAT invoice numbering

All VAT-able Entrepreneurs (*Pengusaha Kena Pajak/PKPs*) must use electronic serial numbers in preparing their FPs for deliveries of taxable goods/services. This has been the case since June 2013. The PKP can request from the Tax Service Office (TSO) where the PKP is registered, a set of serial numbers for its FP at the beginning of every tax year or every time during the year when the serial numbers run out. The Head of the TSO, on behalf of the Director General of Tax (DGT), will then issue a notification on the new set of serial numbers for the respective PKP.

On 2 April 2015, the DGT issued Circular Letter No.SE-26/PJ/2015 (SE-26) that confirm some key points on how to apply serial numbers in sequence, as follows:

- A new set of serial numbers is valid from the DGT notification date, i.e. the new serial numbers cannot be used for FPs dated prior to the notification date.
- If a VATable Entrepreneur (vendor) uses the new serial numbers to issue an FP dated from before the notification, the vendor should cancel this FP and replace it by issuing a new FP dated on or after the notification date. This replacement FP will be considered as late issued and will be imposed upon an administrative sanction of 2% of the tax base.
- However, to give fairness for the buyer (as this is not the buyer's fault), this replacement FP can still be credited by the buyer as long as it fulfils the requirements in the VAT Law.

Therefore, taxpayer needs to plan the use of their FP serial numbers and ensure it gives ample time to request new serial numbers so that they will be available prior to the existing serial numbers running out.

New tax compliance procedures for oil and gas companies

The MoF has issued Regulation No.70/PMK.03/2015 (PMK-70) on 31 March 2015 providing detailed tax remittance and reporting procedures for Corporate and Branch Profit Tax (C&D Tax) of oil and gas entities engaged in Production Sharing Contract (PSC) with the Government.

PMK-70 amends the previous MoF Regulation No.79/PMK.02/2012 (PMK-79) and is effective starting from its enactment date. This means that the changes (whenever relevant) would impact the March 2015 C&D Tax payment/reporting which will be due in this April. Below are the key changes:

- PMK-70 was issued in response to the dissolution of *BP Migas* (now replaced by *SKK Migas*). It therefore amends the relevant terminology accordingly;
- PMK-70 elaborates on the procedures for remitting/reporting C&D Tax on an in-kind basis. Relevant forms specific for this in-kind C&D tax are provided in the regulation;
- The most significant change under PMK-70 is in regard to the procedures for C&D Tax payment in cash. In principle, PMK-70 has put the payment of C&D Tax on an equal footing with general taxes. This means that, PMK-70 now mandates for the funds to be remitted into the (general) State Treasury account rather than into the Oil and Gas account in Bank Indonesia (#600.000411980).

The payment/remittance shall still be in USD and the transfer shall be made via a "Foreign Exchange" Designated Bank (i.e. *Bank Persepsi Mata Uang Asing*).

Given the above, PMK-70 provides a 3-month transitional period (up to 30 June 2015) where PSC Contractors may still remit funds into the Oil and Gas account. The Director General of Budget will then overbook into the DGT accounts. After the 3-month transitional period any C&D Tax payment made to the Oil and Gas account may be disregarded. Any late payment of C&D Tax to the State Treasury account may be subject to penalties.

PMK-70 also clarifies that the C&D Tax will be considered paid when the funds are received into the State Treasury account (i.e. the tax payment slip will be marked with "NTPN" (*Nomor Transaksi Penerimaan Negara*) and "NTB" (*Nomor Transaksi Bank*)).

- From a timing of payment/reporting perspective, there has been no significant change under PMK-70 compared to the previous PMK-79. The monthly C&D tax continues to be due on the 15th (for payment) and 20th (for reporting) of the following month. There is a slight difference on the template of C&D Tax reporting where PMK-70 requires both the CIT and BPT rates to be specifically mentioned. The annual reporting continues to be due at the end of the 4th month following the year end.

Please contact our Energy, Utilities and Mining team or any of the individuals mentioned at the back of this publication if you need assistance on any aspects of C&D Tax.

Your PwC Indonesia contacts

Abdullah Azis

abdullah.azis@id.pwc.com

Adi Poernomo

adi.poernomo@id.pwc.com

Adi Pratikto

adi.pratikto@id.pwc.com

Ali Widodo

ali.widodo@id.pwc.com

Alexander Lukito

alexander.lukito@id.pwc.com

Andrias Hendrik

andrias.hendrik@id.pwc.com

Anthony J. Anderson

anthony.j.anderson@id.pwc.com

Anton Manik

anton.a.manik@id.pwc.com

Antonius Sanyojaya

antonius.sanyojaya@id.pwc.com

Ay Tjhing Phan

ay.tjhing.phan@id.pwc.com

Brian Arnold

brian.arnold@id.pwc.com

Enna Budiman

enna.budiman@id.pwc.com

Engeline Siagian

engeline.siagian@id.pwc.com

Gadis Nurhidayah

gadis.nurhidayah@id.pwc.com

Hendra Lie

hendra.lie@id.pwc.com

Ivan Budiarnawan

ivan.budiarnawan@id.pwc.com

Laksmi Djuwita

laksmi.djuwita@id.pwc.com

Mardianto

mardianto.mardianto@id.pwc.com

Margie Margaret

margie.margaret@id.pwc.com

Parluhutan Simbolon

parluhutan.simbolon@id.pwc.com

Paul Raman

paul.raman@id.pwc.com

Peter Hohtoulas

peter.hohtoulas@id.pwc.com

Runi Tusita

runi.tusita@id.pwc.com

Ryuji Sugawara

ryuji.sugawara@id.pwc.com

Soeryo Adjie

soeryo.adjie@id.pwc.com

Sutrisno Ali

sutrisno.ali@id.pwc.com

Suyanti Halim

suyanti.halim@id.pwc.com

Tim Watson

tim.robert.watson@id.pwc.com

Tjen She Siung

tjen.she.siung@id.pwc.com

Yessy Anggraini

yessy.anggraini@id.pwc.com

Yuliana Kurniadjaja

yuliana.kurniadjaja@id.pwc.com

Yunita Wahadaniah

yunita.wahadaniah@id.pwc.com

www.pwc.com/id

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to maria.purwaningsih@id.pwc.com.

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