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International organisations that are not income tax subjects

Under Article 3 of the Income Tax Law, the Minister of Finance (MoF) has the right to determine the list of international organisations that are not income tax subjects. The general criteria for the non-income tax subjects under this category are as follows:

- a) Indonesia is a member of the organisation and that organisation does not conduct business or other activities to earn income from Indonesia, other than lending to the government using funds derived from members.
- b) International organisations in the form of technical and/or cultural cooperations that give benefits to the Indonesian government and do not conduct business or other activities to earn income from Indonesia.
- c) The official representatives of the above international organisations that are non-Indonesian citizens do not conduct business or other activities to earn income from Indonesia.

On 29 October 2012, the MoF issued Regulation No.166/PMK.011/2012 (PMK-166), which provides an updated list of the above organisations. The update was made in order to add a new organisation that fulfils the above criteria (the Islamic Corporations for Development of the Private Sector/ICD) and to take out another organisation that no longer does so (the Catholic Relief Services/CRS).

PMK-166 also added new paragraphs that stipulate that in the case of an international agreement that provides specific tax provision, the tax treatment of the above organisations is based on the international agreement up to its expiry date. This is provided that the agreement is made in accordance with International Agreement Law. Application for this specific tax provision based on international agreement can be made after obtaining approval from the MoF.

Non-taxable broadcasting services

On 17 October 2012, MoF Regulation No.155/PMK.03/2012 (PMK-155) was issued regarding the criteria for non-taxable broadcasting services.

Broadcasting services provided for non-commercial purposes are not subject to Value Added Tax (VAT). PMK-155 stipulates the definitions of non-commercial broadcasting, broadcasting providers and the service users that fall under this category.

On the other hand, advertising services conducted by an advertising firm, production house or other parties for this non-commercial purposes broadcasting will still be subject to VAT.

A combined invoice covering both broadcasting and advertising services attracts VAT only on the advertising service fee, provided that the breakdown is stated in the VAT invoice.

New excise regulations

A. New excise tariff for tobacco products

The MoF has announced a new excise tariff for tobacco products with the issue of Regulation No.179/PMK.011/2012 (PMK-179) on 12 November 2012.

The excise tariff is imposed on tobacco products per stick for cigarette and cigar or per gram for sliced tobacco or other tobacco products. The excise tariff per stick or gram is determined based on:

- a) category of manufacturer, which is based on type of product and production quantity; and
- b) retail price.

The relevant customs services office will issue a decision letter for each cigarette manufacturer or importer about the excise tariff applicable to them.

The old excise tariff would be applicable until 24 December 2012 and excise tapes with the old tariffs can still be used until 1 February 2013. Please refer to PMK-179 for the complete list of new excise tariff for tobacco products.

B. New reporting deadline and potential penalty

On 16 October 2012, the MoF issued Regulation No.156/PMK.04/2012 about the new excise reporting deadline and the potential penalty if the excise goods manufacturers have missed the reporting deadline.

This regulation applies to ethyl alcohol, alcoholic drink and tobacco product manufacturers.

Ethyl alcohol and alcoholic drink manufacturers must report their daily production result on the next day.

Tobacco product manufacturers (i.e. cigarette manufacturers) must report their production results on the following day:

- a) on the 3rd for the production results during the period from the 15th to the end of the previous month; and
- b) on the 17th for the production results during the period from the 1st to the 14th of the same month.

If the reporting deadlines on the 3rd and the 17th are holidays, the manufacturer can report on the following workday.

If the manufacturer has missed the above deadline, it is deemed that the report has never been submitted and a penalty of twice of the liable excise is applied. This penalty refers to Article 16 paragraph 6 of Excise Law No. 39/2007.

It is very important for every excise goods manufacturer to study this regulation and take action to comply with the above provisions.

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