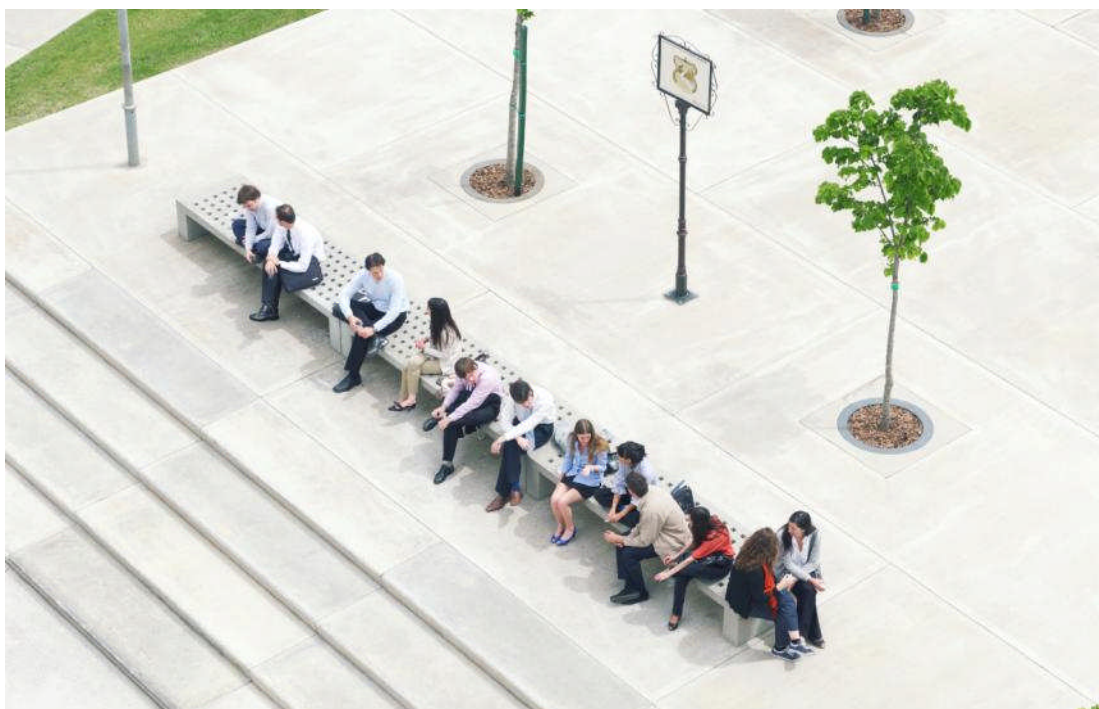


TaxFlash



Neither VAT nor LST are collected any more on goods imported for oil and gas exploitation

Imports of goods exempted from import duty are generally still subject to Value Added Tax (VAT) and/or Luxury-goods Sales Tax (LST) based on the prevailing tax regulations. However, the Minister of Finance (MoF) has made an exception; neither VAT nor LST are to be collected on the import of certain goods, in addition to the import duty exemption facility. This VAT and/or LST facility has been provided by MoF Decision No.231/KMK.03/2001 (KMK-231) as previously amended by MoF Regulation No.27/PMK.011/2012 (PMK-27). PMK-27 provides the above facility for upstream oil and gas exploration activities, with certain conditions.

On 2 April 2013, the MoF issued Regulation No.70/PMK.011/2013 (PMK-70) as the third amendment to KMK-231. PMK-70 includes goods imported for upstream oil and gas exploitation activities as the new type of goods on which import duty is exempted on importation, as well as being exempt from VAT and/or LST dues. Different from the facility for exploration activities, no conditions are stated for goods imported at exploitation stage to be eligible for this facility.

As PMK-70 has been effective since 2 April 2013, oil and gas exploration and exploitation activities are now eligible for both import duty and VAT/LST facilities on the import of goods used in the activities. These facilities are provided with the aim of boosting the increase in domestic oil and gas production.

New Land and Building Tax regulations

Reduction procedures

The MoF has amended Regulation No.110/PMK.03/2009 (PMK-110) regarding Land and Building Tax (*Pajak Bumi dan Bangunan/PBB*) Reduction through Regulation No.82/PMK.03/2013 (PMK-82). PMK-82 is dated and has been effective since 12 April 2013.

For PBB reduction of more than Rp 1.5 billion, taxpayers no longer have to apply to the Director General of Tax (DGT) as the Regional Tax Offices (RTOs) can now handle all reduction requests pertaining to PBB and amounting to more than Rp 500 million (previously RTOs were only authorised to handle reductions from Rp 500 million up to Rp 1.5 billion). In regard to Tax Service Offices, the maximum threshold remains the same (i.e. Rp 500 million).

Both PMK-110 and PMK-82 refer to PBB Law No.12/1994, which only covers PBB for the forestry, plantation and mining industries. PBB on other land and buildings is governed under a separate Regional Taxes and Retribution (*Pajak Daerah dan Retribusi Daerah/PDRD*) Law.

PBB for the oil, gas and geothermal sectors

On 12 April 2013, the MoF revoked Regulation No.15/PMK.03/2012 (PMK-15) regarding administrative procedures in relation to PBB for the oil, gas and geothermal sectors through Regulation No.76/PMK.03/2013 (PMK-76) and it became effective 30 days after its enactment (i.e. 12 May 2013).

PMK-76 broadens the definition of PBB subjects to include individuals or corporate entities that obtain benefits from PBB objects in relation to activities in the oil, gas or geothermal sectors. PMK-15 previously stipulated PBB subjects as oil and gas Production Sharing Contract (PSC) contractors or geothermal entrepreneurs. The scope of PBB objects remains the same as under PMK-15.

PMK-76 provides certainty that PBB should be paid through overbooking from the government's oil and gas or geothermal bank account to the designated tax-payment bank (*bank persepsi*) for taxpayers whose contracts were signed prior to the enactment of the relevant law/regulation (i.e. Geothermal Law No.27/2003 and Government Regulation No.79/2010 regarding Cost Recovery and Income Tax for the Oil and Gas Sector). Taxpayers whose contracts are

signed after the enactment of the law/regulation should pay the PBB due directly to the designated *bank persepsi*.

A DGT Regulation will be issued detailing procedures regarding: a) the format of the Tax Object Notification Form (*Surat Pemberitahuan Objek Pajak/SPOP*) and its attachment (*Lampiran SPOP/LSPOP*); b) the issuance of a PBB Assessment Letter; c) the imposition of PBB; and d) the calculation of PBB due.

Updates on the obligation to report tax-related information for several government institutions and associations

In an effort to capture more taxpayers, several government institutions and associations are obliged to report certain tax-related information to the DGT. This provision is regulated in MoF Regulation No.16/PMK.03/2013 (PMK-16) issued on 4 January 2013. Please refer to our TaxFlash No.03/2013 for our discussion on PMK-16.

On 12 April 2013, the MoF amended PMK-16 to add government institutions and associations that are obliged to report tax-related information to the DGT. This amendment was made through MoF Regulation No.79/PMK.03/2013 (PMK-79).

Below is a complete list of government institutions and associations stipulated in PMK-79. Additions and changes are in highlighted in red.

1. Directorate General of Budgeting of the Ministry of Finance
2. Directorate General of Treasury of the Ministry of Finance
3. Directorate General of Customs and Excise of the Ministry of Finance
4. Directorate General of Monetary Ratio of the Ministry of Finance
5. Fiscal Policy Board of the Ministry of Finance (*Badan Kebijakan Fiskal/BKFF*)
6. PT Pelabuhan Indonesia I (Persero)
7. PT Pelabuhan Indonesia II (Persero)
8. PT Pelabuhan Indonesia III (Persero)
9. PT Pelabuhan Indonesia IV (Persero)
10. Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*)
11. Ministry of Home Affairs
12. National Land Board (*Badan Pertanahan Nasional/BPN*)
13. Directorate General of Sea Transportation of the Ministry of Transportation
14. The Central Bank (*Bank Indonesia/BI*)

15. **The Association of Indonesia Automotive Industries (*Gabungan Industri Kendaraan Bermotor Indonesia/GAIKINDO*)**
16. **Indonesian Motorcycles Industry Association (*Asosiasi Industri Sepeda Motor Indonesia/AISI*)**
17. **Directorate General of Foreign Trade of the Ministry of Trade**
18. **PT Kustodian Sentral Efek Indonesia (KSEI)**
19. **National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah or LKPP*)**

In relation to this obligation, the DGT has appointed the Head of the External Data Processing Office of the Directorate General of Tax as the authorised official to receive and process the information received from the above government institutions and associations. This appointment is regulated by DGT Decision No.KEP-205/PJ/2013, issued on 3 April 2013.

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