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TaxFlash

Introducing the Electronic Value Added Tax Invoice

The Minister of Finance (MoF) has recently introduced an electronic Value Added Tax (VAT) invoice (*Faktur Pajak/FP*) through Regulation No.151/PMK.011/2013 (PMK-151) dated 11 November 2013, regarding procedures of FP preparation, amendment or replacement.

The electronic-based FP (e-FP) is intended to make it easier for VAT-able Entrepreneurs (*Pengusaha Kena Pajak/PKP*) to collect VAT on the delivery of taxable goods/services by making the best use of information technology. An e-FP is mandatory for certain PKPs that fulfil requirements to be set out by the Director General of Tax (DGT) in a new regulation. The new DGT regulation will need to cover: a) criteria for mandatory use of e-FPs; b) electronic signatures; and c) procedures to request information with regard to damaged or missing e-FPs.

A decision letter will be issued by the DGT for each PKP that fulfils the requirements.

Mandatory PKPs have to use e-FPs for their local deliveries of taxable goods and services, as well as for the delivery of assets that are not intended for sale (Article 16D of VAT Law No.42/2009). If PKPs do not comply with PMK-151, they will be deemed not to have issued an FP, and will be subject to administrative sanction of 2% from the VAT imposition base.

General provisions regarding e-FPs are the same as provisions for conventional paper-based FPs, including the use of an electronic signature with the same validity as a hand-written signature in a paper-based FP.

PMK-151 revokes MoF Regulation No.84/PMK.03/2012 (PMK-84) and will be effective as of 1 January 2014. The provisions regarding paper-based FP remain the same as those in PMK-84.

A paper-based FP is still applicable for PKPs excluded from the DGT's criteria and on export-oriented transactions (i.e. export of VAT-able tangible/intangible goods and export of VAT-able services).

Greater Efficiency of e-Filing

At the end of October 2013, the Government released a policy package to ease inbound investment. This policy package is aimed to improve the following eight investment aspects in Indonesia: 1) starting a business; 2) securing electricity connections; 3) paying tax and workers' social security (*Jamsostek*); 4) resolving civil agreement disputes; 5) resolving bankruptcies ; 6) recording of land and building ownership; 7) obtaining a building permit; and 8) applying for loans.

Particularly for tax and Jamsostek payments, the DGT is committed to reducing the difficulty of ensuring tax compliance by making the existing online tax submission (e-Filing) more efficient. This policy is stipulated in DGT Regulation No.PER-36/PJ/2013 (PER-36) as an amendment to DGT Regulation No.PER-47/PJ/2008 (PER-47) regarding Tax Returns e-Filing Procedure through an Application Service Provider (ASP). PER-36 is dated 30 October 2013 and will be effective as of 1 January 2014.

e-Filing is an option available for taxpayers to submit their tax returns online by firstly applying for e-Filing Identification Number (e-FIN) to the Tax Service Office (TSO) where the taxpayer is registered. PER-36 shortens the time required by the Head of TSO to provide decision on e-FIN application to one working day (previously, two working days).

After obtaining an e-FIN, the taxpayers can register to one or several ASPs appointed by the DGT and submit tax returns online. The e-Filing system will automatically generate an electronic signature after a tax return is completed and ready for online submission. This electronic signature has the same validity as a hand-written signature on a printed tax return submitted manually to the TSO.

Previously, Article 9 and Attachment II of PER-47 required the taxpayers to submit attachments and supporting documents for tax returns to the TSO, if the documents could not be submitted through e-Filing. However, PER-36 revokes these provisions. This should mean that attachments and supporting documents can now be submitted through e-Filing along with the relevant tax return forms.

As the required attachments and supporting documents are specific for each tax return (if applicable), we believe that it is necessary for the DGT to develop the current electronic tax returns (e-SPT) and/or e-Filing system to be able to support these various attachments/supporting documents. Doing so will ensure the system is convenient and more attractive for taxpayers, and will reduce the time spent maintaining tax compliance.

New Exemptions under Article 22 Income Tax Collection

On 4 November 2013, the MoF issued Regulation No.146/PMK.011/2013 (PMK-146) regarding Article 22 Income Tax Collection. PMK-146 is a second amendment to MoF Regulation No.154/PMK.03/2010, which was last amended by MoF Regulation No.224/PMK.011/2012 (PMK-224). PMK-146 adds further events that are exempted from Article 22 Income Tax collection, as set out below.

1. The sale of products to the Government requiring payment from the State Treasury and Proxy of Budget User (*Kuasa Pengguna Anggaran/KPA*), and to State Owned Enterprises (*Badan Usaha Milik Negara/BUMN*) is subject to Article 22 Income Tax at 1.5%. Additional exemptions from this provision are:
    a) oil, gas (including derivative products sourced from upstream oil and gas activities in Indonesia) by a Contractor of a Production Sharing Contract or Contractor's head office; and
    b) geothermal and electricity resulted from geothermal activities by a Contractor of a Joint Operation Contract.

    This tax exemption is effective retroactively from 24 February 2013 (i.e. the effective date of PMK-224 that appoints BUMNs as Article 22 Income Tax Collector).

2. The purchase of motor vehicles from Sole Agents (*Agen Tunggal Pemegang Merk/ATPM*), Agents (*Agen Pemegang Merk/APM*) and general importers is subject to Article 22 Income Tax at 0.45%.

    As the purchase of very luxurious motor vehicles is already subject to Article 22 Income Tax at a rate of 5% (based on MoF Regulation No.253/PMK.03/2008 regarding Article 22 Income Tax on Very Luxurious Goods), to eliminate double taxation on the same object, their purchase from ATPM, APM and general importers is now exempted from the 0.45% Article 22 Income 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 Mardi
ali.mardi@id.pwc.com

Ali Widodo
ali.widodo@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

Engeline Siagian
engeline.siagian@id.pwc.com

Gadis Nurhidayah
gadis.nurhidayah@id.pwc.com

Hendra Lie
hendra.lie@id.pwc.com

Irene Atmawijaya
irene.atmawijaya@id.pwc.com

Ita Budhi
ita.budhi@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

Michelle Mianova
michelle.mianova@id.pwc.com

Nigel Hobler
nigel.hobler@id.pwc.com

Parluhutan Simbolon
parluhutan.simbolon@id.pwc.com

Ravi Gupta
ravi.r.gupta@id.pwc.com

Ryuji Sugawara
ryuji.sugawara@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

www.pwc.com/id

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