

TaxFlash



Tax concession for mutual funds is extended

The Government issued Government Regulation (GR) No.100/2013 on 31 December 2013 which extends the period for applying a 5% final tax rate for bonds interest held by mutual funds until 2020. Previously, under GR No. 16/2009, the application of this concessionary rate was only possible up until 2013, and a normal final tax rate of 15% should have been applied at the start of 2014.

Increase in the delivery threshold of small entrepreneurs

The Minister of Finance (MoF) increased the delivery threshold of small entrepreneurs for Value Added Tax (VAT) purposes from Rp 600 million per annum to Rp 4.8 billion per annum. If the threshold is exceeded, a small entrepreneur must register to be a VAT-able entrepreneur and is required to carry out VAT obligations, including collecting VAT on the deliveries of taxable goods/services.

This new policy is stipulated in a MoF Regulation No.197/PMK.03/2013 (PMK-197) that amends MoF Regulation No.68/PMK.03/2010. PMK-197 is dated 20 December 2013 and has been effective since 1 January 2014.

This new threshold is in line with the gross turnover threshold for individual and corporate taxpayers that are subject to Article 4(2) Final Tax at 1% of turnover based on Government Regulation No. 46/2013.

New excise rates on alcoholic drinks

On 31 December 2013, the MoF issued Regulation No.207/PMK.011/2013 (PMK-207) to increase the excise rates on alcoholic drinks, both imported and locally produced. The increase is applicable only to beverages containing ethyl alcohol. The rate is increased to Rp 13,000 – Rp 80,000 for local produce (previously Rp 11,000 – Rp 75,000) and Rp 13,000 – Rp 139,000 for imported goods (previously 11,000 – Rp 130,000).

Heads of Customs and Excise Offices should use these new rates on excise tape requests made from 1 January 2014, while excise tape using the old rates with requests made prior to 31 December 2013 can still be used up to 1 February 2014.

Indonesia – Suriname tax treaty comes into force

The Director General of Tax (DGT) has released Circular Letter No.SE-59/PJ/2013 dated 23 December 2013 announcing that the tax treaty between Indonesia and Suriname entered into force on 11 June 2013, and affects income paid or credited on or after 1 January 2014.

The tax treaty stipulates among other things, that dividends, interest and royalties are taxable at a maximum rate of 15%. Only beneficial owners of such income are acknowledged as the parties entitled to the tax treaty benefits. Otherwise, income that is paid to tax residents of Suriname will be subject to the normal Article 26 Withholding Tax rate of 20%.

The Branch Profit Tax rate is 15%. This rate is not applicable for production sharing contracts in the oil and gas industry, their supporting bodies and state owned oil and gas enterprises.

New procedures on preliminary refunds for certain taxpayers

Article 17D of General Tax Provisions (*Ketentuan Umum dan Tata Cara Perpajakan/KUP*) Law provides a preliminary refund opportunity for taxpayers that meet certain requirements set out by the MoF. On 27 December 2013, the MoF released the latest procedures through the issue of MoF Regulation No.198/PMK.03/2013 (PMK-198).

PMK-198 has been effective since 1 January 2014 and revokes MoF Regulation No.193/PMK.03/2007 (PMK-193) which was amended by MoF Regulation No.54/PMK.03/2009 (PMK-54). Comparison between the old and new requirements is set out below.

Category	Old	New
Income Tax		
Individual with an active business or independent job	a) Turnover amount is maximum the same with turnover threshold for calculating income tax using norm (estimated net income); or b) Overpayment amount is not more than Rp 1 million or at most 0.5% of turnover in point (a) c) Decision must be issued within 3 months	a) Overpayment amount is maximum Rp 10 million b) Decision must be issued within 15 working days
Corporate taxpayers	a) Turnover amount is maximum Rp 5 billion; and b) Overpayment amount < Rp 10 million c) Decision must be issued within 3 months	a) Overpayment amount is maximum Rp 100 million b) Decision must be issued within 1 month
VAT		
VAT-able entrepreneur	a) Deliveries amount to ≤ Rp 400 million during a tax period b) Overpayment amount ≤ Rp 28 million c) Decision must be issued within 1 month	a) Overpayment amount is maximum Rp 100 million b) Decision must be issued within 1 month

In addition to the above requirements, PMK-198 adds a condition that a risk analysis must also be carried out by the tax office in reviewing the refund request, e.g. compliance in tax returns submissions or tax payments.

Preliminary refunds can be requested either by putting a refund mark on the relevant tax return or by submitting a written letter. Eligible taxpayers in an overpayment position that do not request tax compensation or refunds are now automatically deemed as having requested a preliminary refund.

Preliminary refunds specifically requested by low-risk VAT-able entrepreneurs according to Article 9 (4c) of VAT Law and golden taxpayers according to Article 17C of KUP Law will be processed based on the relevant legal basis and excluded from PMK-198.

PMK-198 provides more leniencies on the requirements and shortens the review process conducted by the tax office which will result either in the issue of a Preliminary Refund Letter (*Surat Keputusan Pengembalian Pendahuluan Kelebihan Pajak/SKPPKP*) or in continuation with the normal tax audit process if the review result shows unfavourable conditions, e.g. there is no tax overpayment and the submitted tax return was not complete.

The normal tax audit process will still be performed despite the preliminary refund. An administrative sanction of 100% increment of the underpayment amount will be charged if the tax audit results in an underpayment position. Taxpayers can request for sanction reduction or elimination on this underpayment assessment in accordance with Article 36 of the KUP Law, where the amount granted will be at most 48% of the sanction due. Eligible taxpayers that are subject to an automatic preliminary refund request should be aware that they are now exposed to this administrative sanction despite not having requested the preliminary refund.

Amended tax returns for the period prior to 1 January 2014 will be processed based on PMK-198 if they are submitted after 1 January 2014, while submitted refund requests that are not yet resolved will be processed based on PMK-193 *juncto* PMK-54.

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