

TaxFlash



Tax audit target for 2014

The Director General of Tax (DGT) has set the 2014 tax audit revenue target to be Rp 24 trillion (approximately US\$ 2.2 billion), increased by 30% from the 2013 target of Rp 18.5 trillion. This target, along with the tax audit strategy and plan, is stipulated in the DGT Circular Letter No.SE-15/PJ/2014 (SE-15) dated 21 March 2014.

The tax audit strategy is based on certain types of industry sectors, certain professions for individuals, and certain other criteria set out in SE-15. On top of the strategy, there is also a tax audit plan in relation to the statute of limitation for the fiscal years that will expire by the end of 2014 and 2015.

The factors considered to determine industry sectors for the tax audit target mostly remain the same as in previous years:

- industries where compliance levels in previous years were low;
- industries that make a significant contribution to the economy and tax revenue;
- industries that are expected to be booming in 2014; and
- industries with high growth rate.

The corporate taxpayers target for 2014 tax audits are those in the business of property and financial services. Individuals determined as the 2014 tax audit target are: entrepreneurs, shareholders and notaries.

Tax Audit Instruction Letters based on manual risk analysis at the Directorate General of Tax level may be issued on taxpayers:

- a. that have transactions with domestic related parties (Group taxpayers), including individuals related to the transactions;
- b. in the oil and gas sectors;

- c. that have transactions with related parties (transfer pricing audit apart from normal tax audit due to tax overpayment);
- d. that are subject to a joint audit between the DGT and external parties.

New customs and excise regulations

A. Customs registration

The Government is seriously developing its electronic system to be more practical and reliable. The latest Minister of Finance (MoF) policy that supports the use of the electronic system is Regulation No.59/PMK.04/2014 (PMK-59) regarding customs registration, which was previously regulated in MoF Regulation No.63/PMK.04/2011 (PMK-63) *juncto* Regulation No.95/PMK.04/2011 (PMK-95).

PMK-59 stipulates that all customs service users (e.g. importers, exporters, transporters and customs service handling providers) can apply for customs registration or to update their registered information through the Directorate General of Customs and Excise (DGCE) online system, where they can also upload attachments relevant to the application. PMK-59 also sets a shorter timeline for the DGCE officers to process the application, which includes research time on the applicant's background and reviewing the submitted documents. Other than the development in DGCE's online system, the general customs registration procedure remains the same.

PMK-59 is dated 25 March 2014 and will be effective starting 1 June 2014 with the following transitional provisions:

- a. PMK-63 *juncto* PMK-95 are still applicable to process the application of customs registration or information update received by the DGCE prior 1 June 2014;
- b. Customs Identity Number (Nomor Identitas Kepabeanan/NIK) issued based on KMK-63 *juncto* PMK-95 is treated similar to NIK under PMK-59.

PMK-59 revokes KMK-63 *juncto* PMK-95 as well as Article 5 paragraphs (1) and (2), Article 11, and Article 12 (d) of MoF Regulation No.65/PMK.04/2007 regarding customs service handling providers. Detailed customs registration and information update procedures, standard application forms, and administrative reviews will be regulated further in a Director General of Customs and Excise regulation.

B. Update on excise settlement procedures

Excise is imposed on ethyl alcohol, alcoholic drinks and tobacco products for which settlement can occur by sticking an excise tape to the excisable goods. The MoF has updated excise settlement procedures through the issue of Regulation No.62/PMK.04/2014 (PMK-62) that revokes the previous MoF Regulation No.236/PMK.04/2009 (PMK-236). PMK-62 is dated 8 April 2014 and has been

effective starting 7 May 2014 (i.e. 30 days after its enactment date).

PMK-62 essentially incorporates excise packaging requirements on excisable goods for export purposes, with a similar procedure for goods for domestic sale or imported goods. Since excise is not due on goods for export purposes, PMK-62 requires the producers to differentiate this type of goods by stating "FOR EXPORT ONLY" on the package, along with standard information such as product brand, name and location of the manufacturer.

PMK-62 also determines that for local consumption originated from domestic production and imported alcoholic drinks must be packaged with minimum volume of 180ml. The volume of alcoholic drinks for export purposes can be determined by the producer.

The standard minimum volume of tobacco products in PMK-62 remains the same with the Director General of Customs and Excise Regulation No.P-31/BC/2010 as the implementing regulation of PMK-236.

C. New international organisations eligible for import duty and excise exemptions

On 23 April 2014, the MoF issued Regulation No.68/PMK.011/2014 (PMK-68) as the fifteenth amendment of MoF Decree No.89/KMK.04/2002 regarding import duty and excise exemptions for international organisations and its officials who reside in Indonesia. PMK-68 adds three new international organisations that are eligible for import duty and excise exemptions (subject to certain requirements), as follows:

- a. United Nations Office for REDD+ Coordination in Indonesia (UNORCID);
- b. Islamic Development Bank (IDB); and
- c. Islamic Corporation for Development (ICD).

New stamp duty regulations

A. New stamp duty design

The MoF has set a new stamp duty design applicable starting 17 August 2014 through the issue of Regulation No.65/PMK.03/2014 (PMK-65) dated 22 April 2014.

PMK-65 revokes MoF Regulation No.55/PMK.03/2009 (PMK-55) and changes the colour and text that appear on the stamps. The stamp duty nominally remains the same (i.e. either Rp 6,000 or Rp 3,000) and there are no changes on the documents subject to stamp duty. Old stamps that are already printed are still valid and can be used up to 31 March 2015.

B. Enforcement of penalty for not conducting a later-application of stamp duty

With the aim to raise legal certainty and control quality as well as to provide detailed procedures on later-application of stamp duty, the MoF issued Regulation No.70/PMK.03/

2014 (PMK-70) on 25 April 2014 that revokes the previous MoF Decree No.476/KMK.03/2002 (KMK-476).

PMK-70 stipulates that the party responsible for settling later-applications of stamp duty are:

- a. the Document User – for documents to be used as an evidence at the Court;
- b. the Document Owner – for documents on which the associated stamp duty was not or underpaid; and/or
- c. the Foreign Document User – for foreign documents to be used in Indonesia.

Failure to apply the later-application of stamp duty will be subject to a 200% penalty of the unpaid stamp duty.

There is an exception to point (b), that if a document that is subject to stamp duty is issued by a certain party (Document Issuer), the later-application of stamp duty must be settled by the Document Issuer, despite stamp duty generally being borne by the party benefiting from the document (Document Owner).

In the case a Tax Service Office (*Kantor Pelayanan Pajak/KPP*) found a document issued by Document Issuer that is not affixed by stamp duty, this KPP would issue a notification to the KPP where the Document Issuer is registered, to be followed up.

As an enforcement of penalty for not conducting a later-application, PMK-70 stipulates that the KPP where the relevant party above is registered may issue the following assessments:

- a. Underpaid Tax Assessment Letter (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*) to collect the stamp duty

due plus penalty if the party did not carry out later-application; or

- b. Tax Collection Letter (*Surat Tagihan Pajak/STP*) to collect the penalty if the party has carried out later-application but not settled the sanction amount yet.

Companies engaging in retail business or financial services which may fall under the Document Issuer category must ensure that they have put stamp duty on their issued documents where applicable, e.g. bank statements, receipts, etc.

Cigarette Tax in Jakarta

On 28 February 2014, the Governor of Jakarta issued the Regional Government Regulation (*Peraturan Daerah/PERDA*) No.2/2014 (PERDA-2) regarding Cigarette Tax for Jakarta area. PERDA-2 is the implementing regulation of Cigarette Tax provisions under the Regional Taxes and Retribution (*Pajak Daerah dan Retribusi Daerah/PDRD*) Law No.28/2009.

The PDRD Law stipulates that the Cigarette Tax rate is 10% which will be imposed on the excise value of the relevant cigarettes. PERDA-2 adds an additional factor to calculate Cigarette Tax, thus the tax calculation formula will be: 10% on excise value and the ratio of regional to national residents.

The collection and payment procedures of this Cigarette Tax has been regulated in the MoF Regulation No.115/PMK.07/2013 dated 6 August 2013.

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