

# TaxFlash



## ***Avenue for a 50% reduction in administrative sanctions***

The Minister of Finance (MoF) issued Regulation No.197/PMK.03/2015 (PMK-197) dated 2 November 2015 that provides an avenue for a 50% reduction in administrative sanctions (i.e. interest penalties, fines and increments) which would otherwise be imposed due to taxpayers' negligence, or not due to their mistakes in accordance with Article 36(1)(a) of the General Tax Provisions and Procedures (*Ketentuan Umum dan Tata Cara Perpajakan/ KUP*) Law No.16/2009.

Administrative sanctions, which qualify for this facility, are limited to those stipulated in the following assessments issued in 2015 as a result of a tax audit, a tax verification, or a Land and Building Tax (*Pajak Bumi dan Bangunan/PBB*) examination:

- Underpaid Tax Assessment Letter (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*);
- PBB Assessment Letter (*SKPBB*);
- Tax Collection Notice in relation to Value Added Tax (VAT) administration sanctions under Article 14(4) of the KUP Law (*Surat Tagihan Pajak/STP*).

To obtain this facility, the taxpayer should submit an application letter to the Director General of Tax (DGT) through the tax office where the taxpayer is registered and should fulfil the following requirements:

- a) to pay the underpaid tax due (principal only) stipulated in SKPKB (including Additional SKPKB) in 2015;
- b) to pay the underpaid tax due (principal only) stipulated in SKPBB in 2015;
- c) not applying for other avenues for tax dispute resolutions (e.g. objection and lawsuit) on the relevant SKPKB, SKPBB, or STP;
- d) not applying for elimination or reduction in administrative sanctions other than as regulated in PMK-197

Tax collection is deferred if the taxpayer submits the application and fulfils point (a) and (b) in 2015. If the taxpayer has paid more than 50% of the sanctions, the overpaid amount will be considered a tax overpayment once the application is approved. Detailed administrative requirements along with the format of the corresponding documents are set out in PMK-197.

A decision on the submitted application should be made by the DGT no later than six months from the date of receipt of the application. A reapplication can only be made if the first application was rejected because it did not meet the administrative requirements.

The DGT on ex-officio basis will amend its Decision that grants a 50% reduction in administrative sanctions if it is found out that the taxpayer has applied for a tax dispute resolution through other avenues after the Decision was issued.

### **Transitional provisions**

To provide certainty for taxpayers that already submitted their applications prior to 2 November 2015 on any assessments issued in 2015, PMK-197 sets out the following transitional provisions:

- a) Taxpayer can apply for a facility under PMK-197 even if the DGT has issued a Decision that rejects the initial application, but not if the DGT has issued two Decisions on the taxpayer's application;
- b) Taxpayer can apply for facility under PMK-197 if the DGT has issued a Decision that grants a reduction of less than 50%;
- c) Taxpayer cannot apply for facility under PMK-197 if the DGT has issued a Decision that grants a reduction of more than 50%.

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