

## **TaxFlash**



### ***Income Tax on Real Estate Investment Fund***

On 17 October 2016, the Government issued Regulation No.40 Year 2016 (GR-40) regarding Income Tax for certain Collective Investment Contracts in the form of a Real Estate Investment Fund (Kontrak Investasi Kolektif – Dana Investasi Real Estate/KIK-DIRE).

GR-40 stipulates that the income that is received or obtained from the transfer of real estate assets to a Special Purpose Company (SPC) or KIK-DIRE is subject to a 0.5% final tax on the gross value of the assets transferred. GR-40 stipulates the gross transfer value as follows:

- transfer to a related party - the value that should have been received or obtained on the transfer.
- transfer to a third party - the value that is actually received or obtained on the transfer.

The implementing regulation regarding the detailed procedure for tax payment, submission of the written notification and submission of the report by the authorised officials will be further governed under a separate Minister of Finance (MoF) regulation.

### ***Article 21 Income Tax incentive for qualifying companies in the footwear and textile industries***

On the same date as GR-40, the Government also issued Regulation No.41 Year 2016 (GR-41) regarding the Article 21 income tax treatment for the employees of qualifying labour-intensive industries. The aim of GR-41 is to increase the competitiveness of export-oriented industries and to support the government program in an effort to create employment opportunities. This incentive applies from July 2016 to December 2017.

GR-41 provides income tax incentive/relief for qualifying labour industries in the form of special final Article 21 Income Tax rates of 2.5% for the employees with estimated taxable income of up to IDR 50 million per annum. If the actual taxable income exceeds IDR 50 million per annum, the excess amount is subject to a 15% final income tax up to December of that year.

The eligible employees are determined based on the list of employees attached to the Article 21 Monthly Income Tax Return for the period of July 2016 and January 2017 submitted by the employer.

A qualifying taxpayers are those who:

- are corporate taxpayers in the footwear and/or textiles and textile products industries;
- employ at least 2,000 employees;
- bear the Article 21 Income Tax of its employees;
- export at least 50% from the previous year's sales volume;
- have a "collective labour agreement";
- have registered its employees with the Social Security Agency for worker's social security (*BPJS Ketenagakerjaan*) and Social Security Agency for health insurance (*BPJS Kesehatan*); and
- are not currently enjoying the Income Tax Allowance or Income Tax Reduction facility.

Detailed provisions on the procedure for reporting and the calculation method for this Article 21 incentive will be regulated in a MoF regulation.

## ***Revocation of Tax Amnesty Asset Declaration Letter***

On 21 October 2016, the Director General of Tax (DGT) issued Regulation No.PER-21/PJ/2016 (PER-21) regarding the procedure to revoke Tax Amnesty Asset Declaration Letter (*Surat Pernyataan Harta untuk Pengampunan Pajak/SPHPP*).

PER-21 serves as an implementing regulation of specific provisions regarding the revocation of SPHPP based of MoF Regulation No.141/PMK.03/2016 (an implementing regulation of the Tax Amnesty Law No.11/2016).

PER-21 stipulates that certain taxpayers meeting following conditions can revoke their submitted SPHPP:

- have income under the non-taxable income threshold; and/or
- their additional assets are only from inheritance or a grant that is not subject to Tax Amnesty.

In addition, the submitted SPHPP will not be returned to the taxpayers and the data stated in the SPHPP will be used for the DGT's database.

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