



The new Interest Rate basis for calculating sanctions and interest compensation ^{P1}

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The General Tax Procedures (*Ketentuan Umum Perpajakan/KUP*) Law is one of the three major laws relating to taxation that have been impacted by the Omnibus Law. One of the changes to the KUP Law involves using the Ministry of Finance (MoF) Interest Rate (MIR) in order to calculate taxpayer sanctions and interest compensation. This is instead of the traditional interest rate of 2% per month. Please see [Omnibus Flash No. 02/2020](#) for a more detailed discussion of this.

Under the Omnibus Law, the 2% per month rate will be replaced by a rate resulting from the application of the MIR plus an additional percentage. The additional percentage will vary, depending upon the type of taxpayer wrongdoing, ranging from zero to 15%.

On 26 November 2020, the MoF issued Decision No. 540/KMK.010/2020 (KMK-540), stipulating that the MIR is applicable for the period of 2 – 30 November 2020. Based on our calculation, the MIR has been set at 6.84% per annum, meaning that the monthly interest rates applicable for the various sanctions and interest compensation are as follows:

Item	Monthly Interest Rate
Sanction based on MIR with no additional percentage (Articles 19(1), 19(2), and 19(3) of the KUP Law)	0.57% <i>((6.84%/12))</i>
Interest compensation (Articles 11(3), 17B(3), 17B(4), and 27B(4) of the KUP Law)	
Sanction based on MIR plus 5% (Articles 8(2), 8(2a), 9(2a), 9(2b), and 14(3) of the KUP Law)	0.99% <i>((6.84%+5%)/12)</i>
Sanction based on MIR plus 10% (Article 8(5) of the KUP Law)	1.40% <i>((6.84%+10%)/12)</i>
Sanction based on MIR plus 15% (Articles 13(2) and 13(2a) of the KUP Law)	1.82% <i>((6.84%+15%)/12)</i>

Going forward, the determination of this interest rate will be delegated to the Fiscal Policy Agency (*Badan Kebijakan Fiskal*), for and on behalf of the MoF, and will be determined on a monthly basis.

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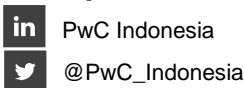
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