

## New "HPP" Tax Bill Signed into Law:

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## New "HPP" Tax Bill Signed into Law

The signing of the Harmonisation of Tax Regulations (*Harmonisasi Peraturan Perpajakan/HPP*) Bill by the President on 29 October 2021 marked the enactment of this Bill into Law No. 7/2021 ("HPP Law").

As mentioned in our [TaxFlash No. 19/2021](#), this law brings a number of changes to existing sections of tax laws (*Ketentuan Umum Perpajakan/KUP*, Income Tax, Value-Added Tax/VAT, and Excise) whilst also adding new tax law sections on the Voluntary Disclosure Programme/VDP (*Program Pengungkapan Sukarela*) and Carbon Tax.

As is usual, we will have to wait for follow-on implementing regulations to be issued which will provide further guidance, especially on several new areas of changes.

The HPP Law contains some significant policy changes as well as some provisions to emphasise and strengthen the legal basis for some existing rules.

This publication is by no means intended to cover every single change in the HPP Law but rather highlights some of the most important changes under each section of the tax law.

### KUP Law changes

The changes to the KUP Law are related to administrative sanctions, taxpayer rights and obligations, and certain areas of the tax dispute resolution process. Following the Job Creation Law, the changes to the administrative sanctions on taxpayer "wrongdoings" can generally be regarded as favourable to taxpayers. The changes may provide greater certainty for taxpayers.

## Changes in the administrative sanctions

No.	Clause	Sanction of the underpaid tax	
		KUP Law <sup>1</sup>	HPP Law
1	Administrative sanction for an Underpaid Tax Assessment Letter ( <i>Surat Ketetapan Pajak Kurang Bayar/SKPKB</i> ) issued relating to an unreported tax return, invalid VAT compensation or invalid use of 0% VAT, or a failure to comply with bookkeeping requirements:		
	a. Unpaid/underpaid Income Tax in a fiscal year	50% Increment	(MIR*+20%)/12 max. 24 months
	b. Income Tax not withheld/collected or under withheld/collected	100% Increment	(MIR*+20%)/12 max. 24 months
	c. Income Tax withheld/collected but unremitted/under remitted		75% Increment
	d. Unpaid/underpaid VAT	100% Increment	75% Increment
2	Penalty if a taxpayer objection is rejected or partially approved	50%	30%
3	Penalty if a taxpayer appeal is rejected or partially approved	100%	60%

\*MIR: Ministry of Finance (MoF) Interest Rate

## Changes related to taxpayers' rights and obligations

### 1. Tax ID Number

The HPP Law stipulates that the Indonesian resident number (*Nomor Induk Kependudukan*) will henceforth be used as the Tax ID Number (*Nomor Pokok Wajib Pajak/NPWP*) for individual taxpayers. This is to support the implementation of single identity number for Indonesian residents.

### 2. Taxpayer's proxy

Under the existing KUP Law taxpayers can appoint a proxy who holds appropriate "tax competency". Under the HPP Law the competency requirement is not required if the proxy is to a spouse or family member by blood or marriage up to the second degree.

### 3. Voluntary Disclosure (*Pengungkapan Ketidakbenaran*)

This deals with taxpayers making a "Voluntary Disclosure" to the Directorate General of Taxes (DGT) after the start of a tax audit. Under the HPP Law the Voluntary Disclosure can be made prior to the issuance of the Tax Audit Result (*Surat Pemberitahuan Hasil Pemeriksaan*) instead of prior to the issuance of the Tax Assessment Letter (*Surat Ketetapan Pajak/SKP*) as per the existing KUP Law.

### 4. Appointment of other parties as tax withholders/collectors

The HPP Law authorises the DGT to appoint "other parties" as tax withholders/collectors. Other parties are those who are directly "related" or act as a "facilitator" on a relevant transaction. The processes associated with tax

<sup>1</sup> KUP Law No.6 Year 1983 as lastly amended by Job Creation Law No.11 Year 2020

assessment, collection, dispute resolution and the imposition of administrative sanctions of the other parties will be equal to that of regular taxpayers.

If the other parties are electronic system organisers (*Penyelenggara Sistem Elektronik*) they may be subject to “access disconnection” (after a warning) on top of the sanction. The connection will be normalised if the other parties comply after the disconnection. Alternatively no disconnection will be carried out if the other parties immediately comply after being given a warning.

### Changes related to tax dispute resolution process

#### 1. Provisions related to a Judicial Review process

The HPP Law provides new provisions related to the Judicial Review process which had not been governed under the existing KUP Law. The new provisions stipulate that:

- if a taxpayer or the DGT file for a Judicial Review at the Supreme Court, this filing will not defer or cease the implementation of the Tax Court Decision.
- the tax underpayment resulting from a Judicial Review Decision will be subject to a 60% penalty to be collected through a Tax Collection Letter (*Surat Tagihan Pajak/STP*) within two years of the Judicial Review Decision being received by the DGT.

#### 2. Mutual Agreement Procedure (MAP)

The HPP Law emphasises that, if a MAP process has not reached agreement by the time of the announcement of a Tax Court or Judicial Review Decision, then the DGT can:

- continue negotiations if the content of the Decision is not related to the MAP case; or
- use the Decision during MAP negotiations or propose the cessation of negotiations, if the content of the decision is related to the MAP case.

### **Income Tax Law (ITL) changes**

The most significant changes to the ITL relate to the corporate and individual Income Tax rates, but there are also some notable changes to Benefits-in-Kind (BIK), transfer pricing rules, and several other areas.

These changes are aimed to be effective starting 2022 Fiscal Year.

### Changes in the Income Tax rates

#### 1. Individual Income Tax rates

The HPP Law shifts the cut-off for the first taxable income layer from IDR 50 million to IDR 60 million and adds a new top marginal tax rate of 35% for taxable income above IDR 5 billion. The applicable layers and rates will then be as follows:

<b>Taxable Income</b>	<b>Tax Rate*</b>
≤ 60 million	5%
> 60 million - ≤ 250 million	15%
> 250 million - ≤ 500 million	25%
> 500 million - ≤ 5 billion	30%
> 5 billion	35%

\* These rates can be amended through a Government Regulation (GR)

## 2. Corporate Income Tax (CIT) rate for 2022 onwards

This HPP Law stipulates that the CIT rate will remain 22% instead of being reduced to 20% from 2022 Fiscal Year. Accordingly, it revokes the provisions in Article 5(1)(b) of Law No.2 Year 2020.

### Changes related to transfer pricing on related party transactions

The elucidation of Article 18 of the HPP Law elaborates that the Government is authorised to prevent tax avoidance practices by taxpayers. Examples given on these practices are:

- performing transactions that are not based on the actual conditions and not in line with the substance over forms principle.
- reporting profits that are too low compared to the financial performance of other taxpayers in similar business.
- reporting unreasonable losses although the company has been in commercial operation for more than five years.

For companies falling into the categories in the last two bullet points above, the DGT can benchmark against comparable companies to calculate the tax that should be due.

As already governed in the existing law, in the event there is a related party transaction, the Government is authorised to redetermine the amount of income and expenses to calculate the taxable income. The HPP Law acknowledges several additional methods that can be used under this circumstance, namely comparable uncontrolled transaction method, tangible and intangible assets valuation, and business valuation.

The elucidation also emphasises that the difference between the related parties' transaction value and an arm's length price is also deemed as dividends.

It is also worth noting that the HPP Law gives a new mandate to allow the issuance of GRs specifically on the criteria of related party and also on the implementation of arm's length principle for related party transactions.

### Non-taxable threshold for certain individual taxpayers

The HPP Law adds a new provision which provides a threshold of non-taxable gross turnover of IDR 500 million in a fiscal year for individuals with certain gross turnover which are subject to final tax.

### Final Tax

Interest of several financial instruments has been subject to final tax under the existing ITL. The HPP Law now adds interest or discount on short-term securities traded on the money market as one of the tax objects under the final tax regime.

### New rules on Benefits-in-Kind

Under the existing ITL, certain BIK were non-taxable to employees, whilst being non-deductible to companies for CIT purposes. The HPP Law has eliminated this, so that BIK is generally taxable with some limited exceptions as follows:

- a. Food and beverages provided for all employees;
- b. BIK in certain areas;
- c. BIK necessary to carry out work;
- d. BIK sourced or financed by the regional/state revenue budget; or
- e. Certain types of BIKs with certain threshold.

On the other hand, certain BIKs previously non-deductible (because they were non-taxable to employees) will now be deductible for CIT purposes. The types of BIKs which are non-taxable to employees and which are deductible for CIT will be further regulated through a GR.

#### Changes related to several types of tax deductions

##### 1. Bad debt provisions for financial services companies

The HPP Law modifies the requirement for deductible bad debt provision for financial services companies. Under this Law, the bad debt provisions for banks and other loan providers, financial leasing companies with option rights, consumer finance companies and factoring companies should be calculated based on the applicable accounting standards with certain limits after coordinating with Financial Services Authority (*Otoritas Jasa Keuangan*).

##### 2. Useful lives for permanent buildings and intangible assets

In respect to the depreciation and amortisation, the HPP Law stipulates that if a permanent building or an intangible asset has a useful life of more than 20 years, the depreciation or amortisation can be carried out using the straight-line method using a 20-year period or the actual useful life based on taxpayer's bookkeeping.

##### 3. Expansion of methods for limitation on interest deduction

Under the existing Law, the methods to limit the interest deduction is using a Debt-to-Equity Ratio method. The HPP Law now expanded the acceptable method to other methods commonly used internationally such as using Percentage of EBITDA (Earning Before Interest, Taxes, Depreciation, and Amortisation).

### **VAT changes**

The HPP Law has made significant changes to the VAT rules including to foundational features which have been in place for decades. These changes include the VAT rate and the status of several non-taxable objects. The new VAT provisions are to be effective from 1 April 2022.

#### Changes in the VAT rate

Under the HPP Law the VAT rate is increased from 10% to:

- 11% – from 1 April 2022;
- 12% – from 1 January 2025.

#### Changes in the status of several non-VATable objects

As mentioned above, the HPP Law changes the status of several non-VATable objects under the existing law. Some become VATable objects, some remain as non-VATable objects but with certain requirements, and some become VATable objects but with an exemption facility as strategic goods/services. In addition, several goods/services are also removed from the strategic goods/services category.

Below is a list of currently non-VATable goods/services which will:

##### 1. become VATable goods/services

- Mining or drilling products taken directly from the source;
- Postal services;

- Gold bars other than for the Government's forex reserve;
  - Non-advertisement broadcasting services;
  - Public phone services;
  - Money transfer by postal services.
2. remain as non-VATable goods/services but with certain new requirements
- Food and beverages served in hotels/restaurants, etc. that are subject to Regional Tax;
  - Hotel, parking, catering, art and entertainment services that are subject to Regional Tax;
  - Services provided by the Government which cannot be provided by other parties.
3. become VATable strategic goods/services but with exemption facilities
- Basic necessity products that are highly needed by the public;
  - Medical services under the national health insurance programme;
  - Financial services;
  - Insurance services;
  - Educational services;
  - Social services which are not profit-based;
  - Public transportation services;
  - Labour services.

#### Changes in the scope of purpose of strategic goods/services

The HPP Law removes several categories from strategic goods/services including:

- affordable houses for low-income households;
- clean water;
- electricity.

In addition the HPP Law adds industrial downstream and goods/services needed for non-natural disaster, to the category of strategic goods/services.

#### Changes in crediting Input VAT

The HPP Law provides confirmation and changes to the treatment of crediting Input VAT as follows:

- Confirmation that Input VAT on the acquisition of goods/services using an "other value" methodology as the VAT imposition base can be credited by the buyer.
- That Input VAT relating to the purchase of motor vehicles in the form of sedans and station wagons (not for trade or rental) is removed from the list of non-creditable Input VAT.
- More elaboration on crediting Input VAT under the scenario where a VATable Entrepreneur (*Pengusaha Kena Pajak/ PKP*) has both VATable and non-VATable deliveries.

#### VAT treatment for a PKP with certain turnover thresholds and certain business fields

In the existing VAT Law a PKP falling within a specified turnover threshold and certain business activities must use the Calculation Norm to calculate Input VAT. This provision is deleted under the HPP Law. The HPP Law instead provides that these categories of PKPs can collect and pay Output VAT based upon an amount

stipulated by the MoF. The Input VAT under this scheme cannot be credited by the seller.

## Voluntary Disclosure Programme

The Voluntary Disclosure Programme or “VDP” is essentially an extension and expansion of the previous Tax Amnesty (hereinafter referred to as “TA”) programme.

There are two VDP programme under the HPP Law. The first one (hereinafter referred to as “VDP I”) is applicable for taxpayers who previously participated in the 2016-2017 TA programme. VDP I covers the same asset acquisition period as the previous TA programme. The second one (hereinafter referred to as “VDP II”) is applicable only for individuals, and covers asset acquisitions since the end of the previous TA programme up to 2020.

### VDP I

#### Scope

The VDP I programme will run during the period of **1 January – 30 June 2022**. As mentioned, this programme is for taxpayers who participated in the previous TA programme. It provides them with another opportunity to disclose assets acquired from 1 January 1985 – 31 December 2015 which were not previously disclosed under the TA programme.

#### Tax rates

The newly disclosed assets are deemed as income and subject to Final Income Tax based on the net assets value using the following percentage:

Type	Rate	Failure to reinvest/repatriate	
		Final Tax	Assessed through issuance of SKPKB
Declaration on assets located in Indonesia if invested in eligible investment	6%	4.5%	3%
Declaration on assets located in Indonesia but not invested in eligible investment	8%		
Declaration on assets located outside Indonesia if: 1. repatriated into Indonesia; and 2. invested in eligible investment	6%	<ul style="list-style-type: none"> <li>• fail to reinvest: 4.5%</li> <li>• fail to do both: 7.5%</li> </ul>	<ul style="list-style-type: none"> <li>• fail to reinvest: 3%</li> <li>• fail to do both: 6%</li> </ul>
Declaration on assets located outside Indonesia if: 1. repatriated into Indonesia; and 2. not invested in eligible investment	8%	fail to repatriate: 5.5%	fail to repatriate: 4%
Declaration on assets located outside Indonesia and not repatriated into Indonesia	11%		

#### Asset repatriation and investment

Assets declared can be in any form and can be domestic or offshore assets. However, lower rates may be applicable if the assets are invested in certain eligible investments and/or if the offshore assets are repatriated into Indonesia.

To enjoy the lower rates, the deadline for offshore assets to be repatriated into Indonesia is 30 September 2022.

The eligible investment to enjoy the lower rates are as follows:

- a. Business activity in processing of natural resources (e.g. processing of gold ore to pure gold) or renewable energy (e.g. solar energy) in Indonesia; and/or
- b. Government Debt Securities (*Surat Berharga Negara/SBN*).

These eligible investments must be placed by 30 September 2023 at the latest and must be retained for a minimum of five years after the investment date.

Failure to repatriate the offshore assets, or failure to invest the assets in eligible investments within the prescribed periods will result in additional Final Income Tax for 2022 Fiscal Year using the tax rates stated in the above table.

#### Asset value to be used

The net assets value to be used in the Asset Declaration Letter (*Surat Pemberitahuan Pengungkapan Harta/SPPH*) are as follows:

- a. Nominal value for cash or cash equivalent;
- b. Published value for the following assets:
  - Sale value for tax purposes for land and building and motor vehicles;
  - Antam rate for gold and silver;
  - Indonesian Stock Exchange index for listed shares/warrants; or
  - PT Penilai Harga Efek Indonesia index for SBN, debt securities, and corporate Sukuk,at the end of the last fiscal year;
- c. Valuation from public appraiser if reference value in point (b) is not available.

#### Procedures

The participating taxpayer must submit an SPPH, attached with the following documents:

- a. Tax payment slip;
- b. List of assets and liabilities; and
- c. Statement letter regarding assets repatriation or reinvestment in eligible investments (if applicable).

The DGT will issue approval (*Surat Keterangan/SK*) upon the submission of SPPH by the taxpayer. SK may be amended or revoked if during an examination the DGT found discrepancies between the declaration and the actual condition.

#### Incentives

The following incentives are applicable for taxpayers who have received an SK:

- a. Taxpayer will not be subject to administrative sanction under Article 18(3) of TA Law (i.e. 200% penalty); and
- b. Data and information declared in SPPH cannot be used as a basis for tax investigation and/or criminal prosecution.



## VDP II

### Scope

The VDP II programme will also run during the period of **1 January – 30 June 2022**. VDP II is only available to individual taxpayers and only relates to assets acquired from 1 January 2016 – 31 December 2020 which have not been disclosed in the 2020 Annual Income Tax Return (AITR) and are still owned by the taxpayer at end of 2020 Fiscal Year.

### Eligibility and requirements

All individual taxpayers are eligible for VDP II, except for taxpayers who are undergoing:

- a. Tax audit or tax audit on preliminary evidence of a tax crime for 2016 – 2020 Fiscal Year; or
- b. Tax investigation, court proceedings, or criminal punishment for a tax crime.

In addition, the participating taxpayers must:

- a. Have an NPWP;
- b. Pay Final Income Tax under the VDP II programme;
- c. Submit an amended 2020 Income Tax return; and
- d. Revoke any of the following ongoing legal processes relating to tax:
  - 1) Tax refund;
  - 2) Tax amendment;
  - 3) Reduction or cancellation of administrative sanction;
  - 4) Reduction or cancellation of incorrect SKP;
  - 5) Reduction or cancellation of incorrect STP;
  - 6) Tax objection;
  - 7) Tax appeal;
  - 8) Lawsuit;
  - 9) Judicial Review.

### Tax rates

The newly disclosed assets are deemed as income and subject to Final Income Tax based on the net assets value using the following percentage:

Type	Rate	Failure to reinvest/repatriate		
		Final Tax	Assessed through issuance of SKPKB	Voluntarily paid by the taxpayer
Declaration on assets located in Indonesia if reinvested in eligible investment	12%	12%	4.5%	3%
Declaration on assets located in Indonesia but not reinvested in eligible investment	14%	14%		
Declaration on assets located outside Indonesia if: 1. repatriated into Indonesia; and 2. reinvested in eligible investment	12%	12%	• fail to reinvest: 4.5% • fail to do both: 8.5%	• fail to reinvest: 3% • fail to do both: 7%
Declaration on assets located outside Indonesia if: 1. repatriated into Indonesia; and 2. not reinvested in eligible investment	14%	14%	fail to repatriate: 6.5%	fail to repatriate: 5%

Declaration on assets located outside Indonesia and not repatriated into Indonesia	18%		
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### Asset repatriation and reinvestment

The deadlines for offshore assets to be repatriated and placed in eligible investments are the same as in the VDP I programme, i.e. 30 September 2022 and 30 September 2023, respectively. The required holding period for the eligible investment is also five years from the investment date. The types of eligible investment to enjoy the lower rates are also the same as in the VDP I programme.

However, the Final Tax rates applicable upon failure to repatriate assets and/or place in eligible investments are slightly different as stated in the table above VDP II – Tax Rate section.

### Asset value to be used

The net assets value to be used in the SPPH declaration are as follows:

- a. Nominal value for cash or cash equivalent; or
- b. Acquisition cost for other assets.

### Procedures

The participating taxpayer must submit an SPPH, attached with the following documents:

- a. Tax payment slip;
- b. List of assets and liabilities; and
- c. Statement letter regarding assets repatriation or reinvestment in eligible investments or revocation of ongoing legal processes relating to tax (if applicable).

The DGT will issue an SK upon the submission of SPPH by the taxpayer. SK may be amended or revoked if during an examination the DGT found discrepancies between the declaration and the actual condition.

### Incentives

The following incentives are applicable for taxpayers who have received an SK:

- a. No tax assessment will be issued for 2016 – 2020 Fiscal Year unless there is a new data or information on assets that have not been disclosed in the SPPH; and
- b. Data and information declared in SPPH cannot be used as a basis for tax investigation and/or criminal prosecution.

Undisclosed assets under point (a) above will be deemed as income for 2022 Fiscal Year and subject to Final Income Tax of 30% plus administrative sanction under Article 13(2) of KUP Law that will be collected via an SKPKB.

### Restrictions

Revision of AITRs for 2016 – 2020 Fiscal Year submitted after the enactment of this Law are considered as not submitted.

If the individual taxpayer has not submitted the 2020 AITR:

- a. Taxpayer can only report the assets that have been reported in the latest AITR for fiscal year prior to 2020 which has been submitted before the enactment of this Law, plus assets derived from income in 2020; and
- b. Assets other than the above must be declared under this VDP II using SPPH.

## **Carbon Tax**

The Carbon Tax is a new provision introduced in the HPP Law which is to be effective from 1 April 2022.

### Tax object

Carbon Tax is to be imposed on “carbon emissions” which have a negative impact on the environment. The “carbon emissions” that are subject to Carbon Tax may be added to/expanded through the issuance of a GR (after being agreed with Parliament in the context of the Annual State Budget proposal). This may lead to a question on whether the scope of the Carbon Tax could then be revisited every year.

Notwithstanding this, the imposition of any Carbon Tax must take into account the following two “macro” factors:

- a. the Carbon Tax “roadmap” including:
  - a carbon emission reduction strategy;
  - the prioritised industries/sectors which will become targets;
  - the alignment with the new and renewable energy development programme; and/or
  - the alignment with various other policies;and/or
- b. the carbon market roadmap itself.

### Tax subjects

Individuals or companies purchasing goods containing carbon or carrying-out activities which result in a certain level of carbon emissions within a certain period are the parties subject to the Carbon Tax.

The HPP Law broadly stipulates that a Carbon Tax subject can be either a carbon purchaser or a carbon emitter with clarity to be provided in a GR (subject to agreement by the Parliament). The elucidation already determines the first tax subjects to be power plant companies (i.e. carbon emitters). The elucidation also emphasises that the imposition of this tax shall be prioritised towards corporate tax subjects (instead of individuals).

### Tax rate and taxable event

The rate of Carbon Tax shall at least be the carbon price in the domestic carbon market per kg CO<sub>2</sub>e.

However, based on the HPP Law, the above rate shall not be less than IDR 30/kg CO<sub>2</sub>e. This base rate can also be revisited through the issuance of an MoF Regulation (after consultation with Parliament).

This appears to mean that, once the carbon market in Indonesia is established, the Carbon Tax rate will follow the market price but with an IDR 30/kg CO<sub>2</sub>e floor (being the current minimum price).

The Carbon Tax is due:

- a) upon the purchase of goods containing carbon;
- b) at end of each calendar year (i.e. December) during which the carbon emitting activity is carried out; or
- c) per other timing as determined by a GR.

#### Implementation milestone

The imposition of Carbon Tax will be carried out gradually with the following milestones:

<b>2021</b>	Development of the carbon trading mechanism.
<b>2022 – 2024</b>	Imposition of the Carbon Tax against coal-fired power plant projects through the “cap and tax” mechanism. Where such projects produce carbon emissions above the carbon limit/cap determined by the Government/relevant Ministry, Carbon Tax shall be imposed on such “excess”.  It is not clear whether the “cap and tax” mechanism applied during this milestone might be mixed with a “cap and trade” mechanism allowing a carbon “trade” amongst producers subject to this cap (see below).  Developments in this area, particularly the impact on coal-fired power projects and PLN, should be monitored.
<b>2025 and onwards</b>	Full implementation (in stages) of carbon trading and the expansion of Carbon Taxation more generally will occur according to the readiness of the relevant sectors, economic conditions and/or the scale of application.

#### Carbon “offset”

Taxpayers who participate in trading and offsetting carbon emissions, as well as other mechanisms in accordance with laws and regulations in the environmental sector, can be granted:

- a Carbon Tax reduction; and/or
- other benefits for the fulfilment of Carbon Tax obligations.

This appears to follow the international approach whereby trading or an offset will be allowed to lower a Carbon Tax obligation. On the other hand any trading/offset mechanism may alternatively increase a Carbon Tax obligation (i.e. via an increased Carbon Tax rate based on demand). This “carrot and stick” mechanism appears aimed at helping Indonesia to meet its commitments under the Paris Agreement with regard to climate change.

#### Effective date

The implementation of Carbon Tax will be in stages according to market readiness with the earliest stage to be on 1 April 2022 for coal-fired power plant companies (as above).

#### Implementing regulations

GRs will be issued to further stipulate the roadmap policy, tax objects and subjects, taxable events, and the allocation of Carbon Tax revenue for climate change matters.

MoF Regulations will stipulate the tax rates, tax base, administrative mechanism, and procedures for Carbon Tax reductions as are relevant for fulfilling Carbon Tax obligations.

### **Excise changes**

There are several changes related to Excise Law provisions under the HPP Law, to be effective from the date of enactment of the HPP Law.

Most notably, the HPP Law adds electronic cigarette as one of the tobacco products subject to excise. It also provides that future additions or reductions of types of excisable goods shall be regulated by a GR after being discussed and agreed during the preparation of the State Revenue and Expenditure Budget Draft.

The HPP Law also provides an avenue to stop an ongoing dispute process for violations related to permits, release of excisable goods, excisable goods not being packaged, excisable goods originating from criminal acts, and the sale and purchase of excise tapes. The implication will be different depending on the stage of the dispute process as follows:

- If the violation is still under an examination process, the case will not be escalated to the investigation process if the taxpayer pays the administrative sanctions of three times the excise value that should be paid.
- If the violation is already under an investigation process, the Attorney General can terminate the investigation process if the taxpayer pays the administrative sanctions of four times the excise value that should be paid (previously taxpayer must pay the unpaid/underpaid excise plus the four times penalty).

In both situations, the excisable goods related to the violation will be confiscated by the state whilst the other related goods may also be confiscated by the state.

## Your PwC Indonesia Contacts:

**Abdullah Azis**  
[abdullah.azis@pwc.com](mailto:abdullah.azis@pwc.com)

**Gerardus Mahendra**  
[gerardus.mahendra@pwc.com](mailto:gerardus.mahendra@pwc.com)

**Peter Hohtoulas**  
[peter.hohtoulas@pwc.com](mailto:peter.hohtoulas@pwc.com)

**Adi Poernomo**  
[adi.poernomo@pwc.com](mailto:adi.poernomo@pwc.com)

**Hasan Chandra**  
[hasan.chandra@pwc.com](mailto:hasan.chandra@pwc.com)

**Raemon Utama**  
[raemon.utama@pwc.com](mailto:raemon.utama@pwc.com)

**Adi Pratikto**  
[adi.pratikto@pwc.com](mailto:adi.pratikto@pwc.com)

**Hendra Lie**  
[hendra.lie@pwc.com](mailto:hendra.lie@pwc.com)

**Runi Tusita**  
[runi.tusita@pwc.com](mailto:runi.tusita@pwc.com)

**Alexander Lukito**  
[alexander.lukito@pwc.com](mailto:alexander.lukito@pwc.com)

**Hisni Jesica**  
[hisni.jesica@pwc.com](mailto:hisni.jesica@pwc.com)

**Ryuji Sugawara**  
[ryuji.sugawara@pwc.com](mailto:ryuji.sugawara@pwc.com)

**Ali Widodo**  
[ali.widodo@pwc.com](mailto:ali.widodo@pwc.com)

**Hyang Augustiana**  
[hyang.augustiana@pwc.com](mailto:hyang.augustiana@pwc.com)

**Soeryo Adjie**  
[soeryo.adjie@pwc.com](mailto:soeryo.adjie@pwc.com)

**Amit Sharma**  
[amit.xz.sharma@pwc.com](mailto:amit.xz.sharma@pwc.com)

**Kianwei Chong**  
[kianwei.chong@pwc.com](mailto:kianwei.chong@pwc.com)

**Sujadi Lee**  
[sujadi.lee@pwc.com](mailto:sujadi.lee@pwc.com)

**Andrias Hendrik**  
[andrias.hendrik@pwc.com](mailto:andrias.hendrik@pwc.com)

**Lukman Budiman**  
[lukman.budiman@pwc.com](mailto:lukman.budiman@pwc.com)

**Susetiyo Putranto**  
[susetiyo.putranto@pwc.com](mailto:susetiyo.putranto@pwc.com)

**Anton Manik**  
[anton.a.manik@pwc.com](mailto:anton.a.manik@pwc.com)

**Mardianto**  
[mardianto.mardianto@pwc.com](mailto:mardianto.mardianto@pwc.com)

**Sutrisno Ali**  
[sutrisno.ali@pwc.com](mailto:sutrisno.ali@pwc.com)

**Antonius Sanyojaya**  
[antonius.sanyojaya@pwc.com](mailto:antonius.sanyojaya@pwc.com)

**Margie Margaret**  
[margie.margaret@pwc.com](mailto:margie.margaret@pwc.com)

**Suyanti Halim**  
[suyanti.halim@pwc.com](mailto:suyanti.halim@pwc.com)

**Avinash Rao**  
[a.rao@pwc.com](mailto:a.rao@pwc.com)

**Marlina Kamal**  
[marlina.kamal@pwc.com](mailto:marlina.kamal@pwc.com)

**Tim Watson**  
[tim.robert.watson@pwc.com](mailto:tim.robert.watson@pwc.com)

**Ay Tjhing Phan**  
[ay.tjhing.phan@pwc.com](mailto:ay.tjhing.phan@pwc.com)

**Nicholas Sugito**  
[nicholas.sugito@pwc.com](mailto:nicholas.sugito@pwc.com)

**Tjen She Siung**  
[tjen.she.siung@pwc.com](mailto:tjen.she.siung@pwc.com)

**Brian Arnold**  
[brian.arnold@pwc.com](mailto:brian.arnold@pwc.com)

**Nikolas Handradjid**  
[nikolas.handradjid@pwc.com](mailto:nikolas.handradjid@pwc.com)

**Turino Suyatman**  
[turino.suyatman@pwc.com](mailto:turino.suyatman@pwc.com)

**Dexter Pagayonan**  
[dexter.pagayonan@pwc.com](mailto:dexter.pagayonan@pwc.com)

**Oki Octabiyanto**  
[oki.octabiyanto@pwc.com](mailto:oki.octabiyanto@pwc.com)

**Yessy Anggraini**  
[yessy.anggraini@pwc.com](mailto:yessy.anggraini@pwc.com)

**Enna Budiman**  
[enna.budiman@pwc.com](mailto:enna.budiman@pwc.com)

**Omar Abdulkadir**  
[omar.abdulkadir@pwc.com](mailto:omar.abdulkadir@pwc.com)

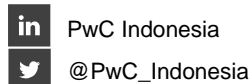
**Yuliana Kurniadjaja**  
[yuliana.kurniadjaja@pwc.com](mailto:yuliana.kurniadjaja@pwc.com)

**Gadis Nurhidayah**  
[gadis.nurhidayah@pwc.com](mailto:gadis.nurhidayah@pwc.com)

**Otto Sumaryoto**  
[otto.sumaryoto@pwc.com](mailto:otto.sumaryoto@pwc.com)

**Yunita Wahadaniah**  
[yunita.wahadaniah@pwc.com](mailto:yunita.wahadaniah@pwc.com)

[www.pwc.com/id](http://www.pwc.com/id)



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