

TaxFlash

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The Minister of Finance (MoF) has issued PMK-71¹, amending PMK-118², which governs tax corrections, objections, reductions, cancellations, and administrative relief. PMK-71 is intended to strengthen legal certainty, improve convenience for taxpayers, and enhance the effectiveness of tax dispute resolution and administrative relief procedures.

The key changes introduced by PMK-71 are summarised below:

1. Tax objection procedures

a. Information exchange during objection reviews

The Directorate General of Taxes (DGT) may exchange information with foreign tax authorities when reviewing an objection.

b. Response period for objection review findings

Taxpayers must submit their responses within ten working days **after** the date (as opposed to '**from** the date' as per previous regulation) on which the Invitation Letter (*Surat Pemberitahuan Untuk Hadir*) is sent.

2. Administrative sanctions relief procedures

a. Exclusion of certain administrative sanctions eligible for relief

Under the existing tax law, administrative sanctions imposed under Tax Assessment Letters (*Surat Ketetapan Pajak/SKP*) and Tax Collection Letters (*Surat Tagihan Pajak/STP*), including for Land and Building Tax (*Pajak Bumi dan Bangunan/PBB*), may be reduced or cancelled.

1. MoF Regulation No. 71 Year 2026 (PMK-71) dated and effective from 2 October 2026

2. MoF Regulation No. 118 Year 2024 (PMK-118) dated 27 December 2024 and effective from 1 January 2025

However, PMK-71 specifically excluded the following administrative sanctions imposed under STPs issued in connection with:

- a) The 30% penalty on the underpaid tax upon the issuance of an objection decree that is not filed for an appeal (Article 25(9) of the General Tax Provisions and Procedures (*Ketentuan Umum Perpajakan/KUP*) Law);
- b) The 60% penalty on the underpaid tax upon the issuance of an appeal (Article 27(5d) of the KUP Law); or
- c) The 60% penalty on any additional tax payable arising from a judicial review verdict (Article 27(5f) of the KUP Law).

Applications for the reduction or cancellation of the above administrative sanctions that were submitted before 2 October 2026 and remained pending will continue to be processed under PMK-118.

b. Allocation of payments for administrative sanction relief

Under PMK-71, for the purpose of calculating how much administrative sanction can be applied for a relief, payments made must first be applied to the outstanding tax principal. Any excess may then be allocated to administrative sanctions or PBB administrative penalties. The difference to the PMK-118 is as summarised below:

PMK-118	PMK-71
Payments made before the month in which the application was submitted were allocated proportionately between: • Tax principal; and • Administrative sanctions or PBB administrative penalties.	Payments are applied first to the outstanding tax principal or PBB principal.
Payments made in the same month as the application were treated as payments towards the tax principal.	Once the principal has been fully settled, any excess payment is allocated to: • Administrative sanctions; or • PBB administrative penalties.

c. Temporary measure to support the national economy

PMK-71 stated that the DGT may reduce or cancel administrative sanctions for a period of up to two years from 2 October 2026, for applications that meet the prescribed requirements, in support of the national economy. However, please note that the period of the relief application is not limited under the KUP Law.

Tax policy on the reduction or waiver of administrative sanctions

To enhance taxpayer compliance, the DGT has issued DGT Decree No. KEP-239³, introducing a policy on the reduction or waiver of administrative sanctions ranging from **25% to 100%**. The percentage of the granted reduction or waiver is subject to various conditions, such as the timing of the tax return filing, the timing of tax payment, the specific type of administrative sanction, and/or satisfaction of other prescribed conditions for each category.

The reduction or waiver of administrative sanctions is available under four categories, namely taxpayer compliance monitoring, tax audits, tax collection, and tax database enhancement initiatives, subject to the specific requirements set out by the DGT.

We highlight below the key points of KEP-239.

Taxpayers may obtain a reduction or waiver of administrative sanctions on:

- a. **Late filing** of Annual Income Tax Returns (AITRs) for tax years up to FY2025 and/or Monthly Tax Returns (MTRs) for tax periods up to September 2026 with tax underpayment status, provided that the returns are **filed between 8 October 2026 and 30 June 2027**.
- b. **Voluntary amendments** to AITRs for tax years up to FY2025 and/or MTRs for tax periods up to September 2026 with tax underpayment status, provided that the amended returns are **filed and the tax payable is paid between 8 October 2026 and 30 June 2027**.
- c. **Late tax payments** relating to AITRs for tax years up to FY2025 and/or MTRs for tax periods up to September 2026, where the related returns are **filed and the tax payable is paid between 8 October 2026 and 30 June 2027**.
- d. **Tax Assessment Letters or Tax Collection Letters** (including for PBB) **resulting from tax audits issued between 8 October 2026 and 30 June 2027**, where the related tax principal is paid by 30 June 2027.
- e. **Tax Assessment Letters or Tax Collection Letters** (including for PBB) **issued before 8 October 2026**, provided that the related tax principal, tax payable, and/or a portion of the administrative sanctions is paid by 30 June 2027.
- f. **Tax Collection Letter** (including for PBB) **issued between 8 October 2026 and 30 June 2027**, provided that the related tax principal, tax payable, and/or a portion of the administrative sanction is paid by 30 June 2027.
- g. **Tax Assessment Letters related to undisclosed or under-disclosed assets under the Voluntary Disclosure Programme** (*Program Pengungkapan Sukarela/PPS*) as governed by MoF Regulation No. 196/PMK.03/2021 **issued between 8 October 2026 and 31 December 2027**, provided that the related tax principal is paid by 31 December 2027.

3. DGT Decree No. KEP-239/PJ/2026 (KEP-239) dated and effective from 8 October 2026



Taxpayers may apply for a reduction or waiver of the above administrative sanctions by submitting an application to the Director General of Taxes by no later than 1 October 2028. To be eligible, the taxpayer must fulfill the general requirements set out in Article 23 and 24 of PMK-71 and satisfy the following requirements:

- Not pursue any lawsuit or other legal remedies, supported by a signed declaration;
- Any previously filed legal remedies have been withdrawn, supported by evidence of such withdrawal;
- Submit a statement confirming that the administrative sanctions arose from an oversight or were not attributable to the taxpayer's fault, duly signed by the taxpayer; and
- Apply only in respect of administrative sanctions that remain unpaid.

Under Article 24 of PMK-71, the eligible taxpayers may file up to two times for the reduction or waiver of administrative sanctions, with any second application required to be submitted within three months of the sending of the DGT's decision on the first application. However, specifically for applications for the reduction of PBB administrative fine may only be submitted once.

Further details regarding the types of administrative sanctions, the applicable reductions or waivers, specific requirements, and illustrative case examples are set out in the appendix to KEP-239.

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