

TaxFlash

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Exit tax exemption

Starting in 2009 having a NPWP will exempt you from exit tax. Those without an NPWP are still required to pay exit tax at a higher amount!

Extension of the Sunset Policy

Old registered taxpayers have a two-month extension to file annual income tax returns under the Sunset Policy, that is up to 28 February 2009.

2008 annual compliance work

It is uncertain whether companies must file their annual corporate income tax returns for 2008 three or four months after year end. We suggest, in the absence of DGT clarification, targeting the three-month deadline. That is, if your book year ended on 31 December 2008, we suggest settling the underpaid tax and filing the annual corporate income tax return by 25 and 31 March 2009 respectively.

Exit tax exemption

Going abroad may be less costly this year for certain people than in the past. This is because individual resident taxpayers who have obtained a tax ID number (NPWP) are exempt from exit tax. The exemption also applies to their spouses and dependants covered in a relevant official document issued by the municipal administration: a family card (*Kartu Keluarga*) for Indonesian citizens, or the so-called SKSKP for foreigners.

Taxpayers without an NPWP are still required to pay exit tax. The amount is even higher than in the past: Rp2,500,000 compared to Rp1,000,000 for each by-air trip or Rp1,000,000 compared to Rp500,000 for each by-sea trip.

How do you obtain the exit tax exemption and what do you need to prepare each time you leave Indonesia? What follows will highlight these matters.

Ownership of an NPWP

If you have obtained an NPWP, you need to present the following documents to the exit tax official at the check-in place:

- A copy of your NPWP
- A copy of your passport
- A copy of your family card or SKSKP (applicable only for your spouse and dependants)
- Boarding pass

The exit tax official will validate your NPWP to ascertain that you have been registered with the tax office for at least three days before the departure. If the validation is successful, your boarding pass will be stamped with "Exempt from exit tax". Otherwise you have to pay exit tax.

In Reg. 53/PJ/2008, the Director General of Tax (DGT) rules that NPWP validation will not be conducted until the infrastructure is ready and this will be no sooner than 16 January 2009. However during this time, exemption may still be granted following the presentation of the above documents.

Foreigners paying temporary visits to Indonesia

A foreigner who pays a temporary visit to Indonesia (staying in Indonesia not more than 183 days in 12 months) is exempt from exit tax upon presentation of the following documents to the exit tax official:

- A copy of his/her passport
- Visit visa
- Boarding pass

The exemption is granted by putting a stamp or a sticker with “Exempt from exit tax” on the relevant boarding pass.

Indonesian citizens living abroad

Indonesian citizens who live abroad, e.g., for a working assignment or study, are exempt from exit tax by presenting one of the following documents to the exit tax official:

- Green card
- A statement of the address in the designated foreign country legalized by the relevant Indonesian embassy
- Other relevant documents

The exemption is granted by putting a stamp or sticker with “Exempt from exit tax” on the relevant boarding pass.

Foreign and Indonesian workers in Batam, Bintan, and Karimun

Foreigners and Indonesians working in Batam, Bintan, and Karimun may be exempt from exit tax if their income has been subject to Articles 21/26 by way of withholding by their employers.

The exemption is granted following the issuance of an exit tax exemption letter (SKBFLN). The exemption letter may be obtained upon request by presenting the following documents to the exit tax official or the relevant tax service office:

- Application letter
- A copy of his/her passport
- Articles 21/26 withholding tax slip legalized by the head of the Batam or Tanjung Pinang primary tax service office (KPP).

The new exit tax regime is effective from this year and will continue up to 2010. Starting from 1 January 2011, exit tax will be completely abolished for everybody.

Extension of the Sunset Policy

The Sunset Policy period has been extended. Old registered taxpayers, i.e., those who obtained an NPWP before 1 January 2008, have an extended time to file a revised annual income tax return (AITR) under this scheme up to 28 February 2009. The rule is applicable for all years prior to 2007. Originally, the AITR filing time was specified to end on 31 December 2008.

Newly registered taxpayers, i.e. individual taxpayers who obtained an NPWP in 2008, are not affected by this extension. They may file AITRs under this scheme for all years up to 2007 until 31 March 2009.

2008 annual compliance work

The 2008 annual filing deadline is getting closer; however which deadline should apply, especially for corporate body taxpayers, is still unclear. The 2007 KUP which has been effective since 2008 rules that annual corporate income tax returns should be filed no later than four months after the end of the relevant book year with any underpaid tax to be settled before filing the tax returns. Hence, for companies with the book year ended on 31 December 2008, the annual filing deadline should be 30 April 2009.

However, the 2000 income tax law governing the 2008 tax year requires in Article 29 that any tax underpayment should be settled no later than the 25th of the third month following the end of the book year. This implies that the old annual filing deadline governed by the 2000 KUP should apply for the 2008 annual tax return. At least one precedent is in place: annual filing for payroll tax (Form 1721) is still required for 2008 despite no annual payroll tax return being required under the 2007 KUP.

Given the above, we suggest it may be prudent to target the old annual filing deadline for 2008. That is, if your book year ended on 31 December 2008, it would be best to settle your underpaid corporate income tax by 25 March 2009 and file the corresponding corporate income tax return for 2008 by 31 March 2009. Of course the DGT may rule that the new annual filing deadline governed by the 2007 KUP should apply. However, there is nothing wrong with settling your tax obligations earlier.

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