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Various new rules

Simplified VAT reporting for State Owned Enterprises

We discussed in our TaxFlash No.07/2012 that State Owned Enterprises (*Badan Usaha Milik Negara* or *BUMN*) have been reappointed as VAT Collectors since 1 July 2012 through the issue of Minister of Finance (MoF) Regulation No.85/PMK.03/2012 (PMK-85).

Recently, the MoF released Regulation No.136/PMK.03/2012 (PMK-136) as an amendment to PMK-85. PMK-136 was dated and entered into effect as of 16 August 2012.

PMK-136 simplifies the monthly VAT reporting procedures for BUMN. BUMN now only need to attach a nominative list (summary) of VAT invoices issued by vendors and relevant tax payment slips (*Surat Setoran Pajak* or *SSP*) to their monthly VAT returns. Previously, BUMN needed to attach all the VAT invoices and tax payment slips when submitting their monthly VAT returns. The standard form of the nominative list is provided in this regulation.

Vendors or suppliers to BUMN are not affected by this new regulation.

Clarity on fixed assets depreciation for certain business activities

On 6 August 2012, the MoF issued Regulation No.126/PMK.011/2012 (PMK-126) as an amendment to the previously issued Regulation No.249/PMK.03/2008 regarding Depreciation on the Acquisition of Tangible Goods for Certain Business Activities. The intended business activities comprise forestry, plantation and cattle breeding.

Asset depreciation shall start from the month of commercial production (i.e., when the sale takes place) and shall be calculated using straight line method. PMK-126 provides a new provision that groups the assets according to business activity, as follows:

Type of business	Group of depreciation	Useful life
Forestry	Group 4	20 years
Plantation	Group 4	20 years
Cattle breeding	Group 2	8 years

Notwithstanding the above, a taxpayer may be allowed to use the actual useful life of an asset in calculating the depreciation expense. An application to the DGT should be made along with the documentation confirming the actual useful life of that asset. The procedures for this application will be regulated further in a DGT Regulation.

Non-VATable parking lot provider services

Following earlier issued MoF regulations regarding certain non-VATable services, the MoF issued Regulation No.122/PMK.03/2012 (PMK-122) dated 17 July 2012 regarding Non-VATable Parking Lot Provider Services.

PMK-122 confirms that parking lot provider services are not subject to VAT. However, VAT is imposed on the deliveries of parking lot management services by a management company. Any revenue sharing obtained from managing the parking lot shall also be included as the VAT base.

New sale price threshold of VAT exempted low budget houses

The deliveries of low budget houses that meet the following criteria are exempted from VAT as regulated in MoF Regulation No.36/PMK.03/2007 (PMK-36):

- the width of the building is not more than 36 m²,
- the sale price is not more than 70 million Rupiah, and
- it constitutes the first house owned by the buyer, that is used personally as residence and not disposed of within five years from acquisition.

On 3 August 2012, the MoF issued Regulation No.125/PMK.011/2012 (PMK-125) as an amendment to PMK-36. PMK-125 set out the new sale price threshold on the deliveries of low budget houses that are exempted from VAT. The sale price threshold may vary depending on the region (e.g., 95 million Rupiah for Jakarta and 145 million Rupiah for Papua) while PMK-36 previously stipulated a single sale price threshold applicable to all regions.

Business Classification Code

In 2009, the Head of the Central Bureau of Statistics released a new list of Business Classification Fields (*Klasifikasi Baku Lapangan Usaha Indonesia* or *KBLI*). In order to accommodate the new list of KBLI, the DGT also updated the list of Business Classification Codes (*Klasifikasi Lapangan Usaha* or *KLU*) through the issue of DGT Decision No.KEP-233/PJ/2012 (KEP-233) on 10 July 2012. KEP-233 is effective from 1 August 2012 and revokes the previous DGT Decision No.KEP-34/PJ/2003.

KEP-233 covers 21 categories of Business Classification Code, adding three new categories from KEP-34, which previously covered 18 categories. The details are available on request, from your usual PwC Indonesia contact.

New benchmarking methodology

The DGT has developed a new benchmarking methodology in reviewing taxpayers' compliance, named the Benchmark Behavioral Model (BBM). Guidance on the basic principles, preparation, follow up and reporting of BBM is laid out in DGT Circular Letter No.SE-40/PJ/2012 (SE-40) dated 16 August 2012. Previously, the DGT used the Total Benchmarking Ratio (TBR) as its benchmarking methodology based on Circular Letter No.SE-96/PJ/2009. Several circular letters have also been issued subsequently listing the ratios for certain industries.

Most of the financial ratios used in TBR are also adopted in BBM (e.g., Gross Profit Margin and Corporate Tax to Turnover Ratio). Data used for BBM is updated on a semi-annual basis.

BBM is intended to be used only as a supporting tool in assessing the tax compliance level of a taxpayer and a discrepancy in respect of any particular ratio does not in itself prove non-compliance by a taxpayer. The discrepancy may prompt a follow up from the account representative for further explanation. If the review of the discrepancy reveals non-compliance with the tax law, the account representative may request an amendment of the tax return or recommend that the taxpayer be subject to a tax audit.

New communication procedures with the DGT

As part of the system reform, the DGT issued the following Circular Letters for particular improvement in relation to its public relations and information sharing activities:

- a. Circular Letter No.SE-41/PJ./2012 (SE-41) dated 16 August 2012 regarding Procedures of Public Relations Activities, and
- b. Circular Letter No.SE-42/PJ./2012 (SE-42) dated 16 August 2012 regarding Policy of Information Sharing.

SE-41 sets out the work description of the Directorate of Public Relations in establishing and maintaining communication with internal and external parties. The Directorate of Public Relations shall also be required to prepare regular reports with regard to its activities.

With regard to information sharing with the public, SE-42 classifies information according to its sensitivity level. Only certain officers of the Directorate General of Tax can announce each type of information. SE-42 also states the suitable media for news announcement purposes (e.g., press releases, telephone messages or emails).

We have further information from the Directorate General of Tax regarding the scope of SE-42, that it is applicable for general inquiries addressed to the DGT while applications for a private ruling still has to be addressed to the relevant Director of Tax Regulations (either for Income Tax, VAT or General Tax Administration).

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