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New e-Filing procedure for individual taxpayers^{P1} / Anti-dumping import duty on certain products originated from China, South Korea and Taiwan^{P2} / Import duty borne by government for certain industries in 2014^{P2} / Sanctions for non-compliance with the offshore loan reporting obligation have come into force^{P2} / New regulation concerning procedures for recruiting foreign workers^{P3}

TaxFlash



New e-Filing procedure for individual taxpayers

As part of its commitment to make existing online tax submission (e-Filing) more efficient, the Director General of Tax (DGT) updated e-Filing procedure for certain individual taxpayers through the issue of Regulation No.PER-1/PJ/2014 (PER-1) on 6 January 2014 which revokes DGT Regulation No.PER-39/PJ/2011. Taxpayers under the scope of PER-1 comprise those individuals that use the following Annual Income Tax Return (AITR) forms in reporting their income to the Tax Service Office (TSO):

- a) Form 1770S: for taxpayers who receive income from one or more employers, from other domestic income, income subject to Final Tax, and/or final in nature; and
- b) Form 1770SS: for taxpayers who receive income other than from active business/freelance services with a gross income of not more than Rp 60 million per year.

e-Filing for these taxpayers is available on the website of the Directorate General of Tax (www.pajak.go.id) but taxpayers must first applying for an e-Filing Identification Number (e-FIN). The e-FIN application under PER-1 can only be submitted through direct submission to the nearest TSO, unlike the previous years (since 2011 AITR) that provided avenue to apply e-FIN online through the above website. The TSO is required to process the application in maximum one working day and provides the e-FIN directly to the taxpayers. Those who already have an e-FIN from a previous year's registration do not need to re-register.

PER-1 confirms that the taxpayers must store information and/or other documents pertaining to the AITR which were not submitted through e-Filing for 10 years in Indonesia. This is intended to ease tax audit or verification process in the future.

Anti-dumping import duty on certain products originated from China, South Korea and Taiwan

The Minister of Finance (MoF) has issued Regulation No.10/PMK.011/2014 (PMK-10) dated 16 January 2014 that stipulates the imposition of Anti-Dumping Import Duty (*Bea Masuk Anti Dumping/BM AD*) on imported products made from flat-rolled iron or non-alloy steel, of a width of 600 mm or more, plated or coated with tin, and of a thickness of less than 0.5 mm, under HS Code 7210.12.10.00 and 7210.12.90.00, which originated from the People Republic of China (China), the Republic of Korea (South Korea) and Taiwan.

The following table lists the country of origin, manufacturer/exporter and BM AD rates imposed accordingly on imported goods:

No.	Country of Origin	Manufacturer/ Exporter	BM AD in percentage (%)
1	China	Jiangsu Ton Yi Tinplate Co., Ltd.	6.1
		Fujian Ton Yi Tinplate Co., Ltd.	6.1
		Baoshan Iron & Steel Co., Ltd.	7.4
		Shanghai Meishan Iron & Steel Co., Ltd.	7.4
		Jiangyin Comat Metal Products Co., Ltd.	7.1
		Other companies	7.4
2	South Korea	TCC Steel Corp.	6.2
		Dongbu Steel Co., Ltd.	7.9
		Shinhwasilup Co., Ltd.	4.4
		Other companies	7.9
3	Taiwan	Taiwan Ton Yi Industrial Corp.	4.4
		Other companies	4.4

The BM AD above is an addition to general import duty rates (Most Favoured Nation) or to preferential import duty rates for countries that have trade agreements with Indonesia. PMK-10 will come into effect for five years from its effective date on 15 February 2014 (i.e. 30 days after its enactment on 16 January 2014).

Import duty borne by government for certain industries in 2014

On 17 January 2014, the MoF issued Regulation No.11/PMK.011/2014 (PMK-11) regarding the Import Duty Borne by the Government (*Bea Masuk Ditanggung Pemerintah/BM DTP*) on the Import of Goods and Materials for the Production of Goods and/or Services for the Public Interest and for an Increase in the Competitiveness of Certain Industries in the Year 2014.

PMK-11 is effective retroactively since 1 January 2014 and was issued as part of the Government's annual procedure of providing BM DTP for certain industries that satisfy the following criteria:

- supplying goods and/or services for the public interest, consumed by society at large, and/or protecting consumer interests;
- increasing competitiveness;
- increasing absorption of manpower; and
- increasing state revenues.

BM DTP is provided on import of the following type of goods and materials:

- those not produced locally;
- those already produced locally but which do not meet the specification required; or
- those already produced locally but the amount of which does not cover industrial demands.

The import of goods and materials that already have other import duty facilities (e.g., exemption or 0% rate), or already imposed BM AD/temporary BM AD, safeguard import duty, countervailing import duty and revenge import duty is excluded from the Regulation.

An application for BM DTP shall be submitted by the Facilitator of the Industrial Sector from the relevant industry to the MoF. It shall be completed with certain attachments, including the realisation of BM DTP for the last two years. The Fiscal Policy Board (*Badan Koordinasi Fiskal/BKFF*) will review the application and seek input from the relevant ministry or directorate in order to give a recommendation to the MoF on the application.

During the tax facility period, both the Facilitator of the Industrial Sector and the Director General of Customs and Excise (DGCE) shall deliver quarterly reports on the Realisation of BM DTP to the MoF.

The subsidy threshold was based on Law No.23/2013 regarding State Revenues and the Expenditures Budget for the Year 2014. Standard formats of Realisation of BM DTP reports are attached to PMK-11.

Sanctions for non-compliance with the offshore loan reporting obligation have come into force

From February 2014, the sanctions for late reporting and failure to report offshore loans have come into force.

Bank Indonesia Regulation No.14/21/PBI/2012 concerning Foreign Exchange Traffic Activities Reporting (*Pelaporan Kegiatan Lalu Lintas Devisa/LLD*) requires Indonesian residents (which broadly cover banks, non-bank entities, companies and individuals) to submit LLD reports to Bank Indonesia, including on offshore borrowings and the realisation thereof.

The report must be submitted on a monthly basis by the day 15th of the following month, while any changes must be made by the 20th.

Late submission of the report shall be subject to Rp 500 thousand for every day of late submission up to a maximum of Rp 5 million. Failure to submit the report will incur a penalty of Rp 10 million.

Filing for an offshore loan report shall be considered to be late if it is submitted after the 15th day of the relevant month and a party shall be regarded as not reporting if the report is not submitted until the end of the relevant month of the reporting period.

The sanctions will start to apply for January 2014 offshore loan realisation reporting obligation.

In light of the above, Foreign Investment (*Penanaman Modal Asing/PMA*) companies receiving offshore loans will therefore need to comply with this requirement and accordingly, file the LLD report (on offshore loan and the realisation) no later than day 15th of the following month.

New regulation concerning procedures for recruiting foreign workers

On 30 December 2013, the new Minister of Manpower (MoM) Regulation No.12 of 2013 concerning Procedures for Recruiting Foreign Workers (PER-12) came into effect. PER-12 revokes previous MoM Regulation No. PER.02/MEN/III/2008.

We highlight below briefly some of the changes made by PER-12.

In general, PER-12 adds new requirements for processing foreign workers' work permits. For instance, there are additional supporting documents that a company must supply to the Ministry of Manpower in order to obtain Manpower Utilization Plan (*Rencana Penggunaan Tenaga Kerja Asing/RPTKA*) i.e., reason for employing foreign workers, Indonesian counterpart companion work plan and statement letter of foreign workers to undertake transfer of skill to local employee(s).

Furthermore, PER-12 introduces a new type of work permit for foreign workers (*Izin Mempekerjakan Tenaga Kerja Asing/IMTA*) applicable to temporary work, which shall be valid for a maximum of 6 months. IMTA for temporary work shall be given to a one-off type of work and work related to installation of machines, electrical devices, after sales services or products in trial run period.

According to PER-12, any foreign worker that intends to work in Indonesia must have relevant education **and** a minimum of 5 years work experience that is relevant to the position. The work experience requirement can be substituted with a certificate of competency. Under the previous regulation, foreign workers were only required to fulfil either the education **or** the work experience requirement.

Now a foreign worker who is married to an Indonesian national is no longer required to apply for a recommendation for work permit (TA-01).

How the provision will be applied in practice and the procedure involve will need to be further discussed with the Ministry of Manpower.

Your PwC Indonesia contacts

Abdullah Azis

abdullah.azis@id.pwc.com

Adi Poernomo

adi.poernomo@id.pwc.com

Adi Pratikto

adi.pratikto@id.pwc.com

Ali Mardi

ali.mardi@id.pwc.com

Ali Widodo

ali.widodo@id.pwc.com

Andrias Hendrik

Andrias.hendrik@id.pwc.com

Anthony J. Anderson

anthony.j.anderson@id.pwc.com

Anton Manik

anton.a.manik@id.pwc.com

Antonius Sanyojaya

antonius.sanyojaya@id.pwc.com

Ay Tjhing Phan

ay.tjhing.phan@id.pwc.com

Brian Arnold

brian.arnold@id.pwc.com

Engeline Siagian

engeline.siagian@id.pwc.com

Gadis Nurhidayah

gadis.nurhidayah@id.pwc.com

Hendra Lie

hendra.lie@id.pwc.com

Irene Atmawijaya

irene.atmawijaya@id.pwc.com

Ita Budhi

ita.budhi@id.pwc.com

Ivan Budiarnawan

ivan.budiarnawan@id.pwc.com

Laksmi Djuwita

laksmi.djuwita@id.pwc.com

Mardianto

mardianto.mardianto@id.pwc.com

Margie Margaret

margie.margaret@id.pwc.com

Michelle Mianova

michelle.mianova@id.pwc.com

Nigel Hobler

nigel.hobler@id.pwc.com

Parluhutan Simbolon

parluhutan.simbolon@id.pwc.com

Ravi Gupta

ravi.r.gupta@id.pwc.com

Ryuji Sugawara

ryuji.sugawara@id.pwc.com

Sutrisno Ali

sutrisno.ali@id.pwc.com

Suyanti Halim

suyanti.halim@id.pwc.com

Tim Watson

tim.robert.watson@id.pwc.com

Tjen She Siung

tjen.she.siung@id.pwc.com

Yessy Anggraini

yessy.anggraini@id.pwc.com

Yuliana Kurniadjaja

yuliana.kurniadjaja@id.pwc.com

www.pwc.com/id

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