



Tax Regulation Updates

- I. Expansion of Businesses subject to Preliminary Refunds of VAT
- II. Revision for Tax on Bonds

I. EXPANSION OF BUSINESSES SUBJECT TO PRELIMINARY REFUNDS OF VAT

The Minister of Finance ("MoF") has released MoF Regulation No. 117/PMK.03/2019 ("PMK-117/2019") that is a revision of MoF Regulation No. 39/PMK.03/2018 regarding Preliminary Refund of Overpaid Tax ("PMK-39/2018").

Preliminary tax refunds are available to low-risk VAT registered taxpayers ("taxable entrepreneurs") that conduct specified activities. As per PMK-39/2018, the taxable entrepreneur should submit an application to the Tax Office to be appointed as a low-risk taxable entrepreneur. Once appointed the taxpayer can then request a refund on lodgement of the relevant month's VAT Return.

The preliminary refund of VAT can be subject to a subsequent tax audit. In accordance with the Law on General Provisions & Procedures of Taxation ("KUP") any tax underpayment resulting from a tax audit for the preliminary refund will be subject to a 100% penalty.

PMK-117/2019 expands the scope of low-risk taxable entrepreneurs. The low-risk taxable entrepreneurs as per PMK-117/2019 are:

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| a. Companies listed on the Indonesian stock exchange; | g. Pharmaceutical wholesalers that have a pharmaceutical distribution certificate or pharmaceutical wholesaler permit and a certificate of good medicine distribution practice (NEW); |
| b. Stated owned companies (BUMN) and regional stated owned companies (BUMD); | |
| c. Taxable entrepreneurs that are already stipulated as a Main Partner of Customs in accordance with the MoF regulations regarding the Main Partners of Customs; | h. Medical equipment distributors that have a medical equipment distribution certificate or medical equipment distributor permit and a certificate of good medical equipment distribution practice (NEW); or |
| d. Taxable Entrepreneurs stipulated as an Authorized Economic Operator in accordance with the MoF regulations regarding Authorized Economic Operator; | i. Companies that are directly owned by BUMN where the share ownership is more than 50% and the company's financial statements are consolidated with the financial statements of the BUMN based on generally accepted accounting principles (NEW). |
| e. Manufacturers or producers in addition to the taxable entrepreneurs as per letter a to d, that have a place to perform production activities; | |
| f. Taxable entrepreneurs that have a maximum IDR 1 billion VAT refund claim in the monthly VAT Return; | |

There is no change of the type of specified activities which remain as below:

- Export of taxable goods, services, and/or intangible goods;
- Delivers taxable goods/services to a VAT Collector; and/or
- Delivers taxable goods/services for which the VAT is not collectible (*tidak dipungut*).



PMK-117/2019 is effective on 19 August 2019.



II. REVISION FOR TAX ON BONDS

Government Regulation No. 55 Year 2019 ("PP-55/2019") is a second revision of Government Regulation No. 16 Year 2009 dated 9 February 2009 regarding income tax on bond interest.

This regulation is effective on 12 August 2019.

PP-55/2019 expands the definition of bonds to include regional government bonds. In addition it extends the concessional tax treatment currently only available for Mutual Funds (reksadana) to include infrastructure investment trusts, real estate investment trusts and asset-backed securities that are structured in the form of a collective investment contracts that are registered in the Financial Services Authority of Indonesia ("OJK").

The table below summarises the changes:

	Previously	Now
Definition of Bonds	Bonds are debt securities and state debt securities that have a period of more than twelve months.	Bonds are debt securities, state debt securities, and regional government bonds that have a period of more than twelve months.
General Withholding Tax Treatment	15% for resident taxpayers and Permanent Establishments; 20% for non-residents (subject to an applicable tax treaty).	No change.
Concessional Withholding Tax Rates for 5% until year 2020 and 10% from year 2021 and onwards	Apply for Mutual Funds (reksadana).	Apply for Mutual Funds (Reksadana), infrastructure investment trusts, real estate investment trusts, asset-backed securities in the form of collective investment contracts that are registered in OJK.

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