

Takeaways from Changes to Indonesian Tax Laws proposed in September 2019

1. Reduction of Corporate Income Tax rate		
Matter	Current	Draft
Income Tax Rate	Corporate income tax rate (normal tax rate) is 25%	The tax rate will be reduced gradually to 22% in fiscal years 2021 and 2022, and to 20% starting fiscal year 2023
Income Tax Rate for publicly traded entities (certain requirements apply)	Corporate income tax rate is 5% lower than normal tax rate	Newly publicly traded entities qualify for: <ul style="list-style-type: none"> - Rate 3% lower than normal tax rate, which is - Valid for 5 years
2. Income Tax Relief on Dividends		
Matter	Current	Draft
Received from domestic entity	Dividends received by: <ol style="list-style-type: none"> 1. Domestic corporate taxpayer with 25% or more ownership are exempt from income tax 2. Domestic corporate taxpayer with less than 25% ownership are taxed at normal income tax rate 3. Domestic individual taxpayer are subject to 10% Final Tax rate 	Dividends received by: <ol style="list-style-type: none"> 1. — No change — 2. Domestic corporate taxpayers with less than 25% ownership are taxed at normal income tax rate, <u>unless</u> reinvested in Indonesia within a certain time frame 3. Individual taxpayers are subject to Final Tax of 10%, <u>unless</u> reinvested in Indonesia within a certain time frame
Received from foreign entity	Dividends received by domestic corporate or individual taxpayers are subject to normal income tax rate	Dividends received by domestic corporate or individual taxpayers are subject to normal income tax rate, <u>unless</u> reinvested in Indonesia within a certain time frame
3. Imposition of Income Tax		
Matter	Current	Draft
Indonesian citizen or expatriate as domestic taxpayer	<ul style="list-style-type: none"> - Indonesian citizen is a domestic taxpayer due to citizenship and - An expatriate having been present in Indonesia for more than 183 days is deemed to be a domestic taxpayer 	Domestic taxpayer status is determined by time test of physical presence in Indonesia: <ul style="list-style-type: none"> - More than 183 days as a domestic taxpayer - 183 days or less as a foreign taxpayer
Principal on income taxation	World wide	Territorial
4. Relaxation in Crediting Input VAT		
Matter	Current	Draft
Input VAT prior to registration as VAT-able Entrepreneur	Non-creditable	Creditable based on tax invoice received
Input VAT not reported in tax return and discovered during tax	Non-creditable	Creditable based on tax invoice received

audit		
Input VAT billed by way of Tax Assessment	Non-creditable	Creditable limited to tax base
Input VAT prior to taxable sales incurred by Entrepreneur	Creditable limited to capital goods	Creditable. Any overpayment can be carried forward to the following month and restitution can be requested at year end
5. Adjustments on Tax Penalties		
Matter	Current	Draft
Interest charge penalty for underpayment of tax due to tax return amendment	2% a month from underpayment of tax	Benchmark interest rate plus 5% (from underpayment of tax), pro-rated on a monthly basis
Interest charge penalty for underpayment of tax imposed due to tax assessment letter	2% a month from underpayment of tax	Benchmark interest rate plus 10% (underpayment of tax), pro-rated on a monthly basis
The penalty for failure to issue, or late issuance of a VAT invoice	2% from VAT base	1% from VAT base
Failure to register as VAT-able Entrepreneur	No administrative penalty	1% from VAT base
6. Tax Facilities to be included in sections within Tax Laws		
Matter	Current	Draft
Tax holiday	Available to corporate taxpayers in pioneer industries <i>(Regulated by Investment Law and Ministry Of Finance Regulation)</i>	Available to: 1. Corporate taxpayers in pioneer industries 2. Main business activity located in bonded zone 3. Developments in certain industrial regions
Super deduction	Available to corporate taxpayers who: 1. Perform vocational training and R&D 2. Invest in labor-intensive industries <i>(Regulated by Government Regulation)</i>	Available to corporate taxpayers who: 1. Perform vocational training and R&D 2. Invest in labor-intensive industries
Income tax facility in bonded zone	1. Reduction of net income by up to 30%; 2. Accelerated depreciation; 3. Additional loss compensation period of up to 10 years; 4. Income tax on dividends at 10% <i>(Regulated by Law regarding Special Economic Regions)</i>	1. Reduction of net income by up to 30%; 2. Accelerated depreciation; 3. Additional loss compensation period of up to 10 years; 4. Income tax on dividends at 10%.
Income tax on SBN (Government Securities) traded on international market	Lower tax rate / tax holiday on interest/discount, reciprocal principal applies	Tax holiday/reduction of tax on interest/discount
7. Taxation on Trading by Electronic System		
Matter	Current	Draft
Imposition and remittance of VAT on import of intangible	Performed by domestic consumer (importer) with Tax Remittance Slip	To appoint: 1. Foreign taxpayer (Foreign trader, foreign service provider, foreign

goods and services		<p>platform) to withhold, remit, and report VAT</p> <ol style="list-style-type: none"> 2. Foreign taxpayer is able to appoint a representative in Indonesia to withhold, remit, and report VAT on foreign taxpayer's behalf
Taxation of income with respect to electronic transactions performed in Indonesia by foreign taxpayers who do not have physical presence in Indonesia	No ruling on this yet	<ol style="list-style-type: none"> 1. Define Permanent Establishment (BUT) not only by physical presence but also by significant economic presence 2. Tax rate and base are subject to provisions of income tax

