LAW OF THE REPUBLIC OF INDONESIA
NUMBER 7 OF 2021

CONCERNING

THE HARMONISATION OF TAX REGULATIONS

BY THE GRACE OF ALMIGHTY GOD
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering

a. that to realise a just, prosperous and well-off Indonesian society based on Pancasila and the 1945 Constitution of the Republic of Indonesia which upholds the rights and obligations of Indonesian citizens and residents, it is necessary to place taxation as one of the manifestations of state obligations in an effort to increase welfare, justice and social development;

b. that to increase sustainable economic growth and support the acceleration of economic recovery, fiscal consolidation strategies that focus on improving the budget deficit and increasing the tax ratio are required, which among others, are carried out through implementing policies to increase tax revenue performance, tax administration reforms, increasing the tax base, establishing a taxation system that prioritises the principles of justice and legal certainty as well as increased Taxpayer's voluntary compliance;

c. that to implement fiscal consolidation strategies that focus on improving the budget deficit and increasing the tax ratio as referred to in letter b, it is necessary to adjust policies in the field of general provisions and tax procedures, value added tax and excise as well as the comprehensive regulation of carbon tax and policies in the form of a voluntary disclosure program for Taxpayers in 1 (one) Law;

d. that based on the considerations referred to in letter a, letter b and letter c, it is necessary to stipulate a Law concerning the Harmonisation of Tax Regulations;

In View of

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1. Article 5 paragraph (1), Article 20 and Article 23A of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 6 of 1983 concerning General Provisions and Tax Procedures (State Gazette of the Republic of Indonesia of 1983 Number 49, Supplement to the State Gazette of the Republic of Indonesia Number 3262) as amended several times, last amended by Law Number 16 of 2009 concerning the Stipulation of Government Regulation in Lieu of Law Number 5 of 2008 concerning the Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures into a Law (State Gazette of the Republic of Indonesia of 2009 Number 62, Supplement to the State Gazette of the Republic of Indonesia Number 4999);

3. Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 1983 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 3263) as amended several times, last amended by Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 2008 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 4893);

4. Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 1983 Number 51, Supplement to the State Gazette of the Republic of Indonesia Number 3264) as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 2009 Number 150, Supplement to the State Gazette of the Republic of Indonesia Number 5069);

5. Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 1995 Number 76, Supplement to the State Gazette Number 3613) as amended by Law Number 39 of 2007 concerning the Amendment to Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 2007 Number 105, Supplement to the State Gazette Number 4755);

6. Law Number 11 of 2016 concerning Tax Amnesty (State Gazette of the Republic of Indonesia of 2016 Number 131, Supplement to the State Gazette of the Republic of Indonesia Number 5899);

7. Law Number 2 of 2020 concerning the Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System into a Law (State Gazette of the Republic of Indonesia of 2020 Number 134, Supplement to the State Gazette of the Republic of Indonesia Number 6516);

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8. Law Number 11 of 2020 concerning Job Creation (State Gazette of the Republic of Indonesia of 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

With Joint Approval
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA
AND
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAVE DECIDED:

To stipulate

LAW CONCERNING THE HARMONISATION OF TAX REGULATIONS.

CHAPTER I
PRINCIPLES, OBJECTIVES AND SCOPE

Article 1

(1) This Law is administered based on the principles of:

a. justice;

b. simplicity;

c. efficiency;

d. legal certainty;

e. expediency; and

f. national interests.

(2) This law is formulated with the aim of:

a. promoting sustainable economic growth and supporting the acceleration of economic recovery;

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b. optimising state revenues to finance national development independently towards a just, prosperous and well-off Indonesian society;

c. realising a tax system that is more just and has legal certainty;

d. implementing administrative reforms, consolidated tax policies and broadening the tax base; and

e. increasing Taxpayers' voluntary compliance.

(3) To achieve the objectives referred to in paragraph (2), this Law regulates strategic policies which include:

a. the amendment to Law Number 6 of 1983 concerning General Provisions and Procedures for Taxation as amended several times, last amended by Law Number 16 of 2009 concerning the Stipulation of Government Regulation in Lieu of Law Number 5 of 2008 concerning the Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures into a Law;

b. the amendment to Law Number 7 of 1983 concerning Income Taxes as amended several times, last amended by Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Taxes;

c. the amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods;

d. the regulation of Taxpayers' voluntary disclosure programs;

e. the regulation of carbon tax; and

f. the amendment to Law Number 11 of 1995 concerning Excise as amended by Law Number 39 of 2007 concerning the Amendment to Law Number 11 of 1995 concerning Excise.

CHAPTER II
GENERAL PROVISIONS AND TAX PROCEDURES

Article 2

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Several provisions under Law Number 6 of 1983 concerning General Provisions and Tax Procedures (State Gazette of the Republic of Indonesia of 1983 Number 49, Supplement to the State Gazette of the Republic of Indonesia Number 3262) as amended several times, last amended by Law Number 16 of 2009 regarding the Stipulation of Government Regulation in Lieu of Law Number 5 of 2008 concerning the Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures into a Law (State Gazette of the Republic of Indonesia of 2009 Number 62, Supplement to State Gazette of the Republic of Indonesia Number 4999) are amended as follows:

1. Between paragraph (1) and paragraph (2) of Article 2, 1 (one) paragraph is inserted, namely paragraph (1a), Article 2 paragraph (5) is deleted and 1 (one) paragraph is added, namely paragraph (10), thereby, Article 2 reads as follows:

Article 2

(1) Any Taxpayer that has fulfiled subjective and objective requirements as stipulated by statutory tax provisions shall be obliged to register at the office of the Directorate General of Taxes whose working area covers the Taxpayer's residence or domicile and be provided with a Taxpayer Identification Number.

(1a) The Taxpayer Identification Number referred to in paragraph (1) for an individual Taxpayer constituting an Indonesian resident shall use a single identity number.

(2) Taxpayers constituting Entrepreneurs that are liable to taxes under the Value Added Tax Law of 1984 and the amendments thereto shall be obliged to report their business to the office of the Directorate General of Taxes whose working area covers the Enterpreneurs' residence or domicile and the place of business to be registered as a Taxable Person for VAT Purposes.

(3) The Director General of Taxes may stipulate:

a. the place of business registration and/or reporting other than those referred to in paragraph (1) and paragraph (2); and/or

b. the place of registration at the office of the Directorate General of Taxes whose working area covers the residence of the Taxpayer and the office of the Directorate General of Taxes whose working area covers the place of business of certain individual entrepreneur Taxpayers.

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(4) The Director General of Taxes may *ex-officio* issue a Taxpayer Identification Number and/or register a Taxable Person for VAT Purposes in the event that a Taxpayer or a Taxable Person for VAT Purposes does not fulfil the obligations as referred to in paragraph (1) and/or paragraph (2).

(4a) Tax obligations of Taxpayers whose Taxpayer Identification Number is issued and/or are registered as Taxable Persons for VAT Purposes *ex officio* as referred to in paragraph (4) shall commence since the Taxpayers fulfil subjective and objective requirements as stipulated by statutory tax provisions, for a maximum period of 5 (five) years prior to the issuance of Taxpayer Identification Number and/or the registration as Taxable Persons for VAT Purposes. ***)

(5) Deleted.

(6) Taxpayer Identification Number is deregistered by Director General of Taxes in the event that:

a. an application for Taxpayer Identification Number deregistration is submitted by Taxpayers and/or their heirs when the Taxpayers no longer fulfil subjective and/or objective requirements as stipulated by statutory tax provisions;

b. a corporate Taxpayer is liquidated as a result of business termination or merger;

c. a permanent establishment Taxpayer terminates its business in Indonesia; or

d. the Director General of Taxes deems it necessary to deregister the Taxpayer Identification Number of a Taxpayer that no longer fulfils subjective and/or objective requirements as stipulated by statutory tax provisions.

(7) The Director General of Taxes, having performed an audit, shall issue a decision on the deregistration of a Taxpayer Identification Number within 6 (six) months for an Individual Taxpayer or 12 (twelve) months for a Corporate Taxpayer from the date the application is received in full.

(8) Director General of Taxes may *ex officio* or based on a Taxpayer's application perform VAT deregistration.

(9) The Director General of Taxes, having performed an audit, shall issue a decision on an application for VAT deregistration within 6 (six) months from the date the application is received in full.

(10) In the context of using a single identity number as the Taxpayer Identification Number as referred to in paragraph (1a), the minister who carries out domestic government affairs shall provide population data and user feedback data to the Minister of Finance to be integrated with the tax database.

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2. The provisions of paragraph (4) Article 8 are amended, thereby, it reads as follows:

Article 8

(1) Taxpayers may voluntarily rectify filed Tax Returns by submitting a written statement, provided that the Director General of Taxes has not performed an audit.

(1a) In the event that the rectification of Tax Returns as referred to in paragraph (1) states loss or tax overpayment, the rectified Tax Returns must be filed no later than 2 (two) years before the expiration of the tax assessment.

(2) In the event Taxpayers voluntarily rectify Annual Tax Returns resulting in a higher amount of tax payable, they shall be subject to an administrative penalty in the form of interest at monthly interest rate stipulated by the Minister of Finance of the tax underpayment, calculated from the due date of Tax Return filing to the payment date for a maximum of 24 (twenty-four) months and a fraction of a month is treated as 1 (one) full month.

(2a) In the event Taxpayers voluntarily rectify Periodic Tax Returns resulting in a higher amount of tax payable, they shall be subject to an administrative penalty in the form of interest at monthly interest rate stipulated by the Minister of Finance of the tax underpayment, calculated from the payment due date to the payment date for a maximum of 24 (twenty-four) months and a fraction of a month is treated as 1 (one) full month.

(2b) The monthly interest rate stipulated by the Minister of Finance as referred to in paragraph (2) and paragraph (2a) is calculated based on the reference interest rate plus 5% (five percent) and divided by 12 (twelve) which applies on the date the calculation of penalties commences.

(3) Even though a preliminary investigation has been carried out, Taxpayers may voluntarily disclose in a written statement concerning the incorrectness of their actions, as follows:

a. not filing Tax Returns; or

b. filing incorrect or incomplete Tax Returns or attaching incorrect information,

as referred to in Article 38 or Article 39 paragraph (1) subparagraph c and subparagraph d insofar as the commencement of the Investigation has not been notified to the Public Prosecutor through official investigators of the State Police of the Republic of Indonesia.

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(3a) The disclosure of the incorrectness of actions as referred to in paragraph (3) shall be accompanied by the settlement of actual tax payable underpayment and an administrative penalty in the form of a 100% (one hundred percent) fine of the total tax underpayment.

(4) Even though the Director General of Taxes has conducted an audit, provided that the Director General of Taxes has not submitted a notification of tax audit results, Taxpayers may voluntarily disclose in a separate report the incorrect completion of filed Tax Returns in accordance with the actual situation and the audit process shall continue.

(5) The tax underpayment arising as a result of disclosure of incorrect Tax Return completion as referred to in paragraph (4) must be settled by the Taxpayer before the separate report is submitted along with an administrative penalty in the form of interest at monthly interest rate stipulated by the Minister of Finance of the tax underpayment, calculated from:

a. the due date of Annual Tax Return filing to the payment date, for disclosure of incorrect Annual Tax Return completion; or

b. the payment due date to the payment date, for disclosure of incorrect Periodic Tax Return completion

for a maximum of 24 (twenty-four) months and a fraction of a month is treated as 1 (one) full month.

(5a) The monthly interest rate stipulated by the Minister of Finance as referred to in paragraph (5) is calculated based on the reference interest rate plus 10% (ten percent) and divided by 12 (twelve) which applies on the date the calculation of penalties commences.

(6) Taxpayers may rectify filed Tax Returns in the event that the Taxpayers receive notices of tax assessment, Objection Decision Letters, Rectification Decision Letters, Appeal Decisions or Civil Review Decisions on previous Tax Year or several preceding Tax Years, which state tax losses that are different from the tax loss that has been carried forward in the Tax Returns to be rectified, within a period of 3 (three) months after receiving the notices of tax assessment, Objection Decision Letters, Rectification Decision Letters, Appeal Decisions or Civil Review Decisions, provided that the Director General of Taxes has not commenced an audit.

3. The provisions of paragraph (1) and paragraph (3) Article 13 are amended, between paragraph (3a) and paragraph (4) Article 13, 2 (two) paragraphs are inserted, namely paragraph (3b) and paragraph (3c), thereby, Article 13 reads as follows:

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Article 13

(1) The Director General of Taxes may issue a Notice of Tax Underpayment Assessment within 5 (five) years after the date taxes become payable or after the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year following an audit, under the following conditions:

a. there are unpaid or underpaid taxes;

b. Tax Returns are not filed within the period referred to in Article 3 paragraph (3) and after being reprimanded in writing, the Tax Returns are not filed within the time specified in the Reprimand Letter;

c. there is Value Added Tax and Sales Tax on Luxury Goods that should not have otherwise been carried forward over the tax overpayment or should not have been subject to a 0% (zero percent) rate;

d. the obligations referred to in Article 28 and Article 29 have not been fulfiled, thereby, the amount of tax payable cannot be determined;

e. for Taxpayers, Taxpayer Identification Numbers are issued *ex officio* and Taxable Persons for VAT Purposes are registered ex officio as referred to in Article 2 paragraph (4a); or

f. Taxable Persons for VAT Purposes do not supply Taxable Goods and/or Taxable Services and/or export Taxable Goods and/or Taxable Services and have been given refunds of Input VAT or have credited Input VAT as referred to in Article 9 paragraph (6e) of the Value Added Tax Law of 1984 and the amendments thereto.

(2) The amount of tax underpayment in a Notice of Tax Underpayment Assessment as referred to in paragraph (1) subparagraph a and subparagraph e shall be added with an administrative penalty in the form of interest at monthly interest rate stipulated by the Minister of Finance, calculated from the date a tax becomes payable or from the end of a Taxable Period, a fraction of a Tax Year or a Tax Year to the issuance of the Notice of Tax Underpayment Assessment for a maximum of 24 (twenty-four) months and a fraction of a month shall be treated as 1 (one) full month.

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(2a) The amount of tax underpayment in a Notice of Tax Underpayment Assessment as referred to in paragraph (1) subparagraph f shall be added with an administrative penalty in the form of interest at monthly interest rate stipulated by the Minister of Finance, calculated from the due date of compensation to the issuance of the Notice of Tax Underpayment Assessment for a maximum of 24 (twenty-four) months and a fraction of a month shall be treated as 1 (one) full month.

(2b) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (2) and paragraph (2a) is calculated based on the reference interest rate plus 15% (fifteen percent) and divided by 12 (twelve) and is effective on the date the calculation of penalties commences.

(3) The amount of tax in the Notice of Tax Underpayment Assessment referred to in paragraph (1) subparagraph b, subparagraph c and subparagraph d shall be added with an administrative penalty in the form of:

a. interest of any unpaid or underpaid Income Tax in 1 (one) Tax Year;

b. interest of any Income Tax that is not withheld or underwithheld;

c. 75% (seventy-five percent) surchage of any unpaid or underpaid Value Added Tax on Goods and Services and Sales Tax on Luxury Goods; or

d. 75% (seventy-five percent) surchage of any withheld Income Tax that is unremitted or under-remitted.

(3a) In the event that administrative penalties in the form of interest and surcharges are imposed based on audit findings on Value Added Tax and Sales Tax on Luxury Goods as referred to in paragraph (1) subparagraph a and subparagraph c, only one type of administrative penalty, the one with the highest amount, shall be applied.

(3b) The interest referred to in paragraph (3) subparagraph a and subparagraph b amounts to the monthly interest rate stipulated by the Minister of Finance, calculated from the time the tax becomes payable or the end of a Taxable Period, a Fraction of a Tax Year or a Tax Year to the issuance of the Notice of Tax Underpayment Assessment for a maximum of 24 (twenty-four) months and a fraction of a month shall be treated as 1 (one) full month.

(3c) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (3b) is calculated based on the reference interest rate plus 20% (twenty percent) and divided by 12 (twelve) and applies on the date the calculation of penalties commences.

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(4) The amount of tax payable filed by Taxpayers in Tax Returns becomes certain pursuant to statutory tax provisions if within 5 (five) years as referred to in paragraph (1), after the tax becomes payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year, no notice of tax assessment is issued, unless the Taxpayers commit any tax crime during the said Taxable Period, a fraction of a Tax Year or Tax Year.

(5) Deleted.

(6) Procedures for the issuance of Notices of Tax Underpayment Assessment referred to in paragraph (1) shall be stipulated by or based on a Minister of Finance Regulation

4. The provisions of paragraph (1) of Article 14 are amended, thereby, it reads as follows:

Article 14

(1) The Director General of Taxes may issue a Notice of Tax Collection if:

a. Income Taxes in the current year are unpaid or underpaid;

b. based on verification results, there is tax underpayment due to typos and/or miscalculation;

c. the Taxpayer is subject to an administrative penalty in the form of a fine and/or interest;

d. an entrepreneur that has already been registered as a Taxable Person for VAT Purposes fails to issue a tax invoice or issues a tax invoice but issues the invoice later than the due date;

e. an entrepreneur that has already been registered as a Taxable Person for VAT Purposes fails to issue a complete tax invoice as referred to in Article 13 paragraph (5) and paragraph (6) of VAT Law of 1984 and the amendments thereto, except the identity of the buyer of Taxable Goods or recipient of Taxable Services as well as the name and signature as referred to in Article 13 paragraph (5) subparagraph b and subparagraph g of VAT Law of 1984 and the amendments thereto in the event that the supply is performed by retailer Taxable Persons for VAT Purposes;

f. deleted;

g. deleted;

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h. there is interest compensation that should not be otherwise given to Taxpayers, in the event that:

1. a decision is issued;

2. a decision is received; or

3. data or information is found, that indicates interest compensation that should not be otherwise given to Taxpayers; or

i. there are unpaid or underpaid taxes within the period in accordance with the agreement to install or defer tax payment as referred to in Article 9 paragraph (4).

(2) Notices of Tax Collection referred to in paragraph (1) hold the same legal force as notices of tax assessment.

(3) The amount of tax underpayment in the Notices of Tax Collection referred to in paragraph (1) subparagraph a and subparagraph b plus an administrative penalty in the form of interest at the monthly interest rate stipulated by the Minister of Finance shall be calculated from the time the taxes become payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year to the issuance of the Notice of Tax Collection for a maximum of 24 (twenty-four) months and a fraction of a month is treated as 1 (one) full month.

(4) Entrepreneurs or Taxable Persons for VAT Purposes referred to in paragraph (1) subparagraph d or subparagraph e, respectively, in addition to being obliged to remit tax payable, are subject to an administrative penalty in the form of a 1% (one percent) fine of the Tax Base.

(5) Deleted.

(5a) The monthly interest rate stipulated by the Minister of Finance referred to in paragraph (3) is calculated based on the reference interest rate plus 5% (five percent) and divided by 12 (twelve) and applies on the date the calculation of penalties commences.

(5b) Notices of Tax Collection are issued no later than 5 (five) years after the taxes become payable or the end of a Taxable Period, a fraction of a Tax Year or a Tax Year.

(5c) Excluded from the provisions on the issuance period referred to in paragraph (5b):

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a. Notices of Tax Collection for administrative penalties referred to in Article 19 paragraph (1) are issued no later than the expiration date of collection of Notice of Tax Underpayment Assessment and Notice of Additional Tax Underpayment Assessment and Rectification Decision Letters, Objection Decision Letters, Appeal Decisions and Civil Review Decisions resulting in an increase in the amount of tax payable;

b. Notices of Tax Collection for administrative penalties referred to in Article 25 paragraph (9) may be issued no later than 5 (five) years from the date of issuance of Objection Decision Letters if the Taxpayers do not file an appeal; and

c. Notices of Tax Collection for administrative penalties referred to in Article 27 paragraph (5d) may be issued no later than 5 (five) years from the date the Appeal Decision is pronounced by the Tax Court judge in public trial proceedings.

(6) Procedures for the issuance of Notices of Tax Collection are stipulated by or based on a Minister of Finance Regulation.

5. Between Article 20 and Article 21, 1 (one) article is inserted, namely Article 20A, thereby, it reads as follows:

Article 20A

(1) The Minister of Finance is authorised to co-operate in tax collection assistance with partner countries or partner jurisdictions.

(2) Tax collection assistance referred to in paragraph (1) is carried out by the Director General of Taxes, which includes the provision of tax collection assistance and requests for tax collection assistance to partner countries or partner jurisdictions.

(3) The provision of tax collection assistance and requests for tax collection assistance referred to in paragraph (2) shall be carried out based on a reciprocal international agreement.

(4) Partner countries or partner jurisdictions referred to in paragraph (1) are countries or jurisdictions bound with the Government of Indonesia in an international agreement.

(5) The international agreement referred to in paragraph (3) constitutes a bilateral or multilateral agreement that stipulates co-operation on matters relating to tax collection assistance, including:

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a. tax treaties;

b. convention on mutual administrative assistance in tax matters; or

c. other bilateral or multilateral agreements.

(6) Tax collection assistance referred to in paragraph (2) may be carried out after a tax claim is received from the partner country or partner jurisdiction.

(7) Tax claim referred to in paragraph (6) constitutes a legal instrument from the partner countries or partner jurisdictions which at least contains:

a. the value of tax claim for which collection assistance is requested; and

b. identity of the tax bearer on the tax claim.

(8) Tax claim referred to in paragraph (7) constitutes tax base for which tax collection shall be carried out with a Distress Warrant in accordance with statutory tax provisions that apply *mutatis mutandis* against prevailing provisions on tax collection in partner countries or partner jurisdictions.

(9) Proceeds from tax collection on tax claims from partner countries or partner jurisdictions are deposited in other government accounts before being sent to partner countries or partner jurisdictions.

6. The provisions of paragraph (9) and paragraph (10) of Article 25 are amended and the elucidation of paragraph (7) Article 25 is amended to be as listed in the elucidation of article by article, thereby, Article 25 reads as follows:

Article 25

(1) Taxpayers may only file objections to the Director General of Taxes against:

a. Notices of Tax Underpayment Assessment;

b. Notices of Additional Tax Underpayment Assessment;

c. Notices of Nil Tax Assessment;

d. Notice of Tax Overpayment Assessment; or

e. withholding by third parties pursuant to statutory tax provisions.

(2) Objections shall be filed in writing in the Indonesian Language and state the amount of tax payable, the amount of withheld taxes or the amount of losses as calculated by the Taxpayers, supported by underlying reasons of the calculation basis.

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(3) Objections shall be filed within 3 (three) months from the date the notice of tax assessment is sent or the date of tax withholding referred to in paragraph (1) unless the Taxpayers can demonstrate that the period cannot be fulfiled due to circumstances beyond their control.

(3a) In the event that Taxpayers file objections for notices of tax assessment, the Taxpayers shall settle the tax payable amounting to the minimum amount agreed by the Taxpayers in the closing conference, before the objection letters are submitted.

(4) Objections that do not fulfil the requirements referred to in paragraph (1), paragraph (2), paragraph (3) or paragraph (3a) shall not constitute valid objection letters and, thereby, will not be taken under consideration.

(5) Proof of receipt of objection letters given by employees of the Directorate General of Taxes appointed to receive such letters or the postage date of objection letters or other means as stipulated by or based on a Minister of Finance Regulation shall constitute proof of receipt of the objection letters.

(6) If requested by Taxpayers for the purpose of filing objections, the Director General of Taxes is obliged to provide written information on matters constituting the tax base, the calculation of losses or tax withholding.

(7) In the event that Taxpayers file objections, the due date for tax settlement as referred to in Article 9 paragraph (3) or paragraph (3a) of unpaid taxes at the time the objections are filed, shall be deferred to 1 (one) month from the issuance date the Objection Decision Letter.

(8) The amount of unpaid taxes upon the application of objections as referred to in paragraph (7) does not constitute tax liabilities as referred to in Article 11 paragraph (1) and paragraph (1a).

(9) In the event that a Taxpayer's objection is rejected or partially granted, the Taxpayer shall be subject to an administrative penalty in the form of a 30% (thirty percent) fine of the amount of taxes as specified by the objection decision subtracted by the amount of taxes paid prior to the objection is filed.

(10) In the event that a Taxpayer files an appeal, the administrative penalty in the form of a 30% (thirty percent) fine referred to in paragraph (9) shall not be imposed.

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7. The provisions of paragraph (4a), paragraph (5c) and paragraph (5d) of Article 27 are amended, between paragraph (5d) and paragraph (6) Article 27, 3 (three) paragraphs are inserted, namely paragraph (5e), paragraph (5f) and paragraph (5g) and the elucidation of paragraph (5a) of Article 27 is amended to be as listed in the elucidation of article by article, thereby, Article 27 reads as follows:

Article 27

(1) Taxpayers may only file appeals to the tax court on Objection Decision Letters as referred to in Article 26 paragraph (1).

(2) Tax Court Decision is a decision of a special court within the state administrative court.

(3) Applications referred to in paragraph (1) shall be submitted in writing in the Indonesian Language with clearly stated reasons no later than 3 (three) months from the date the Objection Decision Letter is received, attached with a copy of the Objection Decision Letter.

(4) Deleted.

(4a) If requested by Taxpayers for filing appeals, the Director General of Taxes is obliged to provide a written explanation concerning the basis of the Objection Decision Letter issued no later than 1 (one) month since the written application is received by the Director General of Taxes.

(5) Deleted.

(5a) In the event that a Taxpayer files an appeal, the tax settlement period referred to in Article 9 paragraph (3) and paragraph (3a) or Article 25 paragraph (7) of taxes that are not yet paid at the time the objection is filed, shall be deferred to 1 (one) month from the issuance date of the Appeal Decision.

(5b) The amount of taxes that are not yet paid at the time the objection is filed as referred to in paragraph (5a) does not constitute tax liabilities referred to in Article 11 paragraph (1) and paragraph (1a).

(5c) The amount of taxes that are not yet paid at the time the appeal is filed does not constitute tax liabilities referred to in Article 11 paragraph (1) and paragraph (1) until the Appeal Decision is issued.

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(5d) In the event that applications for appeals are rejected or partially granted, the Taxpayers shall be subject to an administrative penalty in the form of a 60% (sixty percent) fine of the amount of taxes stated in the Appeal Decision subtracted by the amount of paid taxes before the objection is filed.

(5e) In the event that the Taxpayer or the Director General of Taxes files a civil review, the implementation of Tax Court decision shall not be suspended or terminated.

(5f) In the event that a Civil Review Decision results in an increased amount of tax payable, an administrative penalty in the form of a 60% (sixty percent) fine of the total taxes based on the Civil Review Decision subtracted by the taxes paid before the objection is filed shall be imposed.

(5g) The Notice of Tax Collection for administrative penalties referred to in paragraph (5f) is issued no later than 2 (two) years from the date the Civil Review Decision is received by the Director General of Taxes.

(6) The tax court referred to in paragraph (1) and Article 23 paragraph (2) shall be stipulated by laws.

8. Between Article 27B and Article 28, 1 (one) article is inserted, namely Article 27C, thereby, it reads as follows:

Article 27C

(1) The Director General of Taxes is authorised to implement mutual agreement procedure to prevent or resolve problems arising in the application of tax treaties.

(2) Mutual agreement procedure referred to in paragraph (1) may be applied for by:

a. resident Taxpayers;

b. the Director General of Taxes;

c. the competent authority of the partner country or partner jurisdiction of the tax treaty; or

d. Indonesian citizens through the Director General of Taxes in relation to discriminatory treatment in the partner country or partner jurisdiction of the tax treaty which is contrary to the provisions on non-discrimination,

pursuant to the provisions and time limits stipulated under the tax treaty.

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(3) Applications for the implementation of mutual agreement procedure referred to in paragraph (2) subparagraph a, subparagraph b and subparagraph c may be submitted at the same time as a resident Taxpayer's application for:

a. an objection as referred to in Article 25;

b. an appeal as referred to in Article 27; or

c. reduction or cancellation of an incorrect notice of tax assessment as referred to in Article 36 paragraph (1) subparagraph b.

(4) In the event that the implementation of mutual agreement procedure referred to in paragraph (3) subparagraph b has not resulted in mutual agreement until the Appeal Decision or Civil Review Decision is pronounced, the Director General of Taxes shall:

a. continue negotiations, in the event that the disputed materials being decided in the Appeal Decision or Civil Review Decision do not constitute the materials for which the mutual agreement procedure is applied; or

b. use the Appeal Decision or Civil Review Decision as a position in the negotiation or terminate the negotiation, in the event that the disputed materials being decided constitute the materials for which the mutual agreement procedure is applied.

(5) The Director General of Taxes shall follow up on the results of the mutual agreement procedure referred to in paragraph (1) by issuing a decision letter on mutual agreement.

(6) The decision letter on mutual agreement referred to in paragraph (5) includes the basis for tax refunds referred to in Article 11 paragraph (1a) or the tax base as referred to in Article 18.

9. The provisions of paragraph (3a) of Article 32 are amended, thereby, it reads as follows:

Article 32

(1) In exercising their rights and fulfiling obligations pursuant to statutory tax provisions, the following Taxpayers shall be represented:

a. entities, by the management;

b. entities declared bankrupt, by a curator;

c. entities in dissolution, by a person or entity responsible for the settlement;

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d. entities in liquidation, by the liquidator;

e. undivided inheritance, by one of the heirs, executor of the will or trustee; or

f. a minor child or person under custody, by the guardian or custodian.

(2) Representatives referred to in paragraph (1) shall be responsible, personally and/or collectively for the payment of tax payable, unless they can prove and assure the Director General of Taxes that within their position, it is not possible to assume such a responsibility.

(3) Individuals or entities may appoint an attorney using a special letter of power of attorney to exercise rights and fulfil obligations pursuant to statutory tax provisions.

(3a) An appointed attorney as referred to in paragraph (3) must possess certain competencies in the taxation aspect unless the appointed attorney is a husband, wife or relatives by blood or marriage up to the second direct lineage.

(4) Included in the definition of management referred to in paragraph (1) subparagraph a are individuals that are, in fact, authorised to participate in setting policies and/or making decisions in running the company.

10. Between Article 32 and Article 33, 1 (one) article is inserted, namely Article 32A, thereby, it reads as follows:

Article 32A

(1) The Minister of Finance shall appoint other parties to withhold, collect, remit and/or file taxes pursuant to statutory tax provisions.

(2) The other parties referred to in paragraph (1) are parties that are directly involved or facilitate transactions between the transacting parties.

(3) Assessments, collection, legal remedies and imposition of penalties on Taxpayers stipulated in statutory tax provisions shall apply *mutatis mutandis* to the other parties referred to in paragraph (2).

(4) In the event that the other parties referred to in paragraph (2) constitute electronic system providers, in addition to being subject to penalties as referred to in paragraph (3), the said electronic system providers may be subject to a penalty in the form of access termination after being given a reprimand.

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(5) In the event that the other parties referred to in paragraph (4) have performed withholding, collection, remittance and/or filing pursuant to statutory tax provisions after being given a reprimand, the other parties shall not be subject to the penalty in the form of access termination.

(6) In the event that the other parties referred to in paragraph (4) have performed withholding, collection, remittance and/or filing pursuant to statutory tax provisions after the access termination, the other parties shall be subject to access normalisation.

(7) The Minister who administers government affairs in the field of communication and information technology is authorised to terminate access as referred to in paragraph (4) and normalise access as referred to in paragraph (6) based on a request from the Minister of Finance.

11. The provisions of paragraph (3) of Article 34 are amended, thereby, it reads as follows:

Article 34

(1) Any officials shall be prohibited to disclose any information known or provided to the said officials by a Taxpayer in the course of their position or duties to implement statutory tax provisions.

(2) The prohibition referred to in paragraph (1) shall also apply to professionals appointed by the Director General of Taxes to assist the implementation of statutory tax provisions.

(2a) Excluded from the provisions referred to in paragraph (1) and paragraph (2) are:

a. officials and professionals acting as witnesses or expert witnesses in trial proceedings; or

b. officials and/or professionals appointed by the Minister of Finance to provide information to officials of state institutions or Government agencies authorised to audit state finances.

(3) For the interest of the state, in the context of investigations, prosecutions or co-operation with state institutions, government agencies, legal bodies established through Laws or Government Regulations or other parties, the Minister of Finance is authorised to issue a written permit to the officials referred to in paragraph (1) and professionals referred to in paragraph (2) to provide information and present written evidence from or concerning a Taxpayer to appointed parties.

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(4) For litigation purposes at courts in criminal or civil cases, upon a request from the Judges in accordance with the Criminal Procedure Law and Civil Procedure Law, the Minister of Finance may issue written permit to the officials referred to in paragraph (1) and professionals referred to in paragraph (2) to provide and present the Taxpayer's written evidence and information in their possession.

(5) The request from the judges referred to in paragraph (4) shall state the name of the suspect or defendant, requested information and the relation between the criminal or civil case and the requested information.

12. The provisions of Article 40 are amended, thereby, it reads as follows:

Article 40

Tax crime cannot be prosecuted after 10 (ten) years have elapsed since taxes become payable, the end of a Taxable Period, the end of a Fraction of a Tax Year or the end of the Tax Year concerned

13. The provisions of paragraph (2) of Article 43A are amended, between paragraph (1) and paragraph (2), 1 (one) paragraph is inserted, namely paragraph (1a) and the elucidation of paragraph (1) of Article 43A is amended to be as listed in the elucidation of article by article, thereby, Article 43A reads as follows:

Article 43A

(1) The Director General of Taxes, based on information, data, reports and complaints, is authorised to conduct a preliminary investigation prior to a tax crime investigation.

(1a) Preliminary Investigations shall be carried out by the Civil Servant Investigators within the Directorate General of Taxes receiving the preliminary investigation order.

(2) In the event of indications of tax crime involving employees of the Directorate General of Taxes, the Minister of Finance may instruct internal auditors within the the Ministry of Finance to conduct a preliminary investigation.

(3) In the event that from preliminary evidence, any elements of criminal acts of corruption are discovered, the involved employees of the Directorate General of Taxes shall be processed pursuant to the legal provisions on Criminal Acts of Corruption.

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(4) Procedures for preliminary investigations of tax crime referred to in paragraph (1) and paragraph (2) shall be stipulated by or based on a Minister of Finance Regulation.

14. The provisions of paragraph (2) and paragraph (3) of Article 44 are amended, thereby, it reads as follows:

Article 44

(1) Tax crime investigations may only be conducted by certain Civil Servants within the Directorate General of Taxes granted with special authority as tax crime investigators.

(2) The authority of investigators referred to in paragraph (1) include:

a. receiving, seeking, gathering and verifying information or reports pertaining to a tax crime, thereby, the information or reports are more comprehensive and clearer;

b. verifying, seeking and gathering information on individuals or entities with respect to the correctness of actions committed in connection with a tax crime;

c. requesting information and evidence from individuals or entities in connection with a tax crime;

d. examining books of accounts, records and other documents in connection with a tax crime;

e. conducting searches to obtain evidence in the form of bookkeeping, recording and other documents and other evidence that are allegedly connected to the tax crime and/or to confiscate such evidence;

f. seeking the assistance of professionals in the context of conducting tax crime investigations;

g. preventing and/or prohibiting individuals from leaving a room or premise while an investigation is in progress and examining the identity of individuals, objects and/or confiscated documents;

h. photographing any individuals in connection with a tax crime;

i. summoning individuals to provide information and be examined as a suspect or witness;

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j. blocking the suspect's assets in accordance with statutory provisions and/or confiscating the suspect's assets in accordance with the Law concerning code of criminal procedures, including but not limited to the permission of the chief justice of the local district court;

k. terminating investigations; and/or

l. conducting other necessary activities to expedite tax crime investigations pursuant to statutory provisions.

(3) Investigators referred to in paragraph (1) shall notify the commencement of an investigation and submit investigation results to the public prosecutor through official investigators of the State Police of the Republic of Indonesia pursuant to the provisions under the Code of Criminal Procedures Law.

(4) To implement the investigation authority referred to in paragraph (1), investigators may seek assistance from other law enforcement officials.

15. The provisions of Article 44A are amended, thereby, it reads as follows:

Article 44A

Investigators referred to in Article 44 paragraph (1) shall terminate Investigations referred to in Article 44 paragraph (2) subparagraph k in the event that:

a. the Taxpayer discloses the incorrectness of actions as stipulated in Article 8 paragraph (3);

b. there is insufficient evidence;

c. the event does not constitute a tax crime; or

d. by law.

16. The provisions of paragraph (2) of Article 44B are amended, between paragraph (2) and paragraph (3) Article 44B, 3 (three) paragraphs are inserted, namely paragraph (2a), paragraph (2b) and paragraph (2c) and Article 44B paragraph (3) is deleted, thereby, Article 44B reads as follows:

Article 44B

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(1) For state revenue purposes, upon a request from the Minister of Finance, the General Attorney may terminate a tax crime investigation within a maximum of 6 (six) months from the date of the request letter.

(2) The termination of tax crime investigations referred to in paragraph (1) shall only be carried out after the Taxpayer or suspect has settled:

a. losses to state revenues as referred to Article 38 plus an administrative penalty in the form of a fine of 1 (one) time the losses to state revenues;

b. losses to state revenues as referred to Article 39 plus an administrative penalty in the form of a fine of 3 (three) times the losses to state revenues; or

c. the amount of taxes in the tax invoice, withholding receipt and/or tax payment slip as referred to in Article 39A plus an administrative penalty in the form of a fine of 4 (four) times the amount of taxes in the tax invoice, collection receipt, withholding receipt and/or tax payment slip.

(2a) In the event that the criminal case has been transferred to the court, the defendant may still settle:

a. losses to state revenues plus the administrative penalty referred to in paragraph (2) subparagraph a or subparagraph b; or

b. the amount of taxes in the tax invoice, collection receipt, withholding receipt and/or tax payment slip plus the administrative penalty referred to in paragraph (2) subparagraph c.

(2b) The settlement referred to in paragraph (2a) shall be a consideration for prosecution without any sentence to imprisonment.

(2c) In the event that the payment by the Taxpayer, suspect or defendant at the investigation stage up to the trial proceeding does not fulfil the amount referred to in paragraph (2), that payment can be considered the payment of the fine sentence imposed on the defendant.

(3) Deleted.

17. Between Article 44B and Article 45, 2 (two) articles are inserted, namely Article 44C and Article 44D, thereby, it reads as follows:

Article 44C

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(1) The fine sentence referred to in Article 39 and Article 39A cannot be substituted by imprisonment and must be paid by the convict.

(2) In the event that the convict does not pay the fine sentence referred to in paragraph (1) no later than 1 (one) month after the court decision which has obtained permanent legal force, the prosecutor shall confiscate and auction the convict's assets to pay the fine sentence pursuant to statutory tax provisions.

(3) In the event that after assets are investigated and confiscated, the convict does not have sufficient assets to pay the fine sentence, that convict may be sentenced to imprisonment for a length of time not exceeding the decided imprisonment sentence.

Article 44D

(1) In the event that the defendant has been legally summoned and is not present at the trial proceedings without any valid reasons, the tax crime case may still be examined and decided without the presence of the defendant.

(2) In the event that the defendant referred to in paragraph (1) is present at the trial proceeding before the decision is pronounced, the defendant must be examined and all witness statements and letters read out in preceding trial proceedings are considered pronounced in the trial proceedings.

18. Between CHAPTER IX and CHAPTER X, 1 (one) chapter is inserted, namely CHAPTER IXA, thereby, it reads as follows:

CHAPTER IXA
DELEGATION OF AUTHORITY

19. Between Article 44D and Article 45, 1 (one) article is inserted, namely Article 44E, thereby, it reads as follows:

Article 44E

(1) Further provisions on the provision of data in the context of integration of the population database with the tax database referred to in Article 2 paragraph (10) shall be stipulated by or based on a Government Regulation.

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(2) Further provisions on:

a. the period of registration and reporting as well as the procedures for registration and VAT registration as referred to in Article 2 paragraph (1), paragraph (2), paragraph (3) and paragraph (4), including the use of single identity numbers as Taxpayer Identification Numbers, the deregistration of Taxpayer Identification Numbers and/or VAT deregistration;

b. the granting and requests for tax collection assistance as referred to in Article 20A paragraph (2);

c. collection and delivery of revenues from tax collection on tax claims as referred to in Article 20A paragraph (9);

d. the implementation of mutual agreement procedure as referred to in Article 27C paragraph (1);

e. hthe exercise of tax rights and fulfilment of tax obligations by an attorney as referred to in Article 32 paragraph (3) as well as certain competencies to be possessed by an attorney as referred to in Article 32 paragraph (3a);

f. the appointment, withholding, remittance and/or filing of taxes that have been withheld by other parties as referred to in Article 32A paragraph (2);

g. assessments, collection and legal remedies as referred to in Article 32A paragraph (3);

h. reprimands as referred to in Article 32A paragraph (4) as well as requests for the termination and normalization of access as referred to in Article 32A paragraph (7); and

i. requests for termination of tax crime investigations as referred to in Article 44B paragraph (1) and settlement as referred to in Article 44B paragraph (2) and paragraph (2a),

shall be stipulated by or based on a Minister of Finance Regulation.

CHAPTER III
INCOME TAXES

Article 3

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Several provisions under Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 1983 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 3263) as amended several times, last amended by Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 2008 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 4893) are amended as follows:

1. The provisions of paragraph (1), paragraph (1a), paragraph (2) and paragraph (3) of Article 4 are amended and Article 4 paragraph (1d) is deleted, thereby, Article 4 reads as follows:

Article 4

(1) A taxable object is income, which refers to any increase in economic capacity received by or accrued by a Taxpayer, either from Indonesia or from outside Indonesia, which may be utilised for consumption or increasing the Taxpayer's wealth, in whatever name and form, including:

a. consideration or remuneration in respect of employment or services received or accrued, including salaries, wages, allowances, honoraria, commissions, bonuses, gratuities, pension or other forms of remunerations, including benefits in kind and/or fringe benefits, unless otherwise stipulated under this Law;

b. lottery prizes or prizes in respect of employment or activities and reward;

c. business profits;

d. gains from the sale or transfer of property, including:

1. gains from a transfer of property to a company, a partnership and another entity in exchange for shares or capital contribution;

2. gains from a transfer of property to its shareholders, partners or members accrued by a company, a partnership or another entity;

3. gains from a liquidation, merger, consolidation, spin-offs, split-up, acquisition or reorganisation in whatever name and form;

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4. gains from transfer of property in the form of grants, aids or donations, unless they are given to relatives within one degree of direct lineage and to religious bodies, educational or other social entities including foundations, cooperatives or to any individual conducting micro and small business, provided that there is no business, employment, ownership nor control relationship between the parties concerned; and

5. gains from the sale or the transfer of part or all of mining rights, participation in financing or capitalisation in a mining company;

e. refund of tax payments which has already been deducted as an expense and any additional payment of tax;

f. interest including premium, discounts and compensation for loan repayment guarantees;

g. dividends, in whatever name and form, including dividends from an insurance company to its policyholders;

h. royalty or compensation from the use of right;

i. rents and other income from the use of property;

j. annuities;

k. gains from the discharge of indebtedness, except up to a certain amount stipulated by a Government Regulation;

l. gains from foreign exchange;

m. gains from revaluation of assets;

n. insurance premium;

o. contributions received or accrued by an association from its members that constitute taxpayers engaged in business or independent personal services;

p. an increase in net wealth from income which has not been taxed;

q. income from sharia business;

r. interest compensation referred to under the Law stipulating general provisions and tax procedures; and

s. surplus of Bank Indonesia.

(1a) Excluded from the provisions referred to in paragraph (1), a foreign citizen who constitutes a resident taxpayer is subject to Income Tax only on income received or accrued from Indonesia under the following conditions:

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a. having certain skills pursuant to statutory provisions; and

b. this provision is valid for 4 (four) tax years since he/she becomes a resident taxpayer. (1b) Included in the definition of income received or accrued from Indonesia as referred to in paragraph (1a) is income received or accrued by a foreign citizen in connection with work, services or activities in Indonesia in whatever name and form paid outside Indonesia.

(1c) Provisions referred to in paragraph (1a) do not apply to a foreign citizen taking advantage of the Tax Treaty between the Government of Indonesia and the government of a Tax Treaty partner country or jurisdiction where the foreign citizen accrues income from outside Indonesia.

(1d) Deleted.

(2) The following income may be subject to final taxes:

a. income in the form of deposit interests and other savings, interests on bonds and government bonds, interests or discounts of short-term securities traded in the money market and deposit interests paid by cooperatives to individual cooperative members;

b. income in the form of lottery prizes;

c. income from share and other securities transactions, derivative transactions traded on the stock exchange and sales of shares transactions or transfers of equity participation in the partner company received by a venture capital company;

d. income from transactions of property in the form of land and/or buildings, the construction service business, real estate businesses and land and/or building leases; and

e. certain other income, including business income received or accrued by Taxpayers with certain gross turnover,

as stipulated by or based on a Government Regulation.

(3) Excluded from taxable objects are:

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a. 1. aids or donations, including zakat, infaq and sadaqah received by amil zakat board or other amil zakat institutions established or approved by the government and received by eligible zakat recipients or compulsory religious donation for the followers of religions acknowledged by the government, received by religious institutions established and approved by the government and received by eligible donees, the provisions thereto are stipulated by or based on a Government Regulation; and

2. grants received by relatives within one degree of direct lineage and to religious bodies, educational or other social entities including foundations, cooperatives or any individual conducting micro and small business,

provided that there is no business, employment, ownership nor control relationship between the parties concerned;

b. inheritance;

c. assets including cash received by an entity as referred to in Article 2 paragraph (1) subparagraph b in exchange for shares or capital contribution;

d. considerations or remunerations in connection with work or services received or accrued in kind or fringe benefits, including:

1. foodstuff, ingredients for food, ingredients for beverages and/or beverages provided for all employees;

2. remunerations in kind and/or fringe benefits provided in certain areas;

3. remunerations in kind and/or fringe benefits to be provided by the employer in the implementation of work;

4. remunerations in kind and/or fringe benefits sourced from or financed by the State Budget, the Local Government Budget and/or the Village Budget; or

5. remunerations in kind and/or fringe benefits of certain types and/or thresholds;

e. payments by an insurance company to an individual due to accident, illness or death of the insured person and payment of scholarship insurance;

f. dividends or other income provided that:

1. domestically-sourced dividends received or accrued by Taxpayers:

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a) resident individual insofar as the dividends are invested in the territory of the Unitary State of the Republic of Indonesia within a certain period; and/or

b) resident corporates;

2. foreign-sourced dividends and income after tax from an overseas permanent establishment received or accrued by a resident corporate Taxpayer or a resident individual Taxpayer, insofar as they are invested or used to support other businesses in the territory of the Unitary State of the Republic of Indonesia within a certain period and fulfil the following requirements:

a) the invested dividends and income after tax amount to a minimum of 30% (thirty percent) of net income after tax; or

b) dividends sourced from a non-listed offshore company are invested in Indonesia before the Director General of Taxes issues a notice of tax assessment on such dividends in connection with the application of Article 18 paragraph (2) of this Law;

3. foreign-sourced dividends referred to in number 2 are:

a) distributed dividends that are sourced from a listed offshore company; or

b) distributed dividends that are sourced from a non-listed offshore company as per the proportion of share ownership;

4. if the dividends referred to in number 3 point b and income after tax from an overseas permanent establishment referred to in number 2 invested in the territory of the Unitary State of the Republic of Indonesia amount to less than 30% (thirty percent) of net income after tax as referred to in number 2 point a, the following provisions shall apply:

a) the invested dividends and income after tax are excluded from Income Tax;

b) the difference of 30% (thirty percent) of net income after tax less the invested dividends and/or income after tax as referred to in point a) is subject to Income Tax; and

c) the residual net income after tax less the invested dividends and/or income after tax as referred to in point a) as well as the difference referred to in point b), are not subject to Income Tax;

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5. if the dividends referred to in number 3 point b and income after tax from an overseas permanent establishment as referred to in number 2 invested in the territory of the Republic of Indonesia amount to more than 30% (thirty percent) of net income after tax as referred to in number 2 point a), the following provisions shall apply:

    a) the invested dividends and income after tax are excluded from Income Tax; and

    b) the residual net income after tax less the invested dividends and/or income after tax as referred to in point a) are not subject to Income Tax;

6. if dividends sourced from a non-listed offshore company are invested in Indonesia after the Director General of Taxes issues a notice of tax assessment in connection with the application of Article 18 paragraph (2) of this Law, these dividends are not excluded from Income Tax as referred to in number 2;

7. Income Tax on foreign-sourced income received or accrued not through any permanent establishments by resident corporate Taxpayers or resident individual Taxpayers is excluded if the income is invested in the territory of the Unitary State of the Republic of Indonesia within a certain period and the following requirements are fulfiled:

    a) the income is sourced from an overseas active business; and

    b) does not constitute income from an offshore company;

8. to income taxes that have been paid or payable in a foreign country referred to in number 2 and number 7, the following provisions shall apply:

    a) cannot be taken into account in the Income Tax payable;

    b) cannot be expensed or income deduction; and/or

    c) tax overpayments are non-refundable;

9. if the Taxpayer does not invest the income within a certain period as referred to in number 2 and number 7, the following provisions shall apply:

    a) the foreign-sourced income is included in the definition of income in the tax year it is accrued; and

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b) taxes on income that have been paid or payable in a foreign country constitute tax credit as referred to in Article 24 of this Law;

10. deleted;

g. contributions received or accrued by a pension fund whose establishment is approved by the Financial Services Authority, either paid by an employer or an employee;

h. income from a capital investment of the pension fund as referred to in subparagraph g in certain sectors;

i. profit distribution or the distribution of net income received or accrued by members of a cooperative, members of a limited partnership, whose capital does not consist of shares, partnership, alliances, firms and joint ventures, including unit holders of collective investment contracts;

j. deleted,

k. income received or accrued by a venture capital company in the form of profit distribution of an investee company established and conducting business or engaged in activities in Indonesia, provided that the investee company:

1. is a micro, small, medium-sised enterprise or engaged in activities in business sectors stipulated by or based on a Minister of Finance Regulation; and

2. the shares are not traded in the stock exchange in Indonesia;

l. scholarships that fulfil certain requirements;

m. the surplus received or accrued by an institution or a nonprofit organization engaged in education and/or research and development listed in corresponding agencies, which is reinvested in the forms of facilities and infrastructure of education and/or research and development, within no more than 4 years since it is received or accrued;

n. aid or donation paid by the Social Security Administrative Body to certain Taxpayers;

o. deposit funds for Hajj Fees and/or Special Hajj Fees and income from the development of hajj finances in certain financial fields or instruments received by the Hajj Financial Management Agency; and

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p. the surplus received or accrued by social and religious institutions and organizations listed in corresponding agencies, which is reinvested in the form of social and religious facilities and infrastructure within no more than 4 (four) years since the surplus is received or placed as endowment funds.

2. The provisions of paragraph (1) of Article 6 are amended, thereby, it reads as follows:

Article 6

(1) The amount of Taxable Income for resident Taxpayers and permanent establishments shall be determined based on gross income deducted by the costs to obtain, collect and maintain income, including:

a. costs which are directly or indirectly related to business, among others:

1. costs for purchasing materials;
2. costs related to work or services, including wages, salaries, honoraria, bonuses, gratuities and allowances given in the form of money;
3. interest, rents and royalties;
4. travel expenses;
5. waste management fees;
6. insurance premiums;
7. promotional and sales expenses;
8. administrative expenses; and
9. taxes other than Income Tax;

b. depreciation of costs to acquire tangible assets and amortization of costs to acquire rights and other costs which have useful life of more than 1 (one) year as referred to in Article 11 and Article 11A;

c. contributions to pension funds whose establishment has been approved by the Financial Services Authority;

d. losses due to sales or transfers of property owned and used or held in the company to obtain, collect and maintain income;

e. losses due to differences in foreign currency exchange rates;

f. costs for research and development of companies conducted in Indonesia;

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g. costs for scholarships, internships and training;

h. bad debts, provided that:

1. they have been charged as expenses in the commercial income statement;

2. the Taxpayer must submit a list of bad debts to the Directorate General of Taxes; and

3. the collection case has been submitted to the District Court or government agency in charge of state receivables; or there is a written agreement regarding the write- off of receivables/relief of debt between the creditor and the debtor concerned; or the collection case has been published in a general or special publication; or the debtor acknowledges that a certain amount of the debt has been written off;

4. the conditions referred to in number 3 do not apply to the write-off of bad debts of small debtors as specified in article 4 paragraph (1) subparagraph k;

i. donations in the context of national disaster management, the provisions thereto are stipulated by a Government Regulation;

j. donations in the context of research and development conducted in Indonesia, the provisions thereto are stipulated by a Government Regulation;

k. costs of social infrastructure development, the provisions thereto are stipulated by a Government Regulation;

l. donations of educational facilities, the provisions thereto are stipulated by a Government Regulation;

m. donations in the context of sports development, the provisions thereto are stipulated by a Government Regulation; and

n. expenses for considerations or remunerations given in kind and fringe benefits.

(2) If gross income, after the deductions referred to in paragraph (1), results in loss, the loss shall be carried forward against income starting the next tax year consecutively for 5 (five) years.

(3) An individual constituting a resident Taxpayer is given deductions in the form of Personal Tax Relief as referred to in Article 7.

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3. The provisions of paragraph (1) and paragraph (3) of Article 7 are amended, between paragraph (2) and paragraph (3) Article 7, 1 (one) paragraph is inserted, namely paragraph (2a) and the elucidation of paragraph (2) of Article 7 is amended to be as listed in the elucidation of article by article, thereby, Article 7 reads as follows:

Article 7

(1) Personal Tax Relief per year is given in a minimum amount of:

a. IDR54,000,000.00 (fifty-four million rupiah) for an individual Taxpayer;

b. additional IDR4,500,000.00 (four million and five hundred thousand rupiah) for a married taxpayer;

c. additional IDR54,000,000.00 (fifty-four million rupiah) for a wife whose income is combined with her husband's as referred to in Article 8 paragraph (1); and

d. additional IDR4,500,000.00 (four million and five hundred thousand rupiah) for each family member related by blood and marriage in a direct lineage and adopted children, constituting full dependents, a maximum of 3 (three) people for each family.

(2) The application of provisions referred to in paragraph (1) is based on the circumstances at the beginning of a tax year or the beginning of a fraction of a tax year.

(2a) Individual Taxpayers with certain gross turnover referred to in Article 4 paragraph (2) subparagraph e are not subject to Income Tax on the share of gross turnover of up to IDR500,000,000.00 (five hundred million rupiah) in 1 (one) tax year.

(3) The adjustments to the amount of:

a. Personal Tax Relief referred to in paragraph (1); and

b. the threshold of gross turnover not subject to Income Tax referred to in paragraph (2a),

shall be stipulated by a Minister of Finance Regulation, after consultation with the House of Representatives of the Republic of Indonesia.

4. The provisions of paragraph (1) of Article 9 are amended, thereby, it reads as follows:

Article 9

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(1) To determine the amount of Taxable Income for resident Taxpayers and permanent establishments, the following are non-deductible:

a. profit sharing in whatever name and form, such as dividends, including dividends paid by insurance companies to policyholders and profit sharing by cooperatives;

b. expenses charged or incurred for the personal benefit of shareholders, partners or members;

c. establishment or accumulation of reserve funds, except:

1. allowances for bad debts for banks and other business entities that provide credit, finance leases, consumer finance companies and factoring companies, calculated based on applicable financial accounting standards with certain thresholds after coordinating with the Financial Services Authority;

2. reserves for insurance businesses, including social aids established by the Social Security Administrative Body;

3. guarantee reserves for Deposit Insurance Institutions;

4. reclamation reserves for mining businesses;

5. reforestation reserves for forestry businesses; and

6. reserves for closing and maintaining industrial waste disposal sites for industrial waste treatment businesses,

that fulfil certain requirements;

d. premiums for health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance, which are paid by an individual Taxpayer, unless the premiums are paid by the employer, the premiums shall be calculated as income for the Taxpayer concerned;

e. deleted;

f. amounts exceeding the reasonable amount paid to shareholders or related parties as remunerations in connection with the work performed;

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g. granted assets, aids or donations and inheritance as referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, except the donations referred to in Article 6 paragraph (1) subparagraph i to subparagraph m and zakat received by amil zakat board or other amil zakat institutions established or approved by the government or compulsory religious donations for the followers of religions acknowledged by the government, received by religious institutions established and approved by the government, the provisions thereto are stipulated by or based on a Government Regulation;

h. Income Taxes;

i. expenses charged or incurred for the personal benefit of the Taxpayers or their dependents

j. salaries paid to members of a partnership, firm or limited liability company whose equity is not divided into shares;

k. administrative penalties in the form of interest, fines and surcharges as well as fine sentences relating to the implementation of statutory tax provisions.

(2) Costs to obtain, collect and maintain income with a useful life of more than 1 (one) year may not be charged in a lump sum but shall be deducted through depreciation or amortization as referred to in Article 11 or Article 11A.

5. The provisions of paragraph (7) Article 11 are amended, between paragraph (6) and paragraph (7) Article 11, 1 (one) paragraph is inserted, namely paragraph (6a) and Article 11 paragraph (11) is deleted, thereby, Article 11 reads as follows:

Article 11

(1) Depreciation of costs for the purchase, establishment, addition, repair or changes of tangible assets, except land with proprietary rights, right to build, right to exploit and right to use, which are owned and used to obtain, collect and maintain income with a useful life of more than 1 (one) year shall be carried out in equal parts over the specified useful life for these assets.

(2) Depreciation of costs to acquire tangible assets as referred to in paragraph (1), other than buildings, may also be carried out in decreasing parts over the useful life, which is calculated by applying the depreciation rate on the costs or residual value and at the end of useful life, are fully depreciated provided that it is carried out as per the consistency principle.

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(3) Depreciation commences in the month the costs are incurred, except for assets that are in progress, for which depreciation commences in the month the assets are finished.

(4) Subject to the approval from the Director General of Taxes, Taxpayers are allowed to perform depreciation starting in the month assets are used to obtain, collect and maintain income or in the month the assets concerned begin to produce.

(5) If a Taxpayer revalues assets based on the provisions referred to in Article 19, the depreciation basis for these assets shall be the value resulting from the asset revaluation.

(6) The calculation of depreciation, useful life and depreciation rates for tangible assets is stipulated as follows:

Groups of Tangible Assets		Useful Life	Depreciation Rates as referred to in	
			Paragraph (1)	Paragraph (2)
I.	Non-buildings			
	Group I	4 Years	25%	50%
	Group II	8 Years	12.5%	25%
	Group III	16 Years	6.25%	12.5%
	Group IV	20 Years	5%	10%
II.	Buildings			
	Permanent	20 Years	5%	
	Non-permanent	10 Years	10%	

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(6a) If permanent buildings referred to in paragraph (6) have a useful life of more than 20 (twenty) years, depreciation referred to in paragraph (1) shall be carried out in equal parts, in accordance with the useful life referred to in paragraph (6) or in accordance with the actual useful life based on the Taxpayer's bookkeeping.

(7) Depreciation of tangible assets owned and used in certain business sectors may be regulated separately.

(8) In the event of a transfer or withdrawal of assets as referred to in Article 4 paragraph (1) subparagraph d or a withdrawal of assets for other reasons, the residual value of the assets shall be charged as a loss and the selling price or insurance compensation received or accrued shall be recorded as income in the year the assets are withdrawn.

(9) If the amount of insurance compensation to be received can only be identified at a later date, subject to the approval from the Director General of Taxes, the amount of the loss as referred to in paragraph (8) shall be recorded as an expense at a later date.

(10) In the event of a transfer of assets which fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, the residual value of the assets may not be charged as a loss for the transferor

(11) Deleted.

6. The provisions of paragraph (1a) Article 1 IA are amended and between paragraph (2) and paragraph (3) of Article 11A, 1 (one) paragraph is inserted, namely paragraph (2a), thereby, Article 11A reads as follows:

Article 11A

(1) Amortisation of costs to acquire intangible assets and other costs including costs to extend the right to build, right to exploit and right to use and goodwill with a useful life of more than 1 (one) year that are used to obtain, collect and maintain income shall be carried out in equal parts or in decreasing parts over the useful life, calculated by applying the amortisation rates on the costs or on the residual value and at the end of the useful life shall be fully amortised provided that it is carried out as per the consistency principle.

(1a) Amortisation shall commence at the month the costs are incurred, except for certain business sectors.

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(2) To calculate amortization, the useful life and amortization rates are stipulated as follows:

Groups of Intangible Assets	Useful Life	Amortization Rates based on	
		The Straight-Line Method	The Declining Balance Method
Group 1	4 years	25%	50%
Group 2	8 years	12.5%	25%
Group 3	16 years	6.25%	12.5%
Group 4	20 years	5%	10%

(2a) In the event intangible assets referred to in paragraph (2) have a useful life of more than 20 (twenty) years, the amortization referred to in paragraph (1) shall be carried out according to the useful life referred to in paragraph (2) for group 4 intangible assets or in accordance with the actual useful life based on the Taxpayer's bookkeeping.

(3) Costs incurred for the establishment and expansion of a company's equity shall be charged in the year the costs are incurred or amortised pursuant to provisions referred to in paragraph (2).

(4) Amortization of costs to acquire rights and other costs with useful life of more than 1 (one) year in the oil and gas sector shall be carried out using the unit of production method.

(5) Amortization of costs to acquire mining rights other than that referred to in paragraph (4), forestry cultivation rights and cultivation rights of natural resources and other natural products with a useful life of more than 1 (one year), shall be carried out using the unit of production method for a maximum of 20% (twenty percent) per year.

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(6) Costs incurred prior to commercial operations with a useful life of more than 1 (one) year shall be capitalised and subsequently amortised pursuant to provisions referred to in paragraph (2).

(7) In the event of a transfer of intangible asset or rights as referred to in paragraph (1), paragraph (4) and paragraph (5), the residual value of the assets or the rights shall be charged as a loss and the amount received as compensation constitutes income in the year of the transfer.

(8) In the event of a transfer of intangible assets that fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, the residual value of such assets shall not be charged as a loss by the transferor.

7. The provisions of paragraph (1), paragraph (2), paragraph (2b) and paragraph (3) of Article 17 are amended, Article 17 paragraph (2a) is deleted, between paragraph (2d) and paragraph (3) of Article 17, 1 (one) paragraph is inserted, namely paragraph (2e) and the elucidation of paragraph (5) and paragraph (6) of Article 17 is amended to be as listed in the elucidation of article by article, thereby, Article 17 reads as follows:

Article 17

(1) Tax rates applied to Taxable Income of:

a. resident individual Taxpayers are as follows::

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Taxable Income Brackets	Tax Rates
up to IDR60,000,000.00 (sixty million rupiah)	**5% (five percent)**
above IDR60,000,000.00 (sixty million rupiah) up to IDR250,000,000.00 (two hundred and fifty million rupiah)	**15% (fifteen percent)**
above IDR250,000,000.00 (two hundred and fifty million rupiah) up to IDR500,000,000.00 (five hundred million rupiah)	**25% (twenty-five percent)**
above IDR500,000,000.00 (five hundred million rupiah) up to IDR5,000,000,000.00 (five billion rupiah)	**30% (thirty percent)**
above IDR5,000,000,000.00 (five billion rupiah)	**35% (thirty-five percent)**

b. resident corporate Taxpayers and permanent establishments of 22% (twenty-two percent) which will take effect in 2022 tax year..

(2) Rates referred to in paragraph (1) subparagraph a may be changed by a Government Regulation after being submitted by the government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.

(2a) Deleted.

(2b) Resident corporate Taxpayers:

a. in the form of public companies;

b. with total fully paid shares traded on the stock exchange in Indonesia amounting to a minimum of 40% (forty percent); and

c. fulfiling certain requirements,

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are eligible for a 3% (three percent) lower rate than the rate referred to in paragraph (1) subparagraph b.

(2c) Tax rate applied to income in the form of dividends distributed to resident individual Taxpayers shall be a maximum of 10% (ten percent) and is final.

(2d) Further provisions on the amounts of rates as referred to in paragraph (2c) shall be stipulated by a Government Regulation.

(2e) Further provisions on certain requirements referred to in paragraph (2b) subparagraph c shall be stipulated by or based on a Government Regulation.

(3) The amounts of Taxable Income brackets referred to in paragraph (1) subparagraph a may be changed by a Minister of Finance Regulation.

(4) For the purpose of the application of tax rates referred to in paragraph (1), the amount of Taxable Income shall be rounded down to full thousands.

(5) The amount of tax payable for resident individual Taxpayers liable to tax in a fraction of a tax year as referred to in Article 16 paragraph (4) shall be calculated based on the number of days in the fraction of a tax year divided by 360 (three hundred and sixty) multiplied by the tax payable for 1 (one) tax year.

(6) For the purpose of the calculation of tax as referred to in paragraph (5), each full month shall be treated as 30 (thirty)days.

(7) A Government Regulation may stipulate separate tax rates on income referred to in Article 4 paragraph (2) provided that the rates do not exceed the highest tax rate referred to in paragraph (1).

8. The provisions of paragraph (1) of Article 18 are amended, Article 18 paragraph (3e) is deleted, the elucidation of Article 18 is added and the elucidation of paragraph (3) of Article 18 is amended to be as listed in the elucidation of article by article, thereby, Article 18 reads as follows:

Article 18

(1) The Minister of Finance is authorised to stipulate the threshold of loan expenses that may be charged to calculate tax based on this Law.

(2) The Minister of Finance is authorised to determine when dividends are accrued by resident Taxpayers for equity participation in an offshore business entity other than listed business entities with the following provisions:

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a. the equity participation of the resident Taxpayer amounts to a minimum of 50% (fifty percent) of the total fully paid shares; or

b. together with another resident Taxpayer has equity participation of a minimum of 50% (fifty percent) of the fully paid shares.

(3) The Director General of Taxes is authorised to adjust the amount of income and deductions and determine debts as equity to calculate the amount of Taxable Income for a Taxpayer affiliated with another Taxpayer in accordance with the arm's length principle that is not affected by an affiliation using the comparable uncontrolled price method, reselling price method, cost-plus method or other methods.

(3a) The Director General of Taxes is authorised to enter into an agreement with a Taxpayer and cooperate with the tax authorities of other countries to determine the transfer pricing between related parties as referred to in paragraph (4), which applies to a certain period and to monitor the implementation as well as to renegotiate after the period ends.

(3b) Taxpayers purchasing shares or assets of a company through another party or a special purpose company may be determined as the actual party conducting the purchase, provided that such Taxpayers are affiliated with the other party or the entity and there is unfairness in the pricing.

(3c) Sales or transfers of shares between conduit companies or special purpose companies established or domiciled in tax haven countries affiliated with entities established or domiciled in Indonesia or permanent establishments in Indonesia may be deemed sales or transfers of shares of entities established or domiciled in Indonesia or permanent establishments in Indonesia.

(3d) The amount of income accrued by a resident individual Taxpayer from an employer affiliated with another company that is neither established nor domiciled in Indonesia may be adjusted, in the event that the employer transfers all or part of the resident individual Taxpayer's income in the forms of expenses or other expenditures that are paid to the company that is neither established nor domiciled in Indonesia.

(3e) Deleted.

(4) Affiliation referred to in paragraph (3) to paragraph (3d), Article 9 paragraph (1) subparagraph f and Article 10 paragraph (1) is deemed to exist if:

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a. the Taxpayer has direct or indirect equity participation of a minimum of 25% (twenty-five percent) in another Taxpayer; the relationship between the Taxpayer with equity participation of a minimum of 25% (twenty-five percent) in two or more Taxpayers; or the relationship between the aforementioned two or more Taxpayers;

b. the Taxpayer controls another Taxpayer or two or more Taxpayers are under the same control, either directly or indirectly; or

c. there is a family relationship either by blood or marriage in one degree of direct lineage vertically and/or in one degree of direct lineage horizontally.

(5) Deleted.

9. The provisions of Article 32A are amended, thereby, it reads as follows:

Article 32A

The Government is authorised to establish and/or implement treaties and/or agreements in the field of taxation with the governments of partner countries or partner jurisdictions, either bilaterally or multilaterally in the context of:

a. avoidance of double taxation and prevention of tax evasion;

b. prevention of base erosion and profit shifting;

c. exchange of tax information;

d. tax collection assistance; and

e. other tax cooperation.

10. Between CHAPTER VII and CHAPTER VIII, 1 (chapter) is inserted, namely CHAPTER VIIA, thereby, it reads as follows:

CHAPTER VIIA
DELEGATION OF AUTHORITY

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11. Between Article 32B and Article 33, 1 (one) article is inserted, namely Article 32C, thereby, it reads as follows:

Article 32C

Further provisions on:

a. income in the form of gains from transfers of property in the form of grants, aids or donations that are excluded from taxable objects because they are given to relatives within one degree of direct lineage and to religious bodies, educational or other social entities including foundations, cooperatives or to any individual conducting micro and small business, provided that there is no business, employment, ownership or control relationship between the concerned parties as referred to in Article 4 paragraph (1) subparagraph d number 4;

b. the criteria of certain skills and the imposition of Income Tax for foreign citizens as referred to in Article 4 paragraph (1a);

c. Granted asset received by relatives within one degree of direct lineage, religious bodies, educational entities, social entities including foundations, cooperatives or any individuals conducting micro and small business, provided that there is no business, employment, ownership nor control relationship between the concerned parties as referred to in Article 4 paragraph (3) subparagraph a number 2;

d. considerations or remunerations in respect of work or services received or accrued in kind and/or fringe benefits that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph d;

e. the criteria, period and changes to the threshold of invested dividends as well as the provisions on the exclusion from Income Tax on dividends or other income as referred to in Article 4 paragraph (3) subparagraph f;

f. income from investments in certain sectors received by pension funds that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph h;

g. scholarships that fulfil certain requirements that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph l;

h. the surplus received or accrued by an institution or a non-profit organization engaged in education and/or research and development that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph m;

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i. aid or donation paid by the Social Security Administrative Body to certain Taxpayers that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph n;

j. deposit funds for hajj fees and/or special hajj fees and income from the development of hajj finances in certain financial fields or instruments received by the Hajj Financial Management Agency that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph o;

k. the surplus received/accrued by social and religious institutions and organizations that are excluded from taxable objects as referred to in Article 4 paragraph (3) subparagraph p;

l. promotional and sales expenses that may be deducted from gross income as referred to in Article 6 paragraph (1) subparagraph a number 7;

m. bad debts that may be deducted from gross income as referred to in Article 6 paragraph (1) subparagraph h;

n. expenses for considerations or remunerations given in kind and/or fringe benefits that may be deducted from gross income as referred to in Article 6 paragraph (1) subparagraph n;

o. establishment or accumulation of reserve funds that may be deducted from gross income as referred to in Article 9 paragraph (1) subparagraph c;

p. groups of tangible assets, useful life and the calculation of depreciation as referred to in Article 11 paragraph (6) and paragraph (6a);

q. depreciation of tangible assets owned and used in certain business sectors as referred to in Article 11 paragraph (7);

r. when amortization commences for certain business sectors as referred to in Article 11A paragraph (1a);

s. the calculation of amortization as referred to in Article 11A paragraph (2) dan paragraph (2a);

t. the threshold of the amount of loans that may be charged to calculate tax as referred to in Article 18 paragraph (1);

u. when dividends are accrued by resident Taxpayers for equity participation in an offshore business entity other than business entities that sell their shares on the stock exchange as referred to in Article 18 paragraph (2);

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v. application of the arm's length principle in the context of calculating the amount of Taxable Income for Taxpayers affiliated with other Taxpayers as referred to in Article 18 paragraph (3);

w. the implementation of advance pricing agreement between related parties as referred to in Article 18 paragraph (3a);

x. the determination of the actual party conducting the purchase of shares or company assets through a special purpose company as referred to in Article 18 paragraph (3b);

y. the determination on the sales of transfers of shares of entities established or domiciled in Indonesia or permanent establishments in Indonesia as referred to in Article 18 paragraph (3c);

z. adjustment of the amount of income accrued by a resident individual Taxpayer from an employer affiliated with another company that is not established and not domiciled in Indonesia as referred to in Article 18 paragraph (3d);

aa. the criteria of the affiliation as referred to in Article 18 paragraph (4);

bb. establishment and/or implementation of treaties and/or agreements in the field of taxation as referred to in Article 32A,

shall be stipulated by or based on a Government Regulation.

CHAPTER IV
VALUE ADDED TAX

Article 4

Several provisions under Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 1983 Number 51, Supplement to State Gazette of the Republic of Indonesia Number 3264) as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 2009 Number 150, Supplement to the State Gazette of the Republic of Indonesia Number 5069), are as follows:

1. The provisions of paragraph (2) and paragraph (3) of Article 4A are amended, thereby, Article 4A reads as follows:

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Article 4A

(1) Deleted.

(2) The types of goods not subject to Value Added Tax are certain goods within the following groups of goods:

a. deleted;

a. deleted;

b. deleted;

c. food and beverages served in hotels, restaurants, eateries, food stalls and the like, including food and beverages, either consumed on the premises or not, including food and beverages supplied by catering businesses that constitute taxable objects of local taxes and charges pursuant to statutory provisions on local taxes and charges; and

d. money, gold bullion for state foreign exchange reserves and securities.

(3) The types of services not subject to Value Added Tax are certain services within the following groups of services:

a. deleted;

b. deleted;

c. deleted;

d. deleted;

e. deleted;

f. religious services;

g. deleted;

h. arts and entertainment services, including all types of services performed by artists and entertainers, that constitute taxable objects of local taxes and charges pursuant to statutory provisions on local taxes and charges;

i. deleted;

j. deleted;

k. deleted;

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l. hospitality services, including bedroom rental services and/or room rental services in hotels that constitute taxable objects of local taxes and charges pursuant to statutory provisions on local taxes and charges;

m. services provided by the government in the context of running the government in general, including all types of services in connection with service activities that may only be carried out by the government in accordance with its authority based on statutory provisions and such services cannot be provided by other forms of business;

n. parking space services, including the provision of parking spaces by parking lot owners and/or parking lot entrepreneurs to parking lot users that constitute taxable objects of local taxes and charges pursuant to statutory provisions on local taxes and charges;

o. deleted;

p. deleted; and

q. catering services, including all services of providing food and beverage that constitute taxable objects of local taxes and charges pursuant to statutory provisions on local taxes and charges.

2. The provisions of paragraph (1) and paragraph (3) of Article 7 are amended, 1 (one) paragraph is added, namely paragraph (4) and the elucidation of paragraph (2) of Article 7 is amended to be as listed in the elucidation of article by article, thereby, Article 7 reads as follows:

Article 7

(1) Value Added Tax rates amount to:

a. 11% (eleven percent) effective on 1 April 2022;

b. 12% (twelve percent) effective no later than 1 January 2025.

(2) A Value Added Tax rate of 0% (zero percent) shall be imposed on:

a. exports of Tangible Taxable Goods;

b. exports of Intangible Taxable Goods; and

c. exports of Taxable Services.

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(3) Value Added Tax Rates referred to in paragraph (1) may be changed to a minimum of 5% (five percent) and a maximum of 15% (fifteen percent).

(4) Changes to the rates of Value Added Tax as referred to in paragraph (3) shall be stipulated by a Government Regulation after being submitted by the Government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.

3. The provisions of Article 8A paragraph (2) are deleted and 1 (one) paragraph is added, namely paragraph (3), thereby, Article 8A reads as follows:

Article 8A

(1) Value Added Tax payable is calculated by multiplying the rate referred to in Article 7 with the Tax Base which includes Selling Price, Consideration, Import Value, Export Value or other values.

(2) Deleted.

(3) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area, which in the calculation of Value Added Tax payable uses the Tax Base in the form of other values as referred to in paragraph (1), is creditable.

4. The provisions of paragraph (5), paragraph (6) and paragraph (8) subparagraph f and subparagraph g Article 9 are amended, Article 9 paragraph (4d), paragraph (7), paragraph (7a), paragraph (7b), paragraph (8) subparagraph c and paragraph (13) are deleted and the elucidation of Article 9 paragraph (4) is amended to be as listed in the elucidation of article by article, thereby, Article 9 reads as follows:

Article 9

(1) Deleted.

(2) Input VAT in a Taxable Period is credited against Output VAT in the same Taxable Period.

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(2a) For Taxable Persons for VAT Purposes that have not performed supplies of Taxable Goods and/or Taxable Services and/or exports of Taxable Goods and/or Taxable Services, Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods Taxes as well as the utilisation of Intangible Taxable Goods and/or the utilisation of Taxable Services from outside the Customs Area within the Customs Area is creditable insofar as the provisions on crediting under this Law are fulfiled.

(2b) Input VAT that is credited must use a Tax Invoice that fulfils the requirements referred to in Article 13 paragraph (5) and paragraph (9).

(3) If in a Taxable Period, the Output VAT is greater than the Input VAT, the difference constitutes Value Added Tax that must be remitted by Taxable Persons for VAT Purposes.

(4) If in a Taxable Period, the creditable Input VAT is greater than the Output VAT, the difference constitutes tax overpayment which is carried forward to the next Taxable Period.

(4a) For the Input VAT overpayment as referred to in paragraph (4), an application for refunds may be submitted at the end of the accounting year.

(4b) Excluded from provisions referred to in paragraph (4) and paragraph (4a), for the Input VAT overpayment, applications for refunds in each Taxable Period may be submitted by:

a. Taxable Persons for VAT Purposes performing exports of Tangible Taxable Goods;

b. Taxable Persons for VAT Purposes performing supplies of Taxable Goods and/or supplies of Taxable Services to Value Added Tax Withholding Agents;

c. Taxable Persons for VAT Purposes performing supplies of Taxable Goods and/or supplies Taxable Services on which Value Added Tax is not collected;

d. Taxable Persons for VAT Purposes performing exports of Intangible Taxable Goods;

e. Taxable Persons for VAT Purposes performing exports of Taxable Services; and/or

f. deleted.

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(4c) Refunds of Input VAT overpayment to Taxable Persons for VAT Purposes as referred to in paragraph (4b) subparagraph a to subparagraph e, having the criteria as low-risk Taxable Persons for VAT Purposes shall be carried out using preliminary tax refunds pursuant to provisions referred to in Article 17C paragraph (1) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

(4d) Deleted.

(4e) The Director General of Taxes may audit Taxable Persons for VAT Purposes as referred to in paragraph (4c) and issue notices of tax assessment after performing preliminary tax refunds.

(4f) If based on audit findings as referred to in paragraph (4e), the Director General of Taxes issues a Notice of Tax Underpayment Assessment, the amount of tax underpayment shall be added with an administrative penalty in the form of interest as referred to in Article 13 paragraph (2) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

(5) In the event that in a Taxable Period, a Taxable Person for VAT Purposes performs:

a. taxable supplies and Input VAT in respect of the supplies is creditable; and

b. taxable supplies and Input VAT in respect of the supplies is non-creditable and/or non- taxable supplies,

in the event that a fraction of the taxable supplies referred to in subparagraph a may be ascertained from the books of accounts, the amount of creditable Input VAT is the Input VAT in respect of the supplies referred to in subparagraph a.

(6) In the event that in a Taxable Period, a Taxable Person for VAT Purposes performs:

a. taxable supplies and input VAT in respect of the supplies is creditable; and

b. taxable supplies and Input VAT in respect of the supplies is non-creditable and/or non- taxable supplies,

where the Input VAT in respect of the taxable supplies referred to in subparagraph a cannot be ascertained, the amount of creditable Input VAT is calculated using the Input VAT crediting guidelines.

(6a) If within a period of 3 (three) years since the Taxable Period of the first Input VAT crediting as referred to in paragraph (2a), Taxable Persons for VAT Purposes have not performed supplies of Taxable Goods and/or Taxable Services and/or exports of Taxable Goods and /or Taxable Services related to the Input VAT, the Input VAT that has been credited within the period of 3 (three) years becomes non-creditable.

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(6b) Deleted.

(6c) The period referred to in paragraph (6a) for certain business sectors may be set at more than 3 (three) years.

(6d) Provisions referred to in paragraph (6a) also apply to Taxable Persons for VAT Purposes that dissolve (terminate) businesses, deregister Taxable Persons for VAT Purposes or subject to *ex officio* deregistration of Taxable Persons for VAT Purposes within a period of 3 (three) years since the Taxable Period of the first Input VAT crediting.

(6e) Non-creditable Input VAT as referred to in paragraph (6a):

a. must be repaid to the state treasury by a Taxable Person for VAT Purposes, in the event that the Taxable Person for VAT Purposes:

1. has received the tax refund of the said Input VAT; and/or

2. has credited the said Input VAT against the Output VAT payable in a Taxable Period;

b. cannot be carried forward to the next Taxable Period and an application for refund cannot be submitted, after the period of 3 (three) years referred to in paragraph (6a) expires or upon dissolution (termination) of business or deregistration of Taxable Persons for VAT Purposes as referred to in paragraph (6d) by Taxable Persons for VAT Purposes, in the event that the Taxable Persons for VAT Purposes carry forward the said tax refunds.

(6f) Repayment of Input VAT as referred to in paragraph (6e) subparagraph a is carried out no later than:

a. the end of the following month after the expiration date of the period of 3 (three) years as referred to in paragraph (6a);

b. the end of the following month after the expiration date of the period for certain business sectors as referred to in paragraph (6c); or

c. end of the month following the date of dissolution (termination) of the business or deregistration of Taxable Persons for VAT Purposes as referred to in paragraph (6d).

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(6g) In the event that Taxable Persons for VAT Purposes do not fulfil the repayment obligation in accordance with the period referred to in paragraph (6f), the Director General of Taxes issues a Notice of Tax Underpayment Assessment on the amount of tax that should be repaid as referred to in paragraph (6e) subparagraph a by the Taxable Persons for VAT Purposes plus an administrative penalty in the form of interest as referred to in Article 13 paragraph (2a) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto.

(7) Deleted. (7a) Deleted.

(7b) Deleted.

(8) Input VAT crediting as referred to in paragraph (2) cannot be applied to expenses for:

a. deleted;

b. acquisition of Taxable Goods or Taxable Services without a direct relationship with business;

c. deleted;

d. deleted;

e. deleted;

f. acquisitions of Taxable Goods or Taxable Services of which the Tax Invoice does not meet the provisions referred to in Article 13 paragraph (5) or paragraph (9) or does not include the name, address and Tax Identification Number of the buyer of Taxable Goods or the recipient of Taxable Services;

g. utilisation of Intangible Taxable Goods or utilisation of Taxable Services from outside the Customs Area within the Customs Area of which Tax Invoice does not fulfil the provisions referred to in Article 13 paragraph (6);

h. deleted;

i. deleted; and

j. deleted.

(9) Creditable Input VAT but not yet credited against Output VAT in the same Taxable Period is creditable in the next Taxable Period no later than 3 (three) Taxable Periods after the end of the Taxable Period when the Tax Invoice is prepared provided that it has not been charged as an expense or has not been capitalised in the acquisition prices of Taxable Goods or Taxable Services and fulfils the provisions on crediting under this Law.

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(9a) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area before an Entrepreneur is registered as a Taxable Person for VAT Purposes, may be credited by Taxable Persons for VAT Purposes using the guidelines for Input VAT crediting of 80% (eighty percent) of the Output VAT that should otherwise be collected.

(9b) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area that are not filed in the Periodic Value Added Tax Returns that are notified and/or found upon audits may be credited by Taxable Persons for VAT Purposes insofar as provisions on crediting under this Law are fulfiled.

(9c) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area that is collected with the issuance of tax assessments may be credited by Taxable Persons for VAT Purposes in the principal amount of Value Added Tax stated in the tax assessment provided that the said tax assessment has been settled and no legal action has been undertaken and provisions on crediting under this Law are fulfiled. ****)

(10) Deleted.

(11) Deleted.

(12) Deleted.

(13) Deleted.

(14) In the event of a transfer of Taxable Goods in the context of a merger, consolidation, spin-off, split- up and acquisition, Input VAT on the transferred Taxable Goods that has not been credited by the transferor Taxable Person for VAT Purposes may be credited by the transferee Taxable Person for VAT Purposes provided that the Tax Invoice is received after the transfer and Input VAT has not been charged as an expense or capitalised.

5. Between Article 9 and Article 10, 1 (one) article is inserted, namely Article 9A, thereby, it reads as follows:

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Article 9A

(1) Taxable Persons for VAT Purposes that:

a. have business turnover in 1 (one) accounting year not exceeding a certain threshold;

b. conduct certain businesses; and/or

c. perform supplies of certain Taxable Goods and/or certain Taxable Services,

may collect and remit Value Added Tax payable on supplies of Taxable Goods and/or Taxable Services in a certain amount.

(2) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as utilisation of Intangible Taxable Goods and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area, in respect of supplies by Taxable Persons for VAT Purposes as referred to in paragraph (1) is non-creditable.

6. The provisions of paragraph (2) and paragraph (3) of Article 16B are amended and between paragraph (1) and paragraph (2) of Article 16B, 1 (one) paragraph is inserted, namely paragraph (1a), thereby, Article 16B reads as follows:

Article 16B

(1) Tax payable is not collected in part or in whole or exempt from taxation, either temporarily or permanently for:

a. activities in certain regions or certain places within the Customs Area;

b. supplies of certain Taxable Goods or supplies of certain Taxable Services;

c. imports of certain Taxable Goods;

d. utilisation of certain intangible Taxable Goods from outside the Customs Area within the Customs Area; and

e. utilisation of certain Taxable Services from outside the Customs Area within the Customs Area,

shall be stipulated by a Government Regulation.

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(1a) Tax payable not collected in part or in whole or exempt from taxation, either temporarily or permanently, as referred to in paragraph (1) is limited for the purpose of:

a. encouraging exports and industrial downstreaming which constitute a national priority;

b. accommodating the possibility of agreements with other countries in the fields of trade and investment, ratified international conventions as well as other international common practice;

c. encouraging the improvement of public health through the procurement of vaccines in the context of the national vaccination program;

d. improving national education and intelligence by increasing the availability of general textbooks, scriptures and religious textbooks at relatively affordable prices for the community;

e. encouraging the construction of houses of worship;

f. ensuring the implementation of government projects financed by grants and/or foreign loans;

g. accommodating international common practice in imports of certain Taxable Goods that are exempt from Import Duties;

h. increasing the availability of Taxable Goods and/or Taxable Services required in the context of handling natural disasters and non-natural disasters that are designated as national natural disasters and national non-natural disasters;

i. ensuring the availability of public air transportation to encourage the smooth traffic of goods and people in certain regions where other adequate transportation facilities are not available, where the ratio between the volume of goods and people to be moved and the available means of transport is very high; and/or

j. supporting the availability of certain strategic goods and services in the context of national development, including:

1. basic staples;

2. certain medical services and those in the national health insurance program system;

3. social services;

4. financial services;

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5. insurance services;

6. educational services;

7. public transportation services on land and water and domestic air transportation services which constitute an integral part of foreign air transportation services; and

8. labour services.

(2) Input VAT paid for acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods and utilisation of Intangible Taxable Goods from outside the Customs Area within the Customs Area and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area for which Value Added Tax is not collected on the supplies as referred to in paragraph (1) is creditable.

(3) Input VAT paid for acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods and utilisation of Intangible Taxable Goods from outside the Customs Area within the Customs Area and/or utilisation of Taxable Services from outside the Customs Area within the Customs Area for which the supplies are exempt from Value Added Tax as referred to in paragraph (1) is non-creditable.

7. Between CHAPTER VA and CHAPTER VI, 1 (one) chapter is inserted, namely CHAPTER VB, thereby, it reads as follows:

CHAPTER VB
DELEGATION OF AUTHORITY

8. Between Article 16F and Article 17, 1 (one) article is inserted, namely Article 16G, thereby, it reads as follows:

Article 16G

Further provisions on:

a. other values as referred to in Article 8A paragraph (1);

b. the criteria of not having performed supplies of Taxable Goods and/or Taxable Services and/or exports of Taxable Goods and/or Taxable Services as referred to in Article 9 paragraph (2a);

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c. calculation and procedures for refunds of Input VAT as referred to in Article 9 paragraph (4c);

d. low-risk Taxable Persons for VAT Purposes that are granted with preliminary tax refunds as referred to in Article 9 paragraph (4c);

e. Input VAT crediting guidelines as referred to in Article 9 paragraph (6);

f. determination of certain business sectors as referred to in Article 9 paragraph (6c);

g. repayment of Input VAT as referred to in Article 9 paragraph (6e) subparagraph a;

h. Input VAT crediting as referred to in Article 9 paragraph (9a), paragraph (9b) and paragraph (9c); and

i. a certain amount of business turnover, certain types of business, certain types of Taxable Goods, certain types of Taxable Services and the amount of collected and remitted Value Added Tax as referred to in Article 9A paragraph (1),

shall be stipulated in a Minister of Finance Regulation.

CHAPTER V
TAXPAYERS' VOLUNTARY DISCLOSURE PROGRAM

Article 5

(1) Taxpayers may disclose net assets that have not been or underdisclosed in a statement letter insofar as the Director General of Taxes has not found data and/or information on the assets concerned.

(2) The net assets referred to in paragraph (1) are the value of the assets minus the value of liabilities referred to in Law Number 11 of 2016 concerning Tax Amnesty.

(3) The statement letter referred to in paragraph (1) is the statement letter referred to in Law Number 11 of 2016 concerning Tax Amnesty.

(4) The assets referred to in paragraph (2) are assets acquired by Taxpayers from 1 January 1985 to 31 December 2015.

(5) The net assets referred to in paragraph (1) are considered additional income and subject to final Income Tax.

(6) Final Income Tax referred to in paragraph (5) is calculated by multiplying the rate by the tax base.

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(7) The rate referred to in paragraph (6) is set at:

a. 6% (six percent) of net assets within the territory of the Unitary State of the Republic of Indonesia, provided that they are invested in:

1. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities;

b. 8% (eight percent) of net assets within the territory of the Unitary State of the Republic of Indonesia and not invested in:

1. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities;

c. 6% (six percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia, provided that:

1. transferred to the territory of the Unitary State of the Republic of Indonesia; and

2. invested in:

a) business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b) government securities;

d. 8% (eight percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia provided that:

1. transferred to the territory of the Unitary State of the Republic of Indonesia; and

2. not invested in:

a) business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b) government securities; or

e. 11% (eleven percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia and not transferred to the territory of the Unitary State of the Republic of Indonesia.

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(8) The tax base referred to in paragraph (6) amounts to the net assets that have not been or underdisclosed in the statement letter.

(9) The value of assets used as the guidelines for calculating the amount of net assets referred to in paragraph (8) is determined based on:

a. the nominal value, for assets in the form of cash or cash equivalents;

b. the value determined by the government, namely the Sales Value of Taxable Object, for land and/or buildings and the Sales Value of Motor Vehicles, for motor vehicles;

c. the value published by PT Aneka Tambang Tbk., for gold and silver;

d. the value published by PT Bursa Efek Indonesia, for shares and warrants traded at the Indonesian Stock Exchange; and/or

e. the value published by PT Penilai Harga Efek Indonesia (Securities Pricing Agency/SPA), for government securities and debt securities and/or sharia-compliant bonds issued by the company,

according to the condition and circumstance of the assets at the end of the last Tax Year.

(10) If no value may be used as a guideline as referred to in paragraph (9) subparagraph b to subparagraph e, the value of the assets is determined based on the value of the results of the assessment by the public appraisal office.

Article 6

(1) Taxpayers disclose the net assets referred to in Article 5 paragraph (1) through the asset declaration letter and submitted to the Director General of Taxes from 1 January 2022 to 30 June 2022.

(2) The asset declaration letter must be attached with:

a. proof of payment of final Income Tax;

b. detailed list of assets and the information on ownership of reported assets;

c. the list of liabilities;

d. statement of transferring net assets to the territory of the Unitary State of the Republic of Indonesia, if the Taxpayer intends to transfer net assets located outside the territory of the Unitary State of the Republic of Indonesia into the territory of the Unitary State of the Republic of Indonesia as referred to in Article 5 paragraph (7) subparagraph c and subparagraph d; and

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e. the statement to invest net assets in:

1. business n the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities,

if the Taxpayer intends to invest the net assets as referred to in Article 5 paragraph (7) subparagraph a and subparagraph c.

(3) The Director General of Taxes issues a certificate for the submission of the asset declaration letter by the Taxpayers.

(4) If based on verification results, it is known that there is a discrepancy between the disclosed net assets and the actual situation, the Director General of Taxes may rectify or cancel the certificate referred to in paragraph (3).

(5) Taxpayers that have obtained a certificate referred to in paragraph (3) are not subject to administrative penalties referred to in Article 18 paragraph (3) of Law Number 11 of 2016 concerning Tax Amnesty.

(6) Data and information sourced from the asset declaration letter and the attachments thereto administered by the Ministry of Finance or other parties related to the implementation of this Law cannot be used as a basis for an examination, investigation and/or criminal prosecution of a Taxpayer.

(7) Further provisions on procedures for the disclosure of net assets are stipulated in a Minister of Finance Regulation.

Article 7

(1) Taxpayers declaring the transfer of net assets to the territory of the Unitary State of the Republic of Indonesia referred to in Article 6 paragraph (2) subparagraph d must transfer the assets concerned no later than 30 September 2022.

(2) Taxpayers declaring the investments of net assets in:

a. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b. government securities, referred to in Article 6 paragraph (2) subparagraph e must invest the net assets concerned no later than 30 September 2023.

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(3) The net assets referred to in paragraph (2) must be invested at least 5 (five) years after the investment.

(4) If the provisions referred to in paragraph (1), paragraph (2) and/or paragraph (3) are not fulfiled by the Taxpayers declaring the transfer and/or investment of the net assets referred to in Article 5 paragraph (7) subparagraph a, subparagraph b, subparagraph c or subparagraph d, for the fraction of net assets that do not fulfil these provisions is treated as final income in the 2022 Tax Year and the following provisions apply:

a. the income concerned is subject to additional final Income Tax at the rate of:

1. 4.5% (four point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph a;

2. 4.5% (four point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph c number 2;

3. 7.5% (seven point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph c; or

4. 5.5% (five point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph d number 1, if the Director General of Taxes issues a Notice of Tax Underpayment Assessment; or

b. the income concerned is subject to additional final Income Tax at the rate of:

1. 3% (three percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph a;

2. 3% (three percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph c number 2;

3. 6% (six percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph c; or

4. 4% (four percent) for Taxpayers that do not fulfil the provisions referred to in Article 5 paragraph (7) subparagraph d number 1,

If the Taxpayers voluntarily disclose the income concerned and self-remit Income Tax payable.

(5) Further provisions on:

a. procedures for the transfer of net assets into the territory of the Unitary State of the Republic of Indonesia;

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b. the investment of net assets in business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and

c. government securities instruments used for investment,

are regulated by a Minister of Finance Regulation.

Article 8

(1) Resident individual Taxpayers may disclose net assets that:

a. are acquired from 1 January 2016 to 31 December 2020;

b. are still held on 31 December 2020; and

c. have not been filed in the Annual Individual Income Tax Return for the 2020 Tax Year, to the Director General of Taxes.

(2) The net assets referred to in paragraph (1) are the value of the assets minus the value of liabilities.

(3) The net assets referred to in paragraph (1) shall be deemed as additional income received or accrued by resident individual Taxpayers in the 2020 Tax Year.

(4) Resident individual Taxpayers that may disclose the net assets referred to in paragraph (1) must fulfil the following provisions:

a. are not being audited, for the 2016 Tax Year, the 2017 Tax Year, the 2018 Tax Year, the 2019 Tax Year and/or the 2020 Tax Year;

b. are not under a preliminary investigation, for the 2016 Tax Year, the 2017 Tax Year, the 2018 Tax Year, the 2019 Tax Year and/or the 2020 Tax Year;

c. are not being investigated for a tax crime;

d. are not under the trial proceeding process for a tax crime; and/or

e. are not serving a criminal sentence for a tax crime.

Article 9

(1) Additional income referred to in Article 8 paragraph (3) is subject to final Income Tax.

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(2) Final Income Tax referred to in paragraph (1) is calculated by multiplying the rate by the tax base.

(3) The rate referred to in paragraph (2) is set at:

a. 12% (twelve percent) of net assets within the territory of the Unitary State of the Republic of Indonesia, provided that they are invested in:

1. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities;

b. 14% (fourteen percent) of net assets within the territory of the Unitary State of the Republic of Indonesia and not invested in:

1. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities;

c. 12% (twelve percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia, provided that:

1. transferred to the territory of the Unitary State of the Republic of Indonesia; and

2. invested in:

a) business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b) government securities;

d. 14% (fourteen percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia provided that:

1. transferred to the territory of the Unitary State of the Republic of Indonesia; and

2. not invested in:

a) business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b) government securities;

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or

e. 18% (eighteen percent) of net assets outside the territory of the Unitary State of the Republic of Indonesia and not transferred to the territory of the Unitary State of the Republic of Indonesia.

(4) The tax base referred to in paragraph (2) amounts to net assets that have not been or underdisclosed in the Annual Individual Income Tax Return for the 2020 Tax Year.

(5) The value of assets used as a guideline for calculating the amount of net assets referred to in paragraph (4) is determined based on:

a. the nominal value, for assets in the form of cash or cash equivalents; or

b. the acquisition price, for assets other than cash or cash equivalents.

Article 10

(1) Resident individual Taxpayers disclose the net assets referred to in Article 8 paragraph (1) through the asset declaration letter and submitted to the Director General of Taxes from 1 January 2022 to 30 June 2022.

(2) Taxpayers submitting the asset declaration letter referred to in paragraph (1) must fulfil the following requirements:

a. having a Taxpayer Identification Number;

b. paying the final Income Tax referred to in Article 9 paragraph (1);

c. filing the Annual Income Tax Return for the 2020 Tax Year; and

d. revoking the application for:

1. tax refunds;

2. reduction or nullification of administrative penalties;

3. reduction or cancellation of an incorrect notice of tax assessment;

4. reduction or cancellation of an incorrect Notice of Tax Collection;

5. objection;

6. rectification;

7. appeal;

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8. lawsuit; and/or

9. civil review,

if the Taxpayer is applying and a decree or a decision has not been issued.

(3) The asset declaration letter referred to in paragraph (1) must be attached with:

a. proof of payment of the final Income Tax;

b. detailed list of assets and the information on ownership of reported assets;

c. the list of liabilities;

d. statement of transferring net assets to the territory of the Unitary State of the Republic of Indonesia, if the Taxpayer intends to transfer net assets located outside the territory of the Unitary State of the Republic of Indonesia into the territory of the Unitary State of the Republic of Indonesia as referred to in Article 9 paragraph (3) subparagraph c and subparagraph d;

e. the statement to invest net assets in:

1. business n the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

2. government securities,

if the Taxpayer intends to invest the net assets as referred to in Article 9 paragraph (3) subparagraph a and subparagraph c; and

f. statement of the revocation of the application referred to in paragraph (2) subparagraph d, if the Taxpayer is applying and a decree or a decision has not been issued.

(4) Rectification of the Annual Individual Income Tax Return for the 2016 Tax Year, the 2017 Tax Year, the 2018 Tax Year, the 2019 Tax Year and/or the 2020 Tax Year filed after the promulgation of this Law, carried out by resident individual Taxpayers submitting the asset declaration, is considered not filed.

(5) In the event that resident individual Taxpayers have not filed the Annual Individual Income Tax Return for the 2020 Tax Year until this Law is promulgated, the following provisions shall apply:

a. Resident individual Taxpayers must file the Annual Income Tax Return for the 2020 Tax Year that reflects the assets filed in the Annual Individual Income Tax Return before the 2020 Tax Year filed before the promulgation of this Law plus assets sourced from income in the 2020 Tax Year; and

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b. held net assets other than those referred to in subparagraph a, must be disclosed in the asset declaration letter.

(6) The Director General of Taxes issues a certificate for the submission of the asset declaration letter by resident individual Taxpayers.

(7) If based on the results of the verification, it is known that there is a discrepancy between the disclosed net assets and the actual situation, the Director General of Taxes may rectify or cancel the certificate referred to in paragraph (6).

(8) Further provisions on procedures for the disclosure of net assets are stipulated in a Minister of Finance Regulation.

Article 11

(1) To resident individual Taxpayers who have obtained a certificate referred to in Article 10 paragraph (6), the following provisions shall apply:

a. no tax assessment is issued for tax obligations for the 2016 Tax Year, the 2017 Tax Year, the 2018 Tax Year, the 2019 Tax Year and the 2020 Tax Year, unless data and/or other information is found on the assets referred to in Article 8 paragraph (1) which have not been or have not underdisclosed in the asset declaration letter;

b. the tax obligations referred to in subparagraph a include personal Income Tax, Income Tax on withholding and/or collection and Value Added Tax, except for taxes that have been withheld or collected but not remitted; and/or

c. data and information sourced from the asset declaration letter and the attachments thereto administered by the Ministry of Finance or other parties related to the implementation of this Law cannot be used as a basis for an examination, investigation and/or criminal prosecution of a Taxpayer.

(2) If the Director General of Taxes finds data and/or other information on assets that have not been or underdisclosed as referred to in paragraph (1) subparagraph a:

a. the value of the undisclosed or underdisclosed net assets is treated as final income in the 2022 Tax Year; and

b. the income referred to in subparagraph a:

1. is subject to final Income Tax at a rate of 30% (thirty percent); and

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2. is subject to administrative penalties in the form of interest pursuant to the provisions under Article 13 paragraph (2) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto,

through the issuance of the Notice of Tax Underpayment Assessment by the Director General of Taxes.

Article 12

(1) Resident individual Taxpayers declaring the transfer of net assets to the territory of the Unitary State of the Republic of Indonesia as referred to in Article 10 paragraph (3) subparagraph d must transfer the said assets no later than 30 September 2022.

(2) Resident individual Taxpayers declaring the investment of net assets in:

a. business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and/or

b. government securities, referred to in Article 10 paragraph (3) subparagraph e must invest the said net assets no later than 30 September 2023.

(3) The net assets referred to in paragraph (2) must be invested at least 5 (five) years after the investment.

(4) If the provisions referred to in paragraph (1), paragraph (2) and/or paragraph (3) are not fulfiled by the Taxpayer declaring the transfer and/or investment of the net assets referred to in Article 9 paragraph (3) subparagraph a, subparagraph b, subparagraph c, or subparagraph d, he fraction of net assets that do not fulfil these provisions is treated as final income in the 2022 Tax Year and the following provisions apply:

a. the said income is subject to additional final Income Tax at the rate of:

1. 4.5% (four point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph a;

2. 4.5% (four point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph c number 2;

3. 8.5% (eight point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph c; or

4. 6.5% (six point five percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph d number 1,

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if the Director General of Taxes issues a Notice of Tax Underpayment Assessment; or

b. the said income is subject to additional final Income Tax at the rate of:

1. 3% (three percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph a;

2. 3% (three percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph c number 2;

3. 7% (seven percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph c; or

4. 5% (five percent) for Taxpayers that do not fulfil the provisions referred to in Article 9 paragraph (3) subparagraph d number 1,

If the Taxpayer voluntarily discloses the said income and self-deposit Income Tax payable.

(5) Further provisions on:

a. procedures for the transfer of net assets into the territory of the Unitary State of the Republic of Indonesia;

b. the investment of net assets in business in the natural resource processing sector or the renewable energy sector within the territory of the Unitary State of the Republic of Indonesia; and

c. government securities instruments used for investment, are stipulated by a Minister of Finance Regulation.

CHAPTER VI
CARBON TAX

Article 13

(1) Carbon tax is imposed on carbon emissions that have a negative impact on the environment.

(2) Carbon tax referred to in paragraph (1) is imposed by taking into account:

a. carbon tax roadmap; and/or

b. carbon market roadmap.

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(3) The carbon tax roadmap referred to in paragraph (2) subparagraph a contains:

a. carbon emission reduction strategies;

b. priority sector targets;

c. alignment with the development of new and renewable energy; and/or

d. alignment between various other policies.

(4) The carbon tax roadmap policies referred to in paragraph (3) are stipulated by the Government with the approval of the House of Representatives f the Republic of Indonesia.

(5) Carbon tax subjects are individuals or entities that purchase carbon-containing goods and/or carry out activities that generate carbon emissions.

(6) Carbon tax is payable on the purchase of carbon-containing goods or activities that produce carbon emissions in a certain amount in a certain period.

(7) When carbon tax becomes payable is determined:

a. upon the purchase of carbon-containing goods;

b. at the end of the calendar year period of the activities that produce carbon emissions in a certain amount; or

c. other times regulated by or based on a Government Regulations.

(8) The carbon tax rate is set higher or equal to the price of carbon in the carbon market per kilogram of carbon dioxide equivalent (CO2e) or equivalent unit.

(9) If the price of carbon on the carbon market referred to in paragraph (8) is lower than IDR30,000 (thirty rupiah) per kilogram of carbon dioxide equivalent (CO2e) or equivalent unit, the carbon tax rate is set at the lowest of IDR30.00 (thirty rupiah) per kilogram of carbon dioxide equivalent (CO2e) or equivalent unit.

(10) Provisions on:

a. the stipulation of carbon tax rates referred to in paragraph (8);

b. changes to the carbon tax rate referred to in paragraph (9); and/or

c. tax base,

are stipulated by a Minister of Finance Regulation after consultation with the House of Representatives of the Republic of Indonesia.

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(11) Provisions on the addition of taxable objects subject to carbon tax referred to in paragraph (1) shall be stipulated by or based on a Government Regulation after being submitted by the Government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.

(12) Revenue from carbon tax can be allocated for climate change control.

(13) Taxpayers participating in carbon emissions trading, carbon emission offsets and/or other mechanisms pursuant to statutory provisions in the environmental sector may be granted:

a. carbon tax reduction; and/or

b. other treatment for the fulfilment of carbon tax obligations.

(14) Provisions on:

a. procedures for the calculation, collection, payment or remittance, filing and carbon tax imposition mechanisms; and

b. procedures for carbon tax reduction referred to in paragraph (13) subparagraph a and/or other treatment for the fulfilment of carbon tax obligations referred to in paragraph (13) subparagraph b,

are stipulated by a Minister of Finance Regulation.

(15) Provisions on:

a. carbon tax subjects referred to in paragraph (5); and/or

b. the allocation of revenues from carbon tax for climate change control referred to in paragraph (12),

are stipulated by or based on Government Regulation after being submitted by the Government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.

(16) The exercise of tax rights and fulfilment of tax obligations related to carbon tax shall be implemented pursuant to statutory provisions in the field of general provisions and tax procedures.

CHAPTER VII
EXCISE

Article 14

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Several provisions under Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 1995 Number 76, Supplement to the State Gazette of the Republic of Indonesia of 1995 Number 3613) as amended by Law Number 39 of 2007 concerning the Amendment to Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 2007 Number 105, Supplement to the State Gazette of the Republic of Indonesia Number 4755) are amended, thereby, they read as follows:

1. The provisions of Article 4 are amended, thereby, it reads as follows:

Article 4

(1) Excise is imposed on Excisable Goods which include:

a. ethyl alcohol or ethanol, regardless of the ingredients used and the manufacturing process;

b. beverages containing ethyl alcohol in any amount, regardless of the ingredients used and the manufacturing process, including concentrates containing ethyl alcohol; and

c. tobacco products, which include cigarettes, cigars, corn husk cigarettes, cut tobacco, e- cigarettes and other tobacco processing products, regardless of whether or not alternative materials or indirect materials are used in their production.

(2) The addition or reduction of the types of Excisable Goods shall be stipulated by a Government Regulation after being submitted by the Government to the House of Representatives of the Republic of Indonesia to be discussed and agreed upon in the preparation of the Draft State Budget.

2. Between Article 40A and Article 41, 1 (one) article is inserted, namely Article 40B, thereby, it reads as follows:

Article 40B

(1) Customs and Excise officials are authorised to verify alleged violations in the excise sector.

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(2) In the event that the verification results on alleged violations referred to in paragraph (1) constitute an administrative violation in the excise sector, it shall be resolved administratively pursuant to statutory excise provisions.

(3) Verification results referred to in paragraph (1) may not be investigated in the event that:

a. there are alleged violations as referred to in Article 50, Article 52, Article 54, Article 56 and Article 58; and

b. the person concerned pays an administrative penalty in the form of a fine of 3 (three) times the excise value that should otherwise be paid.

(4) Excisable goods related to alleged violations that are not investigated referred to in paragraph (3) are declared state property.

(5) Other goods related to alleged violations that are not investigated referred to in paragraph (3) may be declared state property.

(6) Further provisions on alleged violations that have not been investigated referred to in paragraph (3) shall be stipulated by a Ministerial Regulation.

3. The provisions of Article 64 are amended, thereby, it reads as follows:

Article 64

(1) For state revenue purposes, upon a request from the Minister, the General Attorney may terminate an excise crime investigation within a maximum of 6 (six) months from the date of the request letter.

(2) The termination of investigations referred to in paragraph (1) shall only be carried out for crimes referred to in Article 50, Article 52, Article 54, Article 56 and Article 58 after the person concerned has paid the administrative penalty in the form of a fine of 4 (four) times the excise value that should otherwise be paid.

(3) In the event that the criminal case has been transferred to the court, the defendant may still settle the administrative penalty referred to in paragraph (2).

(4) The settlement referred to in paragraph (3) shall be a consideration for prosecution without any sentence to imprisonment.

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(5) In the event that the payment by the suspect or defendant at the investigation stage up to the trial proceeding does not fulfil the amount referred to in paragraph (2), the payment may be considered the payment of the fine sentence imposed on the defendant

(6) Excisable goods in respect of the termination of excise crime investigations referred to in paragraph (1) shall be declared state property.

(7) Other goods in respect of the termination of excise crime investigations referred to in paragraph (1) may be declared state property.

(8) The Minister and the Attorney General may delegate further authority to appointed officials in respect of requests for and the termination of excise crime investigations referred to in paragraph (1).

(9) Further provisions on the termination of investigations referred to in paragraph (1) shall be stipulated by or based on a Government Regulation. **)

CHAPTER VIII
TRANSITIONAL PROVISIONS

Article 15

When this Law comes into force, all statutory provisions constituting implementing regulations of Law Number 11 of 2016 concerning Tax Amnesty related to the disclosure of net assets, are declared invalid insofar as the disclosure is carried out from 1 January 2022 until 30 June 2022 pursuant to the provisions referred to in Article 6 paragraph (1).

CHAPTER IX
CLOSING PROVISIONS

Article 16

When this Law comes into force, all statutory provisions constituting implementing regulations of:

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a. Law Number 6 of 1983 concerning General Provisions and Tax Procedures (State Gazette of the Republic of Indonesia of 1983 Number 49, Supplement to the State Gazette of the Republic of Indonesia Number 3262) as amended several times, last amended by Law Number 16 of 2009 concerning the Stipulation of Government Regulation in Lieu of Law Number 5 of 2008 concerning the Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures into a Law (State Gazette of the Republic of Indonesia of 2009 Number 62, Supplement to the State Gazette of the Republic of Indonesia Number 4999);

b. Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 1983 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 3263) as amended several times, last amended by Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Taxes (State Gazette of the Republic of Indonesia of 2008 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 4893);

c. Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 1983 Number 51, Supplement to the State Gazette of the Republic of Indonesia Number 3264) as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 2009 Number 150, Supplement to the State Gazette of the Republic of Indonesia Number 5069);

d. Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 1995 Number 76, Supplement to the State Gazette Number 3613) as amended by Law Number 39 of 2007 concerning the Amendment to Law Number 11 of 1995 concerning Excise (State Gazette of the Republic of Indonesia of 2007 Number 105, Supplement to the State Gazette Number 4755);

e. Law Number 2 of 2020 concerning the Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System into a Law (State Gazette of the Republic of Indonesia of 2020 Number 134, Supplement to the State Gazette of the Republic of Indonesia Number 6516);

f. Law Number 11 of 2020 concerning Job Creation (State Gazette of the Republic of Indonesia of 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

are declared to remain valid insofar as they do not contradict the provisions under this Law or have not been replaced pursuant to this Law.

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Article 17

(1) The provisions referred to in Article 3 come into force in the 2022 Tax Year.

(2) The provisions referred to in Article 4 come into force on 1 April 2022.

(3) The provisions referred to in Article 13 come into force on 1 April 2022, first imposed on entities engaged in coal-fired power plants at a rate of IDR30.00 (thirty rupiah) per kilogram of carbon dioxide equivalent (CO2e) or equivalent units.

Article 18

The provisions under Article 5 paragraph (1) subparagraph b of Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System into a Law (State Gazette of the Republic of Indonesia of 2020 Number 134, Supplement to the State Gazette of the Republic of Indonesia Number 6485) that has been stipulated into Law Number 2 of 2020 concerning the Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Control Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Response to Dangerous Threats to the National Economy and/or the Stability of the Financial System into a Law (State Gazette of the Republic of Indonesia of 2020 Number 134, Supplement to the State Gazette of the Republic of Indonesia Number 6516) are revoked and declared invalid.

Article 19

This Law comes into force on the date of promulgation.

For public cognisance, this Law shall be promulgated by placement in the State Gazette of the Republic of Indonesia.

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Ratified in Jakarta
on 29 October 2021
PRESIDENT OF THE REPUBLIC OF INDONESIA,
signed
JOKO WIDODO

Promulgated in Jakarta
On 29 October 2021
MINISTER OF LAW AND HUMAN RIGHTS OF THE REPUBLIC OF INDONESIA,
signed
YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2021 NUMBER 246

ELUCIDATION

OF

LAW OF THE REPUBLIC OF INDONESIA NUMBER 7 OF 2021

CONCERNING

THE HARMONISATION OF TAX REGULATIONS

I. GENERAL

To increase sustainable economic growth to realise a just, prosperous and well-off society based on Pancasila and the 1945 Constitution of the Republic of Indonesia, various efforts are required from the Government to undertake various consolidated fiscal policy measures.

These consolidated fiscal policies may be realised by undertaking strategic measures that focus on improving the budget deficit and increasing the tax ratio, among others, through the implementation of policies to increase tax revenue performance, tax administration reforms, increase the tax base, establish a tax system that prioritise the principle of justice and legal certainty as well as increase Taxpayer's voluntary compliance. At the global level, countries in the world also implement various tax policies that are expected to increase

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revenues by expanding the tax base and adjusting tax rates.

To increase the tax ratio, the Government has undertaken various efforts, including through tax reforms that focus on organisations, human resources, data-based information technology, business processes and tax regulations. This is carried out, among others, by improving the service function, implementing the Tax Amnesty program, implementing the Automatic Exchange of Financial Account Information scheme, strengthening the effectiveness of the extensification function and law enforcement. However, this is insufficient to keep pace with changing business patterns and the highly dynamic globalisation dynamics and overcome existing aggressive tax planning practices.

Therefore, in line with ongoing tax reforms, specifically, in the aspects of regulation and business processes, it is necessary to adjust comprehensive, consolidative and harmonious tax policy arrangements, thereby, it is necessary to enact a Law concerning the Harmonisation of Tax Regulations. Adjustments to these policy arrangements are aimed at increasing sustainable economic growth and supporting the acceleration of economic recovery; optimising state revenues to finance national development independently towards a just, prosperous and well-off Indonesian society; realising a tax system that is more just and has legal certainty; implementing administrative reforms, consolidated tax policies and broadening the tax base; and increasing Taxpayers' voluntary compliance.

Comprehensive, consolidative and harmonious tax policies are implemented through the regulation covering General Provisions and Tax Procedures, Income Tax, Value Added Tax and Sales Tax on Luxury Goods, Taxpayer Voluntary Disclosure Program, Carbon Tax and Excise.

The materials concerning General Provisions and Tax Procedures contain several amended and/or added provisions, among others, concerning the cooperation in tax collection assistance between countries, attorneys for Taxpayers, provision of data in the context of law enforcement and cooperation for the interest of the state and expiration of tax criminal prosecutions.

Income Tax materials contain several amended and/or added provisions, among others, concerning changes to the tax imposition of in-kind and/or fringe benefits, personal and corporate income tax rates, depreciation and amortisation as well as international agreements/treaties in the field of taxation.

Material changes to Value Added Tax and Sales Tax on Luxury Goods include, among others, the reduction of the exemption from Value Added Tax objects, the regulation of Value Added Tax facilities, changes to Value Added Tax rates and imposition of the final Value Added Tax rate.

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To encourage Taxpayers' compliance, there are materials concerning the Taxpayer Voluntary Disclosure Program which provides opportunities for Taxpayers to disclose their undisclosed assets. Further, there is new regulation of carbon taxes imposed on carbon emissions that have a negative impact on the environment. Carbon taxes are imposed by taking into account the carbon tax roadmap and/or carbon market roadmap. The changes to the provisions on Excise materials include the addition of Excisable Goods, the authority of Customs and Excise officials, investigations and the payment of administrative penalties.

II. ARTICLE BY ARTICLE

Article 1

Paragraph (1)

Subparagraph a

"The principle of justice" implies that the regulation of taxation upholds the balance of rights and obligations of each involved party.

Subparagraph b

"The principle of simplicity" implies that the regulation of taxation must be able to provide convenience in services to the public in fulfiling their rights and obligations.

Subparagraph c

"The principle of efficiency" implies that the regulation of taxation must be oriented towards minimising the use of resources to achieve the best work results.

Subparagraph d

"The principle of legal certainty" implies that the regulation of taxation must be able to create order in society through guaranteed legal certainty.

Subparagraph e

"The principle of expediency" implies that the regulation of taxation is beneficial to the interests of the state, nation and society, specifically, in advancing the general welfare.

Subparagraph f

"The principle of national interests" implies that the implementation of taxation prioritises the interests of the nation, state and society above other interests.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

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Sufficiently clear.

Article 2

Number 1

Article 2

Paragraph (1)

Any Taxpayer that has fulfiled subjective and objective qualifications as stipulated by statutory tax provisions under the self-assessment system is obliged to register to the office of the Directorate General of Taxes to be registered as a Taxpayer and to obtain a Taxpayer Identification Number.

Subjective requirements are the requirements in accordance with the provisions on tax subjects under the Income Tax Law of 1984 and the amendments thereto.

Objective requirements are requirements for tax subjects that receive and accrues income or are obliged to withhold taxes pursuant to the provisions under the Income Tax Law 1984 and the amendments thereto.

The obligation to register also applies to a married woman who is taxed separately because she is separated from her husband pursuant to a court verdict or the couple wishes for the separation of income and assets.

A married woman other than the aforementioned may self-register for a Taxpayer Identification Number under her own name to exercise her tax rights and fulfil her tax obligations separately from her husband.
A Taxpayer Identification Number is a means within tax administration used as identification or to identify a Taxpayer. Therefore, for every Taxpayer, only one Taxpayer Identification Number shall be issued. In addition, the Taxpayer Identification Number is also used to ensure the orderliness of tax payment and tax administration supervision. Pertaining to tax documents, Taxpayers must declare their Taxpayer Identification Numbers. In the event that Taxpayers fail to register and obtain Taxpayer Identification Numbers, they shall be subject to penalties as per statutory tax provisions.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

Any Taxpayers qualified as Entrepreneurs subject to Value Added Tax pursuant to the Value Added Tax Law of 1984 and the amendments thereto, must report their business to be registered as Taxable

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Persons for VAT Purposes.

Individual entrepreneurs shall report their business at the office of Directorate General of Taxes whose working area includes the Entrepreneurs' residence and place of business. Corporate entrepreneurs shall report their business at the office of the Directorate General of Taxes whose working area includes the Entrepreneurs'
domicile and place of business.

Therefore, individual or corporate entrepreneurs whose business is located in several working areas of the Directorate General of Taxes are obliged to report their business to be registered as Taxable Persons for VAT Purposes not only at the office of the Directorate General of Taxes whose working area covers the Entrepreneurs' residence or domicile but also at the office of the Directorate General of Taxes whose working area covers the Entrepreneurs' place of business.

VAT registration is useful not only for recognizing a Taxable Person for VAT Purposes actual identification but also for fulfiling rights and obligations pertaining to Value Added Tax and Sales Tax on Luxury Goods as well as the supervision of tax administration.
Entrepreneurs, qualified as Taxable Persons for VAT Purposes but fail to report their business for VAT registration shall be subject to penalties as per statutory tax provisions.

Paragraph (3)

For certain Taxpayers and Taxable Person for VAT Purposes, the Director General of Taxes may stipulate offices of the Directorate General of Taxes other than those referred to in paragraph (1) and paragraph (2) as the place for registering and obtaining a Taxpayer Identification Number and/or VAT Registration.

Moreover, certain individual entrepreneur Taxpayers, i.e. individual Taxpayers whose places of business spread in several locations such as electronics retailers whose stores are located in several shopping centers, in addition to being obliged to register at the office of the Directorate General of Taxes whose working area includes the Taxpayers' place of residence, are also obliged to register at the office of the Directorate General of Taxes whose working area includes the Taxpayers' place of business.

Paragraph (4)

Any Taxpayers or Taxable Persons for VAT Purposes that fail to register and/or report their business may be assigned Taxpayer Identification

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Numbers *ex officio* and/or registered *ex officio* as Taxable Persons for VAT Purposes. The registration may be exercised if the Director General of Taxes possesses or obtains information indicating the individuals or entities in question qualify for Taxpayer Identification Numbers or the entrepreneurs qualify to be registered as Taxable Persons for VAT Purposes.

Paragraph (4a)

This paragraph stipulates that the *ex officio* registration of Tax Identification Number and/or VAT registration must take into account when a Taxpayer has started to fulfil the subjective and objective requirements. Subsequently, the Taxpayer is not excluded from tax obligations pursuant to the statutory tax provisions. This is intended to provide legal certainty both to the Taxpayer and the Government in relation to the Taxpayer's obligation to register and right to obtain a Tax Identification Number and/or to be registered as Taxable Persons for VAT Purposes, for example, if a Taxpayer Identification Number has been registered *ex officio* in 2008 and the Taxpayer has actually fulfiled the subjective and objective requirements pursuant to statutory tax provisions since 2005, the Taxpayer's tax obligations have commenced since 2005.

Paragraph (5)

Deleted.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

Sufficiently clear.

Paragraph (10)

The use of a single identity number as the identity of individual Taxpayers requires the integration of the population database with the tax database to establish the Taxpayers' profile and may be used by the Taxpayers in the context of exercising their tax rights and/or fulfiling their tax obligations.

Population data and user feedback data constitute population data and user feedback data as regulated in the statutory provisions concerning population administration.

Number 2

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Article 8

Paragraph (1)

Any errors in the completion of Tax Returns filed by Taxpayers may be voluntarily rectified by the Taxpayers provided that the Director General of Taxes has not commenced an audit. Commencing an audit refers to the date tax audit notification letter is given to the Taxpayers, their representatives, power of attorney, employees or adult family members of the Taxpayers.

Paragraph (1a)

The expiration of tax assessment refers to a period of 5 (five) years after taxes become payable or the end of a Taxable Period, fraction of a Tax Year or Tax Year, as referred to in Article 13 paragraph (1).

Paragraph (2)

Sufficiently clear.

Paragraph (2a)

Sufficiently clear.

Paragraph (2b)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (3a)

Sufficiently clear.

Paragraph (4)

Even though the Director General of Taxes has conducted an audit but has not yet submitted the notification of tax audit results, Taxpayers that have or have not rectified Tax Returns are given the opportunity to disclose the incorrect completion of filed Tax Returns, either Annual Tax Returns or Periodic Tax Returns of an audited Tax Year, fraction of a Tax Year or Taxable Period. Incorrect completion of Tax Returns shall be disclosed in a separate report and must reflect the actual circumstances to determine the actual amount of tax payable can be known. However, to prove the correctness of the Taxpayers' report, the audit will continue until it is completed.

Paragraph (5)

Sufficiently clear.

Paragraph (5a)

Sufficiently clear.

Paragraph (6)

In the event that the issuance of notice of tax assessment, Objection Decision Letters, Rectification Decision Letters, Appeal Decisions or Civil Review Decisions on a Tax Year results in a different tax loss from

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the tax loss that has been carried forward in the filed Annual Tax Return of the following Tax Year or subsequent Tax Years, the tax loss shall be adjusted in accordance with the notice of tax assessment, Objection Decision Letters, Rectification Decision Letters, Appeal Decisions or Civil Review Decisions in the calculation of Income Taxes of the subsequent Tax Years, the limitation of 3 (three) months is intended for administration order without nullifying Taxpayers' rights of loss carry forward.

In the event that Taxpayers rectify filed Tax returns after the 3 (three) month period has elapsed or the Taxpayers do not submit any rectification due to the issuance of notices of tax assessment, Objection Decision Letters, Rectification Decision Letters, Appeal Decisions or Civil Review Decisions of the previous Tax Year or several previous Tax Years, which state different tax loss from the tax loss carried forward in the Annual Income Tax Return, the Director General of Taxes shall calculate the amount to assess the Taxpayers' tax liabilities. For clarity, the following example is given:

Example 1:
PT A files 2021 Annual Income Tax Return stating:

Net Income	=	IDR	200,000,000.00	
Carry forward of loss based on 2020 Annual Income Tax Return	=	IDR	150,000,000.00	(-)
Taxable Income	=	IDR	50,000,000.00	

2020 Annual Income Tax Return is audited and on 6 January 2023, a notice of tax assessment stating a tax loss of IDR70,000,000.00 is issued.

Based on the above notice of tax assessment, the Director General of Taxes will rectify the calculation of 2021 Taxable Income to:

Net Income	=	IDR	200,000,000.00	
Loss based on 2020 tax assessment	=	IDR	70,000,000.00	(-)
Taxable Income	=	IDR	130,000,000.00	

Therefore, the taxable income in the previously filed Tax Return of IDR50,000,000.00 (IDR200,000,000.00 - IDR150,000,000.00) after the

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rectification shall be IDR130,000,000.00 (IDR200,000,000.00 - IDR70,000,000.00).

Example 2:
PT B files 2021 Annual Income Tax Return stating:

Net Income	=	IDR	300,000,000.00	
Carry forward of loss based on 2020 Annual Income Tax Return	=	IDR	200,000,000.00	(-)
Taxable Income	=	IDR	100,000,000.00	

The 2020 Annual Income Tax Return is audited and on 6 January 2023, a notice of tax assessment stating a tax loss of IDR250,000,000.00 is issued.

Based on the above notice of tax assessment, the Director General of Taxes will rectify the calculation of 2021 Taxable Income to:

Net Income	=	IDR	300,000,000.00	
Loss based on 2020 tax assessment	=	IDR	250,000,000.00	(-)
Taxable Income	=	IDR	50,000,000.00	

Therefore, the taxable income in the previously filed Tax Return of IDR100,000,000.00 (IDR300,000,000.00 – IDR200,000,000.00) after the rectification shall be IDR50,000,000.00 (IDR300,000,000.00 – IDR250,000,000.00).

Number 3

Article 13

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (2a)

Sufficiently clear.

Paragraph (2b)

Sufficiently clear.

Paragraph (3)

This paragraph stipulates administrative penalties in a notice of tax assessment for violation of tax obligations referred to in paragraph (1)

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subparagraph b, subparagraph c and subparagraph d. The administrative penalties in the form of interest of surcharges constitute proportional amounts that must be added to the principal amount of tax underpayment.

The administrative penalties for Income Taxes paid by Taxpayers and Income Taxes that are not or under withheld in the form of an interest rate stipulated by the Minister of Finance which is calculated based on the reference interest rate plus 20% (twenty percent) and divided by 12 (twelve) shall apply on the date the calculation of penalties commences, whereas withheld Income Taxes that are not or under-remitted and Value Added Tax and Sales Tax on Luxury Goods, the administrative penalties shall be in the form of a 75% (seventy-five percent) surcharge.

Paragraph (3a)

Sufficiently clear.

Paragraph (3b)

Sufficiently clear.

Paragraph (3c)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Deleted.

Paragraph (6)

Sufficiently clear.

Number 4

Article 14

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Notices of Tax Collection according to this paragraph have the same legal force as notices of tax assessment, thereby, may also be collected using a Distress Warrant.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Deleted.

Paragraph (5a)

Sufficiently clear.

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Paragraph (5b)

Sufficiently clear.

Paragraph (5c)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Number 5

Article 20A

Paragraph (1)

This Law authorises the Minister of Finance to co-operate in tax collection assistance with the governments of partner countries or partner jurisdictions.

"Tax collection assistance" refers to tax collection assistance facilities outlined in an international agreement that may be utilised by the Government of Indonesia and the governments of partner countries or partner jurisdictions to collect tax liabilities and administered by the Director General of Taxes or the tax authorities of partner countries or partner jurisdictions.

Paragraph (2)

Within the co-operation in tax collection assistance, the Director General of Taxes shall carry out tax collection assistance for the tax authorities of partner countries or partner jurisdictions. The implementation of tax collection assistance includes the provision of tax collection assistance and requests for tax collection assistance to the tax authorities of partner countries or partner jurisdictions.

Paragraph (3)

The reciprocal principle under this paragraph is applied to enable the Director General of Taxes to provide tax collection assistance to the governments of partner countries or partner jurisdictions insofar as the governments of partner countries or partner jurisdictions also provide mutual tax collection assistance to the Government of Indonesia. For example, tax collection shall be carried out by notifying the Distress Warrant in the event that the partner countries or partner jurisdictions carry out tax collection assistance by notifying the Distress Warrant or other equivalent actions.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

"International agreement" refers to a bilateral or multilateral agreement that has been ratified by the Government of Indonesia pursuant to the

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provisions under the Law on International Treaties, which states that the Government of Indonesia has bound itself with a partner country or partner jurisdiction regarding cooperation on matters relating to tax collection assistance. Included in an international agreement is the convention on mutual administrative assistance in tax matters.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Subparagraph a

"The value of tax claim" refers to the monetary value for which tax collection assistance is requested by a partner country or partner jurisdiction which includes, among others, the principal value of tax payable, administrative penalties and collection costs charged by the partner country or partner jurisdiction.

The collection costs incurred by the Directorate General of Taxes in the context of the provision of tax collection assistance are borne by the partner countries or partner jurisdictions requesting tax collection assistance, in the event that the tax claim is collectible and vice versa. The collection costs are recorded as Non-Tax State Revenues in the State Budget.

In the event that the tax claim is uncollectible, the tax collection costs incurred by the Directorate General of Taxes shall be borne by the state.

The tax claims for which tax collection assistance is requested by the partner countries or partner jurisdictions shall not be in dispute (already in force) in the partner countries or partner jurisdictions.

Subparagraph b

The identity of the tax bearer shall at least contain the tax bearer's name, identification number and address.

Paragraph (8)

Tax claims by partner countries or partner jurisdictions constitute the tax base for which tax collection shall be carried out by the Director General of Taxes as per statutory tax provisions that apply *mutatis mutandis* against prevailing provisions on tax collection in the partner countries or partner jurisdictions.

The value of tax claims by partner countries or partner jurisdictions is equivalent to tax liabilities. Therefore, tax collection shall be carried out on the tax claim value by the Director General of Taxes through reprimanding or warning, issuing and notifying a Distress Warrant,

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confiscate, selling confiscated goods, proposing travel ban and carrying out imprisonment for civil debt (*gijzeling*) pursuant to statutory tax provisions.

Tax collection shall be carried out on a par with measures undertaken by partner countries or partner jurisdictions. For example, tax collection shall be carried out by notifying the Distress Warrant in the event that the partner country or partner jurisdiction implements tax collection assistance by notifying the Distress Warrant or other equivalent actions.

Tax collection shall be carried out on the tax bearer whose identity is stated in the tax claim.

Paragraph (9)

Proceeds from tax collection on tax claims by partner countries or partner jurisdictions are deposited in other government accounts that are separate from the state treasury account or government revenue module before being sent to the partner countries or partner jurisdictions. The proceeds from tax collection on tax claims by partner countries or partner jurisdictions do not constitute State Revenues, thereby, not recorded in the State Budget as these proceeds are not included in the scope of state finances.

Number 6

Article 25

Paragraph (1)

If a Taxpayer is of the opinion that the amount of loss, tax payable and tax withholding is incorrect, the Taxpayer may file an objection only to the Director General of Taxes.

An objection may be filed against the substance or content of a tax assessment, namely the amount of loss based on statutory tax provisions, the amount of taxes or the amount of tax withholding. This paragraph stipulates that 1 (one) objection may be filed against 1 (one) type of tax and 1 (one) Taxable Period or Tax Year.

Example:
Objection on Income Tax assessment for 2008 Tax Year and 2009 Tax Year must be individually filed in separate objection letters. Thereby, for the 2 (two) Tax Years, 2 (two) objection letters must be filed.

Paragraph (2)

“Underlying reasons of the calculation basis” refer to clear reasons that are attached with a photocopy of the notice of tax assessment, withholding receipt or collection receipt.

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Paragraph (3)

Objection letters are to be filed no later than 3 (three) months from the date the notice of tax assessment is sent or from the date of tax withholding referred to in paragraph (1) to provide the Taxpayer with sufficient time to prepare an objection
letter together with the underlying reasons.

In the event that Taxpayers are unable to fulfil the 3 (three) month time limit for reasons beyond their control (force majeure), the Director General of Taxes may consider extending the 3 (three) months time limit.

Paragraph (3a)

This provision stipulates that Taxpayers shall settle their tax liabilities as agreed by the Taxpayers in the closing conference. Settlement shall be carried out before the Taxpayers file an objection.

Paragraph (4)

An application for an objection that fails to fulfil any of the requirements referred to under this article does not constitute an objection letter, thereby, cannot be considered and an Objection Decision Letter shall not be issued.

Paragraph (5)

Proof of receipt provided by employees of the Directorate General of Taxes or the postal service constitutes the proof of receipt of an objection letter if such a letter fulfils the requirements as an objection letter. Thereby, the due date for the resolution of objection is calculated from the date the letter is received.

If the Taxpayer's letter does not fulfil the requirements as an objection letter and the Taxpayer rectifies it within the deadline for submitting the objection letter, the deadline for resolving the objection is calculated from the receipt of the next letter that fulfils the requirements as an objection letter.

Paragraph (6)

To enable Taxpayers to prepare an objection with sound reasons, Taxpayers are entitled to request for the stipulated tax base, calculation of losses and tax withholding or collection. The Director General of Taxes is obliged to fulfil such a request.

Paragraph (7)

This paragraph stipulates that the payment due date stated in a notice of tax assessment shall be deferred to 1 (one) month from the issuance date of the Objection Decision Letter. The deferral of the payment due date results in an administrative penalty in the form of

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interest stipulated in Article 19 inapplicable on the amount of unpaid taxes at the time the objection is filed.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

In the event that a Taxpayer's objection is rejected or partially granted and the Taxpayer does not file an appeal, the amount of tax payable according to the objection decision subtracted by the amount of taxes paid before the objection is filed must be paid no later than 1 (one) month from the issuance date of the Objection Decision Letter and tax collection by a Distress Warrant shall be conducted if the Taxpayer fails to settle the tax liabilities. Further, the Taxpayer shall be subject to an administrative penalty in the form of a 30% (thirty percent) fine.

Example:

For 2023 Tax Year, a Notice of Tax Underpayment Assessment with tax payable of IDR1,000,000,000.00 (one billion rupiah) is issued to PT A. In the closing conference, the Taxpayer agrees to tax payable of only IDR200,000,000.00 (two hundred million rupiah). The Taxpayer has partially settled the Notice of Tax Underpayment Assessment of IDR200,000,000.00 and subsequently files an objection on the remaining correction. The Director General of Taxes partially grants the Taxpayer's objection thereby, the tax to be paid amounts to IDR750,000,000.00 (seven hundred and fifty million rupiah). In this case, the Taxpayer shall not be subject to the administrative penalty stipulated in Article 19, but shall be subject to the administrative penalty stipulated in this paragraph of 30% x (IDR750,000,000.00 - IDR200,000,000.00) = IDR165,000,000.00.

Paragraph (10)

Sufficiently clear.

Number 7

Article 27

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Deleted.

Paragraph (4a)

Sufficiently clear.

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Paragraph (5)

Deleted.

Paragraph (5a)

This paragraph stipulates that for Taxpayers filing an appeal, the tax settlement period for which an appeal is filed shall be deferred to 1 (one) month from the issuance date of the Appeal Decision. The deferral of the tax settlement period results in an administrative penalty in the form of interest stipulated in Article 19 inapplicable on the amount of unpaid taxes at the time the objection is filed.

Paragraph (5b)

Sufficiently clear.

Paragraph (5c)

Sufficiently clear.

Paragraph (5d)

In the event that a Taxpayer's appeal is rejected or partially granted, the tax payable stated in the Appeal Decision subtracted by the amount of taxes paid before the objection is paid shall be settled no later than 1 (one) month from the issuance date of the Appeal Decision and tax collection by a Distress Warrant shall be carried out if the Taxpayer fails to settle the tax liabilities. In addition, the Taxpayer is subject to an administrative penalty of a 60% (sixty percent) fine referred to in this paragraph.

Example:

For 2023 Tax Year, a Notice of Tax Underpayment Assessment with tax payable of IDR1,000,000,000.00 (one billion rupiah) is issued to PT A. In the closing conference, the Taxpayer agrees to tax payable of only IDR200,000,000.00 (two hundred million rupiah). The Taxpayer has partially settled the Notice of Tax Underpayment Assessment of IDR200,000,000.00 (two hundred million rupiah) and subsequently files an objection on the other corrections. The Director General of Taxes partially grants the Taxpayer's objection, thereby, the tax to be paid amounts to IDR750,000,000.00 (seven hundred and fifty million rupiah).

Further, the Taxpayer files an appeal and the Tax Court decides that the tax to be paid amounts to IDR450,000,000.00 (four hundred and fifty million rupiah). In this case, both the administrative penalty in the form of interest stipulated in Article 19 and the administrative penalty in the form of a fine stipulated in Article 25 paragraph (9) shall not be imposed. The Taxpayer, however, is subject to an administrative penalty in the form of a fine stipulated in this paragraph of 60% x

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(IDR450,000,000.00 – IDR200,000,000.00) = IDR150,000,000.00.

Paragraph (5e)

Sufficiently clear.

Paragraph (5f)

In the event that against the Appeal Decision, an application for a civil review is submitted by the Taxpayer or the Director General of Taxes and the Civil Review Decision results in an increased amount of taxes to be paid by the Taxpayer, the Taxpayer is subject to an administrative penalty in the form of a 60% (sixty percent) fine of the amount of taxes based on the Civil Review Decision subtracted by taxes paid before the objection is filed.

Example 1:

A Notice of Tax Underpayment Assessment is issued to a Taxpayer for 2023 Tax Year with the amount of tax payable of IDR3,000,000,000.00 (three billion rupiah). The Annual Corporate Income Tax Return previously filed by the Taxpayer is of the underpaid status of IDR1,000,000,000.00 (one billion rupiah). In the closing conference, the Taxpayer does not entirely agree to the taxes to be paid, thereby, no payment of the Notice of Tax Underpayment Assessment is made by the Taxpayer before filing the objection. Based on the objection filed by the Taxpayer, the Director General of Taxes issues an Objection Decision Letter which rejects all of the Taxpayer's objections. The Taxpayer subsequently files an appeal and the Tax Court Judge decides to fully grant the Taxpayer's appeal. Based on the Appeal Decision, no tax is to be paid by the Taxpayer. The Director General of Taxes further applies for a civil review to the Supreme Court. The Civil Review Decision grants the application and states that the tax to be paid by the Taxpayer amounts to IDR3,000,000,000.00 (three billion rupiah). In this case, the Taxpayer must settle the underpayment of IDR3,000,000,000.00 plus the administrative penalty referred to in this paragraph of 60% x IDR3,000,000,000.00 = IDR1,800,000,000.00.

Example 2:

A Notice of Tax Underpayment Assessment is issued to a Taxpayer for 2023 Tax Year with the amount of tax payable of IDR3,000,000,000.00 (three billion rupiah). The Annual Corporate Income Tax Return previously filed by the Taxpayer is of the underpaid status of IDR400,000,000.00 (four hundred million rupiah). In the closing conference, the Taxpayer agrees to the taxes to be paid of IDR600,000,000.00 (six hundred million rupiah), thereby, the Taxpayer

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pays the Notice of Tax Underpayment Assessment in the amount agreed in the closing conference prior to filing an objection. Based on the objection filed by the Taxpayer, the Director General of Taxes issues an Objection Decision Letter which rejects all of the Taxpayer's objections. The Taxpayer subsequently files an appeal and the Tax Court Judge decides to partially grant the Taxpayer's appeal and states that the underpaid tax amounts to IDR600,000,000.00 (six hundred million rupiah). Considering that the Taxpayer has performed payment prior to filing the objection in the amount equivalent to the Appeal Decision, no tax is to be settled by the Taxpayer and no administrative penalty as referred to in paragraph (5d) is imposed. The Director General of Taxes subsequently applies for a civil review to the Supreme Court. The Civil Review Decision grants the application and states that the tax to be paid by the Taxpayer amounts to IDR3,000,000,000.00 (three billion rupiah). In this case, the Taxpayer must settle the underpayment of IDR3,000,000,000.00 - IDR600,000,000.00 = IDR2,400,000,000.00 plus the administrative penalty referred to in this paragraph of 60% x (IDR3,000,000,000.00 – IDR600,000,000.00) = IDR1,440,000,000.00.

Paragraph (5g)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Number 8

Article 27C

Paragraph (1)

"Mutual agreement procedure" refers to an administrative procedure stipulated under a tax treaty to prevent or resolve issues arising in the application of the tax treaty.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

In order for the mutual agreement procedure to effectively encourage Taxpayers to obtain justice and eliminate double taxation, the interaction is to be stipulated in the event that the mutual agreement procedure is implemented in conjunction with the resolution of domestic disputes, in particular, the filing of appeals and civil reviews. This paragraph emphasizes that in the event that the appeal or civil review decision has been pronounced before a mutual agreement is

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reached, but the dispute for which the mutual agreement procedure is applied is not decided in the appeal or civil review decision, negotiations within the framework of the mutual agreement procedure shall continue.

In the event that the appeal or civil review decision also decides on a dispute for which a mutual agreement procedure is applied, negotiations may continue based on the Director General of Taxes' negotiating position on the appeal or civil review decision. In the event that mutual agreement cannot be reached with the said negotiating position, the Director General of Taxes may propose to terminate the negotiations by taking into account the provisions and rules in international negotiations and discussions, in particular, those concerning the implementation of mutual agreement procedure.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Number 9

Article 32

Paragraph (1)

This Law stipulates Taxpayers' representatives in exercising the Taxpayers' tax rights and obligations in relation to an entity, an entity declared bankrupt, an entity in dissolution, an entity in liquidation, undivided inheritance and minors or a person under custody. Taxpayers' representatives or attorney are to be determined as they are not able or it is not possible for them to perform legal actions on their own.

Paragraph (2)

This paragraph affirms that Taxpayers' representatives as stipulated under this Law are responsible, personally or collectively, for the payment of tax payable.

Exceptions may be considered by the Director General of Taxes if Taxpayers' representatives may prove and assure that in their position, in fairness and reasonability, they cannot be held accountable.

Paragraph (3)

This paragraph allows and provides an opportunity for Taxpayers to request assistance from other parties that comprehend tax matters as their attorney, for and on behalf of the Taxpayers, to assist in exercising said Taxpayers' tax rights and obligations.

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The assistance includes the exercise of formal and material obligations and the fulfilment of rights of the Taxpayers as stipulated in statutory tax provisions.

Attorney refers to a person receiving specific power of attorney from Taxpayers to exercise certain tax rights and fulfil certain tax obligations of the Taxpayers pursuant to statutory tax provisions.

Paragraph (3a)

To exercise tax rights and fulfil tax obligations, an attorney appointed by Taxpayers must have certain competencies in the taxation aspect. These certain competencies include certain levels of education, certification and/or training by associations or the Ministry of Finance. Therefore, the power of attorney may be exercised by tax consultants or other parties insofar as they fulfil the requirements in accordance with statutory tax provisions.

Paragraph (4)

Any person that is, in fact, authorised to decide policies and/or make decisions in the context of managing the activities of a company, such as the authority to sign contracts with third parties, sign cheques and the like, even though the person's name is not listed in the management under the deed of establishment or amendments thereto, is included in the definition of management. The provisions under this paragraph also apply to the commissioners and the majority or controlling shareholders.

Number 10

Article 32A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

To promote the realisation of tax potentials and optimise tax imposition, a withholding tax scheme may be applied through the appointment of tax withholding agents, namely other parties.

Other parties appointed as tax withholding agents constitute resident and non-resident taxpayers, that are directly involved or facilitate transactions, for example, by providing transaction facilities or media, including electronically processed transactions.

Example 1:
PT ABC is a resident Taxpayer that provides a peer-to-peer lending platform in Indonesia. Mr. A lends funds to Mr. B through the platform. Under this scheme, even though PT ABC only serves as an intermediary for transactions between Mr. A and Mr. B.

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Example 2:

R Inc. is a company that provides sites for video sharing domiciled outside Indonesia. Mr. C, a content creator earns income from R Inc. In this transaction, R Inc. constitutes another party that may be appointed by the Minister of Finance to withhold, remit and file taxes on income paid to Mr. C.

Example 3:

PT DEF is a domestic marketplace platform provider constituting a forum where merchants and/or service providers may post offers of goods and/or services. PT PQR is a Taxable Person for VAT Purposes that offers goods through the marketplace platform provided by PT DEF. Mr. Z purchases goods offered by PT PQR through the marketplace platform provided by PT DEF. PT DEF may be appointed by the Minister of Finance as a VAT withholding agent to collect, remit and file VAT payable on supplies of Taxable Goods by PT PQR to Mr. Z through the marketplace platform provided by PT DEF.

Paragraph (3)

Provisions on assessments, collection, legal remedies and imposition of penalties on Taxpayers in accordance with the General Provisions and Tax Procedures Law and the Law concerning Tax Collection with Distress Warrants shall also apply to other parties, including tax subjects that are outside Indonesia's jurisdiction.

Paragraph (4)

Electronic system providers refer to electronic system providers stipulated under statutory provisions on electronic information and transactions.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Number 11

Article 34

Paragraph (1)

All officials, either tax officers or those performing duties in the taxation aspect, shall be prohibited from disclosing Taxpayers' confidentiality concerning tax matters, including:

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a. Tax Returns, financial statements and other matters reported by the Taxpayers;

b. data obtained in audits;

c. documents and/or data acquired from third parties that are considered confidential;

d. documents and/or confidentialities of the Taxpayers pursuant to relevant statutory tax provisions.

Paragraph (2)

Experts, such as language experts, accountants and lawyers appointed by the Director General of Taxes to assist in the implementation of statutory tax provisions are similar to tax officers who are also prohibited from disclosing Taxpayers' confidential information as referred to in paragraph (1).

Paragraph (2a)

Information that may be disclosed includes the Taxpayer's identity and general tax-related information.

A Taxpayer's identity includes:

1. the Taxpayer's name;
2. Taxpayer Identification Number;
3. the Taxpayer's address;
4. business address;
5. brand name; and/or
6. the Taxpayer's business.

General tax-related information includes:

a. national tax revenues;

b. tax revenues per Regional Taxpayer Office and/or Tax Office;

c. tax revenues per type of taxes;

d. tax revenue per business classification;

e. the number of registered Taxpayers and/or Taxable Persons for VAT Purposes;

f. registry of Taxpayers' applications;

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g. national tax arrears; and/or

h. tax arrears per Regional Tax Office and/or Tax Office. Paragraph (3)

Paragraph (4)

The co-operation referred to in this paragraph is the granting or exchange of data and/or information between the Directorate General of Taxes and state institutions, government agencies, legal bodies established through the Laws or Government Regulations or other parties for the interest of the state in the context of collecting state revenues as well as local revenues or implementing good governance and
supporting government policies.

The permits issued by the Minister of Finance must include the name of the Taxpayer, the name of the appointed party and the name of the official, expert or professional permitted to provide information or show written evidence from or concerning the Taxpayer.

Permits issued by the Minister of Finance in the context of implementing cooperation for the interest of the state may not include the name of the Taxpayer but includes the type of data according to what is stated in the cooperation.

Such permits are granted in a limited manner as deemed necessary by the Minister of Finance.

Paragraph (4)

To conduct litigation in trial proceedings in tax-related criminal or civil cases, for the purpose of the trial proceedings, the Minister of Finance shall grant the permission to exempt the obligation to maintain confidentiality to tax officials and experts referred to in paragraph (1) and paragraph (2), upon a written request from the presiding judge.

Paragraph (5)

This paragraph constitutes a limitation and affirmation that the requested tax information shall only concern criminal or civil cases concerning tax-related actions or events and shall be limited only to the suspect.

Number 12

Article 40

Prosecution of tax crime expires 10 (ten) years from the time taxes become payable, the end of a Taxable Period, a Fraction of a Tax Year or the Tax Year concerned. This is intended to provide legal certainty for Taxpayers, Public Prosecutors and Judges.

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"Prosecution" refers to the submission of a notification letter of the commencement of an investigation to a public prosecutor through official investigators of the State Police of the Republic of Indonesia and/or to the reported party.

Number 13

Article 43A

Paragraph (1)

Information, data, reports and complaints received by the Directorate General of Taxes shall be developed and analyzed by through intelligence activities and/or other activities and the results thereto may be followed up with an Audit, Preliminary Investigation or may not be followed up.

Preliminary Investigations have the same purpose and standing as investigations as stipulated in the Law stipulating the code of criminal procedures.

Paragraph (1a)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Number 14

Article 44

Paragraph (1)

Certain Civil Servants within the Directorate General of Taxes appointed as tax crime investigators by the competent authority are tax crime investigators. Tax crime investigations shall be conducted pursuant to the provisions under the prevailing Code of Criminal Procedures Law.

Paragraph (2)

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

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Subparagraph e

Sufficiently clear.

Subparagraph f

Sufficiently clear.

Subparagraph g

Sufficiently clear.

Subparagraph h

Sufficiently clear.

Subparagraph i

Sufficiently clear.

Subparagraph j

Confiscation for the purpose of recovering losses to state revenues may be carried out on movable or immovable property, including bank accounts, receivables and securities belonging to the Taxpayers, Tax Bearers and/or other parties named as suspects.

Confiscation is carried out by investigators pursuant to the provisions on the code of criminal procedures, including:

1. must obtain permission from the chief justice of the local district court;
2. in crucial and urgent circumstances, investigators may perform confiscation and immediately report to the chief justice of the local district court to obtain approval.

"Other parties" refer to parties that order, participate, recommend or assist in committing any tax crime.

Blocking is carried out by requesting blocking to the authorities, such as banks, land offices, one roof system offices and so forth.

Subparagraph k

Sufficiently clear.

Subparagraph l

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Number 15

Article 44A

Letter a

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Sufficiently clear.

Letter b

Sufficiently clear.

Letter c

Sufficiently clear.

Letter d

Termination of an investigation by law constitutes the underlying reason for the nullification of the right to sue and the nullification of the right serve a sentence, among others, because the same case cannot be tried the second time (*nebis in idem*), the suspect deceases or due to expiration as referred to in Article 40.

Number 16

Article 44B

Paragraph (1)

For state revenue purposes, based on a request from the Minister of Finance, the Attorney General may terminate a tax crime investigation insofar as the criminal case has not been transferred to the court.

Paragraph (2)

In the event that the investigation has determined more than 1 (one) person or entity as the suspect, any suspects shall also be entitled to apply for the termination of investigation for themselves.

A request for termination of investigation shall be made by the suspect after settling the losses to state revenues; the amount of unpaid or underpaid tax payable; the amount of taxes in the tax invoice, withholding receipt and/or tax payment slip; the amount of refunds applied for and/or carryover or tax credit, according to the proportion borne plus an administrative penalty in the form of a fine.

Example:
Investigators investigate PT XYZ concerning a loss to state revenues of IDR100,000,000.00. In this case, A and B are identified as suspects. Based on examination results, A allegedly receives a benefit of IDR15,000,000.00, whereas B allegedly receives a benefit of IDR5,000,000.00. A and B subsequently apply for a termination of investigation and request for information on losses to state revenues that they must settle.

Based on the benefits received by A and B, the amount of losses to state revenue to be settled in the context of the application for termination of investigation is as follows:

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1. A must settle (IDR15,000,000.00/IDR20,000,000.00) x IDR100,000,000.00 = IDR75,000,000.00

2. B must settle (IDR5,000,000.00/IDR20,000,000.00) x IDR100,000,000.00 = IDR25.000.000,00

Paragraph (2a)

Considering that the handling of criminal tax cases prioritises recovery of losses to state revenues rather than sentencing, the opportunity for the defendant to settle the amount of losses to state revenues; the amount of unpaid or underpaid tax payable; the amount of taxes in the tax invoice, withholding receipt and/or tax payment slip; the amount of refunds applied for and/or carryover or tax credit, according to the proportion borne plus an administrative penalty in the form of a fine is extended up to the trial proceeding stage.

Paragraph (2b)

"Prosecution without any sentence to imprisonment" refers to a legally and convincingly proven criminal case that is still declared guilty but without the imposition of imprisonment for the individual defendants. On the other hand, the fine sentence for both individual and entity defendants are still imposed by the amount that has been settled by the defendant as referred to in paragraph (2a) and the settlement is calculated as a fine sentence.

Paragraph (2c)

In the event that the payment by the Taxpayer, suspect or defendant until the trial proceeding stage does not settle the amount of losses to state revenues; the amount of unpaid or underpaid tax payable; the amount of taxes in the tax invoice, withholding receipt and/or tax payment slip; the amount of refunds being applied for and/or carryover or tax credit, in accordance with the proportion borne plus an administrative penalty in the form of a fine, the defendant is found guilty and sentenced to imprisonment for individual defendants and a fine sentence both for individual and entity defendants, but that payment may be calculated as the payment of the fine sentence imposed on the defendant.

Paragraph (3)

Deleted.

Number 17

Article 44C

Paragraph (1)

Sufficiently clear.

Paragraph (2)

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Sufficiently clear.

Paragraph (3)

The length of imprisonment as a subsidiary to the fine sentence shall be determined in a court decision.

Article 44D

Sufficiently clear.

Number 18

Sufficiently clear.

Number 19

Article 44E

Sufficiently clear.

Article 3

Number 1

Article 4

Paragraph (1)

This Law adheres to the principle of taxation of income in a broad sense, namely taxes are imposed on any increase in economic capacity received or accrued by a
Taxpayer from whatever source which can be used for consumption or for increasing the Taxpayer's wealth.

The definition of income under this Law does not take into account the existence of income from certain sources but any increase in economic capacity. The increase in economic capacity received or accrued by a Taxpayer is the best measure of a Taxpayer's ability to share the costs required by the government for routine and development activities.

In view of the flow of the increase in the Taxpayer's economic capacity, income may be classified into:

i. income from work in an employment relationship and independent personal services, such as salaries, honoraria and income from the practice of doctors, notaries, actuaries, accountants, lawyers and so forth;

ii. income from a business and activities;

iii. income from a capital investment, in the form of movable or immovable property, such as interests, dividends, royalties, rent and gains from sales of property or rights which are not used for business; and

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iv. other income, such as debt relief and prizes.

In view of the utilisation thereof, income may be used for consumption and put into savings to increase a Taxpayer's wealth.

Because this Law adheres to the concept of income in a broad sense, all types of income received or accrued in a tax year shall be combined to obtain the tax base. Therefore, if in a tax year, a business or an activity suffers from a loss, the loss may be offset against other income (horizontal offset), except if the loss is incurred overseas. However, if a type of income is subject to a final rate or is excluded from taxable objects, the income shall not be combined with other income which is subject to statutory rates.

Examples of income referred to under this provision are intended to clarify the broad definition of income that is not limited to the said examples.

Subparagraph a

All payments or remunerations in connection with employment, such as wages, salaries, life insurance and health insurance premiums paid by the employer or remunerations in other forms constitute taxable objects. The definition of "remunerations in other forms" shall include remunerations in kind and/or fringe benefits, which in essence, constitute income.

In addition, the definition of income includes gratuities which constitute a reasonable gift because of the services and benefits received by the giver of the gratuities in connection with the implementation of work or the provision of services.

"Remunerations in kind" refer to remunerations in the form of goods other than
money, whereas "fringe benefits" refer to remunerations in the form of rights to the utilisation of facilities and/or services.

Subparagraph b

The definition of "prizes" shall include prizes from lotteries, employment and activities, such as the prize in a saving lottery and the prize of a sport competition.

"Reward" refers to remunerations granted in connection with certain activities, such as remunerations derived in connection with archaeological discoveries.

Subparagraph c

Sufficiently clear.

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Subparagraph d

If a Taxpayer sells property at a price higher than the residual value or higher than the acquisition price or value, the price difference constitutes the profit. If the sale of such property occurs between a company and its shareholders, the selling price shall be used as the basis for calculation of profit of the sale is the market price.

For example, PT S owns a car that is used for business with a residual value of IDR40,000,000.00 (forty million rupiah). The car is sold at IDR60,000,000.00 (sixty million rupiah). Therefore, the profit earned by PT S on the sale of the car is IDR20,000,000.00 (twenty million rupiah). If the car is sold to one of the shareholders at IDR55,000,000.00 (fifty-five million rupiah), the selling price of the car shall still be calculated on the basis of market price of IDR60,000,000.00 (sixty million rupiah). The difference of IDR20,000,000.00 (twenty million rupiah) constitutes profit for PT S and for the shareholder purchasing the car, the difference of IDR5,000,000.00 (five million rupiah) constitutes income.

If an entity is liquidated, profit from the sale of property, namely the difference between the selling price based on the market price and the residual value of the property shall constitute a taxable object. Similarly, the difference between the market price and the residual value in the case of a merger, consolidation, spin-off, split-up or acquisition constitutes income.

In the event of a transfer of property in lieu of shares or equity participation, any profit in the form of difference between the market price of the property and its book value shall constitute income.

Gains in the form of the difference between the market price and the acquisition value or residual value on a transfer of property in the form of grants, aid or donation constitutes income to the party undertaking the transfer unless the property is transferred to relatives within one degree of direct lineage. Similarly, the profit in the form of the difference between the market price and the acquisition value or residual value of the transfer of property in the form of aid or donation and grants to religious bodies, educational or other social entities including foundations, cooperatives or to any individual conducting micro and small

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business does not constitute income provided that there is no business, employment, ownership or control relationship between the parties concerned.

In the event that a Taxpayer owning mining rights transfers part or all of the said rights to another Taxpayer, the gains therefrom constitute a taxable object.

Subparagraph e

Tax refunds which have already been charged as an expense in calculating Taxable Income constitute a taxable object.

For example, if Land and Building Tax which has been paid and charged as an expense is subsequently refunded for whatever reason, the total amount of the refund constitutes income.

Subparagraph f

The definition of interest also includes premium, discounts and compensation in connection with loan repayment guarantees.

Premium occurs when, for example, bonds are sold above the par value, whereas a discount occurs when bonds are purchased below their par value. The premium constitutes income for the bond issuer and the discount constitutes income for the bond purchaser.

Subparagraph g

Dividend is the share of profit received by shareholders or insurance policyholders.

Included in the definition of dividend are:

1) profit sharing, either direct or indirect, in whatever name and form;
2) repayment due to a liquidation in excess of the paid-in capital;
3) the granting of bonus shares without payment, including bonus shares derived from the capitalization of additional paid-in capital;
4) profit sharing in the form of shares;
5) records of additional capital without payment;
6) the sum exceeding the amount of paid-up capital received or accrued by shareholders on a share repurchase by the company concerned;

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7) repayment of all or part of paid-in capital, if in previous years profits have been obtained unless if the repayment is due to a legal reduction in the statutory capital;

8) payment related to rights of profit, including that received as redemption of such rights;

9) a share of profit in connection with bond ownership;

10) a share of profit received by policyholders;

11) company expenses for the personal benefit of shareholders, which are charged as company expenses.

In practice, untransparent distributions or payments of dividend are often found, for example, where shareholders, who have fully remitted paid-in capital and provides a loan to the company with a higher interest rate exceeding the reasonable amount. In such a case, the difference between the interest paid and the market rate shall be treated as dividends. The portion of interest treated as dividends cannot be charged as an expense by the company concerned.

Subparagraph h

Royalties are sums paid or payable under whatever method or calculations, carried out either periodically or not, as compensation for:

1. use or right to use copyright in the fields of literature, arts or scientific works, patents, designs or models, plans, secret formulas or processes, trademarks or other forms of intellectual/industrial property rights or similar rights;

2. use or right to use industrial, commercial or scientific tools/equipment;

3. provision of knowledge or information in the scientific, technical, industrial or commercial sectors;

4. provision of additional or complementary assistance in relation to the use or right to use the rights in number 1, the use or the right to use industrial tools/equipment in number 2 or the provision of knowledge or information in number 3, in the form of:

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a) receipt or the right to receive image or sound recordings or both, which are distributed to the public via satellites, cables, fiber optic or similar technologies;

b) the use or right to use image or sound recordings or both, for television or radio broadcasts broadcast/transmitted via satellites, cables, fiber optic or similar technologies;

c) the use or right to use part or all radio communication spectrums;

5. the use or right to use motion picture films, films or video tapes for television broadcasts or sound tapes for radio broadcasts; and

6. relinquishing of all or part of the rights relating to the use or granting of intellectual/industrial property rights or other rights as mentioned above.

Subparagraph i

The definition of rent includes compensation received or accrued in whatever name and form in connection with the use of movable or immovable property, for example, rent of a car, rent of an office, lease of a house or rent of a warehouse.

Subparagraph j

Revenues in the form of periodic payments, such as alimony or a lifetime allowance paid regularly at certain times.

Subparagraph k

Relief of debt by a creditor is deemed income for the debtor, whereas for the creditor, it may be charged as an expense.

However, Government Regulations may stipulate that relief of debt for small debtors, for example, Prosperous Family Business Credit, Farmers' Credit Scheme, People's Business Credit, credit for simple house ownership and other micro credit up to certain amount, are excluded from taxable objects.

Subparagraph l

Gains from the fluctuation in foreign currency are recognised based on the accounting system adopted and maintained as per the consistency principle pursuant to the Financial Accounting Standard applicable in Indonesia.

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Subparagraph m

Gains due to asset revaluation referred to in Article 19 constitute income.

Subparagraph n

The definition of insurance premiums includes reinsurance premiums.

Subparagraph o

Sufficiently clear.

Subparagraph p

Any increase in net wealth is, in essence, the accumulation of income, either income that has already been taxed and not constituting a taxable object, or income that has not yet been taxed. If it is found that there is an increase in net wealth that exceeds the accumulation of income that has already been taxed and not constituting a taxable object, the increase constitutes income.

Subparagraph q

A sharia business has a different philosophy from a conventional business. However, the income received or accrued from a sharia business is still considered a taxable object according to this Law.

Subparagraph r

Sufficiently clear.

Subparagraph s

Sufficiently clear.

Paragraph (1a)

Sufficiently clear.

Paragraph (1b)

Sufficiently clear.

Paragraph (1c)

Sufficiently clear.

Paragraph (1d)

Deleted.

Paragraph (2)

Pursuant to the provisions under paragraph (1), the income referred to in this paragraph constitutes a taxable object. Based on considerations as following:

- the necessary encouragement of investments and community savings;

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- simplicity in tax collection;
- reduced administrative burden for both Taxpayers and the Directorate General of Taxes;
- equity in the tax imposition; and
- considering economic and monetary developments,

the income should be treated separately in the tax imposition.

The separate treatment in tax imposition on these types of income, including the nature, amount and procedures for the payment or withholding, shall be stipulated by a Government Regulation.

Bonds referred to in this paragraph include notes with a maturity of more than 12 (twelve) months, such as Medium-Term Notes, Floating Rate Notes with a maturity of more than 12 (twelve) months.

Government Bonds referred to in this paragraph covers State Bonds and Treasury Bills.

Paragraph (3)

Subparagraph a

Aid and donations, for the recipient, does not constitute a taxable object provided that they are not received in connection with employment, business, ownership or control relationship between the parties concerned. Zakat, infaq and sadaqah received by amil zakat board or amil zakat institutions established or approved by the government and received by eligible zakat recipients or compulsory religious donations for the followers of religions acknowledged in Indonesia, received by religious institutions established or approved by the government and received by eligible donees shall be treated the same as aid or donations. “Zakat” refers to zakat as referred to in Law concerning zakat.

A business relationship may occur between a donor and the donee, for example, PT A is a manufacturer of a type of goods, the main raw materials of which are manufactured by PT B. If PT B donates raw material to PT A, the donation of raw materials received by PT A constitutes a taxable object.

Grants, for the recipient, do not constitute taxable objects if received by relatives within one degree of direct lineage and by religious bodies, educational or social entities including foundations or individuals conducting micro and small business,

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including cooperatives, insofar as they are not received in the context of employment, business, ownership or control relationship between the parties concerned.

Subparagraph b

Sufficiently clear.

Subparagraph c

In principle, assets, including cash deposits, received by an entity constitutes an increase in the economic capability of the entity. However, as the asset is received in lieu of shares or equity participation, based on this provision, the received property does not constitute a taxable object.

Subparagraph d

Certain areas are areas that fulfil the following criteria, among others, remote areas, namely areas that economically have the potential to be developed but the condition of the economic infrastructure is generally inadequate and difficult to reach by public transportation, either by land, sea or air, so to change available economic potentials into real economic strength, investors assume fairly high risks and a relatively long payback period, including marine waters with a depth of more than 50 (fifty) meters of which the seabed has mineral reserves.

Subparagraph e

Payment of insurance benefits or compensation received by an individual from an insurance company in connection with health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance does not constitute a taxable object. This is in line with the provisions under Article 9 paragraph (1) subparagraph d, namely insurance premiums paid by an individual Taxpayer for his/her own benefit cannot be deducted in the calculation of Taxable Income.

Subparagraph f

Sufficiently clear.

Subparagraph g

The exclusion from taxable objects referred to in this paragraph only applies to pension funds whose establishment has been approved by the Financial Services Authority. Excluded from taxable objects are contributions received from pensioners, either by self-payment or borne by the employer. Basically, contributions received by pension funds belong to the pensioners and shall be repaid at a certain time. Tax imposition on the contributions will reduce the pensioners' right and

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therefore, the contributions are excluded from taxable objects.

Subparagraph h

As mentioned in subparagraph g, the exclusion from taxable objects pursuant to this provision only applies to pension funds whose establishment has been approved by the Financial Services Authority. Excluded from taxable objects, in this case, is income from capital invested in certain sectors. Investments by pension funds are intended for development and constitute funds for repayment to pensioners in the future, therefore, investments should be directed to non-speculative or non-high-risk sectors.

Subparagraph i

For taxation purposes, entities referred to in this provision, which constitute a group of members are subject to tax as a unit, namely on the level of the entity. Therefore, profit distribution or the distribution of net income received by members of the entity no longer constitutes a taxable object.

Subparagraph j

Sufficiently clear.

Subparagraph k

"Venture capital company" refers to a company whose main business is financing business entities (as an investee company) in the form of equity participation for a certain period.

Pursuant to this provision, the share of profit received or accrued from an investee company is not included in taxable objects, provided that the investee company is a small, micro, medium-sised enterprise, or is engaged in business or activities in certain sectors as stipulated by the Minister of Finance and the shares of the companies concerned are not traded on the Indonesian stock exchange.

If the investee company of a venture capital company fulfils the provisions under paragraph (3) subparagraph f, the dividends received or accrued by the venture capital company do not constitute taxable objects.

To direct a venture capital company toward sectors of economic activities, which are prioritised for development, such as increasing non-oil and gas exports, the business or activities of an investee company shall be stipulated by the Minister of Finance.

Considering that a venture capital company represents

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alternative financing in the form of equity participation, equity participation by a venture capital company shall be directed towards companies not yet having access to the stock exchange.

Subparagraph l

Sufficiently clear.

Subparagraph m

To support human resources development through education and/or research and development, adequate facilities and infrastructure are required. Therefore, it is necessary to provide tax facilities, such as tax exemptions on the surplus received or accrued provided that the said surplus is reinvested in the form of construction and procurement of the facilities and infrastructure.

Reinvestment of the surplus should be realised no later than 4 (four) years since the surplus is received or accrued.

To ensure the achievement of the goals of the facilities, the organizations or institutions providing education must be non-profit. Education and research and development should be open to any person and approved by the corresponding agencies.

Subparagraph n

Aid or donations given by the Social Security Administrative Body to a certain Taxpayer constitute social donations given especially to Taxpayers or community members who are underprivileged or currently suffering from a natural disaster or calamity.

Subparagraph o

Sufficiently clear.

Subparagraph p

Sufficiently clear.

Number 2

Article 6

Paragraph (1)

Expenses which may be deducted from gross income are divided into 2 (two) categories, namely expenses or costs with a useful life of not more than 1 (one) year and with a useful life of more than 1 (one) year. Expenses having a useful life of no more than 1 (one) year constitutes costs for the year concerned, for example, salaries, administration fees and interests, routine fees for waste management, whereas expenses having a useful life of more than 1 (one) year may be charged through depreciation or amortisation. In addition, if within a tax year, there are

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losses with respect to the sale of property or fluctuation in exchange rates, such losses may be deducted from gross income.

Subparagraph a

Costs referred to in this paragraph are commonly referred to as average daily costs, which can be expensed in the year they are incurred.

To be expensed, the costs must be either directly or indirectly connected with the business or activities to obtain, collect and maintain income constituting a taxable object.

Therefore, costs to obtain, collect and maintain income, which does not constitute a taxable object may not be expensed.

Example:

Pension Fund A, whose establishment has been approved by the Financial Services Authority, derives gross income consisting of:

a.	income not constituting a taxable object pursuant to Article 4 paragraph (3) subparagraph h	IDR	100,000,000.00	
b.	other gross income	IDR	300,000,000.00	(+)
Total gross income		IDR	400.000.000,00	

If the total costs amount to IDR200,000,000.00 (two hundred million rupiahs), the expenses which may be deducted to obtain, collect and maintain income is 3/4 x IDR200,000,000.00 = IDR150,000,000.00.

Similarly, interest on loans used to buy shares may not be charged as an expense, provided that the dividends received do not constitute taxable objects as referred to in Article 4 paragraph (3) subparagraph f. Loan interest which cannot be charged as an expense may be capitalised to increase the acquisition price of shares.

Costs that are not related to efforts to obtain, collect and maintain income, for example, costs for the personal benefits of shareholders, interest payment of loans used for the personal benefit of debtors and payments of insurance premiums for personal benefit, may not be expensed.

Payments of insurance premiums by an employer for the benefit

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of employees may be charged as company expenses, but for the concerned employees, the premiums constitute income.

Costs may be deducted from gross income within reasonable limits in compliance with the customs of good traders. Therefore, if costs exceeding the reasonable limits are affected by an affiliation, the amounts exceeding the reasonable limits cannot be deducted from gross income.

Further, see the provisions under Article 9 paragraph (1) subparagraph f and Article 18 and the elucidation.

Taxes that are borne by a company in the context of its business other than Income Tax, such as Land and Building Tax, Stamp Duty, Hotel Tax and Restaurant Tax, may be charged as expenses.

Expenses for promotion should be classified into expenses that are, in fact, incurred for promotion and costs that, in essence, constitute donations. Expenses that are, in fact, incurred for promotion may be deducted from gross income.

Subparagraph b

Costs to acquire tangible property and intangible property and other costs with a useful life of more than 1 (one) year are charged as expenses through depreciation or amortisation.

Further, see the provisions under Article 9 paragraph (2), Article 11 and Article 11A and the respective elucidations.

Costs that, according to their nature, constitute advance payments, such as rent for several years which is paid in a lump sum, shall be charged as expenses through allocation.

Subparagraph c

Contributions to pension funds whose establishment has been approved by the Financial Services Authority may be charged as expenses, whereas contributions paid to pension funds whose establishment is not or has not yet been approved by the Financial Services Authority may not be expensed.

Subparagraph d

Losses due to sales or transfers of property that, according to the initial purposes is not intended to be sold or transferred, owned and used in the company or held to obtain, collect and maintain income may be deducted from gross income.

Losses due to sales or transfers of property that are held but not used in the company to obtain, collect and maintain income may

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not be deducted from gross income.

Subparagraph e

Losses due to fluctuations in foreign exchange rates are recognised based on the accounting system adopted and shall be maintained as per the consistency principle pursuant to the Financial Accounting Standards applicable in Indonesia.

Subparagraph f

Costs for research and development of companies carried out in Indonesia of reasonable amounts to discover new technologies or systems for company development may be charged as company expenses.

Subparagraph g

Costs incurred for scholarships, internships and training in the context of improving the quality of human resources may be charged as expenses, taking into consideration the fairness, included as scholarships that may be charged as expenses are scholarships given to pupils, university students and other parties.

Subparagraph h

Bad debts may be charged as expenses insofar as the Taxpayers have recognised them as expenses in the commercial income statement and have made the maximum or final collection efforts.

Publication shall not only refer to national-scale publications, but also internal publications of associations and the like.

Subparagraph i

Sufficiently clear.

Subparagraph j

Sufficiently clear.

Subparagraph k

“Costs of social infrastructure development” are costs incurred for the development of facilities and infrastructure for the public interest and are non-profit.

Examples of social infrastructure include houses of worship, arts and culture studios and polyclinics.

Subparagraph l

Sufficiently clear.

Subparagraph m

Sufficiently clear.

Subparagraph n

Sufficiently clear.

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Paragraph (2)

If allowable costs pursuant to the provisions under paragraph (1), after being deducted from gross income, result in a loss, the loss may be offset against the net income or tax profit in 5 (five) consecutive years starting from the year following that in which the loss is incurred.

Example:
PT A, in 2009, suffers from a tax loss of IDR1,200,000,000.00 (one billion and two hundred million rupiah). In the following 5 (five) years, the tax profit/loss of PT A is as follows:

2010 : tax profit of IDR200,000,000.00

2011 : tax loss of (IDR300,000,000.00)

2012 : tax profit of IDR N I L

2013 : tax profit of IDR100,000,000.00

2014 : tax profit of IDR800,000,000.00

Carryforward of the loss is as follows:

Tax loss in 2009	IDR	(1,200,000,000.00)	
Tax profit in 2010	IDR	200,000,000.00	(+)
Remaining tax loss from 2009	IDR	(1,000,000,000.00)	
Tax loss in 2011	IDR	(300,000,000.00)	
Remaining tax loss from 2009	IDR	(1,000,000,000.00)	
Tax profit in 2012	IDR	N I L	(+)
Remaining tax loss from 2009	IDR	(1,000,000,000.00)	
Tax profit in 2013	IDR	100,000,000.00	(+)
Remaining tax loss from 2009	IDR	(900,000,000.00)	
Tax profit in 2014	IDR	800,000,000.00	(+)

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Remaining tax loss from 2009	IDR	(100,000,000.00)	

The tax loss from 2009 of IDR100,000,000.00 (one hundred million rupiah) remaining at the end of 2014 may not be offset against the tax profit in 2015, whereas the tax loss in 2011 of IDR300,000,000.00 (three hundred million rupiah) may only be offset against the tax profit in 2015 and 2016 because the five-year period that commences in 2012 expires at the end of 2016.

Paragraph (3)

In calculating the Taxable Income of a resident individual Taxpayer, a deduction shall be given in the form of Personal Tax Relief pursuant to the provisions referred to in Article 7.

Number 3

Article 7

Paragraph (1)

To calculate the amount of Taxable Income of a resident individual Taxpayer, his/her net income is deducted by the amount of Personal Tax Relief. In addition for himself/herself, a married Taxpayer is given additional Personal Tax Relief.

For a Taxpayer whose wife receives or accrues income combined with his income, the Taxpayer is entitled to additional Personal Tax Relief for his wife of a minimum of IDR54,000,000.00 (fifty-four million rupiah).

A Taxpayer with family members related by blood and marriage in a direct lineage, constituting full dependents, for example, parents, parents-in-law, biological children or adopted children shall be given additional Personal Tax Relief for a maximum of 3 (three) people. “Family members constituting full dependents” refer to family members that do not have income and all of their living expenses are borne by the Taxpayer.

Example:

Taxpayer A has a wife and 4 (four) dependent children. If his wife accrues income from an employer that has been subject to Article 21 Income Tax withholding and her work is not related to the business of her husband or other members of the family, the Personal Tax Relief given to Taxpayer A amounts to IDR72,000,000.00 {IDR54,000,000.00 + IDR4,500,000.00 + (3 x IDR4,500,000.00)}, whereas for the wife, when Article 21 Income Tax is withheld by her employer, she is given Personal Tax Relief of IDR54,000,000.00 (fifty-four million rupiah). If the wife’s income is combined with that of her husband, the Personal Tax

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Relief given to Taxpayer A amounts to IDR126,00,000.00 (IDR72,000,000.00 + IDR54,000,000.00).

Paragraph (2)

The calculation of the amount of Personal Tax Relief as referred to in paragraph (1) is based on the circumstances of the Taxpayer at the beginning of a tax year or the beginning of a fraction of a tax year.

For example, on 1 January 2021, Taxpayer B is married with 1 (one) dependent child. If the second child is born after 1 January 2021, the amount of Personal Tax Relief given to Taxpayer B for 2021 tax year 2001 is calculated based on the marital status with 1 (one) child.

Paragraph (2a)

Sufficiently clear.

Paragraph (3)

Pursuant to this provision, the Minister of Finance is authorised to change the amount of:

a. Personal Tax Relief referred to in paragraph (1); and

b. the threshold of gross turnover not subject to Income Tax referred to in paragraph (2a),

after consulting with the permanent complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors by taking into account economic and monetary developments as well as annual developments in prices of basic necessities.

Number 4

Article 9

Paragraph (1)

Costs incurred by Taxpayers may be classified as those that may and may not expensed.

In principle, costs that may be deducted from gross income are those with a direct and indirect relationship with the business or activities to obtain, collect and maintain income which constitutes a taxable object that can be charged in the year they are incurred or during the useful life of these costs. Costs that may not be deducted from gross income include those of a consumption nature or those exceeding reasonable amounts.

Subparagraph a

Profit sharing in whatever name or form, including dividend payments to shareholders, profit sharing by cooperatives to their

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members and dividend payments by insurance companies to policyholders, may not be deducted from the income of the distributing entity as the profit sharing constitutes part of the entity's income which is taxed under this Law.

Subparagraph b

Expenses that cannot be deducted from the gross income of a company are those incurred or charged by the company for the personal benefit of shareholders, partners or members, such as the renovation of private homes, travel expenses, insurance premiums paid by the company for the personal benefit of the shareholders or their families.

Subparagraph c

Sufficiently clear.

Subparagraph d

Premiums for health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance, which are paid by an individual Taxpayer may not be deducted from gross income and at the time the said individual receives insurance benefits or compensation, the revenue does not constitute a taxable object.

In the event that the insurance premiums are paid or borne by the employer, for the employer, the payment may be charged as an expense and for the concerned employee, the payment is income constituting a taxable object.

Subparagraph e

Deleted.

Subparagraph f

In an employment relationship, remunerations may be paid to employees who also constitute shareholders. Because, in principle, costs to obtain, collect and maintain income that may be deducted from gross income are those of reasonable amounts as per the arm's length principle, based on this provision, amounts exceeding the reasonable amount may not be charged as expenses.

Reasonable amounts referred to in this paragraph are amounts not exceeding those that should otherwise be incurred by the employer as remuneration in respect of work if it is carried out by an unrelated party.

For example, a professional who is also a shareholder of an entity provides services to the said entity with a consideration of

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IDR50,000,000.00 (fifty million rupiah).

If the same services supplied by another professional of equal ability are paid IDR20,000,000.00 (twenty million rupiah), the difference of IDR30,000,000.00 (thirty million rupiah) may not be charged as an expense. For the professional who is also a shareholder, the amount of IDR30,000,000.00 (thirty million rupiah) is deemed a dividend.

Subparagraph g

Sufficiently clear.

Subparagraph h

Income Tax under this provision refers to Income Tax payable for the Taxpayer concerned.

Subparagraph i

Expenses incurred for the personal benefit of Taxpayers or their dependents are, in essence, usage of income by the Taxpayers. Therefore, such expenses may not be deducted from the gross income of a company.

Subparagraph j

Members of a firm, partnership or limited liability company whose equity is not divided into shares are treated as a unit, therefore, there is no remuneration in the form of salaries.

Therefore, salaries received by members of a partnership, firm or limited liability company whose equity is not divided into shares do not constitute payments that may be deducted from the entity's gross income.

Subparagraph k

Sufficiently clear.

Paragraph (2)

Pursuant to the arm's length principle, costs contributing to income for several years may be charged according to the number of years these costs have contributed to income.

In line with the principle of matching costs against revenue, under this provision, costs to obtain, collect and maintain income with a useful life of more than 1 (one) year cannot be deducted as company expenses in a lump sum in the year they are incurred but must be charged through depreciation and amortization over its useful life as stipulated under Article 11 and Article 11A.

Number 5

Article 11

Paragraph (1) and paragraph (2)

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Costs to acquire tangible assets with a useful life of more than 1 (one) year must be charged as costs to obtain, collect and maintain income by allocating the costs during the useful life of the tangible assets through depreciation. Costs to acquire land with proprietary rights, include land with the initial right to build, right to exploit and right to use shall not be depreciated, unless the land is used by the company or owned to obtain income provided that the value of the land decreases due to being used to obtain income, for example, the land is used by a roof tile manufacturer, ceramics manufacturer or a brick manufacturer.

"Costs to acquire land with the initial right to build, right to exploit and right to use" refer to the acquisition cost of the land with the right to build, right to exploit and right to use from a third party and the administration of these rights from the competent authority for the first time, whereas costs to extend right to build, right to exploit and right to use shall be amortised over the useful life of these rights.

Depreciation methods allowed under this provision are carried out:

a. in equal parts over the useful life of the assets (the straight-line method); or

b. in decreasing parts, by applying the appropriate deprecation rate to the residual value (the declining balance method).

The use of depreciation methods of assets must comply with the consistency principle.

Tangible assets in the form of buildings shall only be depreciated using the straight-line method. Tangible assets other than buildings may be depreciated using the straight-line method or declining balance method.

In the event a Taxpayer chooses the declining balance method, the residual value at the end of the useful life must be fully depreciated.

According to the Taxpayer's bookkeeping, small tools of the same type or similar types may be depreciated in one group.

Example of the use of the straight-line method:
A building is acquired for IDR1,000,000,000.00 (one billion rupiah) and with a useful life of 20 (twenty) years, annual depreciation is IDR50,000,000.00 (fifty million rupiah) (IDR1,000,000,000.00 : 20).

Example of the use of the declining balance method:
A machine is bought and installed in January 2009 at an acquisition

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price of IDR150,000,000.00 (one-hundred and fifty million rupiah). The machines' useful life is 4 (four) years. If, for example, the depreciation rate is set at 50% (fifty percent),
the calculation of depreciation is as follows:

Year	Rate	Depreciation	Residual Value
Acquisition Price			150,000,000.00
2009	50%	75,000,000,00	75,000,000.00
2010	50%	37,500,000,00	37,500,000.00
2011	50%	18,750,000,00	18,750,000.00
2012	Fully Depreciated	18,750,000,00	0.00

Paragraph (3)

Depreciation commences in the month the costs are incurred or in the month the asset is finished, thereby, the depreciation in the first year is calculated on pro-rate basis.

Example 1:
Costs of a building construction amount to IDR1,000,000,000.00 (one billion rupiah). Construction starts in October 2009 and is finished in March 2010. The depreciation of the acquisition price commences in March of 2010 tax year.

Example 2:
A machine is bought and installed in July 2009 at an acquisition price of IDR100,000,000.00 (one hundred million rupiah). The machine's useful life is 4 (four) years. If, for example, the depreciation rate is set at 50% (fifty percent), the calculation of the depreciation is as follows:

Year	Rate	Depreciation	Residual Value
Acquisition Price			100,000,000.00
2009	6/12 x 50%	25,000,000.00	75,000,000.00
2010	50%	37,500,000.00	37,500,000.00
2011	50%	18,750,000.00	18,750,000.00
2012	50%	9,375,000.00	9,375,000.00
2013	Fully Depreciated	9,375,000.00	0.00

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Paragraph (4)

Subject to approval from the Director General of Taxes, depreciation may commence in the month an asset is used to obtain, collect or maintain income or in the month the asset begins to produce. The time an asset begins to produce under this provision is related to the time the asset begins to produce and is not related to the time income is received or accrued.

Example:
PT X, engaged in the plantation sector, buys a tractor in 2009. The plantation begins to produce harvest in 2010. Subject to approval from the Director General of Taxes, the depreciation of the tractor may commence in 2010.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

To provide legal certainty for Taxpayers in depreciating costs to acquire tangible assets, this provision stipulates groups of useful life of assets and depreciation rates, both in accordance with the straight-line method and the declining balance method.

"Non-permanent buildings" refer to buildings that are temporary in nature and constructed from materials that are not durable or movable buildings with a useful life of no more than 10 (ten) years, for example, barracks and dormitories made from wood for employees.

Paragraph (6a)

Sufficiently clear.

Paragraph (7)

In the context of adjusting to the specific characteristics of certain business sector, such as perennials plantations, forestry and animal husbandry, separate arrangements are required for the depreciation of tangible assets used by such business sectors.

Paragraph (8) and paragraph (9)

Basically, profit or loss due to a transfer of assets is taxed in the year the transfer of assets is carried out.

If the assets are sold or lost due to fire, the net revenues from the sale of such assets, namely the difference between the selling price and costs incurred related to the sale and/or any insurance compensation shall be recorded as income in the year the sale occurs or the year the insurance compensation is received and the residual value of the assets is charged as loss in the tax year concerned.

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If the amount of received insurance compensation may only be identified at a later date, the Taxpayer may apply to the Director General of Taxes for an amount equal to the loss to be charged as an expense in the year of the insurance compensation.

Paragraph (10)

Notwithstanding the provisions under paragraph (8), where a transfer of tangible assets fulfils the requirements referred to in Article 4 paragraph (3) subparagraph a and subparagraph b, the residual value may not be charged as a loss by the transferor.

Paragraph (11)

Deleted.

Number 6

Article 11A

Paragraph (1)

The acquisition price of intangible asset and other costs, including costs to extend the right to build, right to exploit and right to use and goodwill with a useful life of more than 1 (one) year shall be amortised with the following method:

a. in equal parts each year over the useful life; or

b. in decreasing parts each year by applying the amortization rate to the residual value.

Specifically for amortization of intangible assets using the declining balance method, at the end of the useful life, the residual value of the tangible assets or rights shall be fully amortised.

Paragraph (1a)

Amortization shall commence in the month costs are incurred, thereby amortization in the first year is calculated on a pro-rate basis.

To adjust to the characteristics of certain business sectors, separate arrangements are required when the amortization commences.

Paragraph (2)

The determination of useful life and amortization rates for costs of intangible assets is intended to provide uniformity for Taxpayers in conducting amortization.

Taxpayers may carry out amortization in accordance with the selected method as referred to in paragraph (1) based on the actual useful life of each intangible asset. The applicable amortization rate is based on the group of useful life as stipulated under this provision. For intangible assets whose useful life is not listed in the available groups

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of useful life, the Taxpayers must use the nearest useful life. For example, an intangible asset with actual useful life of 6 (six) years may use the useful life group of 4 (four) years or 8 (eight) years. If the actual useful life is 5 (five) years, the intangible asset is amortised using the useful life group of 4 (four) years.

Paragraph (2a)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The unit of production method is implemented by applying the percentage of amortization rate whose yearly value is equivalent to the ratio between the realization of oil and gas mining in the year concerned and the estimated total reserves of oil and gas in that location that may be produced.

If the actual amount of production is less than the estimates, thereby, there are remaining costs to acquire rights or other costs, the remaining costs may be fully charged in the tax year concerned.

Paragraph (5)

Costs to acquire mining rights other than for oil and gas, forestry cultivations rights and cultivation rights of natural resources and other natural products, such as cultivation rights of sea products are amortised based on the unit of production method of a maximum of 20% (twenty percent) per year.

Example:

Costs to acquire forestry cultivation rights, with a potential of 10,000,000.00 (ten million) tons of wood of IDR500,000,000.00 (five hundred million rupiah) shall be amortised in accordance with the percentage of production units realised in the relevant year. If, in 1 (one) tax year production reaches 3,000,000.00 (three million) tons, i.e. 30% (thirty percent) of the available potential, although production in that year reaches 30% (thirty percent) of the available potential, the maximum amount of amortization deductible from gross income in that year is 20% (twenty percent) of the costs or IDR100,000,000.00 (one hundred million rupiah).

Paragraph (6)

The definition of costs incurred before commercial operations includes costs incurred before the commercial operation begins, for example, costs for feasibility studies and trial productions, but not including routine operational expenses, such as employee salaries, electricity

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and telephone bills and other office expenses. Routine operational expenses may not be capitalised but must be fully charged in the year they are incurred.

Paragraph (7)

Example:

PT X incurs costs to acquire oil and natural gas mining rights at a location of IDR500,000,000.00. The estimated petroleum content in the area is 200,000,000 (two hundred million) barrels. After oil and gas production has reached 100,000,000 (one hundred million) barrels, PT X sells the mining rights to another party at IDR300,000,000.00. The calculation of profit and loss from the sale of the rights is as follows:

Acquisition price	IDR	500,000,000.00
Amortization: 100,000,000/200,000,000 barrels (50%)	IDR	250,000,000.00
Book value of assets	IDR	250,000,000.00
Book value of assets	IDR	300,000,000.00

Therefore, the residual value of IDR250,000,000.00 is charged as a loss and the amount of IDR300,000,000.00 is recorded as income.

Paragraph (8)

Sufficiently clear.

Number 7

Article 17

Paragraph (1)

Subparagraph a

Example of the calculation of tax payable for an individual Taxpayer:

Total Taxable Income of IDR6,000,000,000.00 (six billion rupiah).

Income Tax payable:

5% x IDR60,000,000.00	=	IDR	3,000,000.00	
15% x IDR190,000,000.00	=	IDR	28,500,000.00	
25% x IDR250,000,000.00	=	IDR	62,500,000.00	

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30% x IDR4,500,000,000.00	=	IDR	1,350,000,000.00	
35% x IDR1,000,000,000.00	=	IDR	350,000,000.00	(+)
			1,794,000,000.00	

Subparagraph b

Example of the calculation of tax payable for a resident corporate Taxpayer and permanent establishment:

The taxable income of PT A in 2022 tax year amounts to IDR1,500,000,000.00 (one billion and five hundred million rupiah).

Income Tax payable for 2022 tax year:
22% x IDR1,500,000,000.00 = IDR330,000,000.00.

Paragraph (2)

Changes in rates shall be applied nationally starting on 1 January, announced no later than 1 (one) month before the new rates become effective.

Paragraph (2a)

Deleted.

Paragraph (2b)

Sufficiently clear.

Paragraph (2c)

Sufficiently clear.

Paragraph (2d)

Sufficiently clear.

Paragraph (2e)

Sufficiently clear.

Paragraph (3)

The amounts of Taxable Income brackets referred to in paragraph (1) subparagraph a shall be adjusted to adjustment factors, such as inflation rate, as stipulated by a Minister of Finance Regulation.

Paragraph (4)

Example:

Taxable Income of IDR5,050,900.00, for the application of rates, shall be rounded down to IDR5,050,000.00.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Example:

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Taxable Income for individual Taxpayers in one year (calculated pursuant to the provisions in Article 16 paragraph (4)): IDR584,160,000.00 (five hundred eighty-four million one hundred and sixty thousand rupiah).

Income Tax in one year:

5% x IDR60.000.000,00	=	IDR	3,000,000.00	
15% x IDR190,000,000.00	=	IDR	28,500,000.00	
25% x IDR250,000,000.00	=	IDR	62,500,000.00	
30% x IDR84,160,000.00	=	IDR	25,248,000.00	
		IDR	119,248,000.00	(+)

Paragraph (7)

The provision under this paragraph authorises the Government to determine separate final tax rates on certain types of income referred to in Article 4 paragraph (2), insofar as the rates are not the highest tax rate referred to in paragraph (1). The determination of the separate tax rates shall be based on considerations of simplicity, fairness and equality in taxation.

Number 8

Article 18

The government is authorised to prevent tax avoidance practices as an effort by Taxpayers to reduce, avoid or delay the payment of taxes that should otherwise be payable contrary to the object and purpose of statutory tax provisions. One tax avoidance method is to conduct transactions that are not in accordance with the actual circumstance which is contrary to the substance over form principle, namely the recognition of economic substance over its formal form.

Paragraph (1)

To stipulate the threshold of loan expenses that may be charged for taxation purposes, the international common practice is used, for example, the debt-to-equity ratio, the earnings before interest, taxes, depreciation and amortisation (EBITDA) or other methods.

Paragraph (2)

With economic developments and international trade in line with the era of globalization, resident Taxpayers may invest overseas. To

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minimize tax avoidance, for offshore investments other than in listed business entities, the Minister of finance is authorised to determine when dividends are accrued.

Example:
PT A and PT B respectively own shares of 40% and 20% in X Ltd. which is domiciled in state Q. X Ltd.'s shares are not traded on the stock exchange. In 2009, X Ltd accrues income after tax of IDR1,000,000,000.00 (one billion rupiah).

In such a case, the Minister of Finance is authorised to determine when dividends are accrued and the calculation basis.

Paragraph (3)

This provision is intended to prevent tax avoidance that may occur due to an affiliation. Taxpayers conduct tax avoidance by, among others, under-reporting income, over-stating expenses, under-reporting business profits compared to the financial performance of other Taxpayers in similar business sectors or reporting excess business losses even though the Taxpayer has been conducting commercial sales for 5 (five) years.

In such a case, the Director General of Taxes is authorised to adjust the amount of income and/or expenses in accordance with the arm's length principle that is not affected by an affiliation.

"Arm's length principle" refers to a principle in sound business practices as applicable between related and/or unrelated parties. To adjust the amount of income and/or deductions to calculate the amount of Taxable Income, the following methods may be used:

a. the comparable uncontrolled price method;

b. the resale price method;

c. the cost-plus method; or

d. other methods, such as:

    1. the profit split method;

    2. the transactional net margin method;

    3. the comparable uncontrolled transaction method;

    4. tangible asset and/or intangible asset valuation; and

    5. business valuation.

For Taxpayers under-reporting business profits compared to the

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financial performance of other Taxpayers in similar business sectors or reporting excess business losses even though the Taxpayer has been conducting commercial sales for 5 (five) years, a benchmarking with Taxpayers in similar businesses may be applied in the context of calculating taxes that should otherwise be payable.

Similarly, there may be hidden equity participation by declaring the equity participation as debt, the Director General of Taxes is authorised to determine the debt as company equity. Such determination may be carried out, for example, through indications of debt-to-equity ratio that commonly occurs between unrelated parties or based on other data or indications.

Therefore, interests paid by the Taxpayer in relation to the debt which is considered as equity participation may not be deducted in calculating Taxable Income of the Taxpayer. On the other hand, for parties affiliated with the Taxpayer receiving or accruing such interest payments, these payments are considered dividends subject to tax.

The difference between the value of a controlled transaction that does not comply with the arm's length principle and the value of a controlled transaction that complies with the arm's length principle shall also be deemed as a dividend subject to income tax pursuant to statutory tax provisions.

Paragraph (3a)

Advance Pricing Agreement (APA) refers to an agreement between a Taxpayer and the Director General of Taxes concerning the arm's length price between related parties. The objective of APA implementation is reducing the practice of transfer pricing abuse by multinational companies. The agreement between the Taxpayer and the Director General of Taxes may cover several things, among others, the selling price of products and the amount of royalties and so forth, depending on the agreement. The advantage of APA is that in addition to providing legal certainty and ease of tax calculation, the tax authorities do not need to adjust the selling price and pro&it of products sold by taxpayers to companies in the same group. APA may be unilateral, i.e. an agreement between the Director General of Taxes and the Taxpayer or bilateral, i.e. an agreement between the Director General of Taxes and the tax authorities of other countries concerning Taxpayers in their respective jurisdictions.

Paragraph (3b)

This provision is intended to prevent tax avoidance by Taxpayers purchasing shares/participation in a resident corporate Taxpayer

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through a special purpose company.

Paragraph (3c)

Example:

X Ltd, established and domiciled in state A, a tax haven country, has 95% (ninety-five percent) shares of PT X, established and domiciled in Indonesia. X Ltd is a conduit company established and fully held by Y Co, a resident company in state B, with the purpose as a conduit company in its ownership of majority shares of PT X.

If Y Co sells all of its shares of X Ltd to PT Z which constitutes resident taxpayer, in the legal formal terms, this transaction constitutes a transfer of shares of a nonresident entity by a non-resident Taxpayer.

However, in principle, this transaction is a transfer of company (share) ownership of a resident Taxpayer by a non-resident Taxpayer, thereby, income from this transfer is subject to Income Tax.

Paragraph (3d)

Sufficiently clear.

Paragraph (3e)

Deleted.

Paragraph (4)

An affiliation between Taxpayers may occur due to dependence or attachment to one another due to:

a. equity ownership or participation; or

b. control through management or use of technologies.

In addition to the above matters, an affiliation between individual Taxpayers may also occur due to a relationship by blood or marriage.

Subparagraph a

An affiliation is deemed to exist if there is an ownership relationship in the form of equity participation of 25% (twenty five percent) or more, either direct or indirect.

For example, PT A owns 50% (fifty percent) of PT B's shares. Share ownership by PT A constitutes direct participation.

Further, if PT B holds 50% (fifty percent) of PT C's shares, PT A as the indirect shareholder of PT B indirectly holds participation in PT C of 25% (twenty five percent). In such a case, PT A, PT B and PT C are considered related parties. If PT A also holds 25% (twenty five percent) of PT D's shares, PT B, PT C and PT D are considered related parties.

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Ownership relationships similar to the one above may also occur between individuals and entities.

Subparagraph b

An affiliation between Taxpayers may also occur due to control through management or use of technologies even though there is no ownership relationship.

An affiliation is deemed to exist if one or more companies are under the same control.

Similarly, the relationship between companies that are under the same control.

Subparagraph c

"Family relationships by blood in one degree of direct lineage vertically" refer to father, mother and children, whereas "family relationships by blood in one degree of direct lineage horizontally" refer to siblings.

"Family relationships by marriage in one degree of direct lineage vertically" refer to parents in-law and stepchildren, whereas "family relationships by marriage in one degree of direct lineage horizontally" refer to siblings in-law.

Paragraph (5)

Deleted.

Number 9

Article 32A

To improve economic relationships, particularly in the field of taxation, with partner countries or partner jurisdictions and in line with the dynamic developments of the international taxation landscape, the Government of Indonesia is authorised to establish and/or implement treaties and/or agreements with the governments of partner countries or partner jurisdictions, either bilaterally or multilaterally through lex-spesialis legal instruments for the avoidance of double taxation and prevention of tax evasion, prevention of base erosion and profit shifting, exchange of tax information, tax collection assistance and other tax cooperation.

"Treaties and/or agreements in the field of taxation" refer to treaties and/or agreements in certain formats and names in the field of taxation, which refer to the law that is effective before, since or after this Law comes into effect.

Letter a

"Double taxation" refers to the imposition of taxes by two or more countries or jurisdictions on the same income received/accrued by the same tax subject and on the same income received/accrued by

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different tax subjects.

"Tax evasion" refers to tax evasion, fraud or deduction carried out illegally by an individual, entity or permanent establishment with the intention of not paying taxes in any country or jurisdiction or reducing tax payable.

Letter b

"Base erosion and profit shifting" refers to tax planning strategies that aim to utilise the interaction of tax provisions between different countries/jurisdictions, among others, by shifting profits to a country or jurisdiction that does not impose taxes or imposes taxes at low rates and which has no or small contribution to its activities of economic substance with the aim of not paying taxes in any country or jurisdiction or reducing tax payable.

Letter c

"Exchange of tax information" refers to the exchange of tax-related information between countries/jurisdictions as the implementation of international agreements.

Letter d "

Tax collection assistance" refers to the tax collection assistance facility outlined in agreements that may be utilised by the Government of Indonesia and the government of partner countries or partner jurisdictions reciprocally to collect tax liabilities which are administered by the Director General of Taxes or the tax authorities of partner countries or partner jurisdictions.

Letter e

Sufficiently clear.

Number 10

Sufficiently clear.

Number 11

Article 32C

Sufficiently clear.

Article 4

Number 1

Article 4A

Paragraph (1)

Deleted.

Paragraph (2)

Subparagraph a

Deleted.

Subparagraph b

Deleted.

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Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

Paragraph (3)

Subparagraph a

Deleted.

Subparagraph b

Deleted.

Subparagraph c

Deleted.

Subparagraph d

Deleted.

Subparagraph e

Deleted.

Subparagraph f

Religious services include:

1. houses of worship services;
2. services of giving sermons or dawah;
3. services of organizing religious activities; and
4. other religious services.

Subparagraph g

Deleted.

Subparagraph h

Sufficiently clear.

Subparagraph i

Deleted.

Subparagraph j

Deleted.

Subparagraph k

Deleted.

Subparagraph l

Sufficiently clear.

Subparagraph m

Sufficiently clear.

Subparagraph n

Sufficiently clear.

Subparagraph o

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Deleted.

Subparagraph p

Deleted.

Subparagraph q

Sufficiently clear.

Number 2

Article 7

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Value Added Tax is imposed on the consumption of Taxable Goods and/or Taxable Services within the Customs Area. Therefore, exports of Taxable Goods and/or Taxable Services for consumption outside the Customs Area are subject to Value Added Tax at a rate of 0% (zero percent).

The imposition of the 0% (zero percent) rate does not imply exemption from Value Added Tax. Thereby, the Input VAT that has been paid for acquisitions of Taxable Goods and/or Taxable Services related to these activities is creditable.

Paragraph (3)

Based on considerations of economic development and/or increased need for funds for development, the Value Added Tax rate may be changed to a minimum of 5% (five percent) and a maximum of 15% (fifteen percent).

Paragraph (4)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Number 3

Article 8A

Paragraph (1)

Example:

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a. The imposition of the 12% (twelve percent) rate

Taxable Person for VAT Purposes A sells Taxable Goods in cash at a Selling Price of IDR10,000,000.00 (ten million rupiah). Value Added Tax payable = 12% x IDR10,000,000.00 = IDR1,200,000,000.00. The Value Added Tax of IDR1,200,000.00 (one million and two hundred thousand rupiah) constitutes Output VAT collected by the Taxable Person for VAT Purposes A.

b. The imposition of the 12% (twelve percent) rate

A person imports certain Taxable Goods that are subject to the 12% (twelve percent) rate with an Import Value of IDR10,000,000.00 (ten million rupiah). Value Added Tax collected through the Directorate General of Customs and Excise = 12% x IDR10,000,000.00 = IDR1,200,000.00.

c. The imposition of the 0% (zero percent) rate

Taxable Person for VAT Purposes D exports Taxable Goods with an Export Value of IDR10,000,000.00 (ten million rupiah). Value Added Tax payable = 0% x IDR10,000,000.00 = IDR0.00. The Value Added Tax of IDR0.00 (zero rupiah) constitutes the Output VAT.

Paragraph (2)

Deleted.

Paragraph (3)

Sufficiently clear.

Number 4

Article 9

Paragraph (1)

Deleted.

Paragraph (2)

Buyers of Taxable Goods, recipients of Taxable Services, importers of Taxable Goods, parties utilising Intangible Taxable Goods from outside the Customs Area or parties utilising Taxable Services from outside the Customs Area are obliged to pay Value Added Tax and are entitled to receive withholding receipts. Value Added Tax that should have been paid constitutes Input VAT for buyers of Taxable Goods, recipients of

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Taxable Services, importers of Taxable Goods, parties utilising Intangible Taxable Goods from outside the Customs Area within the Customs Area or parties utilising Taxable Services from outside the Customs Area within the Customs Area, having the status of Taxable Persons for VAT Purposes. Input VAT that must be paid by Taxable Persons for VAT Purposes may be credited against the Output VAT they collect in the same Taxable Period.

Paragraph (2a)

Sufficiently clear.

Paragraph (2b)

To credit Input VAT, Taxable Persons for VAT Purposes shall use Tax Invoices that fulfil the requirements referred to in Article 13 paragraph (5).

In addition, to credit Input VAT, the requirements of formal and material correctness as referred to in Article 13 paragraph (9) must also be fulfiled.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Input VAT referred to in this paragraph is creditable Input VAT.

In a Taxable Period, creditable Input VAT may be greater than the Output VAT. The Input VAT overpayment cannot be refunded in the Taxable Period concerned but is carried forward to the next Taxable Period.

Example:

May 2023 Taxable Period				
Output VAT	=	IDR	2,000,000.00	
Creditable Input VAT	=	IDR	4,500,000.00	(-)
Tax overpayment	=	IDR	2,500,000.00	
Tax overpayment is carried forward to June 2023 Taxable Period.				
June 2023 Taxable Period				
Output VAT	=	IDR	3,000,000.00	
Creditable Input VAT	=	IDR	2,000,000.00	(-)

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Tax underpayment	=	IDR	1,000,000.00	
Tax overpayment from May 2023 Taxable Period carried forward to June 2023 Taxable Period	=	IDR	2,500,000.00	(-)
Tax overpayment for June 2023 Taxable Period	=	IDR	1,500,000.00	

Tax overpayment is carried forward to July 2023 Taxable Period.

Paragraph (4a)

The Input VAT overpayment in a Taxable Period in accordance with the provisions in paragraph (4) is carried forward to the next Taxable Period.

However, if the Input VAT overpayment occurs in a Taxable Period at the end of an accounting year, applications for refunds of the Input VAT overpayment may be submitted.

Included in the definition of the end of an accounting year in this provision is the Taxable Period when the Taxpayer carries out business termination (dissolution).

Paragraph (4b)

Sufficiently clear.

Paragraph (4c)

Sufficiently clear.

Paragraph (4d)

Deleted.

Paragraph (4e)

To reduce the abuse of the granting of accelerating tax refund facility, the Director General of Taxes may conduct an audit after granting preliminary tax refunds.

Paragraph (4f)

In the event that the Director General of Taxes, after conducting the audit, issues a Notice of Tax Underpayment Assessment, the surcharge penalty as referred to in Article 17C paragraph (5) of Law Number 6 of 1983 concerning General Provisions and Tax Procedures and the amendments thereto shall not be applied even though at the previous stage, a Preliminary Tax Refunds Decision Letter has been issued.

On the other hand, administrative penalties are imposed pursuant to Article 13 paragraph (2) of Law Number 6 of 1983 concerning General

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Provisions and Tax Procedures and the amendments thereto.

If in the said audit indications of tax crime are found, this provision shall not apply.

Paragraph (5)

"Taxable supplies" refer to supplies of goods or services that pursuant to the provisions in this Law are subject to Value Added Tax. There are two Input VAT treatments for taxable supplies, namely creditable or non-creditable.

"Non-taxable supplies" refer to supplies of goods and services that are not subject to Value Added Tax as referred to in Article 4A and which are exempt from Value Added Tax as referred to in Article 16B. Input VAT on non-taxable supplies is non-creditable.

Taxable Persons for VAT Purposes that in a Taxable Period perform taxable supplies and the Input VAT is creditable, taxable supplies for which the Input VAT is non- creditable and non-taxable supplies, may only credit Input VAT in respect of taxable supplies and Input VAT is creditable. The fraction of the taxable supplies must be ascertained from the Taxable Persons for VAT Purposes' bookkeeping.

Example:
A Taxable Person for VAT Purposes performs several types of supplies, as follows:

a. taxable supplies and the Input VAT with a selling price of IDR25,000,000.00 (twenty-five million rupiah) may be credited against the Output VAT of IDR3,000,000.00 (three million rupiah) under the assumption of the imposition of a normal rate of 12% (twelve percent);

b. taxable supplies and the Input VAT with a selling price of IDR20,000,000.00 (twenty million rupiah) may not be credited against the Output VAT of IDR400,000.00 (four hundred thousand rupiah) under the assumption of the imposition of a final rate of 2% (two percent);

c. supplies not subject to Value Added Tax of IDR5,000,000.00 (five million rupiah) without collecting the Output VAT.

The amount of Output VAT to be collected is IDR3,400,000.00 (three million and four hundred thousand rupiah).

Input VAT to be paid on acquisitions of:

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a. Taxable Goods and/or Taxable Services in respect of taxable supplies and creditable Input VAT amount to IDR1,500,000.00 (one million and five hundred thousand rupiah);

b. Taxable Goods and/or Taxable Services in respect of taxable supplies and non- creditable Input VAT amount to IDR1,000,000.00 (one million rupiah);

c. Taxable Goods and Taxable Services in respect of non-taxable supplies amount to IDR300,000.00 (three hundred thousand rupiah).

The amount of paid Input VAT is IDR2,800,000.00 (two million and eight hundred thousand rupiah).

Pursuant to this provision, the Input VAT that may be credited against Output VAT of IDR3,400,000.00 only amounts to IDR1,500,000.00 which originates from the Input VAT on the acquisition of Taxable Goods and/or Taxable Services in respect of taxable supplies.

Paragraph (6)

In the event that Input VAT for taxable supplies and the creditable Input VAT cannot be ascertained, the method of Input VAT crediting is calculated based on the Input VAT crediting guidelines, which are intended to provide convenience and certainty to Taxable Persons for VAT Purposes.

Example:

A Taxable Person for VAT Purposes performs 3 (three) types of supplies, as follows:

a. taxable supplies and the Input VAT amounts to IDR35,000,000.00 (thirty-five million rupiah) may be credited against the Output VAT of IDR4,200,000.00 (four million and two hundred thousand rupiah) under the assumption of the imposition of a normal rate of 12% (twelve percent);

b. taxable supplies and the Input VAT amount to IDR20,000,000.00 (twenty million rupiah) cannot be credited against the Output VAT of IDR400,000.00 (four hundred thousand rupiah) under the assumption of the imposition of a final rate of 2% (two percent);

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c. non-taxable supplies of IDR15,000,000.00 (fifteen million rupiah) without collecting Output VAT.

The amount of Output VAT to be collected is IDR4,600,000.00 (four million and six hundred thousand rupiah).

Input VAT paid for the acquisition of Taxable Goods and/or Taxable Services in respect of the entire supply amounts to IDR2,500,000.00 (two million and five hundred thousand rupiah), whereas the Input VAT in respect of taxable supplies and the creditable Input VAT cannot be ascertained. Pursuant to this provision, the Input VAT of IDR2,500,000.00 (two million and five hundred thousand rupiahs) cannot be credited entirely against the Output VAT of IDR4,600,000.00 (four million and six hundred thousand rupiah).

The amount of creditable Input VAT is calculated based on the guidelines for Input VAT crediting.

Paragraph (6a)

Sufficiently clear.

Paragraph (6b)

Deleted.

Paragraph (6c)

Sufficiently clear.

Paragraph (6d)

Sufficiently clear.

Paragraph (6e)

Sufficiently clear.

Paragraph (6f)

Sufficiently clear.

Paragraph (6g)

Sufficiently clear.

Paragraph (7)

Deleted.

Paragraph (7a)

Deleted.

Paragraph (7b)

Deleted.

Paragraph (8)

Input VAT is, basically, creditable against Output VAT. However, for costs referred to in this paragraph, Input VAT is non-creditable.

Subparagraph a

Deleted.

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Subparagraph b

Costs directly related to business activities are costs for production, distribution, marketing and management activities.

This provision applies to all business sectors. To be creditable, Input VAT must also fulfil the requirement that the cost relates to the existence of supplies subject to Value Added Tax. Therefore, even though a cost has fulfiled the requirement of a direct relationship with business, Input VAT may be non- creditable, namely if the cost is not related to the supplies subject to Value Added Tax.

Subparagraph c

Deleted.

Subparagraph d

Deleted.

Subparagraph e

Deleted.

Subparagraph f

Sufficiently clear.

Subparagraph g

Sufficiently clear.

Subparagraph h

Deleted.

Subparagraph i

Deleted.

Subparagraph j

Deleted.

Paragraph (9)

Sufficiently clear.

Paragraph (9a)

Sufficiently clear.

Paragraph (9b)

Sufficiently clear.

Paragraph (9c)

Sufficiently clear.

Paragraph (10)

Deleted.

Paragraph (11)

Deleted.

Paragraph (12)

Deleted.

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Paragraph (13)

Deleted.

Paragraph (14)

Sufficiently clear.

Number 5

Article 9A

Paragraph (1)

To provide convenience and simplification of tax administration as well as a sense of justice, the Minister of Finance may determine the amount of Value Added Tax collected and remitted by:

a. Taxable Persons for VAT Purposes whose business turnover in 1 (one) accounting year does not exceed a certain threshold;

b. Taxable Persons for VAT Purposes conducting certain businesses, among others:

1. those experiencing difficulties in administering Input VAT;

2. those conducting transactions through third parties, both supplies of Taxable Goods and/or Taxable Services and the payments; or

3. those having complexities of business processes, thereby, imposition of Value Added Tax using normal mechanisms is not possible,

and/or

c. Taxable Persons for VAT Purposes performing supplies of certain Taxable Goods and/or certain Taxable Services.

"Certain Taxable Goods and/or certain Taxable Services" are:

1. Taxable Goods and/or Taxable Services subject to Value Added Tax in the context of expanding the tax base; and

2. Taxable Goods that constitute essential goods.

Paragraph (2)

Sufficiently clear.

Number 6

Article 16B

Paragraph (1)

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One of the principles that must be adhered to in the Taxation Law is the enactment and application of equal treatment to all Taxpayers or to tax cases which are, in principle, the same as adhering to statutory provisions. Therefore, any facility in the field of taxation, if absolutely necessary, must refer to the above rules and must be maintained, thereby, the application does not deviate from the purpose and objective of the granting of such facilities.

The purpose and objective of the granting of facilities are, in principle, to provide tax facilities that are absolutely necessary, specifically for the success of sectors of economic activities with high priorities on the national scale, encouraging exports with high national priorities in certain regions or certain places, encouraging the development of businesses and increasing competitiveness, assisting in handling national natural disasters and national non-natural disasters as well as facilitating national development.

Paragraph (1a)

Subparagraph a

The tax facilities provided to encourage exports, among others, are in the form of facilities in supporting activities of exporters.

Exporting refers to any activity of releasing Tangible Taxable Goods from within the Customs Area to outside the Customs Area without going through supplies to other parties.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

Subparagraph e

Sufficiently clear.

Subparagraph f

Sufficiently clear.

Subparagraph g

Sufficiently clear.

Subparagraph h

Sufficiently clear.

Subparagraph i

Sufficiently clear.

Subparagraph j

The tax facilities to support the availability of certain strategic

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goods and services in the context of national development are granted very selectively and limitedly and take into account the impact on state revenues.

Certain Taxable Goods and/or Taxable Services that are exempt from Value Added Tax are, among others::

1. basic staples, including:
    a) rice;
    b) grains;
    c) corn;
    d) sago;
    e) soybeans;
    f) salt, both iodised and non-iodised;
    g) meat, i.e. unprocessed fresh meat, but has undergone the process of being slaughtered, skinned, cut, cooled, frozen, packaged or unpackaged, salted, limed, pickled, preserved in other ways and/or boiled;
    h) eggs, i.e. unprocessed eggs, including eggs that are cleaned, salted or packaged;
    i) milk, i.e dairy milk, that has undergone cooling or heating, does not contain added sugar or other ingredients and/or packaged or unpackaged
    j) fruits, i.e. picked fresh fruits that have been washed, sorted, peeled, cut, sliced, graded and/or packaged or unpackaged;
    k) vegetables, i.e. fresh vegetables that are picked, washed, drained and/or stored at low temperatures, including chopped fresh vegetables.
2. medical services, including:
    a) certain health services, including:

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1) general practitioner, specialist and dentist services

2) veterinary services;

3) health professional services, such as acupuncturists, dentists, nutritionists and physiotherapists;

4) midwifery and traditional birth attendant services;

5) paramedical and nursing services;

6) hospital, maternity hospital, health clinic, health laboratory and sanatorium services;

7) psychologist and psychiatrist services; and

8) alternative medicine services, including those performed by psychics.

b) health services covered by the national health insurance.

3. social services, including:

a) orphanage and nursing home services;

b) firefighting services;

c) aid in accident services;

d) rehabilitation agency services;

e) provision of funeral homes or funeral services, including crematoriums; and

f) services in sports, except commercial sports, that are non-profit.

4. financial services, including:

a) services of raising funds from the public in the form of checking accounts, time deposits, deposit certificates, savings and/or other equivalent forms;

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b) services of fund placement, fund borrowing or fund lending to other parties using letters, means of telecommunication or sight drafts, checks or other means;

c) financing services, including financing based on sharia principles, in the form of:

1) finance lease;

2) factoring;

3) credit card business; and/or

4) consumer financing;

d) loan distribution services on the basis of pawn law, including sharia and fiduciary pawns; and

e) guarantee services.

5. "insurance services" refer to insurance services that include loss insurance, life insurance and reinsurance carried out by insurance companies to insurance policy holders, excluding insurance support services, such as insurance agents, insurance loss assessors and insurance consultants.

6. educational services, including:

a) school educational services, such as services of general, vocational, special, official, religious, academic and professional education; and

b) out-of-school learning services.

7. sufficiently clear;

8. labour services, including:

a) labour services;

b) labour outsourcing services provided that the entrepreneur supplying the labour is not responsible for the labour's work; and

c) training services for workers.

Paragraph (2)

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The special treatment in the form of Value Added Tax payable but not collected, implies that Input VAT in respect of supplies of Taxable Goods and/or Taxable Services eligible for the special treatment remains creditable. Therefore, Value Added Tax remains payable but is not collected.

Example:
Taxable Person for VAT Purposes A produces Taxable Goods eligible for a facility from the state, namely Value Added Tax payable not collected on supplies of Taxable Goods

To produce the Taxable Goods, Taxable Person for VAT Purpose A uses other Taxable Goods and/or Taxable Services as raw materials, indirect materials, capital goods or other cost components.

When purchasing other Taxable Goods and/or Taxable Services, Taxable Person for VAT Purposes A pays Value Added Tax to the Taxable Person for VAT Purposes that sells or supplies the Taxable Goods and/or Taxable Services.

Value Added Tax paid by Taxable Person for VAT Purposes A to the supplier Taxable Person for VAT Purposes constitutes Input VAT that may be credited against Output VAT, Input VAT remains creditable against Output VAT even though Output VAT is nil because the taxable person is eligible for the Value Added Tax non-collected facility from the state pursuant to provisions referred to in paragraph (1).

Paragraph (3)

Different from the provisions in paragraph (2), the special treatment in the form of exemption from Value Added Tax results in no Output VAT, thereby, Input VAT in respect of the supplies of Taxable Goods and/or Taxable Services eligible for the exemption is non-creditable.

Example:
Taxable Person for VAT Purposes B produces Taxable Goods eligible for facilities from the state, namely the supplies of these Taxable Goods are exempt from Value Added Tax. To produce these Taxable Goods, Taxable Person for VAT Purposes B uses other Taxable Goods and/or Taxable Services as raw materials, indirect materials, capital goods or other cost components. When purchasing the other Taxable Goods and/or Taxable Services, Taxable Person for VAT Purposes B pays Value Added Tax to the Taxable Person for VAT Purposes that sells or supplies the Taxable Goods and/or Taxable Services. Although the Value Added Tax paid by Taxable Person for VAT Purposes B to the supplier Taxable Person for VAT Purposes constitutes creditable

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Input VAT, because there is no Output VAT due to the granting of exemption facility as referred to in paragraph (1), the Input VAT becomes non-creditable.

Number 7

Sufficiently clear.

Number 8

Article 16G

Letter a

Tax Base in the form of other values is imposed to ensure legal certainty in terms of Selling Price, Consideration Value, Import Value and Export Value as Tax Base is difficult to determine.

Letter b

Sufficiently clear.

Letter c

Sufficiently clear.

Letter d

Sufficiently clear.

Letter e

Sufficiently clear.

Letter f

Sufficiently clear.

Letter g

Sufficiently clear.

Letter h

Sufficiently clear.

Letter i

Sufficiently clear.

Article 5

Paragraph (1)

"Has not found data and/or information on the assets concerned" implies that the Director General of Taxes has not started an audit in the context of calculating Income Tax related to data and/or information on the said assets.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

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Sufficiently clear.

Paragraph (7)

"Business activities in the natural resource processing sector" refers to activities of processing natural resource raw materials into semi-finished goods or finished goods that add value to the said natural resource raw materials. For example: the processing of gold ore into pure gold.

"The renewable energy sector" refers to the energy sector produced from materials that may be continuously renewed. For example: the solar energy sector.

Government securities include government bonds and government sharia securities.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

Sufficiently clear.

Paragraph (10)

Sufficiently clear.

Article 6

Paragraph (1)

"Asset declaration letter" refers to a letter used by a Taxpayer to at least disclose the identity of the Taxpayer, assets, liabilities, net assets as well as the calculation and payment of final Income Tax payable.

Paragraph (2)

Proof of payment of Income Tax in the form of a Tax Payment Slip or other administrative means equivalent to a Tax Payment Slip and has received validation from the recipient of the payment pursuant to statutory provisions.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Crimes regulated under this article include tax crimes and other crimes.

Paragraph (7)

Sufficiently clear.

Article 7

Paragraph (1)

Sufficiently clear.

Paragraph (2)

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Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

A Notice of Tax Underpayment Assessment issued pursuant to the provisions under this paragraph only contains the underpaid tax principal and does not contain administrative penalties, considering that the amount of the additional Income Tax rate is deemed to include administrative penalties.

Example:

On 10 January 2022, Mr. A filed an asset declaration letter for net assets in the form of cash in the amount of IDR1,000,000,000.00 (one billion rupiah) located in Indonesia and have not been disclosed in the statement letter. Mr. A also states that he will invest the cash in government securities instruments. Therefore, Mr. A applies a final Income Tax rate of 6% (six percent) in the disclosure of the net assets.

Income Tax on the disclosure of net assets:

6% X IDR1,000,000,000.00 = IDR60,000,000.00

If it is known that Mr. A until 30 September 2023, has only invested 40% (forty percent) of the net assets disclosed on 10 January 2022 into government securities instruments, thereby, 60% (sixty percent) of the net assets are not invested.

If the Director General of Taxes issues a Notice of Tax Underpayment Assessment on 4 October 2023, the calculation in the notice of tax assessment is as follows:

1. the fraction of net assets not invested in government securities:

   60% X IDR1,000,000,000.00 = IDR600,000,000.00

2. the imposition of additional final Income Tax:

   4.5% x IDR600,000,000.00= IDR27,000,000.00

If Mr. A until 30 September 2023 only invests 40% (forty percent) of the assets disclosed on 10 January 2022 into government securities, Mr. A may voluntarily disclose the uninvested fraction of the assets to The Director General of Taxes and self-remits the additional final Income Tax, with the following calculation:

1. the fraction of net assets not invested in government securities:

   60% X IDR1,000,000,000.00 = IDR600,000,000.00

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2. the imposition of additional final Income Tax:

3% x IDR600,000,000.00= IDR18,000,000.00

Paragraph (5)

Sufficiently clear.

Article 8

Paragraph (1)

Sufficiently clear.

Paragraph (2)

"Liabilities" refer to the principal amount of liabilities that have not been paid that are directly related to the acquisition of assets.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The provisions regulated under this paragraph include the obligations of Income Tax, withholding and/or collection of Income Tax and Value Added Tax on the individuals concerned and do not include the obligations of resident individual Taxpayers as representatives or attorneys.

Article 9

Sufficiently clear.

Article 10

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Provisions on the revocation of the application stipulated in this subparagraph include the application related to Income Tax, withholding and/or collection of Income Tax and Value Added Tax on the individuals concerned for the 2016 Tax Year, the 2017 Tax Year, the 2018 Tax Year, the 2019 Tax Year and/or the 2020 Tax Year.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

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Sufficiently clear.

Paragraph (5)

Included in this provision are resident individual Taxpayers that have just obtained a Taxpayer Identification Number in 2022 and have not filed the Annual Individual Income Tax Return for the 2020 Tax Year.

To submit the asset declaration letter, resident individual Taxpayers must first submit the Annual Individual Income Tax Return for the 2020 Tax Year with assets sourced from income in the 2020 Tax Year.

Further, held net assets other than those stated in the Annual Individual Income Tax Return for the 2020 Tax Year must be disclosed in the asset declaration letter.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Sufficiently clear.

Article 11

Paragraph (1)

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c

Crimes regulated under this article include tax crimes and other crimes.

Paragraph (2)

Example:

On 10 January 2022, Mr. B submitted the asset declaration asset for net assets in the form of cash in the amount of IDR1,000,000,000.00 (one billion rupiah) located in Indonesia and have not been disclosed in the Annual Individual Income Tax Return for the 2020 Tax Year. Mr. B also states that he will invest the cash in government securities. Therefore, Mr. B is eligible for a final Income Tax rate of 12% (twelve percent) in the disclosure of the net assets.

Income Tax on the disclosure of net assets:

12% x IDR1,000,000,000.00 = IDR120,000,000.00

If it is known that Mr. B still holds net assets in the form of cash of IDR100,000,000.00 (one hundred million rupiah) which have not been disclosed in the asset declaration letter on 10 January 2022, if the Director General of Taxes issues a Notice of Tax Underpayment Assessment on 4 February 2023,

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the calculation in the notice of tax assessment is as follows:

1. the assets that are not disclosed in the asset declaration letter and are subject to final Income Tax at a rate of 30% (thirty percent):

   30% X IDR100,000,000.00 = IDR30,000,000.00

2. administrative penalty in the form of interest:

   1% x 2 months x IDR30,000,000.00 = IDR600,000.00.

3. the amount that must be paid in the Notice of Tax Underpayment Assessment:

   IDR30,000,000.00 + IDR600,000.00. = IDR30,600,000.00.

The number of months in which the administrative penalties are imposed is calculated from the end of the 2022 Tax Year, namely 1 January 2023 until the time of issuance of the Notice of Tax Underpayment Assessment, namely 4 February 2023, thereby, amounting to 1 (one) month and 4 (four) days, with the fraction of the month calculated as 2 (two) full months.

Assume that the Minister of Finance sets the administrative penalty rate in the form of interest pursuant to Article 13 paragraph (2) for January 2023 of 1% (one percent).

Article 12

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Example:

Based on the example in the elucidation of Article 11 paragraph (2), it is known that Mr. B until 30 September 2023 has only invested 40% (forty percent) of the disclosed net assets on 10 January 2022 into government securities instruments, thereby, 60% (sixty percent) of the net assets are not invested.

If the Director General of Taxes issues a Notice of Tax Underpayment Assessment on 15 October 2023, the calculation in the notice of tax assessment is as follows:

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1. the fraction of net assets not invested in government securities:

   60% X IDR1,000,000,000.00 = IDR600,000,000.00

2. the imposition of additional final Income Tax:

   4.5% x IDR600,000,000.00= IDR27,000,000.00

If Mr. B voluntarily discloses to the Directorate General of Taxes the fraction of the net assets that are not invested and self-remits the additional final Income Tax, the calculation of the additional final Income Tax is as follows:

1. the fraction of net assets not invested in government securities:

   60% X IDR1,000,000,000.00 = IDR600,000,000.00

2. the imposition of additional final Income Tax:

   3% x IDR600,000,000.00= IDR18,000,000.00

Paragraph (5)

Sufficiently clear.

Article 13

Paragraph (1)

Various instruments may be undertaken to achieve the Nationally Determined Contribution (NDC) target, among others, using the carbon economic value instrument (NEK) which consists of trading and non-trading instruments. The non-trading instruments include the imposition of carbon tax.

Carbon tax is imposed to control greenhouse gas emissions to support the achievement of Indonesia's NDC.

NDC or nationally determined contribution is a national commitment to handling global climate change to achieve the goals of the Paris Agreement to the United Nations Framework Convention on Climate Change.

"Carbon emission" refers to the emission of carbon dioxide equivalents (CO2E). Criteria for negative impacts on the environment include:

a. the shrinking of natural resources;

b. environmental pollution; or

c. environmental damage.

Paragraph (2)

Sufficiently clear.

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Paragraph (3)

The carbon tax roadmap contains the following:

a. Carbon Emission Reduction Strategies
The government is committed to reducing greenhouse gas emissions by 29% (twenty- nine percent) with its own capability and 41% (forty-one percent) with international support in 2030 and towards Net Zero Emissions (NZE) no later than 2060.

b. Priority Sector Targets
The emission reduction target for the energy and transportation sector as well as the forestry sector already covers 97% (ninety-seven percent) of the total NDC emission reduction target, thereby, it is the top priority in the reduction of greenhouse gas emissions. Further, these two sectors will follow the transformation of the national industry based on clean energy and carbon tax towards Golden Indonesia in 2045 and NZE no later than 2060.

c. Taking into Account the Development of New and Renewable Energy
The mix of carbon tax policies, carbon trade and sectoral technical policies, among others, phasing out coal, development of new and renewable energy and/or increase in biodiversity are expected to support the achievement of the NZE 2060 target while continuing to prioritise the principle of just and affordable transition for the community and providing business climate certainty.

d. Alignment Between Various Policies
The carbon tax roadmap will contain, among others, strategies for reducing carbon emissions in the NDC, priority sector targets and/or taking into account the development of new and renewable energy and will be further regulated by or based on a Government Regulation.

Carbon tax is imposed as follows:

a. In 2021, carbon trading mechanism will be developed;

b. From 2022 to 2024, a tax mechanism based on emission cap and tax for the power generation sector limited to coal-fired power plants (PLTU) will be applied;

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c. In 2025 and onwards, carbon trading and expansion of the carbon taxation sector in stages according to the readiness of the related sectors by taking into account, among others, economic conditions, the readiness of entrepreneurs, impact and/or scale will be fully implemented.

The application of carbon tax prioritises the regulation of corporate tax subjects.

The carbon tax rate will be higher than or equal to the price of carbon in the domestic carbon market.

Paragraph (4)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Paragraph (5)

"Carbon-containing goods" refer to goods that include but are not limited to fossil fuels that cause carbon emissions.

"Activities that produce carbon emissions" refer to activities that produce or emit carbon emissions originating among others from the energy, agriculture, forestry and land conversion, industry and waste sectors.

Included in the scope of purchase are the domestic purchase and imports of goods that produce carbon emissions.

Paragraph (6)

The calculation of carbon tax payable on the total purchase value of carbon-containing goods or activities that produce carbon emissions takes into account the emission factor values stipulated by the ministry and/or agency/institution that has the competence and authority to measure the emission factor value.

Emission factor value refers to the coefficient value that relates the average amount of emissions released into the atmosphere from a certain source relative to the unit of activity or process related to the release of carbon emissions.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Carbon dioxide equivalent (CO_2e) represents greenhouse gas emissions, including carbon dioxide (CO_2), nitrous oxide (N_2O) and methane (CH_4).

"Equivalent" refers to the equivalent carbon dioxide conversion unit (CO_2e), among others, to the mass unit and volume unit.

Paragraph (9)

Sufficiently clear.

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Paragraph (10)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Paragraph (11)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Paragraph (12)

"Climate change control" refers to climate change mitigation and adaptation.

"Climate change mitigation" refers to a series of activities carried out in an effort to reduce the level of greenhouse gas emissions or increase the absorption of greenhouse gas emissions as a form of effort to mitigate the impacts of climate change.

"Climate change adaptation" refers to efforts made to improve the ability to adapt to climate change, including climate diversity and extreme climate events, thereby, the potential damage caused by climate change is reduced, the opportunities posed by climate change may be utilised and the consequences arising from climate change may be addressed.

Paragraph (13)

"Carbon emissions trading" refers to a transaction mechanism between entrepreneurs and/or activities with emissions exceeding the specified upper threshold.

"Carbon emissions offsets" refer to the reduction of carbon emissions by businesses and/or activities to compensate for emissions produced in other places.

Paragraph (14)

Sufficiently clear.

Paragraph (15)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Paragraph (16)

Sufficiently clear.

Article 14

Number 1

Article 4

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Paragraph (1)

Subparagraph a

Ethyl alcohol or ethanol refers to a clear and colourless liquid, constituting an organic compound with the chemical formula C2H5OH, that is obtained either by fermentation and/or distillation or by chemical synthesis.

Subparagraph b

Beverages containing ethyl alcohol refer to all liquids commonly referred to as beverages containing ethyl alcohol produced by fermentation, distillation or other methods, including beer, shandy, wine, gin, whiskey and the like.

Concentrates containing ethyl alcohol are ingredients containing ethyl alcohol used as raw materials or indirect materials in the production of beverages containing ethyl alcohol.

Subparagraph c

Cigarettes refer to tobacco products from cut tobacco rolled in paper for consumption, regardless of any alternative or indirect materials used in their production.

Cigarettes consist of clove cigarettes, white cigarettes and rhubarb incense cigarettes.

Clove cigarettes are cigarettes that, in their production, are mixed with cloves or parts thereof, either natural or artificial, regardless of the amount.

White cigarettes are cigarettes that, in their production, are not mixed with cloves, rhubarb or incense.

White cigarettes and clove cigarettes consist of machine-made clove cigarettes or those produced by methods other than machines.

Machine-made white cigarettes and clove cigarettes refer to white cigarettes and clove cigarettes, in the production of which, paper rolling, filter attaching, packaging for retail sale and tax stamps attachment are carried out entirely or partially using machines.

White cigarettes and clove cigarettes made with other methods other than machines are white cigarettes and clove cigarettes, in the production of which, paper rolling, filter attaching, packaging for retail sale and tax stamps attachment are carried out without using machines.

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Rhubarb incense cigarettes refer to cigarettes that, in their production, are

mixed with rhubarb and/or incense, either natural or artificial, regardless of the amount.

"Cigars" refer to tobacco products made from cut or whole tobacco leaves, rolled in such a way in tobacco leaves for consumption, regardless of any alternative or indirect materials used in their production.

"Cornhusk cigarettes" refer to tobacco products made from palm leaves, cornhusk or the like, by being rolled in for consumption, regardless of any alternative or indirect materials used in their production.

"Cut tobacco" refers to a tobacco product made from cut tobacco leaves for consumption, regardless of any alternative or indirect materials used in their production.

"E-cigarettes" refer to tobacco products in the form of liquid, solid or other forms, originating from the processing of tobacco leaves made by extraction or other methods in accordance with technological developments and consumer tastes, regardless of any alternative or indirect materials used in their production, which are provided for end consumers in retail sales packaging and consumed by heating using an electric heater and inhaled.

"Other processed tobacco products" refer to tobacco products made from tobacco leaves other than those referred to in this subparagraph that are produced in different methods in accordance with technological developments and consumer tastes, regardless of any alternative or indirect materials used in their production.

Paragraph (2)

"House of Representatives of the Republic of Indonesia" refers to complementary organs of the House of Representatives of the Republic of Indonesia, namely a commission whose duties and authorities are in the finance, banking and development planning sectors.

Number 2

Article 40B

Paragraph (1)

"Verification on alleged violations" refers to all efforts by Customs and Excise officials on people, places, goods and means of transport, such

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as requesting information from related parties, inspecting goods, searching places/buildings, searching means of transport, checking bookkeeping and recording and/or other actions pursuant to statutory provisions in the context of searching for and collecting materials and information to determine whether or not violations in the excise sector, both administrative and criminal, have occurred.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

This is intended for the law enforcement approach in the excise sector to be of restorative justice nature, namely a law enforcement approach that prioritises the recovery of the rights or conditions of victims, in excise crimes, the victim is the state because the state loses its rights, namely state revenues in the excise sector.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

"Other goods" refer to goods other than excisable goods involved in the crime, such as means of transport, communications equipment, storage media or areas as well as documents and letters.

Paragraph (6)

Sufficiently clear.

Number 3

Article 64

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The administrative penalty in the form of a fine of 4 (four) times the excise value that should otherwise be paid is considered sufficient to provide deterrence and embodies the balance between restorative justice and fiscal recovery.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

For cases that have been transferred to the court, the payment of the administrative penalty in the form of a fine for the termination of investigations referred to in paragraph (1) shall be considered by the public prosecutor to formulate an indictment without any corporal punishment.

The administrative penalty in the form of a fine paid by the defendant shall be calculated as payment for the fine sentence imposed by the

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judge.

Paragraph (5)

Payment of administrative penalty in the form of a fine by the suspect or defendant who has not fulfiled the amount in accordance with the provisions referred to in paragraph (2), shall be calculated as payment for the fine sentence imposed by the judge, whereas the underpayment shall be borne by the defendant.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

“Other goods” refer to goods other than excisable goods involved in a crime that have been confiscated by the Civil Servant Investigators within the Directorate General of Customs and Excise, such as means of transport, communications equipment, storage media or places and documents and letters.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

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