

Indonesian Tax Info

September 2012



In This Issue:

1. [Revised Criteria of Certain Types of Housing Exempted from VAT](#)
2. [Update on Parking Services that is not Subject to VAT](#)
3. [Instruction to Use 2011 e-SPT for Filing Corporate Tax Returns](#)
4. [Update on Capitalization of Expenses for Procurement of Assets in Certain Industries](#)
5. [Tolerable limit in Measuring Bulk Export of Dutiable Goods](#)
6. [Prohibited Goods for Export](#)

Revised Criteria of Certain Types of Housing Exempted from VAT

In consideration of the burden on lower middle and/or low income taxpayer due to the rising prices of land and buildings, the Ministry of Finance ("MoF") issued a regulation No. 125/PMK.011/2012 ("PMK-125"), which acts as the third amendment to the existing MoF Regulation No. 36/PMK.03/2007 ("PMK-36") to revise the criteria of certain types of housings to be exempted from VAT. There are three criteria used by MoF to determine the non-VAT-able threshold for low-cost house ('Rumah Sederhana') and super low-cost house ('Rumah Sangat Sederhana'), i.e., the building size, the building sales price, and the status of ownership. PMK-125 specifically amends the criteria of the building sales price for these two types of housing, which are Rumah Sederhana and Rumah Sangat Sederhana, by increasing the non-VAT-able threshold on and applying different thresholds to four main regions from the previously single threshold, as follows:

1. From IDR 70 million to IDR 88 million covering the regions of Sumatera, Java, and Sulawesi, excluding Batam, Bintan, Karimun, Jakarta, Bogor, Depok, Tangerang, and Bekasi;
2. From IDR 70 million to IDR 95 million covering the regions of Kalimantan, Maluku, Nusa Tenggara Timur, and Nusa Tenggara Barat;
3. From IDR 70 million to IDR 145 million covering the regions of Papua and Papua Barat; and
4. From IDR 70 million to IDR 95 million covering the regions of Jakarta, Bogor, Depok, Tangerang, Bekasi, Bali, Batam, Bintan and Karimun.

The other criteria under PMK-36 and the subsequent amendments regarding building size threshold and status of ownership, remains unchanged (36m² and first house used by the owner themselves that is not to be transferred within 5 years of ownership).

PMK-125 is effective since the date of issuance on 3 August 2012.

Update on Parking Services that is not Subject to VAT

MoF Regulation No. 122/PMK.03/2012 ("PMK-122") was issued to revoke MoF Regulation No. 419/KMK.03/2003 ("KMK-419") regarding the VAT treatment on parking services.

Before PMK-122 was issued, there was ambiguity over the definition of "entrepreneur" in parking service business, particularly in the distinction of parking lot management service and valet parking management service, as the latter was not explicitly mentioned under the definition of "entrepreneur" whose service is subject to VAT.

PMK-122 now specifically clarifies that parking lot management entrepreneur shall include valet parking management entrepreneur. This clarification is considered necessary by the tax authority, as valet parking service has grown lately in the shopping centers area.

Meanwhile, the VAT treatment as stipulated in PMK-122 for parking lot service provider remain the same with those regulated under KMK-419, which is not subject to VAT.

This regulation is effective since the date of issuance on 17 July 2012.

Instruction to Use 2011 e-SPT for Filing Corporate Tax Returns

The Director General of Taxation ("DGT") issued regulation number 16/PJ/2012 ("PER-16") to instruct all corporate taxpayers to submit their Corporate Income Tax Return (SPT 1771) for fiscal year 2011 using the 2011 e-SPT format, as opposed to the older versions.

Corporate taxpayer can download the e-SPT form from the DGT website (<http://www.pajak.go.id>). Corporate taxpayers who had already submitted SPT 1771 for year 2011 using the e-SPT format for year 2009 before this regulation was issued are not affected. Their 2011 tax returns are considered as already submitted properly.

PER-16 is effective as of the issuance date on 2 July 2012.

Update on Capitalization of Expenses for Procurement of Assets in Certain Industries

On 6 August 2012, the MoF issued a regulation No. 126/PMK.011/2012 ("PMK-126") to amend the previous MoF Regulation number 249/PMK.03/2008 ("PMK-249"), which regulates the capitalization of expenses for procurement of assets of primary commodity in forestry, plantation, and farming industries.

PMK-126 attempts to clarify some of the provisions under PMK-249 as well as made several changes to them. The major changes are summarized in the table below:

Items	Old Rule (249/PMK.03/2008)	New Rule (126/PMK.011/2012)
Definition of "farm"	A farming Industry consisting of livestock that can multiple-produce and can only be <u>sold</u> after at least one year of nurturing	A farming Industry consisting of livestock that can multiple-produce and can only be <u>in production</u> after at least one year of nurturing
Classification of primary commodity fixed asset	Forest plants, <u>wood</u> , plantation plants, livestock including male cows	Forest plants, plantation plants <u>including spices and refreshments</u> , livestock including male <u>livestock</u>
Useful life of the fixed assets of the corresponding industries are now classified under the following group, pursuant to the Income Tax Law: - Forest Industry - Plantation Industry - Farming Industry	Not regulated Not regulated Not regulated	Group 4 Group 4 Group 2
In the event where the useful life of particular fixed assets is different with those provided under the regulation	Not regulated	Tax Payer must submit application to propose to the DGT to obtain the valuation of useful life on tangible assets according to actual useful life. If the proposal is not approved by the DGT, then this regulation prevails.

Transition rule for fixed assets that have been depreciated in accordance with PMK-249:

- The net book value of fixed assets with remaining useful life of more than one year based on PMK-126, shall be depreciated in accordance with PMK-126;
- The net book value of fixed assets with remaining useful life of one year or less based on PMK-126 shall be fully depreciated in fiscal year 2012;

- For fixed assets that are not considered as fixed assets under PMK-126, the Research and Development (“R&D”) expense of the fixed assets is capitalized during R&D period and is the part of cost of goods sold when the production of the fixed assets are sold, as long as the fixed assets has been depreciated as per PMK-249.

This MoF regulation is effective for fiscal year 2012.



Customs Focus

Tolerable Limit in Measuring Bulk Export of Dutiable Goods

On 6 August 2012, the Directorate General of Custom and Excise ("DGCE") issued a new regulation No.KEP-134/BC/2012 ("KEP-134") in order to set the tolerance limit when there is a difference between the measurement of export of dutiable goods in bulk performed by exporter and those performed by the DGCE for verification. These differences may be caused by several factors, among others, the physical nature of the goods and measurement method used. The tolerance limit of the said difference and the related customs treatments are stipulated as follow:

1. Measurement difference of 0.02% or less: the difference is considered as minor, therefore the export duty shortage need not to be paid/ collected by the DGCE, and in the case of overpayment it will not be refunded.
2. Measurement difference between 0.02% - 1%:
 - a. In the event of export duty underpayment, DGCE will collect the shortage but will not charge a penalty for the underpayment.
 - b. In the event of export duty overpayment, DGCE will refund the excess of payment.

Difference above 1% will be subjected to the normal rule. KEP-134 is effective as of 1 September 2012.

Prohibited Goods for Export

The Minister of Trade issued regulation No.44/M-DAG/PER/7/2012 ("MoT-44") on 18 July 2012 to stipulate additional items prohibited for export, adding to the several other prohibited goods for export issued under different regulations.

The Minister of Trade aims to:

- a. increase the competitiveness of national products;
- b. control exploitation of natural resources; and

- c. provide sufficient supply of raw materials for own domestic market's use.

Items prohibited for export under MoT-44 are:

Group Product	Coverage
Agricultural	Natural Rubber, i.e. Technically Specified Natural Rubber (TSNR) or Standard Indonesia Rubber (SIR) that does not meet National Standard (SNI) and other natural rubber
Forestry	Certain Woods and Rattans
Fisheries and Marine	Certain live fish, Giant Tiger Prawn, others
Industrial Products	Ferrous waste and scraps
Mining	Tin ores and concentrates, slag and hardhead of tin, natural sands, precious stones, etc.
Goods listed in appendix-I CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)	Mammals, Aves, Reptiles, Fish, Insects, etc.
Cultural heritage goods	Antique goods

This regulation is effective as of 19 July 2012.

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