

taxBlitz

Tax & Customs Update

Process Gets Easier, Pre-audit Refund Gets Quicker

Directorate General of Taxes (DGT) simplifies and speeds up the procedures for pre-audit refund of tax overpayment for selected Taxpayers under certain criteria, meeting certain requirements, or VAT Registered-Person (PKP) with low risk.

The phase of restitution or pre-audit refund of tax overpayment is shortened by only conducting simple administrative review.

The scope of review that will be performed by the DGT is merely to ensure the accuracy of tax amount stated and calculated; the completeness of credited income tax withholding or collection slip; and VAT In credited and/or self-paid by the Taxpayers.

Thus, the process of pre-audit refund of tax overpayment is promised to only take 1 (one) to 3 (three) months at maximum, depending on the types of tax and criteria of Taxpayers, which is shorter than the previous process that could take time up to 1 (one) year.

However, it does not mean that the audit will not be conducted. It is only postponed after the pre-audit refund of tax overpayment is given. Therefore, it does not omit the consequence of administrative sanction in the form of increase of 100% from the tax base if based on the audit result, any tax underpayment is discovered.

The policy is stipulated in Minister of Finance (MoF) Regulation Number 39/PMK.03/2018 on Procedures for Pre-audit Refund of Tax Overpayment, that was issued on and effective since 12 April 2018.

The details of classification of Taxpayers considered fulfilling the certain criteria, certain requirements, or PKP with lower risk are described further in the following table:

	Taxpayers with Certain Criteria	Taxpayers Meeting Certain Requirements	PKP with Low Risk
Criteria	<ul style="list-style-type: none"> a. submitting the Tax Return timely; b. not having tax arrears for any type of tax, except for those granted permission to pay in installment or to defer the payment; c. having financial statements audited by public accountant or governmental financial supervisory institution with unqualified opinion for 3 consecutive years; and d. never been convicted for committing any tax crime based on permanent court judgment over the last 5 years. 	<ul style="list-style-type: none"> a. Individual Taxpayers-not performing business or freelancers-submitting Annual Income Tax Return showing refund of tax overpayment; b. Individual Taxpayers-performing business or freelancers-submitting Annual Income Tax Return with the tax overpayment amount of maximum IDR100 million; c. Corporate Taxpayers submitting Annual Income Tax Return with the tax overpayment amount of maximum IDR1 billion; or d. PKP submitting Periodic Value Added Tax (VAT) Return with the tax overpayment amount up to IDR1 billion. 	<ul style="list-style-type: none"> a. companies whose shares are traded in stock exchange in Indonesia; b. companies whose majority of shares are owned directly by central government and/or local government; c. PKP who has been stipulated as Main Customs Partner; d. PKP who has been stipulated as Authorized Economic Operator (AEO); e. manufacturer or producer-other than PKP as referred to in letter a until letter d-having place to run production activities and submitting Periodic VAT Return timely for the last 12 months; or f. PKP submitting Periodic VAT Return with the tax overpayment amount of maximum IDR1 billion.
Deadline of Advance Tax Overpayment Refund Decree (SKPPKP) Issuance	<ul style="list-style-type: none"> • 3 months for Income Tax • 1 month for VAT 	<ul style="list-style-type: none"> • 15 business days for Individual Taxpayer Income Tax; • 1 month for Corporate Income Tax; • 1 month for VAT. 	<ul style="list-style-type: none"> • 1 month

Taxpayers with Certain Criteria

The regulation of pre-audit refund of tax overpayment for Taxpayers with Certain Criteria has been amended several times from those regulated in PMK Number 74/PMK.03/2012 on Procedures for Stipulation and Revocation of Stipulation of Taxpayers with Certain Criteria in terms of Pre-audit Refund of Tax Overpayment.

Previously, the stipulation of Taxpayers with Certain Criteria status is based on the request submitted by Taxpayers or stipulation ex-officio by the Director General of Taxes. In the new regulation, the stipulation is only based on the Taxpayer's request to local Tax Office.

The mechanism of request submission and stipulation of Taxpayers with Certain Criteria is still the same, which shall be applied on 10 January at the latest and the approval/rejection by the DGT is within 1 (one) month at maximum after the application.

The decision upon the stipulation of Taxpayers with Certain Criteria prevails since the stipulation date until the revocation is conducted by Director General of Taxes. It is different from the last regulation, in which the effective period of decision of stipulation of Taxpayers with Certain Criteria was restricted only for 2 (two) calendar years.

If it passes the review phase and the calculation of the tax overpayment amount is accurate, the DGT will issue the SKPPKP at maximum of 3 (three) months for Income Tax or 1 (one) month for VAT. If the DGT's response or the SKPPKP issuance exceeds the determined deadline, the request of pre-audit refund of tax overpayment is deemed granted.

Taxpayers Meeting Certain Requirements

Regarding the procedures for pre-audit refund of tax overpayment for Taxpayers considered meeting certain requirements, the stipulation procedures are almost the same as those of Taxpayers with Certain Criteria. It is just that the Government changes the limit of maximum overpayment amount that can be refunded.

For Individual Taxpayers running business or freelancers, the amount of tax overpayment that can be given the pre-audit refund is increased from previously IDR10 million at maximum to IDR100 million. Meanwhile, for Corporate Taxpayers, the amount of tax overpayment that can be given pre-audit refund is of IDR1 billion at maximum, increasing from the previous amount that was only IDR100 million. Similarly, for PKP with low risk, the amount of tax overpayment that can be given the pre-audit refund increases from previously IDR100 million to IDR1 billion at maximum.

The period of SKPPKP issuance for Taxpayers Meeting Particular Requirements is still under the previous regulation, which is 15 (fifteen) business days at maximum for pre-audit refund of Individual Income Tax; 1 (one) month for pre-audit refund of Corporate Income Tax, and 1 (one) month for pre-audit refund of VAT. If the period elapses without any notification, the Taxpayer's request is automatically considered granted and the DGT is obliged to issue the SKPPKP.

PKP with Low Risk

PKP stipulated having low risk, under prior request submission, could be given the pre-audit refund of VAT overpayment in each tax period.

The scope of PKP with low risk criteria eligible to submit request of pre-audit refund of tax overpayment is expanded by adding the criteria of company categorized as Main Customs Partner and company that has been stipulated as AEO. To prove their status, every Main Partner PKP and AEO PKP shall enclose the decision letter as Main Customs Partner and decision letter as AEO in submitting the request.

The pre-audit refund of VAT could also be given to manufacturers or producers having place to run their production activity; or PKP whose VAT overpayment refund in their Tax Return is not more than IDR1 billion.

In the last regulation-PMK Number 71/PMK.03/2010 on VAT-Registered Person Given Pre-audit Refund of Tax Overpayment-one of the criteria of PKP with low risk eligible for the refund granting is Public Company whose at least 40% shares are traded in stock exchange in Indonesia.

Meanwhile, in PMK Number 39/PMK.03/2018, the criterion is revised to “company whose shares are traded in stock exchange in Indonesia”, without stating the limit of traded shares.

Furthermore, the requirements for VAT Registered-Manufacturer—obliging that the value of Taxable Goods sold in the previous year amounting to 75% at minimum is derived from their own production—are revoked.

Besides, the requirement of Unqualified Opinion (WTP)—based on the audit result by public accountant—of financial report for the last 2 (two) years for VAT Registered-Manufacturer, is also eliminated in the new pre-audit refund of VAT overpayment regulation.

Especially for request of pre-audit refund of VAT overpayment submitted by PKP with low risk, the DGT conducts two stages of review. *First*, review of formal obligation to ensure the validity period of the PKP with low risk status; that no preliminary evidence audit and/or investigation of taxes crime is being conducted towards PKP; and PKP is not convicted for committing any tax crime based on permanent court judgment over the last 5 (five) years.

Second, performing follow-up review to ensure the accuracy of tax amount stated and calculated; that the credited VAT In has been reported in Periodic VAT Return by PKP issuing the Tax Invoice; and that the self-paid VAT In has been validated with State Revenue Transaction Number (NTPN).

If based on the review result, PKP formal obligation is fulfilled and there is tax overpayment, Director General of Taxes will issue the SKPPKP within a maximum period of 1 (one) month since the request is received. If the period elapses, the PKP request is considered granted.

Status Revocation

The DGT may revoke the status of Taxpayers with Certain Criteria; Taxpayers Meeting Certain Requirements; and PKP with low risk if the Taxpayers no longer meet the required provisions, among others, late in submitting the Annual Tax Return and/or Periodic Tax Return, or committing any tax crime that raises preliminary evidence audit or investigation.

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