Doing Business in Indonesia

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Introduction

About Vistra

Ranked among the top three corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities span across international incorporations to trust, fiduciary, private client services as well as fund administration.

We have a strong presence internationally, with offices throughout the Americas, Europe, Middle East, and Asia Pacific.

As a leading global player with expert industry knowledge and location specialists, Vistra has a deep understanding of the professional worlds of our clients and a proven track record of offering highly versatile solutions, providing the people, processes, and products that help our clients get the most from their international business.

Our mission is to support companies in their expansion and operations in Indonesia, providing the necessary peace of mind to focus on their core business. We provide a wide range of specialized services that are tailor-made to fulfill the exact needs of our business partners letting them grow.

Introduction to Indonesia

Why Do Business in Indonesia?

With approximately 263.9 million citizens, Indonesia is the fourth most populous country in the world. Following this fact, Indonesia is also well-known as the biggest archipelago and home of the largest Muslim population in the world. Not only that, its political stability and the focus on the development on infrastructures has also become another appealing point which makes Indonesia a popular destination for many investors.

Investing in Indonesia is much easier now, particularly with the recent deregulation policies issued by the government which are designed to invite more investors to the Indonesian market, offering countless business opportunities to the investors.

As a developing country, Indonesia has shown significant growth over the last decade. Indonesia has demonstrated a lot of improvement in many sectors which supports investment activities within the country. Being a member of G20 and the driving force within the Association of Southeast Asian Nations (ASEAN), Indonesia also plays a growing role at the multilateral level.

The Difficulties of Doing Business in Indonesia

Foreign Direct Investment

According to the regulation number 24 year 2017, in order to invest in Indonesia, foreigners must follow certain rules that are regulated by the Indonesian government. This regulation states that FDI companies are granted equal rights and responsibilities within the Indonesian law and are subjected to minimum restriction.

This restriction is in the form of a list known as Negative List. This list provides critical information to companies before they enter the Indonesian market regarding which business activity is allowed for foreign companies to operate in Indonesia and which business sector is closed for foreign investment.

Indonesia Investment Coordinating Board, also known as BKPM, is the organisation responsible for monitoring all investment activities in Indonesia.

Negative List

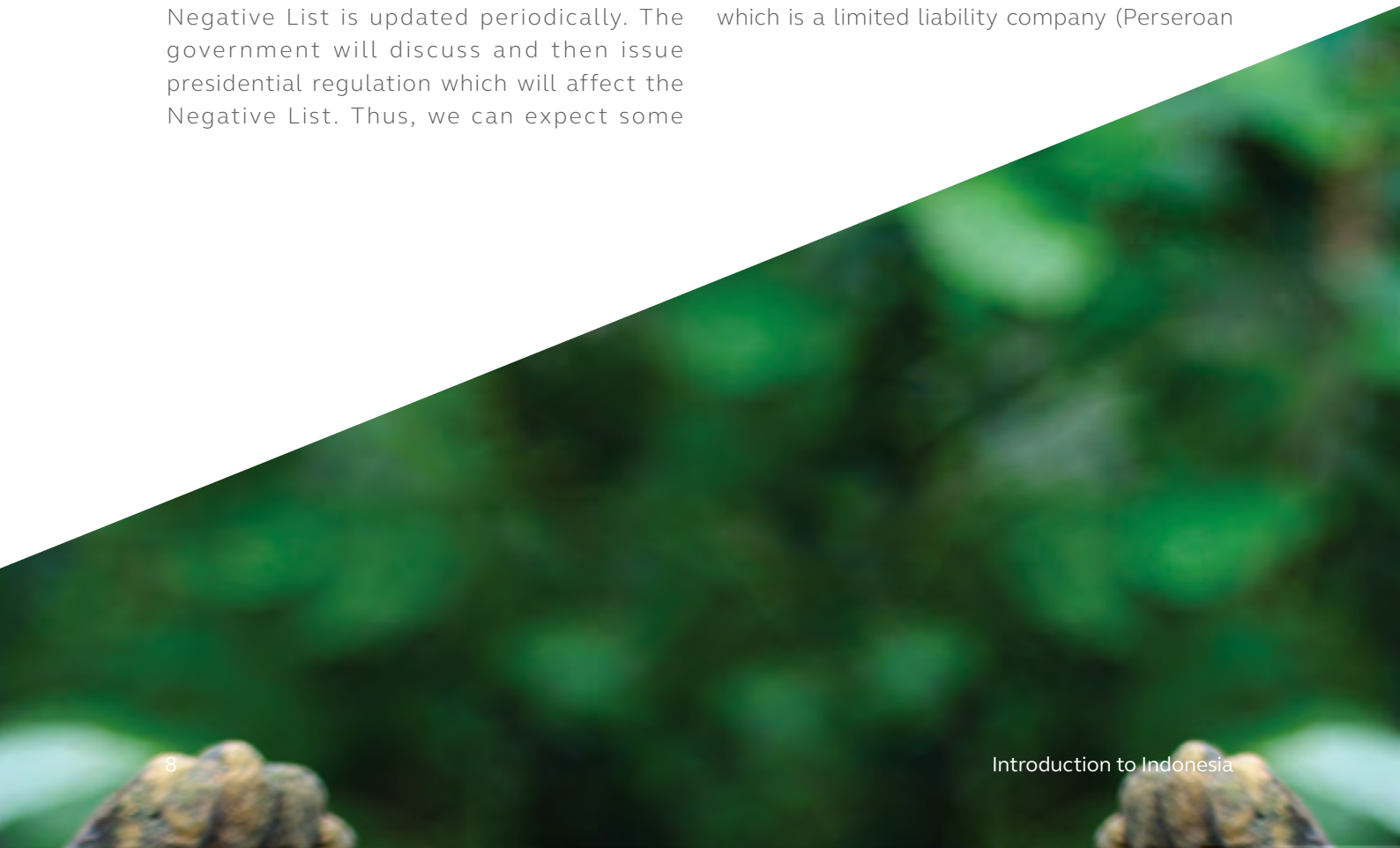
Negative List is updated periodically. The government will discuss and then issue presidential regulation which will affect the Negative List. Thus, we can expect some changes from time to time in which business sectors are opened or closed for foreign investments. Some sectors require foreign companies to partake in a partnership agreement with local company in order to conduct business activities.

Revising and making amendments to the Negative List, along with being a member of the ASEAN Economic Community (AEC), illustrates the government's continuous efforts in increasing investment activities in Indonesia.

The most recent amendments to the Negative List is Number 44 Year 2016, signed by President Joko Widodo on May 12, 2016. These new decrees are meant to be the substitute for the previous decree which is Presidential Decree Number 39 Year 2014.

PT PMA

The only corporate entity that is allowed for direct investment is Penanaman Modal Asing (PT PMA) which is a limited liability company (Perseroan



Terbatas or PT). This entity allows foreign shareholders and directors. This is regulated by the law number 40 year 2007, regarding limited liability companies that states, a company will be regarded as PT PMA when some of their shares are owned or purchased by foreign party.

A foreign-owned company in Indonesia has the per-mission to operate in the same practice as a locally owned company. It also has the right to establish a company of which 100% of its shares are foreign owned, as long as it does not cross the Negative List or any regulation.

For a PT PMA (Foreign Owned Private Limited Liability) to achieve the status as an active and operating company in Indonesia, it has to meet all the requirements and prerequisites determined by the government, or in this case, BKPM.

Minimum Total Investment

BKPM requires a foreign owned company to invest at least Rp 10 billion in order to obtain the proper permits to conduct business legally. The investment amount is measured by the submission of investment plan / business plan prior to obtaining the business licence. The business plan must detail the amount of investment allocated to the company, for instance land / building, equipment, working capital, etc.

Initial setup of a company requires you to have paid 25% of the total capital of the company. However, at a later stage it is required to present evidence that the company either has a net worth of at least Rp 10 billion (excluding land and building), or generates revenue of at least Rp 50 billion a year.

Corporate Structure

Corporate laws of Indonesia require limited liability companies to have at least two shareholders with a minimum of Rp 10 million worth of shares to be held per shareholder in a company. Regulations also require at least one active director and a commissioner to be listed as the responsible person.

Establishment Procedure

Registering a company in Indonesia involves registration with more than one government institution. Among the institutions are BKPM, Ministry of Law & Human Rights, Regional Administrative Office, Tax Office and the City Hall.

The first permit to be obtained depends on the type of business activity. Some lines of businesses require initial approval permit or 'principle licence' to be issued by BKPM before making a Notarial Deeds of Establishment and registration with the Ministry of Law & Human Rights. Otherwise, shareholders can register the company by obtaining the Deeds of Establishment / Articles of Association.

Once the company has been officially registered in the Ministry of Law, the company will then need to register with the Regional Administrative Office to obtain the Domicile Letter, which contains certification from the Regional Administrative Office to prove that the company is indeed registered in the stated premises.

Registration with the tax office is to follow after obtaining the Domicile Letter. Once registered, the company will obtain the Company Taxpayer Identification / Corporate Tax ID. Once the licence has been obtained, the company is obliged to comply with all the current laws and regulation regarding tax, including submission of monthly and yearly tax reports and payments.

Other supplementary (but necessary) registration must follow accordingly, such as registration with the City Hall to obtain the Company Registration Certificate.

After all the aforementioned legal documents have been acquired, the company is then officially registered in Indonesia. With the set of legal documents, the company is able to open a bank account, apply for working permit for its expatriates, etc. Upon completion of the preparation stage, the company must obtain a business licence. Unless an industry-specific licence is required, the business licence for foreign-owned entity is commonly issued by BKPM.

Recent development in laws and regulations indicates that initial investment capital has to be realized within three to five years for industry and manufacturing sectors. Business in service and trade sectors must realize the minimum investment capital within one year. Failure to do so will result in the company being granted a temporary business licence instead of a permanent one. The temporary business licence is valid for six months and is suitable for companies that will be fulfilling the minimum investment plan of Rp 10 billion.

Business Environment in Indonesia

Legal Entities in Indonesia

Representative Office

Foreign companies in Indonesia are allowed to set up a representative office for a certain period of time. Most of the representative offices however are not permitted to generate any kind of income or perform any direct commercial activities.

The representative office is restricted for marketing activity, promotional, liaison and market research purposes. Below are the different types of representative offices, which are allowed to be established in Indonesia:

Standard Representative Office (KPPA)

A Standard Representative Office of a foreign company in Indonesia has limited capacity in terms of doing business:

- Preserve, control and manage the interest of the mother company or its affiliates
- Preparation for setting up and development of limited liability company incorporation in Indonesia or other countries
- Conducting research for Indonesian market

The licence of a Standard Representative Office is valid for three years, which can be extended. A recently passed regulation indicates that there is no limitation in terms of renewal of the licence.

Trading Representative Office (KP3A)

A Trading Representative Office is a more specific type of entity for trading companies. This type of entity is allowed to operate as buying / selling agents of the mother company. Nevertheless, the entity is still not allowed to generate any form of income or revenue, and all transactions need to be conducted directly between the customer and the mother company.

The sole purpose of the entity is to support the mother company's interest in Indonesia. Marketing or promotional activity is allowed for this type of entity.

Unlike a Standard Representative Office, the lifespan of a KP3A is relatively unlimited, the company will initially have to obtain a temporary licence before getting a three-year renewable licence.

Construction Representative Office

(Badan Usaha Jasa Konstruksi Asing – "BUJKA")

The term BUJKA refers to any construction company that operates 100% outside of Indonesia with overseas headquarters and is formed under the regulations of a foreign nation; it also needs to have plans to open a representative office and operate in Indonesia as an extension of the parent company. However, a BUJKA entity can only do construction works in Indonesia through a joint operation agreement with a local construction company.

This is because BUJKA entity is not eligible to obtain Construction Business Licence (SIUJK / Surat Izin Usaha Jasa Konstruksi). The types of construction services that can be provided by BUJKA include:

- Construction planning, design or engineering services
- Project management or supervisory services related to construction
- Construction and commissioning services

In terms of the validity of the BUJKA licence, it expires after three years, but can be renewed, if needed, for a duration of three more years for every extension, with no limits on the number of extensions.

There are also administrative fees for acquiring and maintaining the BUJKA licence, which amounts to USD 5,000 for construction consultant and USD 10,000 for construction contractor as of Article 7 Ministry of Public Works No. 05/PRT/M/2011.

Unlike companies that are trying to establish PT PMA, BUJKA does not require a minimum investment as it is considered the same as opening a representative office. The most noticeable difference however, is that BUJKA entities can still conduct financial transactions in Indonesia, and this is a huge advantage compared to a representative office in other sectors of business as they are not allowed by Indonesian regulation to realize the profits in Indonesia as stated in Article 24 BKPM No. 15/2015. Generally speaking, it takes approximately six to seven months to process the licences by the Foreign Construction Representative Office (BUJKA).

Land Rights

Under the Indonesian regulations, foreign investment companies are not permitted to own land, also known as 'Hak Milik', which gives the companies right to fully own a land for an unlimited time.

On the other hand, foreign companies are permitted to cultivate a land (HGU) for 25 to 35 years depending on the business activities. Another option is Hak Guna Ban-gunnan (HGB), which allows a FDI company to build on the land for 30 years and it can be amended to 'Hak Pakai', which is the right to use the land for specific period of time determined by the authorities.

Labour and Social Security Regulation

According to Indonesian Labour Law, employees are required to pay certain benefits during the sequence of employment. Labour Law sets out general principles and requirements for labour and employment matters, among other things:

- Employment agreements, company regulations, collective labour agreements, which protect certain category of employees, such as female workers, disabled workers and child workers
- Working hours (including overtime)
- Health and safety principles, wages (including the principles on minimum wage)
- Paid leave (annual leave, sick leave, religious leave, etc.)
- Welfare facilities
- Principles of the industrial relationship
- Outsourcing strikes and lock outs
- Termination of employment

According to Minister of Manpower Regulation No. 6 of 2016, all employers are required to provide Religious Holiday Allowance (THR) to employees with at least one month of service. THR is a mandatory labour allowance, provided by the employer, for workers in Indonesia to celebrate religious holidays.

In addition to the mandatory THR law, Indonesia also regulates law for annual leave, sick leave, maternity leave, and other types of leave. Employees are entitled to 12 days of paid time off for annual leave after 12 months of continuous service and allowed to have absence due to illness or injury without having to deduct the workers' days of annual leave. Continuous leave must be provided by the employer to employees who are ill if a written statement from a physician is provided.

Badan Penyelenggara Jaminan Sosial (BPJS)

BPJS Manpower is the governing body in Indonesia that covers social security programmes. Contrary to average social security, Indonesia has two separate entities that cover each aspect individually, BPJS Manpower and BPJS Health.

BPJS Manpower

BPJS Manpower entitles an individual to specific rights and responsibilities that is mandatory for businessman and manpower based on 1992 Regulation no. 3, which contains laws and regulation regarding work-related accident insurance, pension funds, and death insurance.

BPJS Health

BPJS Health is a governmental institution that governs the health insurance coverage for every person who is working in Indonesia. It is applicable to every Indonesian and primarily to civil workers, retired TNI/POLRI officers and every private employee.

This is mandatory for every Indonesian citizen or anyone that resides in Indonesia for more than six months according to Article 14 of BPJS Regulation. Every company has to register their employees to BPJS Health and every family member also has to register themselves with BPJS Health.

Limited Stay Permit (KITAS)

There are also detailed regulations regarding the employment of expatriates. Every foreign citizen who is legally employed in Indonesia must have Indonesia Limited Stay Permit or in Indonesian term, KITAS. Before considering getting the permit, foreign workers must first be qualified to obtain a working visa. General qualifications include but not limited to the following:

- Academic background in the related field for the position the worker is to occupy
- Minimum five years of working experience related to the position
- Proof of health insurance for the stay in Indonesia
- Passport must be valid for at least 12 months to apply for a 6-months KITAS and 18 months for a 12-months KITAS

Foreigner Manpower Utilization Plan (RPTKA) and Working Permit (IMTA)

Once the foreign worker is qualified, the company whom the foreign worker works for has to state why the employee's expertise is needed and it has to be submitted to the Ministry of Manpower.

In order for RPTKA applications to get approved, all companies employing foreign workers must pass the interview organized by the Ministry of Manpower. Once the company receives an approval, the company will have to apply for a working permit, known as IMTA. The Ministry of Manpower will issue a pre-IMTA or pre-working permit, which states how long the foreign worker will be able to stay in Indonesia.

Indonesian Tax System

Corporate Income Tax

A flat rate of 25% applies. The tax reduction up to 50% is granted for corporate taxpayers with annual gross revenue less than Rp 50 billion. Based on Government Regulation no. 23 year 2018, when a company has less than Rp 4.8 billion in revenue, they can enjoy a final corporate income tax rate of 0.5%, under the conditions, which have been established by the Directorate General of Tax.

Tax Payment

Payable corporate income tax is settled usually by self-payment, withholding by third parties, or a combination of both. The methods mentioned apply to foreign companies that have been established in Indonesia. However, if the foreign company has yet to establish a company in Indonesia, then their tax liabilities in Indonesia must be settled by withholding the Indonesian party that pays the income.

Calculation of Taxable Income – Non-Deductible Expenses

In general, legitimate business expenses are deductible from the assessable income. Referring to the Regulation of Income Tax No. 36 year 2008 Article 6, there are several expenses that are not allowed to be deducted from income tax. These include, among others:

- Benefits in kind provided by the employer to the employee, 50% of depreciation operating and maintenance costs for cars and mobile phones provided to the employees
- Distribution of profits
- Gifts and donations, except Zakat (Islamic alms)
- The creation of general provisions / reserves; except for doubtful debts provisions for banks, insurance companies and financial lease companies, and provisions for the reclamation costs of mining companies, income tax
- Tax penalties
- Expenses related to income, which is taxed through a final rate withholding tax system and income that is otherwise exempt from tax; and private expenses

Tax System

Tax returns are filed by taxpayers. Members of a group of companies are usually taxed individually as there is no provision group available. Effective from fiscal year 2008, the limitation for tax return is limited to five years.

Tax Incentives

With the recommendation from Indonesia Coordinating Investment Board (BKPM), the Directorate General of Taxes (DGT) may grant tax incentives to limited enterprises (PT) to their investments in certain business areas in certain regions. Some incentives are as follows:

- Reduction in income tax subject up to 5% per year of the invested capital within six years of commercial production. The asset shall not be transferred within this period
- Acceleration of depreciation
- Carry-over of tax loss up to 10 years
- A reduction of 10% in the withholding tax on dividends paid to non-residents

Transfer Pricing

Transactions between related parties must be dealt with consistently and under the constituency of Indonesia's Tax Regulation. Should there be a violation, DGT is authorized to recalculate taxable income or deductible costs from such transactions with reference to the current law. In this situation, taxpayers are responsible in maintaining and providing information to strengthen their pricing methods.

From tax year 2002, taxpayers should provide a disclosure on transactions that involve special relationships.

Personal Income Tax

Individual income tax is the deduction for any additional economic benefits earned by a person in any forms such as salary, allowances, bonus, fee, etc. To be an individual taxpayer, someone should be domiciled in Indonesia or stay in Indonesia for more than 183 days in any 12-month period, are present in Indonesia in a tax year and intend to reside in Indonesia.

Individual taxpayers become the subject of income tax with general rates as follows:

Taxable income (Rp)	Rate
0 – 50,000,000	5%
50,000,001 – 250,000,000	15%
250,000,001 – 500,000,000	25%
Above 500,000,000	30%

Payments of individual income tax are mostly done by withholding third parties. Employers are required to withhold the income tax from the salaries and other compensations / allowances payable to their employees on a monthly basis.

For non-resident individuals or those who are present in Indonesia less than 183 days with no intention to reside, they also become the tax subject if they accrue any income from Indonesia. Such payments, including dividends, interest, royalties, rents of property, prizes or awards, and payment for technical and managerial services, will be subject to a 20% withholding tax.

Other Taxes

Withholding Taxes

Taxpayers are subject to a number of obligations to withhold taxes on various payments to residents and non-residents. The withholding tax represents either a final income tax on the income of the recipients or prepaid tax that is refundable to lessen their final tax liability. Withholding tax must be paid by the 10th day of the month or accrued in the books.

Article 21 Income Tax (PPh 21)

Employers are required to withhold PPh 21 from the salaries payable to their employees and pay the tax to the State Treasury on the employees' behalf. This also applies to other payments to non-employee individuals. Resident individual taxpayers without NPWP (Tax Identity Number) are subject to a 20% tax rate in addition to the standard withholding tax.

Article 22 Income Tax (PPh 22)

PPh 22 is applicable to the following types of transaction:

Event	Tax Rate	Tax Base
(1) Import of goods using an importer identification number (Angka Pengenal Impor / API):		
a. Certain end customer goods	7.5%	Import value (I,e., CIF value plus duties payable)
b. Soybeans, wheat and flour wheat	0.5%	
c. Other than (a) and (b)	2.5%	
(2) Import of goods without an API	7.5%	Import value (I,e., CIF value plus duties payable)
(3) Auctioned imported goods	7.5%	Auction prices
(4) Sale of goods to the government requiring payment from the State Treasuryand Proxy of Budget User (Kuasa Pengguna Anggaran / KPA)	1.5%	Selling prices
(5) Sale of goods to state-owned enterprises (Badan Usaha Milik Negara / BUMN)	1.5%	Selling prices
(6) Purchase of oil fuel by state-owned gas stations	0.25%	Selling prices
(7) Purchase of oil fuel by private gas stations	0.3%	Selling prices
(8) Purchase of oil fuel by parties other than state and private gas stations	0.3%	Selling prices
(9) Purchase of gas fuel	0.3%	Selling prices
(10) Purchase of lubricants	0.3%	Selling prices
(11) Purchase of cement by local distributors	0.25%	Selling prices
(12) Purchase of paper products by local distributors	0.1%	Selling prices
(13) Purchase of steel products by local distributors	0.3%	Selling prices
(14) Purchase of automotive products by local distributors	0.45%	Selling prices
(15) Purchase of pharmaceutical products by local distributors	0.3%	Selling prices
(16) Purchase of motor vehicles from Sole Agents (Agen Tunggal Pemegang Merek / ATPM), Agents (Agen Pemegang Merek / APM) and general importers	0.45%	Selling prices
(17) Purchase of materials by manufacturers or exporters in forestry, plantation, agriculture, cattle breeding and fishery from wholesalers	0.25%	Selling prices
(18) Purchase of very luxurious goods	5%	Selling prices

Article 4 (2) – Final Income Tax (PPh Final)

Resident companies, representatives of foreign companies, organisations and appointed individuals are required to withhold final tax from the following gross amount of the payments:

Article 4 (2) [PPh 4 (2)] – Final			
Description	Tax Rate		
(1) Rental of land and / or buildings	10%	Payment on the 10th of the following month	Reporting on the 20th of the following month
(2) Proceeds from transfers of land and building rights	5%		
(3) Fees for construction work performance	2-4 %		
(4) Fees for construction work planning	4 or 6 %		
(5) Fees for constructions work supervision	4 or 6 %		
(6) Interest on time or saving deposits and on Bank Indonesia Certificates (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds	20 %		
(7) Interest on bonds other than that payable to banks operating in Indonesia and government-approved pension funds	15%		
(8) Sale of shares on Indonesian stock exchanges. Founder shareholders may choose to pay tax at 0.5% of the market price of their shares upon listing. If they do not choose this, gains on subsequent sales are taxed under normal rules (under certain taxtreaties, this tax may not be due)	0.10%		
(9) Income from lottery prizes	25%		
(10) Certain income received by individuals and corporate with gross turnover of not more than Rp 4.8 billion in one fiscal year	0.5%		

Article 23 Income Tax (PPh 23)

There are certain types of income paid or payable for resident taxpayers that are subject to PPh 23. Some of the transactions are as follows:

- Dividends and interest, including premiums, discounts and loans guarantee fees, royalties, prizes and awards are subject to a 15% tax rate based on the gross amount
- Fees for services, such as technical, management, consulting, design, labour supply / outsourcing, cleaning, catering are subject to a 2% tax rate based on the gross amount
- If the company sells service, the clients should deduct 2% from the gross amount and the company could credit this tax under their annual tax

Article 26 Income Tax (PPh 23)

Resident taxpayers, organisations and representatives of foreign companies are required to withhold tax at a rate of 20% from the gross amount payments to non-residents, such as:

- Dividends
- Interest, including premiums, discounts and guarantee fees

- Royalties, rents and payments for the use of assets
- Fees for services, work, and activities
- Prizes and awards
- Pensions and any other periodic payments
- Swap premiums and other hedging transactions
- Gains from debt write-offs
- After-tax profits of a branch or PE

Value-Added Tax

Value-Added Tax (VAT) is typically due on events involving the transfer of taxable goods or the provision of taxable services in Indonesian customs area. Companies and individuals designated as taxable enterprises (Pengusaha Kena Pajak (PKP)) are required to report their business activities and settle the VAT liabilities every month. Under Indonesia's VAT system, all supply of goods and provision of services are subject to a 10% tax. VAT applies to all manufactured goods, either produced locally or imported. VAT also applies to intangible goods (including royalties) and all services provided outside Indonesia to Indonesian business. Two common types of VATs are:

- VAT In, occurs when a taxpayer buys goods or services
- VAT Out, occurs when a taxpayer sells goods or services

VAT inputs are creditable against VAT outputs and taxpayers can take full advantage of this to reduce their tax payable. As such, VAT has also become a major source of revenue for the government.

All goods and services constitute taxable goods or services. However, the Indonesian government puts a negative list for goods and services that are categorized as non-taxable with certain exceptions listed as follows:

Non-taxable Goods

- Mining or drilling products extracted directly from the source, such as crude oils, natural gas, geothermal energy, coals, sand and gravel, iron ore, copper ore, gold and silver ore, and bauxite ore
- Basic commodities such as rice, salt, corn, soy beans, money, gold bars, and securities

Non-taxable Services

- Medical health services
- Social services such as orphanages and funeral services
- Mail services using stamps (already regulated in stamp duty)
- Financial services
- Insurance services
- Religious services
- Educational services
- Art and entertainment services
- Broadcasting services not for commercial activities
- Public transportation on land and water that is an integral part of an international air transport
- Manpower services
- Hotel services
- Public services provided by the government
- Parking area services
- Food or catering services

Value-Added Tax for Luxury Goods

Luxury goods tax is levied on a variety of goods with rates ranging from 10% to 125% and is applied upon importation. Luxury goods tax applies on an item only once, and it will be charged either on importation of the good or on delivery by the manufacturer to another party.

To ascertain whether the items are subject to luxury goods tax, please refer to the Customs Book using the relevant harmonized system (HS) code.

Group	Luxury Goods Tax Rate
Luxury residences: house, apartments, condo, town houses	20%
Shotguns and other arm cartridges, firearms, except for state purposes	40%-50%
Aircraft other than for state or commercial air-transport purposes	50%
Luxury cruisers	75%

Land and Building Tax

Land and building tax is applicable on every piece of land and / or building. The effective rate is either 0.1% or 0.2 % of the NJOP (Nilai Jual Objek Pajak / government's pre-determined value of land and building)

Import and Excise Duties

Import duty is payable at rates from 0% – 150% on the customs value of imported goods, with the highest rate currently at 40%.

Group	Goods	Rate
Automobiles	Commercial and personal use	5%-50%
Automobile components	Half knocked down	0%-7.5%
	Individual parts	0%-10%
Vessels	Ships, boats or floating structures	0%-5%
Aircraft	Helicopters, planes, parachutes, aircraft gears	0%
Electronic goods	Camera, televisions, refrigerator, mobile phones	0%-15%
Textile, ready-to-wear products and accessories	Bags, footwears, apparels, clothing	5%-35%
Beverages, alcoholic drinks, ethyl alcohol	Beer, wine, spirits, other alcoholic beverages	5% – 150% or Rp 14.000/ltr
Agricultural products	Animal & vegetable products	0%-30%
Furniture	Matress, sofas, lamp and lighting fittings	5%-20%
Toys	Games and sports, video games, parts and accessories	5%-20%
Plastic, wood and steel products	Plastic, wood, steel products	0%-25%
Rubber products	Rubber products and other article thereof	0%-15%
Others	Pharmaceutical and chemical products, artworks, arms and ammunitions, musical instruments	0%-40%

Excise is imposed on certain goods of which distribution and consumption needs to be controlled. Such goods that are subject to excise include:

Group	Rate
Ethyl alcohol	Rp 20,000/litre
Alcoholic drinks	Rp 13,000/litre – Rp 139,000/litre
Concentrated ethyl alcohol	Rp 100,000/litre
Tobacco products	Rp 22,000 – Rp 110,000/sack or gram

Stamp Duty

Stamp duty applies to financial transactions, deeds and receipts, and the rates are between Rp 3,000 and 6,000 for transactions below and above one million Rupiah respectively. Penalty for any unpaid or underpaid stamp duty is 200% of the duty payable / underpaid. Criminal sanctions may also be imposed for certain actions such as forgery or storing equipment to forge stamps.

Procedural Issues

Delayed Tax Payment Consequences

Taxpayers are required to pay the underpaid tax stated in a tax collection instrument within a month of the instrument date. Late payments of the above taxes incur interest penalties at 2% per month, with a maximum of 48%. Part of a month, for example a single day, is considered as a full month. Late filing of a tax return or failure to file a tax return incurs an administrative penalty at the following amount:

Type of Tax Return	Rp
VAT return	500,000
Other monthly tax	100,000
Return individual	100,000
Income tax return	1,000,000

Tax Assessment and Tax Audit

Indonesia adopts a self-assessment system where taxpayers are trusted to calculate, pay, and report their own taxes by themselves in accordance with rules and regulations. However, the DGT may conduct audit and issue tax assessment letters that outlines interest and administrative penalties and informs taxpayer if they have not fully paid their tax liabilities.

DGT usually conducts tax audit within five years after a tax year has ended. A return that is lodged showing an overpayment of tax will cause a tax audit and resulting in assessment which can be a nil, underpayment, or overpayment.

Tax Dispute Resolution

If taxpayers do not agree with the assessment issued by DGT, they may file an objection within three months from the date of issue of the assessment letter. In addition, taxpayers should provide reasons for the disagreement with the assessment.

DGT will issue the decision on the tax objection within 12 months. If taxpayers do not accept the decision, they may issue an appeal within three months in front of the Tax Court or the Supreme Court for some instances.

Your Partner in Indonesia

How Vistra Can Help Grow Your Business in Indonesia

As a leading global corporate service provider with expert industry knowledge and location specialists, Vistra is the perfect partner for clients looking to expand into new markets. We have a deep understanding of the professional worlds of our clients, and a proven track record of offering highly versatile solutions, providing the people, processes, and products that help clients get the most from every stages of their business in Indonesia and beyond.

We provide one-stop-service solutions on company formation, pre- and post-incorporation advisory and outsourcing services including tax and legal compliance, accounting, payroll, recruitment and corporate secretarial services, enabling our clients to focus on their core businesses.

Our clients come from a wide variety of industry and are of all scales, ranging from large multinational corporations to publicly listed companies, SMEs and public institutions. We combine our extensive network with our deep knowledge of the country to help you achieve your business goals.

Our Services

Pre-Incorporation

- Entry strategy development
- Business plan development
- Market entry consulting
- Company representation

Incorporation

- Company formation (PT PMA, BUJKA, Rep. Office, etc.)
- Business licences

Post-Incorporation

Legal Compliance & Admin

- Extension of licences
- Business activity
- Registration of BPJS
- Deregistration
- Bank account opening

Accounting, Tax & Payroll

- Bookkeeping
- Financial accounting
- Corporate & personal tax
- Compliance
- Payroll services

Recruitment & HR Solutions

- Visa applications
- Working permits (KITAS, IMTA)
- Recruitment & HR services
- Employment contracts

Intellectual Property Rights

- Trademarks
- Industrial designs
- Copyrights
- Patents

Product Registration

- BPOM registration
- Product standardization (SNI)
- Halal certification
- Medical device registration
- Machine registration

Escrow Services

Provision of escrow accounts

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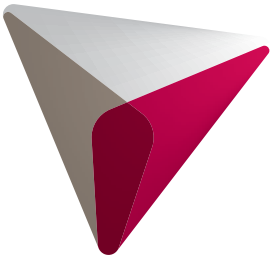
08/2018



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