



Law Number No 11 of 2020

# EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR

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Director General of Taxation



The Omnibus Bill on Job Creation had been **officially passed into law** by The House of Representatives of Republic of Indonesia on October 5<sup>th</sup> 2020 which was later legalized and enacted on November 2<sup>nd</sup> 2020 into Law No 11 of 2020 on Job Creation.



# THE BACKGROUND OF THE EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR



An effort **to strengthen the economy** of Indonesia.



**To encourage investment** amid global economic slowdown, in order to **absorb the workforce as many as possible**.



**To amend various statutory provisions**, including the three tax laws namely Taxation General Provision (*KUP*), Income Tax Law (ITL), & Value Added Tax Law, in a short time.



**To maintain and to increase tax revenue** through investment increase, voluntary compliance, legal certainty, and business climate justice.

# THE SUBSTANCE OF THE EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR



## TO INCREASE INVESTMENT FUNDING

1. Gradual **reduction of corporate income tax rate** into 20% (2020 & 2021) and 20% (2022 etc.).
2. Reduction of corporate income tax rate for Go Public Taxpayer (general rate – 3%).  
*Regulated in Law No 2/2020*
3. Abolition of income tax on domestic dividends.
4. Certain income (including dividends) from abroad is **not subject to the income tax** as long as it is invested in Indonesia
5. **Non-taxable income** on:
  - a. Profit share/ Residual Net Income in Cooperative
  - b. Hajj funds managed by BPKH
6. Room for adjustment **for Article 26 Income Tax Rate** on interests.
7. Equity participation in the form of assets is **not subject to VAT**.

## TO ENCOURAGE TAXPAYERS' VOLUNTARY COMPLIANCE

8. **Relaxation of Input Tax Crediting Rights** for Taxable Entrepreneurs.
8. **Resetting:**
  - a. Tax Administrative Sanctions,
  - b. Interest Compensation.

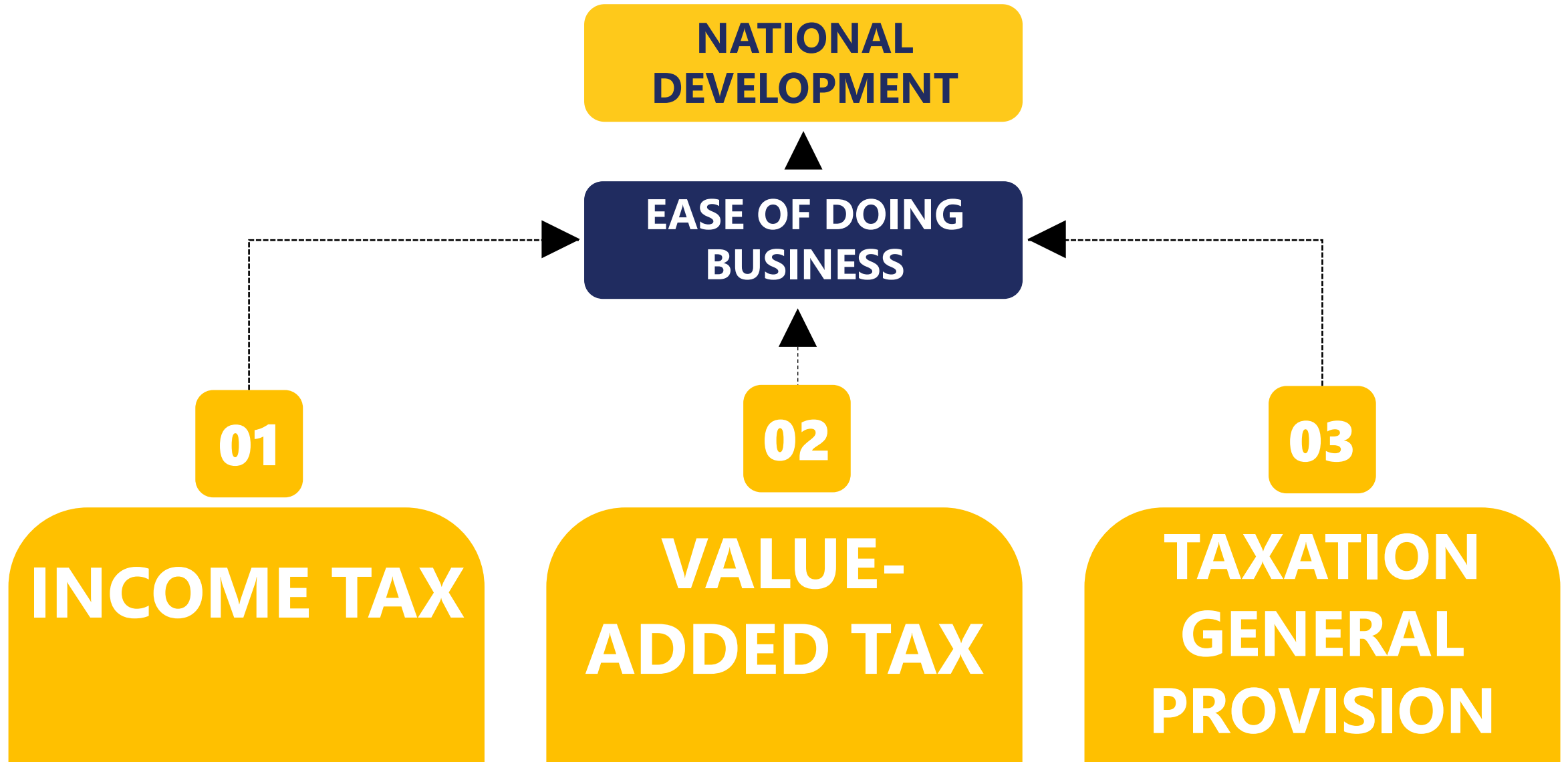
## TO INCREASE LEGAL CERTAINTY

10. **Determinations of Individual Domestic Tax Subjects:**
  - a. Indonesian citizens and foreigners living > 183 days in Indonesia become Domestic Tax Subjects,
  - b. The imposition of Income Tax for foreigners who are Domestic Tax Subjects only on their income from Indonesia,
  - c. Indonesian citizens living in WNI Indonesia < 183 days can become Foreign Tax Subjects under certain conditions.
11. Coal mining products are grouped into Taxable Goods.
12. Consignment is not included as Taxable Goods delivery
13. **Non taxable object on** remaining funds of Social Agencies & Religious Agencies (as well as **Educational Institutions**).
14. Tax Assessments are no longer issued for Tax crimes which have been decided.
15. **The issuance of Notice of Tax Collections (STP)** expire in 5 years.
16. **Notice of Tax Collections (STP)** can be issued to bill Interest Compensation which should not been given.

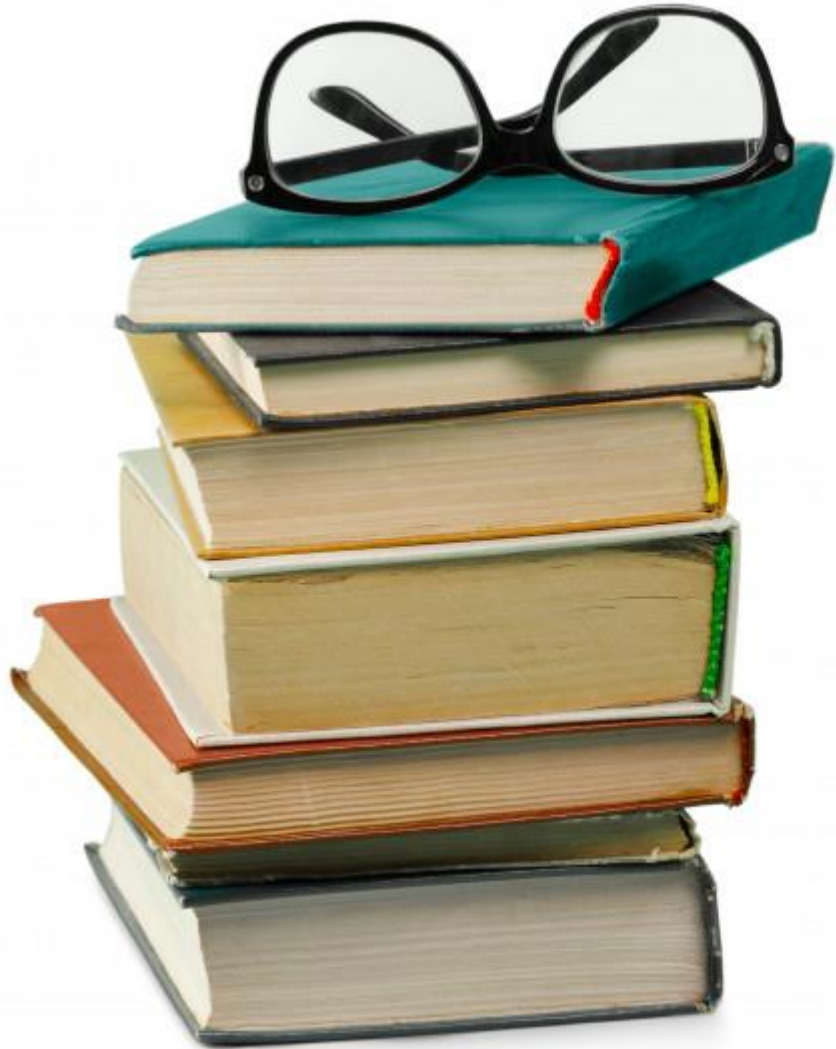
## TO INCREASE DOMESTIC BUSINESS CLIMATE JUSTICE

17. **Tax on E-Commerce Activities:**
  - a. VAT collecting platform designation
  - b. Taxation to Foreign Tax Subjects on electronic transaction in Indonesia.  
*Regulated in Law No 2/2020*
18. **Inclusion of National Identity Number of personal domestic buyers** who do not have Taxpayer Identification Number in Tax Invoice.

# THE SUBSTANCE OF THE EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR



# THE SUBSTANCE OF THE EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR



## *Impacted Laws*

- **Income Tax Law**

Law Number 7/1983 as lastly amended by  
Law Number 36/2008

- **Value-Added Tax Law**

Law Number 8/1983 as lastly amended by  
Law Number 42/2009

- **Taxation General Provision Law**

Law Number 6/1983 lastly amended by  
Law Number 16/2009

# THE STRUCTURE OF THE EASE OF DOING BUSINESS CLUSTER: TAXATION SECTOR

JOB CREATION  
LAW

ARTICLE  
**111**

▶ Amending several provisions  
in the **Income Tax Law**

▶ Article 2, Article 4, & Article 26

JOB CREATION  
LAW

ARTICLE  
**112**

▶ Amending several provisions  
in the **Value-Added Tax Law**

▶ Article 1A, Article 4A, Article 9, & Article 13

JOB CREATION  
LAW

ARTICLE  
**113**

▶ Amending Several Provisions  
in the **Taxation General  
Provision (KUP) Law**

- ▶
- Article 8, Article 9, Article 11, Article 13, Article 14, Article 15, Article 17B, Article 19, Article 38, & Article 44B
  - **Removing** Article 13A & Article 27A
  - **Inserting** Article 27B



**SUMMARY OF REGULATIONS****INCREASING INVESTMENT FUNDING**

- Abolition of income tax on **domestic dividends**.
- Certain income (including dividends) from abroad is **not subject to the income tax** as long as it is invested in Indonesia
- **Non-taxable income** on:
  - a. Profit share/ Residual Net Income in Cooperative
  - b. Hajj funds managed by BPKH (Badan Pengelola Keuangan Haji).
- Room for adjustment **for Article 26 Income Tax Rate** on interests
- Equity participation in the form of assets is **not subject to VAT**.

**SUMMARY OF REGULATIONS****ENCOURAGING VOLUNTARY  
COMPLIANCE OF TAXPAYER**

- **Relaxation of Input Tax Crediting Rights (PM)** for Taxable Entrepreneurs (PKP).
- **Resetting:**
  - 1) Tax Administrative Sanctions,
  - 2) Interest Compensations.

## INCREASING LEGAL CERTAINTY

- **Determinations of Individual Domestic Tax Subjects:**
  - a. Indonesian citizens and foreigners living > 183 days in Indonesia become Domestic Tax Subjects,
  - b. The imposition of Income Tax for foreigners who are Domestic Tax Subjects only on their income from Indonesia,
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- Coal mining products are grouped into Taxable Goods.
- Consignment is not included as Taxable Goods delivery.
- **Non taxable object on** remaining funds of Social Agencies & Religious Agencies (as well as **Educational Institutions**).
- Tax Assessments are no longer issued for Tax crimes which have been decided.
- **The issuance of Notice of Tax Collections (STP)** expire in 5 years.
- **Notice of Tax Collections (STP) can** be issued to bill Interest Compensation which should not been given.

**SUMMARY OF REGULATIONS****INCREASING DOMESTIC  
BUSINESS CLIMATE JUSTICE**

- **Inclusion of National Identity Number (NIK) of personal domestic buyers** who do not have Taxpayer Identification Number (NPWP) in Tax Invoice.
- Tax Invoice regulation for Retail Merchant Taxable Entrepreneurs.

# IMPLEMENTATION

## 52 REGULATION FOR THE IMPLEMENTATION HAS BEEN ISSUED

48 Government Regulations and 4 Presidential Regulation.

## POSITIVE LISTS OF INVESTMENT ARE BEING DRAFTED

The list is divided into 246 sectors that have received tax holidays, 90 business sectors that have partnered with MSMEs, and 46 fields under certain conditions

## CLOSING

- The cluster of ease of doing business in the taxation sector is supportive and in accordance with the objectives of the Job Creation Law in creating job field.
- The investment increase, voluntary compliance, legal certainty, and business climate justice will also increase tax revenue.

# **STRONG TAX FOR ADVANCED INDONESIA**



**...TOGETHER WE CAN...**

**PAJAK KUAT**  
**INDONESIA**  **MAJU**





**Terima kasih**  
*Pajak Kita, Untuk Kita*

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