



News Alert – December No. 3/2024

## TAX PROVISIONS AND THE CORETAX ADMINISTRATION SYSTEM – MOF REGULATION 81/2024

Minister of Finance Regulation No. 81/2024 (“MoF-81”) was issued on 18 October 2024 to align regulations for the upcoming implementation of the Coretax Administration System. The rationale for implementing Coretax is to provide greater transparency, efficiency, accountability, and flexibility, with the expectation that this will increase tax revenue.

Coretax is an integrated tax administration system developed by the Directorate General of Taxation (“DGT”) whereby all tax administration matters will be handled electronically. Coretax integrates tax administration processes, such as taxpayer tax ID registration, tax return submission, and tax payment.

MoF-81 consolidates multiple regulations into one for easier reference and revokes, in whole or in part, 42 Minister of Finance regulations. Although there are some changes to the earlier regulations, MoF-81 basically adopts most of the existing rules and synchronizes various deadlines and terminology. The regulation is 642 pages in length and consists of 484 articles with 83 attachments. It comes into effect on 1 January 2025.

This newsletter highlights a few of the more significant changes regarding certain administrative and VAT issues.

### Administrative Changes

#### *All tax rights and obligations are to be conducted electronically*

Although there has been a shift towards electronic filing, this has been on an ad hoc basis (e.g., *e-faktur*, *e-bupot*). With MoF-81, electronic channels will now be used as the default method for taxpayers to administer their tax rights and obligations. These electronic channels include:

- The taxpayer portal (*new*)
- Websites or other applications integrated with the DGT’s administration system
- The contact center (*Kring Pajak*)

Offline channels, such as tax reporting through the tax office or by post, may still be used in the following limited situations:

- Infrastructure is not yet available in the taxpayer’s place of residence or domicile
- The communication system or facility used by the taxpayer experiences technical issues
- A disaster occurs

It is unclear whether taxpayers can only report taxes offline when there are technical issues with the Coretax system itself or if it also applies when taxpayers face internal technical issues. It is also unclear whether offline reports will be posted to Coretax.

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## Taxpayer account

The DGT will provide a taxpayer account for each taxpayer in the taxpayer portal to carry out their tax rights and obligations. The account can be activated either electronically, via the taxpayer portal, or directly at the relevant tax office.

The taxpayer account is a platform to manage tax-related documents and information (e.g., filing tax returns, submitting responses to requests for explanation of data/SP2DK). The DGT will also send correspondence and other documents (e.g., tax collection letters/STP, tax assessment letters/SKP, warning letters) electronically to taxpayers through the Coretax system.

## Date electronic documents are considered sent and received

The date of sending and receiving tax documents is important for fulfilling one's tax obligations, such as tax reporting (e.g., corporate income tax, monthly returns) and determining the deadline for tax dispute applications (e.g., objection, appeal).

For taxpayers, if a document is submitted both electronically and in hardcopy (due to unavailable electronic channels), the receipt date is based on the earliest recorded in the DGT system.

For the DGT, documents are sent to the taxpayer's account or, if the taxpayer is not yet registered in the Coretax system, by email. The sending date is also the receipt date for the taxpayer (based on West Indonesia time). If multiple delivery channels are used (offline and electronic):

- If the taxpayer approved the use of the taxpayer account, the sending date is when the document was sent to the account.
- If the taxpayer did not approve the use of the taxpayer account, the sending date is the earliest of email, in-person delivery, fax, or courier with proof of delivery.

## Changes to payment dates

Several changes have been made to the payment date for various taxes.

Type of Tax	Due Date (MoF-81)	Due Date (Before MoF-81)
<ul style="list-style-type: none"><li>– Income tax Art. 4.2, 15, 21, 22, 23, 25, 26</li><li>– Income tax on oil/gas from upstream activities, paid monthly</li><li>– VAT on the use of intangible VATable goods or services from outside the customs area</li><li>– VAT on self-construction activities</li><li>– Stamp duty collected by stamp duty collectors</li><li>– Sales tax</li><li>– Carbon tax collected by carbon tax collectors</li></ul>	<b>15th</b> of the following month	<b>10th</b> of the following month, <b>except</b> for: <ul style="list-style-type: none"><li>▪ Income tax on oil/gas from upstream activities, paid monthly</li><li>▪ VAT on the use of intangible VATable goods or services from outside the customs area</li><li>▪ VAT on self-construction activities</li></ul>
Income tax Art. 22, VAT and luxury goods sales tax (PPnBM) on imports	<ul style="list-style-type: none"><li>▪ If paid directly by the taxpayer/importer, they must settle the payment when paying import duties</li><li>▪ If import duties are deferred or exempted, income tax Art. 22, VAT, and PPnBM must be paid upon completing the customs declaration</li><li>▪ If collected by the Directorate General of Customs and Excise, the tax must be paid within one business day after collection</li></ul>	
Income tax Art. 25 <b>for taxpayers with certain criteria</b> (e.g., designated as a "compliant taxpayer")	<b>15th</b> of the following month	<b>End</b> of the following month
Additional income tax on founder shares, collected by the company	<b>One month after the tax becomes payable</b>	-

Type of Tax	Due Date (MoF-81)	Due Date (Before MoF-81)
VAT and PPnBM	End of the following month after the tax period ends and before the VAT return is submitted	
VAT or PPnBM collected by VAT collectors and other parties	End of the following month after the tax period ends and before the VAT return is submitted	15th of the following month
Stamp duty	When it becomes payable	
Tax collection letter (STP), tax underpayment assessment letter (SKPKB), additional tax underpayment assessment letter (SKPKBT), objection decision letter, correction decision letter, mutual agreement letter, appeal verdict, and judicial review verdict that results in an increase in the amount of tax payable	One month from the issuance date	

## Tax deposit

Coretax provides a new medium for tax payment, which is called a *tax deposit*. Taxpayers can transfer money into the tax deposit account, similar to top up for e-wallet. A tax deposit is a payment that is not tied to a specific type of tax. A tax payment is done through a simple overbooking process from the tax deposit account to a specific type of tax. The tax payment date is recognized when taxpayers transfer money to the tax deposit account. This system could simplify administration because taxpayers are not required to make e-billing for each type of tax payment and could minimize late payment. A refund can be requested for any unused funds in the account. The tax deposit is optional, so taxpayers can still make a tax payment using e-billing.

The taxpayer can replenish their tax deposit via:

	Replenishment of Tax Deposit	Tax Settlement Date
1.	Electronic payment through the state revenue system	Payment date on the state revenue receipt (when tax deposit is placed)
2.	Overbooking request	Initial payment date on the overbooking evidence
3.	Application to transfer a tax overpayment or interest compensation (after being offset against any tax payable)	Date of the tax refund decision for tax overpayment or interest compensation

## Changes to overbooking procedures

Overbooking can be done based on a taxpayer's request or by the DGT (*ex officio*). Overbooking can apply to payments of income tax, VAT, PPnBM, stamp duty, land & building tax, sales tax, and carbon tax. Overbooking is only allowed for payments in the same currency.

Taxpayers can request overbooking for:

- Use of tax deposits
- Income tax payments related to the transfer of land/building rights not yet validated
- Prepaid stamp duty not yet used
- Tax that should not have been payable (tax payment exceeds the tax due)

Overbooking by the DGT (*ex officio*) is carried out in the following cases:

- Incorrect transfer evidence
- Payments or tax deposits that, based on data and information, require overbooking
- Tax deposits to settle remaining tax payable when a taxpayer's NPWP (tax ID) is revoked
- Tax deposits of a taxpayer whose NPWP is revoked due to a business merger
- Payments or tax deposits with corrected data by the Directorate General of Treasury
- Payments or tax deposits following tax collection action by an enforcement officer

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## Refund of tax overpayment

A tax overpayment can be refunded to the taxpayer as usual. Alternatively, the overpayment can be used, with the taxpayer's consent, to:

- Pay tax debts on behalf of another taxpayer
- Replenish the taxpayer's tax deposit

The DGT will request confirmation to carry out the above actions. If the taxpayer does not respond on time, the overpayment will be transferred to the taxpayer's domestic bank account that is registered in the Coretax system.

## Changes to tax payment and reporting

The tax payment and reporting process generally follows existing practices, with a transition to electronic submission. The key changes are as follows:

- *Financial Statements:* For annual tax returns which are submitted electronically, the financial statements must also be submitted electronically in the DGT's required format. For a taxpayer with the status of parent company, the taxpayer must submit both a consolidated financial statement as well as its standalone financial statement.
- *Monthly VAT reporting for VAT collectors who trade through an electronic system (PMSE):* Foreign PMSE companies appointed as VAT collectors must now report VAT monthly, by the end of the following month using the PMSE VAT return for collectors. Previously, reporting was only required to be done quarterly.
- *Carbon tax return extension:* Taxpayers can extend the filing of the carbon tax return by up to two months by submitting an electronic notification to the DGT before the deadline.

## Tax return signer

The signing of a tax return is done by either (i) handwritten signature or (ii) electronic signature. A stamp signature is no longer valid. Either a certified or noncertified electronic signature can be used. If noncertified, the signer receives an authorization code from the DGT. If certified, an electronic certificate from either BSSN (*Badan Siber dan Sandi Negara*) or a third-party issuer (such as Privy) is accepted.

## Final income tax on transfer of land and building

For sellers whose core business is the transfer of land and buildings (real estate), the final tax is currently payable where the land and building is located. This changes under MoF-81 and tax is payable where the seller resides or where the seller's annual income tax return is administered. If the transfer is to a government agency, the tax is payable where the government agency is administered for tax purposes.

## Centralization of taxation rights and obligations

Under MoF-81 there will be only one NPWP for the head office and its branch. The exercise of tax rights and obligations is carried out centrally using the NPWP registered in accordance with the taxpayer's residence or domicile beginning:

- January 2025 tax period, for monthly reporting
- Fiscal year 2025 for annual reporting of land and building tax

## Value Added Tax (VAT)

### VAT Invoice

A VAT invoice and documents equivalent to a VAT invoice for the export of VATable intangible goods or services (PEB) are created by using the Coretax system. The VAT invoice and PEB:

- Is in electronic form
- Is made using a module in the taxpayer portal or other website integrated with the DGT's administrative system *(new)*
- Includes an electronic signature

## Credit of input VAT

Currently, all input VAT that is not credited in the month of the VAT invoice date can be credited against output VAT for up to three months. Under MoF-81 input VAT from a standard VAT invoice can only be credited in the same month as that in which the VAT invoice was created. However, input VAT in the form of certain documents that are *equivalent to a VAT invoice* can be credited against output VAT for up to three months after such VAT invoice was made.

This is contrary to the VAT law where any input VAT can be credited for up to three months. However, this may not create a problem because input VAT from a standard VAT invoice will automatically appear in the VAT return when the counterpart creates and submits the VAT invoice in the Coretax system.

## Treatment of returned goods or canceled services

If VATable goods are returned, the buyer must provide a return note to the seller; if a VATable service is canceled, the service recipient must provide a cancellation note to the service provider. Before MoF-81 there was no standard form for the return/cancellation note. Now, under the Coretax system, a standard form of note must be used and the note:

- Is in electronic form
- Is made and uploaded through the module in the taxpayer portal or other website integrated with the DGT's administrative system (*new*)
- Is signed by using an electronic signature
- Has obtained approval from the DGT

A return or cancellation note shall be prepared when VATable goods are returned or a VATable service is canceled.

If the note is not prepared in accordance with the regulation, the return of goods or the cancellation of service are assumed not to have happened.

## Transitional Provisions

When MoF-81 comes into effect:

- Taxpayers can use electronic certificates, e-filing IDs, and verification codes issued by the DGT for noncertified electronic signatures for their tax obligations, and the MoF and DGT can issue electronic decisions with noncertified electronic signatures for:
  - Tax periods up to December 2024 (monthly)
  - Parts of the fiscal year (partial period) ending in December 2024
  - Fiscal year 2024 (annual)
- Tax returns (except for stamp duty return) will follow the old regulations for:
  - Tax periods up to December 2024 (monthly)
  - Parts of the fiscal year (partial period) ending in December 2024
  - Fiscal year 2024 (annual)
- The activation facility for the taxpayer account and the use of electronic certificates and authorization codes for the implementation of rights and fulfillment of tax obligations electronically is to be available no later than 1 January 2025.

At the time this News Alert was prepared, the Coretax system was not yet in place. The system can be tried out on a simulator, but the procedure could change once the system is ready for public use.

Note that a failure to comply with MoF-81 will result in sanctions. Therefore, it is important to understand how any changes might affect your business or tax administration. If you need further details on MoF-81, please refer to the regulation itself or contact us directly.

**For additional information, please contact us:**

**Sony B. Harsono**, Chairman  
sony.harsono@harsono-strategic.com

**Dwi Ary Retnani**, Managing Partner  
dwiary.retnani@harsono-strategic.com

**Julius Hardianto**, Senior Partner  
julius.hardianto@harsono-strategic.com

**Suhartono Maridjan**, Senior Partner  
suhartono.maridjan@harsono-strategic.com

**Budi Harnata**, Partner  
budi.harnata@harsono-strategic.com

**Richard William**, Partner  
richard.william@harsono-strategic.com

**Roedy Andrianto**, Director  
roedy.adrianto@harsono-strategic.com

**Sandy Tanu Utomo**, Director  
sandy.utomo@harsono-strategic.com

**Yosua Anggadi**, Director  
yosua.anggadi@harsono-strategic.com

**Terri Shreve**, Technical Advisor  
terri.shreve@harsono-strategic.com

**Kentaro Dan**, Technical Advisor  
kentaro.dan@harsono-strategic.com



**Harsono Strategic Consulting**  
Sudirman Plaza, Plaza Marein 9th Floor  
Jl. Jend. Sudirman Kav. 76-78  
Jakarta 12910, Indonesia  
ph. +62 21 5793 6777  
fax. +62 21 5793 6778  
[www.harsono-strategic.com](http://www.harsono-strategic.com)