

Tax News Flash

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Tax Overpayment Refunds are Now Easier and Faster to Obtain

To encourage economic growth and support the government's initiatives to improve the ease of doing business in Indonesia, the Ministry of Finance ("MoF") has issued Regulation No. 39/PMK.03/2018 ("PMK-39"), regarding Procedures for Preliminary Refunds of Tax Overpayments. This regulation revises and/or revokes several previous regulations which are listed [\[here\]](#).

- If the approved tax refund amount is different from the amount applied for in the tax return, a taxpayer can reapply for the difference under a separate request letter.
- If a taxpayer does not wish to request a preliminary refund of the amount difference, the taxpayer can amend the tax return to show the same amount as already refunded.

Who Qualifies to Use PMK-39?

PMK-39 focuses on the necessary procedures to obtain preliminary tax refunds for income tax and/or VAT for taxpayers who qualify as:

- A. Taxpayers with Special Criteria ("Golden Taxpayers");**
- B. Taxpayers with Specific Conditions; and**
- C. Low-Risk VAT-able Entrepreneurs.**

What are the Procedures?

- An eligible taxpayer applies for a preliminary tax refund by completing the new preliminary tax refund sections of the tax returns.
- The Directorate General of Tax ("DGT") will verify that Golden Taxpayers and Low-Risk VAT-able Entrepreneurs meet the formal requirements.
- The DGT will then review the supporting documentation submitted by the taxpayer, such as:
 1. Correct calculation of the tax amount;
 2. The creditable withholding tax slips;
 3. The creditable input VAT invoices and/or self-assessed VAT; etc.

What is the Timing of the DGT Decision?

The DGT must issue its decision whether to approve the request for preliminary tax refund or inform the taxpayer that the request is rejected within:

1. 15 days for individual income taxes and 1 month for corporate income taxes and VAT;
2. 1 month for VAT for Low-Risk VAT-able Entrepreneurs; and
3. 3 months for income taxes and 1 month for VAT for Golden Taxpayers/Taxpayers with Special Criteria.

Further details regarding this regulation are provided [\[here\]](#).



KPMG Comments:

- Eligible taxpayers can now apply for preliminary tax refunds when they file their tax returns, which is an easier method than what was stipulated in previous regulations.
- The thresholds for tax refunds for each type of tax is now significantly higher, which should motivate more eligible taxpayers to apply for preliminary tax refunds.
- Eligible taxpayers should also get their tax refunds sooner, as the DGT process is now easier and faster. However, in practice, there is no guarantee that the indicated timelines will be met in regional Indonesian Tax Office ("ITO").
- It is expected that PMK-39 will encourage business growth and investment as it provides significant positive cash flow implications to eligible taxpayers.

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