



Tax News Flash

January 2025

New tax regulations for the implementation of the Core Tax Administration System - effective 1 January 2025

The Minister of Finance issued Minister of Finance Regulation Number 81 of 2024 (“PMK-81”), which streamlines several tax regulations for the implementation of the Core Tax Administration System (“CTAS”). PMK-81 was promulgated on 18 October 2024 and went into effect on 1 January 2025.

CTAS is the Directorate General of Taxation’s (“DGT”) integrated service administration system that streamlines all core tax administration processes, including taxpayer registration, tax return reporting, tax payments, audits, and collections started on 1 January 2025. PMK-81 provides the legal framework for implementing the outcomes of business process reengineering within CTAS and as a consequence, revokes the existing 42 regulations.

Below are some key changes outlined in PMK-81.

Procedures for exercising tax rights and obligations, and the issuance, signing and delivery of decisions electronically

- Tax rights and obligations are now exercised electronically through electronic channels, i.e. the taxpayer’s portal, and websites or applications integrated with the DGT’s administrative system and contact center.
- Electronics documents for exercising tax rights and obligations must be signed with an electronic signature.
- PMK-81 provides specific provisions regarding the recognition of the date for sending and receiving documents for taxpayers and for the DGT. If a taxpayer submits the same documents electronically and in hardcopy (if the electronic channel is not available), the receipt date will be the one that was first recorded in the DGT’s administrative system.

- The DGT will send decisions and electronic documents to taxpayers electronically via their registered account or email, except for documents that require the paper format. Upon taxpayer request or the DGT’s discretion, hard copies may be sent by fax, post, expedition, or courier service. All times are displayed in West Indonesia Time (“WIB”), and the transmission date, when the DGT sends the electronic decisions and documents, serves as the receipt date for the taxpayer.
- If the DGT sends decisions and electronic documents via multiple channels:
 - If the taxpayer approves using their account, the date that it was sent to the taxpayer’s account applies.
 - If not, the earliest date among the following applies: the date the email was sent, the direct delivery date, the date the fax was sent, or the date on the proof of delivery.

Procedures for taxpayers and PKP registration

- A taxpayer who meets the subjective and objective requirements is required to register at the tax office whose jurisdiction covers either their place of residence or domicile.
- Corporate taxpayers and certain individual entrepreneurial taxpayers (i.e. individual taxpayers who work in the trade or service business, excluding freelance work, at one or more business location, other than their residence) are required to report the location of their business activity to the Tax Office where they are registered to obtain a NITKU for each location. The term “branch NPWP (tax identification number)” no longer applies.

- For tax purposes, an NPWP may also be issued for entities that either do not meet domestic tax requirements or are not classified as tax subjects under the income tax law.
- Entrepreneurs who export deliverables are also required to register as a Taxable Enterprise (“PKP”), but it remains optional for small businesses.
- For a business owner that has a residence or main office within a Free Trade Zone or Free Port (“FTZFP”) and has a business location outside the FTZFP, the business reporting location must be the one outside the FTZFP.
- A business owner who utilizes a virtual office as their business reporting location must provide a statement regarding their actual business activities and business location. This, and the utilization of a virtual office as the business reporting location, will be examined by the DGT during the value added tax (“VAT”) Entrepreneur declaration process.
- The Head of the Tax Office will issue a notification letter regarding the VAT Entrepreneur’s declaration within one business day after receiving a completed PKP registration application while conducting an examination. The final decision will be issued within 10 business days of receiving the complete application.
- Applications related to the registration and deregistration/revocation of the Taxpayer and/or PKP (including data changes, relocation, and the designation of “non-effective taxpayer”) that have already been submitted but are still unresolved by the time PMK-81 takes effect, will be processed using PMK-147.
- Under PMK-81, a PKP whose e-certificate was temporarily deactivated due to a failure to submit their VAT return will be granted access to create tax invoices.
- Taxpayers are required to register themselves. This includes certain individual entrepreneur taxpayers. Registration must now be done electronically through the online taxpayer portal, website, integrated applications, or the contact center.
- Additional income tax on founder’s shares must be paid within one month of the due date.
- VAT and sales tax on luxury goods (“STLG”) collected by VAT collectors must be paid by the end of the following month after the tax period ends and before submitting the VAT return.
- Tax payments and deposits are made to the state treasury or to the payment channels provided by the collecting agent, using a tax payment slip (“SSP”), stamp duty, and other administrative facilities equivalent to the SSP.
- state revenue receipts (“BPN”), and customs, excise, and tax deposit letters (“SSPCP”) for import taxes, VAT on imported goods, and VAT on domestically produced tobacco products are considered valid when they have the state revenue transaction number (“NTPN”).
- Taxpayers can now make tax payments and deposits using tax deposits which are processed through overbooking using:
 - i. the electronic national revenue system
 - ii. an overbooking application
 - iii. an application for excess tax payment or interest compensation after calculating the tax payable.
- Import duty tax payments and deposits are managed according to the applicable laws and regulations by the Director General of Customs Excise. However, this does not apply to tax deficiencies in import duties charged via a tax collection notice or a tax assessment letter issued by the DGT.

Tax overbooking

Overbooking can be done based on taxpayer request and can be carried out ex officio.

- Overbooking based on taxpayer request includes:
 - Using a tax deposit.
 - Paying income tax on land and building rights transfers that have not yet been examined.
 - Prepaying stamp duties to increase the digital stamp machine’s balance.
 - Applying overpaid amounts to tax liabilities.
- Overbooking ex officio can be conducted in cases of:
 - Errors in overbooking evidence issuance.
 - Tax payments or deposits requiring overbooking based on the provided data.

Procedures for tax payments and deposits

PMK-81 introduces changes to reporting and payment deadlines to standardize compliance timelines across tax categories.

- The tax payment timeline will generally change to the 15th day of the following month, except for VAT and corporate income tax (“CIT”).

- Settling liabilities during NPWP revocation or business mergers.
- Revenue data corrections by the Directorate General of Treasury.
- Tax payments or deposits due to bailiff-enforced seizures.
- Overbooking for payments exceeding the tax payable cannot be approved in the following cases:
 - Tax payment slips are treated as tax invoices and cannot be credited based on Article 9 of the VAT Law.
 - Stamp duty payments related to electronic stamp distribution with state-owned enterprises (“BUMN”) or postage stamp sales by PT Pos Indonesia.
 - Tax payments with billing codes from systems not administered by the DGT.
 - Tax payments considered part of monthly tax return submissions.
 - Tax payments treated as part of tax return submissions.
 - Payments netted off with tax payable in various tax documents (e.g., tax collection letters (“STP”), tax assessment letters (“SKP”), etc.), leading to an increase in taxes still due.
- In the case of a business merger, overbooking requests for payments and tax deposits involving the merging taxpayers’ NPWPs must be submitted before the NPWP revocation of the merging taxpayers.
- Taxpayers must provide their tangible asset guarantee documents in cases of liquidity difficulties or in circumstances beyond their control.
- If a taxpayer receives approval for an installment or deferral of tax payment, they will incur interest penalties, calculated from the original due date until the payment is made. This interest, as per Article 19(2) of the General Tax Provisions and Procedures Law (“KUP Law”), does not apply to installments or deferrals related to a tax collection notice.
- The taxpayer will be subject to administrative sanctions in the form of interest as per Article 19(2) of the KUP Law for annual income tax, tax underpayments (SKPKB, SKPKBT), objection and appeal decisions, and Supreme Court decisions. An administrative penalty of 2 percent per month applies to the STP PBB.

Procedures for submitting and processing tax returns

- There are updates to the tax reporting timeline for monthly collected stamp duty returns, monthly carbon tax returns, annual carbon tax returns, and monthly VAT reporting for e-commerce VAT collectors.
- Taxpayers outside the Customs Area who choose to fulfill their VAT obligations for Trade Through electronics systems (“PMSE”) in US dollar (“USD”) must file their VAT Returns in USD.
- Monthly tax returns (“SPT Masa”) and annual income tax returns must be submitted by the taxpayer in the form of an electronic document.
- Annual carbon tax returns must be submitted within four months after the end of the calendar year.

Installments and deferrals of tax payments

- Taxpayers facing liquidity issues or uncontrollable circumstances can request an installment or deferral of tax payments with relation to Article 29 (annual tax returns), the annual carbon tax return, PBB tax collection (STP PBB), or for tax underpayments (e.g., STP, SKPKB, SKPKBT), objection decisions, and verdicts.
- Requests for installments or deferrals of Article 29 payments must be submitted by the annual tax return filing deadline (at the latest).
- Requests for installments or deferrals for STP, SKP objection decisions and verdicts must be submitted no later than before the request for auction of the seized goods and before it is submitted in writing by an official for central collections to the government agency authorized to conduct the auction.

Tax refund applications for tax overpayment that should not be payable

The DGT will issue a tax overpayment decision letter (“SKPLB”) or a rejection notification for a tax refund application within three months of receiving the application. If no decision is made within this timeframe, the application is deemed approved, and the DGT must issue a SKPLB within five working days after the deadline expires.

Procedure for Input VAT credit

Input VAT, as specified in the tax invoice, will be credited against the Output VAT in the same tax period, except for certain documents which are equivalent to a tax invoice (up to three tax periods after the end of the tax period).

Procedure for the issuance of a tax invoice and procedures for correcting or replacing tax invoices

- Tax invoices (including certain documents equivalent to tax invoices for the export of intangible goods/services) now must be prepared using a module in the taxpayer portal or through another platform integrated with the DGT's administrative system.
- The tax invoice and certain documents deemed equivalent to a tax invoice for the export of intangible taxable goods and/or taxable services, must meet the following requirements:
 - be in electronic form
 - be created using the module in the Taxpayer Portal or through another platform integrated with the DGT's administrative system; and
 - contain a signature in the form of an electronic signature.
- Exceptions can apply to the electronic tax invoice for:
 - the delivery of taxable goods and/or taxable services to buyers or recipients with the characteristics of end consumers, and
 - the delivery of taxable goods, taxable services, and/or the export of tangible taxable goods, for which the evidence of vat collection comes in the form of certain documents deemed equivalent to a tax invoice.
- In cases of force majeure, taxable entrepreneurs may issue non-electronic tax invoices or equivalent documents for the export of intangible goods or services
- Force majeure has been redefined as events beyond human control which are unavoidable and prevent an activity from being performed or performed properly, including natural disasters, non-natural disasters, and social disasters.

Export of intangible taxable goods or taxable services

- The notification of the export of intangible taxable goods or taxable services must be prepared through CTAS. The format/template for the notification of exported intangible taxable goods and taxable services is newly regulated under Article 284(5) of PMK-81.
- In general, the changes are as follows:
 - The format is akin to a standard tax invoice.
 - It must include the product/service code and the customer's NPWP.

- It no longer requires the seller's or customer's phone number.
- It must be electronically signed.

Procedures for the reduction of VAT/STLG for returned taxable goods and VAT on cancelled taxable services

Both the return note and cancellation note must be prepared through CTAS and comply with the specified requirements; otherwise, the return of goods or cancellation of services will be deemed invalid (for example, if the return note is not submitted to the seller, the return of goods will be considered as not having occurred).

Article 25 monthly income tax installments for certain taxpayers

- Overpayment resulting from the recalculation of Article 25 monthly income tax installments after the submission of financial reports can no longer be overbooked to subsequent tax periods. Instead, it may be requested as a refund for overpaid taxes that should not have been payable, or it can be credited in the corporate income tax return.
- The reporting obligations for Article 25 income tax calculations for banks, BUMN or regional-owned enterprise ("BUMD"), listed companies, and other taxpayers are now specifically stipulated under PMK-81. The report on the calculation of Article 25 installments must be submitted to the DGT no later than 20 days after the end of the reporting period.
- Art. 25 follows previous calculations when financial reports have not been finalized.
- Taxpayers eligible for tax facilities should calculate their Article 25 installments by considering these facilities. For example, listed companies with tax reduction facilities use the previous year's tax tariff. Taxpayers granted a 50 percent rate reduction under Article 31E (1) of the Income Tax Law in the prior year can also apply the reduced rate when calculating their Article 25 installments.

Territorial-based taxation of expatriates with certain expertise qualifications

There are now additional requirements for foreigners who are applying to be subject to domestic tax only on domestic income. They must submit their annual income tax returns for the past two tax years and approval is valid for four years.

Procedures for submitting and processing tax returns

- Taxpayers outside the Customs Area who choose to fulfill their VAT obligations for PMSE in USD must file their VAT returns in USD.
- This expands the types of monthly tax returns, VAT returns and annual tax returns, i.e. the annual carbon tax return.
- The annual income tax return for taxpayers required to maintain bookkeeping must include financial statements, such as balance sheets and income statements. If audited by a public accountant, the audited financial statements must also be attached. Parent companies must include their consolidated financial statements.
- If a taxpayer is required to submit their tax return in an electronic document format but submits it in a non-electronic format (via mail, courier service/ expedition), the tax return will be deemed to have not been submitted.
- Corporate taxpayers must submit their annual tax returns exclusively in electronic format.
- Annual carbon tax returns must be submitted within four months after the end of the calendar year.
- This expands the attachment for extensions to include a statement from a public accountant certifying that the audited financial statements have not yet been completed

Technical provisions for implementing the core tax administration system

Starting January 2025, taxpayers will implement tax rights and obligations for multiple business locations centrally, using their NPWP registered at their place of residence or domicile. PBB will follow this system from the 2025 tax year onward.

Procedures for the use of book value for the transfer and acquisition of assets

- Under PMK-81, a digital copy of the tax clearance certificate (“SKF”) is no longer required when applying for the use of book value in business restructurings.
- Taxpayers expanding their business using the book value must submit a registration statement to the *Otoritas Jasa Keuangan* (“OJK”) for an initial public offering within two years after receiving approval from the DGT. This timeline can be extended for an additional two years. The extension request should be submitted through the taxpayer portal.

Procedures for tax facilities

- The implementation of income tax facilities (in specific business sectors or regions) granted by the Minister of Investment must be reported to the Minister on a quarterly basis.
- Taxpayers who have received income tax facilities in labor-intensive industries must submit an online realization report detailing their investment and employment figures through the online single submission system no later than 30 days after the end of the relevant fiscal year.

Procedures for VAT collection, payment and reporting for contractors under oil and gas cooperation contracts and for contractor/license holders for geothermal resource exploitation

- The collected VAT is calculated according to the provisions of the VAT tax laws and regulations.
- An exemption for VAT and STLG collection can also be applied to payments for fuel deliveries to subsidiaries of PT Pertamina (Persero) (previously this was only allowed for payments for fuel deliveries to PT Pertamina (Persero) itself).
- Partners who deliver taxable goods/services to contractors and license holders must report the output tax invoices in the monthly VAT returns.
- Contractors or license holders must pay VAT and STLG using tax payment slips that have been issued in the name of the contractor/license holder.

Procedures for payment and reporting state revenue from upstream oil and gas business activities

- In addition to SKK Migas, the lifting includes volumes managed by the Aceh Oil and Gas Management Agency (*Badan Pengelola Migas Aceh*) as stipulated in the cooperation contract.
- The monthly report of state revenue must be submitted by contractors acting as operators or partners to:
 - The Directorate General of Budgeting, c.q. the Director of Non-Tax State Revenue for Natural Resources and Separated State Assets
 - The DGT
 - The Head of SKK Migas or the Aceh Oil and Gas Management Agency.

Collection of import taxes related to the payment of the transfer of goods and activities within the import sector or other business activities in other sectors

This adjusted the scope of imported goods exempted from customs duties and VAT to a total 19 items, excluding the personal belongings of passengers, the crew of transport vehicles, border crossers and shipped foods up to a certain limit as specified by the applicable customs laws.

The date of receipt of appeal and judicial review verdicts

The definition of the issuance date for appeals and judicial review decisions has been amended for the purposes of tax administration, such as the calculation of interest compensation. Under the previous regulation, the issuance date for appeals and judicial review decisions was the date the decision was pronounced. However, under PMK-81, the issuance date is now the date the decision is received by the DGT.

Final income tax on land and/building (L&B) transfers

PMK-81 changes several provisions:

- For L&B transfers to a government agency, the final income tax on the L&B transfer must be paid in the name of the government agency, whereas previously it was paid in the name of the seller.
- Government agencies are required to issue tax withholding certificates, including for transfers subject to a 0 percent rate.
- Tax liability is based on the seller's place of residence, where the seller's annual income tax return is administered, except for transfers to

government agencies, where the tax is payable at the location of the government agency's tax domicile. Previously, for a seller whose business is L&B transfers, the tax liability was determined at the location of the land or building.

Transitional provisions

- The type, form, content, submission and processing of tax returns (excluding monthly stamp duty returns) will follow the previous regulations until the December 2024 tax period, the partial fiscal year that ended in December 2024, and the 2024 tax year.
- Monthly stamp duty returns must be processed and submitted in accordance with PMK-81 until the December 2024 tax period.
- Unresolved applications submitted before PMK-81 takes effect, including taxpayer registration, data changes, relocation, non-effective taxpayer status designations, NPWP deregistration, PKP declarations, and their revocations, will be processed according to PMK-147.
- Taxpayers may manually complete their tax administration via postal services, couriers, or in person if the infrastructure is unavailable, communication systems face technical issues, or if natural disasters occur.
- Payments related to the transfer of L&B and the settlement of income tax made before 7 September 2016 are exempt from the provisions of Government Regulation GR 34/2016. However, transactions not completed, tax obligations not fulfilled before this date, or any changes or addendums to Sale and Purchase Agreements ("PPJB") after 7 September 2016, will be subject to the provisions of GR 34/2016.

KPMG notes:

- Due to the significant regulatory amendments associated with the implementation of CTAS that went into effect on 1 January 2025, taxpayers are advised to proactively adapt to these changes in fulfilling their tax rights and obligations. To mitigate potential administrative errors that could result in financial losses or tax risk, we strongly recommend staying up to date on new regulations. For further inquiries or assistance, please feel free to contact us.
- PMK-81 standardizes the payment deadline, removing previous variations (e.g., the 10th or 15th of the following month). Taxpayers need to be aware of the specific deadlines outline in PMK-81 for each type of tax and any changes to the reporting procedures.
- Taxpayers should understand the rules for the Input VAT crediting period.

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