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### Stricter control over tax invoice issue

- Need for an activation code to serve as a digital identity and a password to issue tax invoices
- Tax invoice serial numbers are provided by the DGT in a block system
- Appointed employees, instead of proxies may sign tax invoices

### Indonesia - Hong Kong DTA starts to take effect

- Effective from 1 January 2013 for Indonesia and 1 April 2013 for Hong Kong
- Reduced WHT rates to 5%-10% from the default rate of 20%
- COD and a statement letter about the income are required to claim the DTA benefit

### Non-taxable income threshold to more than Rp24 million a year

- Effective from 1 January 2013

## Value added tax

# Stricter control over tax invoice issue

A new tax invoicing system is scheduled to take effect from 1 April 2013. Details of the system are set out in Director General of Taxation (DGT) Reg. 24/PJ/2012 (Reg. 24). One remarkable feature is the need for an entity to have an activation code serving as a digital identity and a password to enable it to issue tax invoices.

The DGT will give activation codes and passwords to qualifying VATable entities upon their specific requests. Request letters may be submitted to the DGT starting 1 March 2013. The DGT is bound to issue an approval or rejection decision on a particular request within a maximum of three days from the receipt date of the request.

This is one of the DGT's moves to impose a stricter control over the issue of tax invoices.

## Tax invoice numbering and coding

Another move involves tax invoice numbering and coding. Tax invoice serial numbers must be obtained from the DGT by a specific request. The DGT will give the serial numbers in a block system with one block containing no more than 120% of the number of tax invoices issued by the applicant during last three months prior to the application date.

Assuming one block will be used up in three months, a VATable entity will need to apply for tax invoice serial numbers four times a year. Any unused serial numbers requested for calendar year must be reported to the DGT after year end together with the filing of the December VAT return.

## Replacement of incomplete tax invoice

The term “defective tax invoice” is gone. In lieu, the term “incomplete tax invoice” is used to refer to a tax invoice which misses some of the minimum information required by law, contains incorrect information, or is not completed in accordance with the prevailing procedure.

An incomplete tax invoice may be replaced by a new tax invoice provided that the VAT return containing the tax invoice has not yet been audited by the DGT. Unlike the current system, the replacement tax invoice should bear the same serial number as the incomplete tax invoice concerned. However, the status code should be changed to “01” to signify the replacement tax invoice.

Replacement of an incomplete tax invoice requires revision of VAT returns containing the tax invoice on the part of both the buyer and the vendor.

## Tax invoice signatories

Under the new system, a tax invoice can be signed by the company officers or appointed employees (instead of the company officer or proxies under the current system). The persons appointed to sign tax invoices must be notified to the DGT along with the sample signatures by the end of the month following the month in which the persons start to sign tax invoices. Late notification may render the tax invoices signed and issued by the persons incomplete tax invoices.

Please bear in mind that signatories’ names notified to the DGT must be precisely the same as those stated in the copies of identity cards attached to the notification letter.

## Things to do

To sum up, these are the things you need to do related to the new tax invoicing system.

- File an application letter for an activation code and a password with the DGT office (KPP). This may be done on or after 1 March 2013. Please make sure your actual address is the same as that stated in your tax ID (NPWP) card. This is particularly relevant for companies which have changed their address but have not notified the tax office to update their NPWP data. Inconsistent data may result in the DGT rejecting your application.
- File an application letter for tax invoice serial numbers with the DGT office. This can be done after you have obtained an activation code and a password.
- Submit to the DGT office a notification letter regarding the company officers or employees appointed to sign tax invoices along with the sample signatures and copies of their ID cards attached to it.

## International tax

# Indonesia-Hong Kong DTA starts to take effect

The Indonesia-Hong Kong Double Tax Agreement (DTA) starts to take effect this year after the completion of the exchange of the ratification documents in November 2012. As far as Indonesian tax is concerned, the DTA provisions are applicable for any income subject to withholding tax (WHT) in Indonesia on or after 1 January 2013. For taxes due or payable in Hong Kong, the DTA provisions are applicable for any year of assessment beginning on or after 1 April 2013.

From an Indonesian perspective, the DTA offers an advantage for certain Indonesian-sourced income over the domestic WHT rate which by default is set at 20%. The WHT rates for certain types of income in the DTA as follows:

Income type	WHT rate*)	Remark
1. Dividend - substantial share ownership	5%	Share ownership of 25% or more of the company's capital
2. Dividend - non-substantial share ownership	10%	Share ownership of 25% or less
3. Interest	10%	On the condition that the recipient is the beneficial owner of the interest
4. Royalty	5%	On the condition that the recipient is the beneficial owner of the royalty
5. Branch profits	5%	

\*) of the gross income for dividend, interest, and royalty income or after-income tax taxable income for the branch profits

Please note that to claim DTA benefits in Indonesia, Hong Kong taxpayers are required to present their certificate of domicile (COD) issued by the Hong Kong competent authority and an additional statement about the nature of the Indonesian income and some other information pertinent to it to the DGT. This must be done through the Indonesian company from which the income is derived when the company files its WHT returns with the DGT office.

So, please make sure that the COD and the statement letter are available before the WHT is due. Without the documents, the income may be subject to Indonesian WHT at 20%.

## Individual income tax

## Non-taxable income threshold increased to more than Rp24 million a year

A new set of non-taxable income threshold (PTKP) for individual taxpayers is effective from 1 January 2013. Details of the amounts comprising the PTKP for a particular individual taxpayer are set out below:

Description	Annual amount (Rp) for 2013 onward	Annual amount (Rp) before 2013
For the taxpayer concerned	24,300,000	15,840,000
Additional PTKP for married taxpayer	2,025,000	1,320,000
Additional PTKP for each dependent, maximum of three	2,025,000	1,320,000
Additional allowance for the spouse whose income must be combined with the taxpayer	24,300,000	15,840,000

Companies need to adjust their calculation of monthly Article 21 withholding tax (WHT 21) applicable for salaries and wages payable to their employees as well as fees payable to non-employee individuals qualified as resident taxpayers. This is applicable for all amounts payable or paid in or after January 2013.

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