
Course: Advanced Taxation

Lecture 2: Introduction to Tax Law and General Provision

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WELCOME!

INTRODUCTION TO TAX LAW AND GENERAL PROVISION

- Tax is a mandatory contribution to the state owed by individuals or entities, enforced by law, without receiving direct compensation, and utilized for the needs of the state to the greatest extent possible for the welfare of the people.
- In Article 1 of the General Provisions and Procedures of Taxation Law (UU KUP), taxpayers are defined as individuals or entities including tax payers, tax withholders, and tax collectors, who have rights and obligations in taxation in accordance with tax legislation.

- Entities refer to a group of individuals and/or capital forming a unity, both engaged in business and non-business activities, including limited liability companies, limited partnerships, other companies, state-owned enterprises or regional-owned enterprises with any name and form, firms, partnerships, cooperatives, pension funds, associations, foundations, mass organizations, socio-political organizations, or other organizations, institutions, and other forms including collective investment contracts and permanent establishments.

- In the Income Tax Law (UU PPh), corporate taxpayers in the form of Permanent Establishments (PE) are distinguished from corporate taxpayers. PE is a form of business utilized by:
 - Individuals who do not reside in Indonesia or stay in Indonesia for no more than 183 days in a 12-month period, or
 - Entities not established and not domiciled in Indonesia to conduct business or activities in Indonesia, which may include: Management headquarters; Company branches; Representative offices; Office buildings; Factories; Workshops; Warehouses; Spaces for promotion and sales; mining and excavation; natural resource areas, oil and gas mining work areas; fisheries, livestock farming, agriculture, plantations, or forestry; construction projects, installations, or assembly projects; provision of services in any form by employees or others, if conducted for more than 60 days in a 12-month period; individuals or entities acting as agents whose positions are not independent agents or employees of insurance companies not established and not domiciled in Indonesia that receive insurance premiums or bear risks in Indonesia; computers, electronic agents, or automatic equipment owned, leased, or used by electronic transaction providers to conduct business activities via the internet.

- Every taxpayer who has met the subjective and objective requirements in accordance with tax regulations is obliged to register with the Tax Directorate General office within the jurisdiction covering the taxpayer's residence or domicile, and is provided with a Taxpayer Identification Number (NPWP).
- The registration obligation mentioned above also applies to married women taxed separately due to living separately based on a court decision or upon a written agreement based on income and asset separation.

- Married women who have met the subjective and objective requirements in accordance with tax regulations and:
 - Do not live separately; or
 - Do not register into a written agreement for income and asset separation, their tax rights and obligations are combined with their husband's tax rights and obligations.
- Married women who wish to exercise their rights and fulfill separate tax obligations from their husband's tax obligations must register to obtain a Taxpayer Identification Number.
- In the event that a married woman who wishes to exercise her rights and fulfill separate tax obligations from her husband's tax obligations already has a Taxpayer Identification Number before marriage, she does not need to register to obtain a Taxpayer Identification Number again.

- Speaking of entrepreneurs, in the tax context, an entrepreneur is an individual or entity in any form engaged in business activities or work that produces goods, imports goods, exports goods, conducts trading, utilizes intangible goods from outside the customs area, provides services, or utilizes services from outside the customs area.
- Meanwhile, a taxable entrepreneur is an entrepreneur who provides taxable goods or taxable services subject to taxation based on the law, excluding small entrepreneurs whose limits are determined by the Minister of Finance except for small entrepreneurs who choose to be confirmed as taxable entrepreneurs.
- Small entrepreneurs are entrepreneurs who, during a fiscal year, provide taxable goods and/or taxable services with a turnover not exceeding 4.8 billion Rupiah.

- Every taxpayer in Indonesia must have a Taxpayer Identification Number (NPWP). NPWP is a number given to taxpayers as a means of taxation administration used as a means of self-identification or taxpayer identity in carrying out their rights and obligations in taxation.
- Taxpayers who have met the subjective and objective requirements in accordance with tax regulations are obliged to register to obtain NPWP.
- NPWP consists of 15 digits, where the first 9 digits represent the taxpayer's code and the following 6 digits represent the tax administration code: For example: 01.234.567.8-505.000.

- Regarding tax documents, taxpayers are required to include their Taxpayer Identification Number (NPWP). Each taxpayer is only issued one NPWP.
- Against taxpayers or taxable entrepreneurs who fail to fulfill their obligation to register and/or report their business, the issuance of NPWP and/or confirmation of taxable entrepreneur status can be conducted by authority. This can be done if, based on data obtained or held by the Tax Directorate General, it is found that the individual or entity has met the requirements to obtain an NPWP or to be confirmed as a taxable entrepreneur.
- In order to enhance tax administration discipline and support the optimization of service functions, supervision, law enforcement, and provide legal certainty to taxpayers, it is necessary to issue Circular Letters from the Tax Directorate General regarding the structure of taxpayer identification number numbering and the implementation of permanent taxpayer identification numbers.

- The structure and implementation of permanent NPWP are intended to clarify the NPWP numbering structure and the implementation of permanent NPWP to ensure more orderly and efficient tax administration, with the aim of facilitating taxpayers in carrying out other public administrations that require NPWP as a reference, providing legal certainty for taxpayers in carrying out their tax rights and obligations, and facilitating tax administration and the implementation of service, supervision, and law enforcement functions.
- Implementation of Permanent NPWP:
 - NPWP does not change even if the taxpayer moves residence/domicile or changes registration location.
 - Taxpayer's tax rights and obligations are conducted at the tax service office where the taxpayer is registered.
 - Service, supervision, and law enforcement functions are carried out in accordance with tax legislation.
 - In the implementation of the functions mentioned above, identification of the tax service office where the taxpayer is registered is required, and identification is conducted through the Tax Directorate General's information system.

- Every taxpayer who has met the subjective and objective requirements according to tax regulations is obliged to register and is provided with an NPWP.
- Obligatory registration for obtaining NPWP:
 - Individual taxpayers conducting business or freelancing.
 - Individual taxpayers who do not conduct business or freelancing, whose income up to a certain month in the fiscal year exceeds the non-taxable income threshold (PTKP).
 - Corporate taxpayers.

- Subjective taxpayer requirements: requirements in accordance with the provisions regarding taxpayer subjects in the income tax law and its amendments.
- Objective requirements: requirements for taxpayers who receive or obtain income or are required to make deductions/withholdings according to the provisions of the income tax law and its amendments.

- The registration obligation also applies to married women taxed separately due to living separately based on a court decision or upon a written agreement based on income and asset separation.
- Married women can register to obtain NPWP in their own name so that they can exercise their rights and fulfill separate tax obligations from their husband's tax obligations.

- Entities required to be confirmed as taxable entrepreneurs (PKP):
 - Individual taxpayers conducting business or freelancing who meet the requirements as taxable entrepreneurs.
 - Corporate taxpayers who meet the requirements as taxable entrepreneurs.
 - Small taxpayers who choose to be confirmed as taxable entrepreneurs.
 - Small taxpayers who do not choose to be taxable entrepreneurs, but until a tax period within a fiscal year, the entire gross turnover has exceeded the limit set as small entrepreneurs.

- Obligation to register for obtaining NPWP and its duration:
 - Individual taxpayers conducting business or freelancing: no later than one month after the start of the business or freelancing.
 - Individual taxpayers who do not conduct business or freelancing, if the income up to a certain month in the fiscal year exceeds the non-taxable income threshold: no later than the end of the following month.
 - Corporate taxpayers who meet the requirements as taxable entrepreneurs: no later than one month after establishment.

- Entities required to be confirmed as taxable entrepreneurs and its duration:
 - Individual taxpayers conducting business or freelancing who meet the requirements as taxable entrepreneurs: before conducting taxable goods and/or services transactions.
 - Corporate taxpayers who meet the requirements as taxable entrepreneurs: before conducting taxable goods and/or services transactions.
 - Small taxpayers who choose to be confirmed as taxable entrepreneurs: no later than the end of the following month.
 - Small taxpayers who do not choose to be taxable entrepreneurs but until a tax period within a fiscal year the entire gross turnover has exceeded the limit set as small entrepreneurs: no later than the end of the following month.

- According to the Regulation of the Director General of Taxes Number PER - 10/PJ/2018, the registration places for taxpayers and/or business reporting places for Taxable Entrepreneurs at the Tax Offices in the Directorate General of Taxation Regional Offices are as follows:

Taxpayer Large Tax Office includes:

- Large Taxpayer Office One, for specific large corporate taxpayers engaged in the mining sector, mining support services, and financial services;
- Large Taxpayer Office Two, for specific large corporate taxpayers engaged in the industrial, trade, and service sectors other than mining support services and financial services;
- Large Taxpayer Office Three, for state-owned enterprises engaged in the mining, industrial, and trade sectors; and
- Large Taxpayer Office Four, for state-owned enterprises engaged in the service sector and specific individual taxpayers.

Directorate General of Taxation Jakarta Special includes:

- Listed Companies Tax Office, for taxpayers whose stock issuance registration statements have been declared effective by the authority overseeing the capital market and financial services, non-bank securities companies, and special bodies (self-regulatory organizations) established and operating on the stock exchange based on the laws governing the capital market;
- Foreign Direct Investment Tax Office One, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in the chemical and non-metallic mineral industry sectors;
- Foreign Direct Investment Tax Office Two, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in the metal and machinery industry sectors;
- Foreign Direct Investment Tax Office Three, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in the mining and trade sectors;
- Foreign Direct Investment Tax Office Four, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in the textile, food, and wood industries;
- Foreign Direct Investment Tax Office Five, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in agribusiness and specific services;
- Foreign Direct Investment Tax Office Six, for certain foreign direct investment taxpayers not listed on the stock exchange and engaged in specific services;
- Corporate and Foreigner Tax Office, for permanent establishment taxpayers domiciled in the Special Capital Region of Jakarta and foreigners residing in the Special Capital Region of Jakarta; and
- Oil and Gas Tax Office, for oil and gas taxpayers.

- Regional Tax Office includes:
 - Regional Tax Office for Certain Large Taxpayers, for specific large corporate taxpayers within a Directorate General of Taxation regional office.

The documents required as completeness for NPWP registration application are as follows:

- For individual taxpayers who do not conduct business or engage in freelance work:
 - Documents proving the taxpayer's identity for both Indonesian citizens and foreigners.
 - Documents showing the taxpayer's residential address.
- For individual taxpayers conducting business or freelance work:
 - Documents proving the taxpayer's identity for both Indonesian citizens and foreigners.
 - Documents showing the taxpayer's residential address.
 - Documents indicating the issuance of business or freelance work permits by competent authorities.

- For corporate taxpayers:
 - Documents demonstrating the establishment or formation of the corporation and its amendments.
 - Documents showing the identity of the corporate officers.
 - Documents indicating the issuance of business or activity permits by competent authorities.
- For taxpayers, including:
 - Documents demonstrating the establishment or formation of the corporation and its amendments.
 - Documents showing the identity of the corporate officers.
 - Documents indicating the issuance of business or activity permits by competent authorities.
- For Treasurers as tax deductors and/or collectors:
 - Documents indicating the taxpayer's appointment as Government Treasurer.
 - Identification documents of the individual appointed as Government Treasurer.

- For corporate taxpayers:
 - Documents demonstrating the establishment or formation of the corporation and its amendments.
 - Documents showing the identity of the corporate officers.
 - Documents indicating the issuance of business or activity permits by competent authorities.
- For taxpayers, including:
 - Documents demonstrating the establishment or formation of the corporation and its amendments.
 - Documents showing the identity of the corporate officers.
 - Documents indicating the issuance of business or activity permits by competent authorities.
- For Treasurers as tax deductors and/or collectors:
 - Documents indicating the taxpayer's appointment as Government Treasurer.
 - Identification documents of the individual appointed as Government Treasurer.

The documents required as completeness for PKP (Taxable Entrepreneur Confirmation) application are as follows:

- For individual taxpayers conducting business or freelance work:
 - Documents proving the taxpayer's identity for both Indonesian citizens and foreigners.
 - Documents showing the location of business activities or freelance work.
 - Documents indicating the issuance of business or freelance work permits by competent authorities.
- For corporate taxpayers:
 - Documents demonstrating the establishment or formation of the corporation and its amendments.
 - Documents showing the identity of the corporate officers.
 - Documents showing the location of business activities.
 - Documents indicating the issuance of business permits by competent authorities.

Changes in taxpayer or taxable entrepreneur data:

1. Application for taxpayer data changes is done by filling out and signing the Taxpayer Data Change Form; and attaching supporting documents indicating the changes. In the case of data changes related to the transformation of individual taxpayers into Undivided Inheritance Taxpayers, the supporting documents to be attached include:
2. Photocopy of death certificate, death certificate, or similar documents.
3. Documents showing the position as a representative of Undivided Inheritance Taxpayers, as follows: a. photocopy of NPWP Card of one of the heirs, in the case of undivided inheritance represented by one of the heirs; b. photocopy of deed or will or equivalent document, and photocopy of NPWP Card of the executor of the will, in the case of undivided inheritance represented by the executor of the will; or c. photocopy of the document appointing the party managing the estate, and photocopy of the NPWP Card of the party managing the estate, in the case of undivided inheritance represented by the party managing the estate; and d. special power of attorney, in case the data change application is carried out by an attorney.

- Any person who deliberately fails to register or misuses or uses NPWP or PKP confirmation without authorization, causing harm to state revenue, shall be punished with imprisonment of a minimum of 6 months and a maximum of 6 years and a fine of at least 2 times the amount of tax owed or underpaid and a maximum of 4 times the amount of tax owed or underpaid. The above penalty shall be doubled once if a person commits a crime in the banking sector within 1 year from the completion of the imposed imprisonment.
- Any person who attempts to commit the crime of misuse or unauthorized use of NPWP or PKP confirmation or submits notification letters and/or statements containing false or incomplete information in order to apply for tax restitution for tax compensation or tax editing, shall be punished with imprisonment of a minimum of 6 months and a maximum of 2 years and a fine of at least twice the amount of restitution requested and/or compensation or credit claimed and a maximum of 4 times the amount of restitution requested and/or compensation or credit claimed.

- The Directorate General of Taxes (DJP) has granted taxpayers the flexibility to request and/or appoint other parties who are more knowledgeable about taxation as representatives or attorneys of taxpayers. What is the difference between a taxpayer representative and attorney?

A representative is an individual trusted by the taxpayer specifically. In exercising rights and obligations in accordance with tax regulations, taxpayers can be represented in cases such as:

1. Corporations represented by executives listed in the articles of association or founding documents and based on a letter of appointment signed by authorized management.
2. Corporations declared bankrupt represented by a trustee.
3. Corporations in dissolution represented by individuals or entities assigned to carry out liquidation.
4. Corporations in liquidation represented by a liquidator.
5. Undivided inheritance represented by one of its heirs, executor of the will, or person managing the estate.
6. Minors under guardianship represented by a guardian.
7. Individuals under guardianship represented by their guardian.

A Taxpayer Attorney is an individual who receives specific authorization from the taxpayer to exercise certain tax rights and obligations in accordance with tax regulations. Attorneys consist of two types:

1. Tax consultants.
2. Taxpayer employees.

The requirements for taxpayer representatives and attorneys are as follows:

1. Proficiency in tax regulations.
2. Possession of a special power of attorney from the taxpayer granting authority.
3. Possession of a Taxpayer Identification Number (NPWP).
4. Submission of the Annual Income Tax Return (SPT) for the last tax year, except for an attorney who has not been obliged to submit the Annual Income Tax Return for the last tax year.
5. No previous convictions for tax-related crimes.

- Meanwhile, taxpayer employees are considered proficient in tax regulations if:
 1. They hold a tax brevet certificate issued by a tax brevet course education institution.
 2. They hold a formal education diploma in taxation, at least at the diploma III level, issued by accredited public or private universities.
 3. They hold a tax consultant certificate issued by the Tax Consultant Certification Committee.
- Furthermore, attorneys appointed by taxpayers with a Special Power of Attorney must include:
 1. Name, address, signature on a stamp duty, and NPWP of the granting taxpayer.
 2. Name, address, signature, and NPWP of the receiving taxpayer.
 3. Specific tax rights and obligations delegated, including tax matters, tax types, and tax periods/partial tax years/tax years.

- In the self-assessment tax system adopted in Indonesia, taxpayers are obliged to report taxes truthfully in accordance with applicable tax laws. In their reports, taxpayers include the Tax Notification Letter (SPT).
- For taxpayers, filling out the Annual Tax Return is one of the obligations to be fulfilled in the reporting process. The SPT, or Annual Tax Notification, is a document used by taxpayers to report calculations and payments, taxable and/or non-taxable objects, and/or assets and liabilities in accordance with the provisions of tax laws and regulations.
- The Annual Income Tax Notification, hereinafter referred to as SPT Annual Income Tax, applies to a tax year or partial tax year. SPT Annual Income Tax, which must be reported annually or at the end of the tax year period, is divided into two types: Individual Annual Tax Returns (consisting of 3 types of forms) and Corporate Tax Returns. Individual Annual Income Tax Returns must be reported by taxpayers no later than 3 months after the end of the tax year. This means that you, as an individual taxpayer, must submit the SPT no later than the end of March each year.

- The Annual Individual Tax Return (SPT Tahunan Perorangan) is further divided into three types of forms: Form 1770, Form 1770 S, and Form 1770 SS. The difference between these three types of forms lies in the individual's employment status, other sources of income, and the taxpayer's income level each year.
- Form 1770 is for individuals who are employees or have other sources of income but don't meet the criteria for Form 1770 S or 1770 SS.
- Form 1770 S is for individuals who only have employment income and whose annual income does not exceed the non-taxable income threshold.
- Form 1770 SS is for individuals who only have employment income, and their annual income exceeds the non-taxable income threshold or who have employment income and other income sources.

- The Corporate Tax Return (SPT Pajak Badan) is intended for corporate taxpayers and must be submitted no later than four months after the end of the tax year or in April of each year. Monthly Tax Returns (SPT Masa) are used to report taxes within a specific period (monthly) and include various types such as SPT Masa PPh 21, 22, 23, 25, 26, PPh Article 4 Paragraph 2, PPh Article 15, Value Added Tax (VAT), Luxury Goods Sales Tax (PPnBM), and VAT Collectors.
- Despite the nine types of taxes having Monthly Tax Returns, the format of each tax form differs. The differences relate to the tax rates and taxable objects for each type of tax. Additionally, the reporting deadlines for each type of Monthly Tax Return vary. For example, taxpayers must report SPT Masa PPh no later than the 20th of the following month, while SPT Masa PPn must be reported by the end of the following month.

- Tax Returns serve various functions for taxpayers, tax withholders, and tax officers. For taxpayers, the Tax Return signifies accountability for the calculation of the tax amount paid, including explanations of whether the tax payment was made by themselves or by another party.
- Tax Returns also specify whether the tax was withheld from individuals or entities (for taxable entrepreneurs or businesses). Essentially, Tax Returns serve as a reporting and accountability tool for taxes. In the Tax Returns for businesses, tax information such as VAT and PPnBM, matters related to crediting, input tax, output tax, and tax withholding are included.

- For tax withholders like companies, the Tax Return serves as evidence of accountability that employee taxes (Article 21 Income Tax) have been paid to the state. Meanwhile, for tax authorities, the Tax Return serves as a tool to test taxpayers' compliance with their obligations and ensure compliance with tax regulations.
- Additionally, Tax Returns are a form of oversight implementation by tax officers. Each type of tax is reported using different forms, depending on the type of tax being reported.
- Failure to submit Tax Returns within the specified deadline may result in penalties imposed on the respective taxpayer. To avoid this, taxpayers must promptly submit their returns or provide confirmation to the Tax Office where they are registered as taxpayers.

- The implementation of the self-assessment system is not immune to errors, despite being supported by various digital technologies such as e-SPT, e-Filing, and others. In practice, there are still taxpayers who make mistakes in reporting or paying their taxes owed.
- These errors can be caused by various factors such as human error in data entry, lack of accuracy and precision, lack of taxpayer understanding, and others. If these errors are not corrected promptly by the taxpayer, they may be subject to tax administrative sanctions. Therefore, taxpayer awareness is necessary to always double-check before fulfilling their obligation to pay and report taxes owed.

- If a Tax Return is not completed correctly, completely, and clearly, it will be considered not submitted in accordance with Article 3 paragraph (7) of the Tax Law. In such cases, taxpayers will be subject to penalties for not submitting the Tax Return, namely fines of IDR 500,000 for VAT Monthly Tax Returns, IDR 100,000 for other Monthly Tax Returns, IDR 1,000,000 for Annual Corporate Income Tax Returns, and IDR 100,000 for Annual Individual Income Tax Returns.
- If a taxpayer submits a Tax Return but there are errors in the submission or if the Tax Return is unintentionally incomplete, unclear, or incorrect, they will be subject to penalties under Article 38 of the Tax Law. The taxpayer must pay a fine equal to 1 times the amount of tax owed (minimum) and 2 times the amount of tax owed (maximum), or face imprisonment for a minimum of 3 months and a maximum of 1 year.
- If these errors are deliberate, for the purpose of tax evasion, the taxpayer will be subject to penalties under Article 39. This entails imprisonment for a minimum of 6 months and a maximum of 6 years, and a fine of at least 2 times and up to 4 times the amount of tax owed.

- If, after an examination by the tax authorities, it is found that the tax owed is less than the tax paid, the tax authorities will issue an Underpaid Tax Assessment Letter (SKPKB). The taxpayer must then pay the shortfall in tax plus a monthly interest penalty determined by the Minister of Finance. This penalty is calculated from the end of the tax year or period until the date the SKPKB is issued.
- Errors in the calculation of Tax Assessments are inevitable. Therefore, it's necessary to make Tax Return Corrections so that taxpayers know the correct amount of tax owed. It's advisable to make these corrections before the tax authorities take action. If a taxpayer realizes there are errors in their Tax Return and voluntarily makes corrections, the sanctions imposed will be less severe compared to waiting for the tax authorities to issue an Underpaid Tax Assessment Letter or Tax Assessment Letter.

- Tax Return Corrections are regulated under Article 8 paragraph (1) of the Tax Law, which states that taxpayers may voluntarily correct Tax Returns that have been submitted. Taxpayers have the right to make corrections as long as the tax authorities have not yet conducted an examination. Examination is considered to have taken place when the Tax Examination Letter is submitted to the taxpayer, their representative, attorney, employee, or adult family member.
- If errors made by the taxpayer result in underpayment of tax owed, the taxpayer must pay the underpaid tax first before making Tax Return Corrections. Articles 13 paragraphs (2) and (2a) explain that if errors are found in the Tax Return during an examination by the tax authorities and they issue an Underpaid Tax Assessment Letter, the taxpayer will be subject to administrative sanctions in the form of monthly interest penalties determined by the Minister of Finance.

When should corrections be made?

- First, after the taxpayer realizes there are errors in the Tax Return, it's their obligation to make corrections. They don't have to wait for the tax authorities to conduct an examination.
- Second, as long as the tax authorities have not conducted an examination, taxpayers can make corrections.
- Third, after the tax authorities have conducted an examination but have not yet issued the examination results notice.

- In principle, every Income Taxpayer is required to submit a Tax Return. However, based on efficiency considerations or other considerations, the Minister of Finance may exempt Income Taxpayers from the obligation to submit Tax Returns, for example, Individuals who receive or earn income below the Non-Taxable Income (PTKP) threshold, but due to certain reasons are required to have a Taxpayer Identification Number (NPWP).
- Tax Payment Letters (SSP) are evidence of tax payment or deposit made by taxpayers using forms or other methods to the state treasury. Submission of SSP can be done through payment points such as post offices, state-owned banks, and others.
- Taxpayers must first prepare the Tax Payment Letter and bring it to a bank or post office before paying taxes. The SSP is considered valid once it has been certified by the payment office or if its payment has been validated by the authorized party.

The following are types of Tax Payment Letters (SSP):

- Standard SSP is used by taxpayers to pay/deposit the tax owed to the Payment Receiving Office and serves as proof of payment with a predetermined format, size, and content.
- Special SSP is a proof of payment/deposit of tax owed to the Payment Receiving Office printed by the Payment Receiving Office using transaction machines.
- Customs, Excise, and Import Tax Payment Letters (SSPCP) are used by importers or taxpayers for import purposes.
- Excise Tax Payment Letters for Domestic Manufactured Excisable Goods and VAT on Domestic Manufactured Tobacco Products are used by entrepreneurs for excise tax on Excisable Goods and VAT on domestic manufactured tobacco products.

- In the tax world, there is also what is known as record-keeping and bookkeeping.
- Record-keeping involves regular collection of data on circulation, receipts, or gross income as the basis for calculating the amount of tax owed. This also includes income that comes from non-taxable objects or income that is subject to final tax.
- The process of record-keeping and bookkeeping is an important part of the accounting world. Similarly, in the tax world, record-keeping and bookkeeping are crucial and serve as the basis for taxpayers' compliance in the process of pay-calculate-reporting the amount of tax owed.

- As per the principle, individual taxpayers, corporations, and government agencies engaged in activities or business operations are required to keep books.
- Bookkeeping is a process of regular recording with the collection of financial data and information covering assets, liabilities, capital, income, expenses, as well as total acquisition and delivery of goods/services. The collected data will be concluded by preparing financial statements such as balance sheets and profit and loss statements for that tax year period.
- Essentially, the implementation of bookkeeping and record-keeping is aimed at helping taxpayers easily fulfill their tax obligations, such as in completing Tax Notifications (SPTs), calculating Taxable Income (PKP), Value Added Tax (VAT), Luxury Goods Sales Tax (PPnBM), and to understand the financial position resulting from business activities or freelance work.
- Moreover, any form of books, records, and documents that form the basis of bookkeeping or record-keeping, as well as other documents related to data processing results from electronic bookkeeping, must be retained for a period of 10 (ten) years in Indonesia. These documents must be kept at the location where the activity is carried out, the domicile of individual taxpayers, or the registered office of corporate taxpayers.

- Distinction between Bookkeeping and Record-Keeping: Apart from similarities, there are several differences between bookkeeping and record-keeping. Firstly, according to the Tax Law (UU) KUP, it is stipulated that individual taxpayers engaged in business activities or freelance work, as well as corporate taxpayers in Indonesia, are required to maintain or organize bookkeeping. However, individual taxpayers engaged in business activities or freelance work may be exempted from bookkeeping if they are allowed to calculate net income using the Net Income Calculation Norm (NPPN) as specified in the Tax Law. The criteria for taxpayers required to maintain bookkeeping and record-keeping are as follows:

- Taxpayers required to maintain bookkeeping:
 1. Corporate taxpayers
 2. Individual taxpayers engaged in business activities or freelance work, except individual taxpayers with gross income (revenue) less than Rp 4.8 billion per year.
- Taxpayers required to maintain record-keeping:
 1. Individual taxpayers engaged in business activities or freelance work with gross revenue less than Rp 4.8 billion per year may use the Net Income Calculation Norm (NPPN) to calculate net income, provided that they notify the Directorate General of Taxes (DJP) within the first 3 months of the relevant tax year.
 2. Individual taxpayers who do not engage in business activities or freelance work.

- Requirements for Bookkeeping and Record-Keeping:
 - Requirements for bookkeeping:
 - I. Bookkeeping must be conducted using the principles of compliance and accrual or cash basis.
 - II. Bookkeeping consists of records of assets, liabilities, capital, income and expenses, as well as sales and purchases, so that the tax owed can be calculated.
 - Requirements for record-keeping:
 - I. Record-keeping must depict the circulation or gross receipts and the amount of gross income received or obtained.
 - II. Must depict non-taxable income and income subject to final taxation.
 - III. For taxpayers with more than one type of business or place of business, records must clearly depict each type of business or place of business concerned.
 - IV. In addition to maintaining records, individual taxpayers must also maintain records of assets and liabilities.

- Language Differences: Bookkeeping is conducted in Indonesia using the Latin alphabet, Arabic numerals, Indonesian language, or foreign languages as permitted by the Minister of Finance. On the other hand, record-keeping uses the Indonesian language and the Indonesian currency.

- As a taxpayer, you must fulfill various obligations in taxation. In case of errors in filling out the Annual Tax Return (SPT) or discovery of unreported tax data, the Tax Directorate will issue a tax assessment letter (SKP) for you.
- Based on Law No. 6 of 1983 regarding General Provisions and Procedures for Taxation as the third amendment to Law No. 28 of 2007, Article 1 number 15, a tax assessment letter includes a Letter of Tax Underpayment (SKPKB), Additional Letter of Tax Underpayment (SKPKBT), Tax Nil Letter (SKPN), or Excess Tax Letter (SKPLB). According to the decision of the Tax Directorate, the authority to issue these letters lies with the Primary Tax Office (KPP) and is issued based on the results of tax audits.
- In essence, tax assessment letters serve as a means to collect tax deficiencies, refund overpaid taxes, notify the amount of tax owed, impose tax administration penalties, and collect taxes.

Tax Demand Letter: A tax demand letter is issued to collect taxes and/or tax administration penalties such as interest and/or fines. A tax demand letter will be issued if:

1. Income tax for the current year is not paid or underpaid.
2. There is a shortage of tax payments due to errors or miscalculations.
3. Subject to administrative penalties such as fines and/or interest.
4. Taxpayers subject to Value Added Tax according to the Value Added Tax Law of 1984 and its amendments but fail to report their business activities to be confirmed as Taxable Entrepreneurs.
5. Taxpayers not confirmed as Taxable Entrepreneurs issue tax invoices.
6. Taxpayers confirmed as Taxable Entrepreneurs fail to issue tax invoices, issue tax invoices but not in a timely manner, or fail to fill them out completely.

- If a taxpayer receives a tax demand letter due to reasons 1 and 2, the amount of the tax deficiency stated in the letter will be increased by an interest rate of 2% per month for a maximum of 24 months. This period is counted from the tax due date, or part of the tax year, or the tax year until the tax demand letter is issued.
- If the recipient of the tax demand letter is a business owner (as mentioned in points 4, 5, 6), a penalty of 2% of the tax base will be imposed.

- Letter of Tax Underpayment (SKPKB): SKPKB is a letter that determines the amount of the principal tax, tax credit, deficiency in the payment of the principal tax, the amount of administrative sanctions, and the amount of tax still owed. This type of tax assessment letter is issued within a period of 5 years after the tax due date or the end of the tax period.
- Broadly speaking, the issuance of SKPKB is due to taxpayers underpaying or not paying the due tax, late submission of Periodic Tax Returns within the specified period, incorrect calculations related to Value Added Tax (VAT) and Luxury Goods Sales Tax (PPnBM) subject to a 0% rate, or failure to determine the amount of tax due.

- The Letter of Tax Underpayment serves important functions, as follows:
 1. It serves to correct the amount of tax due based on the Tax Return (SPT).
 2. It serves as an administrative tool that can impose penalties on relevant taxpayers.
 3. It serves as a means used to collect taxes.

- **Excess Tax Letter (SKPLB):** SKPLB is a tax assessment letter that determines the amount of excess tax payments because the tax credit amount is greater than the tax due or should not be due. Simply put, SKPLB is issued because taxpayers have overpaid the tax due.
- SKPLB will be issued if there is a written request from the taxpayer with the conditions: The tax credit amount in Income Tax (PPh), Value Added Tax (VAT), and Luxury Goods Sales Tax (PPnBM) is greater than the amount of tax due, or tax payments have been made that should not be due.
- The issuance of this letter is carried out after an examination of the request, no later than 12 months from the date the request letter is received or according to the decision of the Tax Directorate. If issued late, the taxpayer is entitled to receive compensation of 2% interest per month calculated from the end of the specified period.

- Tax Nil Letter (SKPN): SKPN is a tax assessment letter that determines the amount of the principal tax equal to the tax credit amount or no tax due and no tax credit. SKPN is issued after the Tax Directorate examines the Tax Notification.
- SKPN is issued for:
 - Income tax if the tax credit amount is equal to the tax due or no tax due and no tax credit.
 - Value Added Tax if the tax credit amount is equal to the tax due or no tax due and no tax credit. If there is tax collected by the Value Added Tax Collector, the amount of tax due is calculated by subtracting the Tax Output from the tax collected by the Value Added Tax Collector.
 - Luxury Goods Sales Tax if the amount of tax paid is equal to the tax due or no tax due and no tax payment.

- Tax Underpayment Additional Letter (SKPKBT): SKPKBT is a tax assessment letter that determines additional tax amounts that have been assessed.
- SKPKBT is a correction to the previously issued tax assessment letter (SKP). When a taxpayer has reported and paid the tax due as stated in the SKP, tax officials will re-examine this new data. If there is still any tax due that is underpaid or not paid by the taxpayer, the Tax Directorate will issue SKPKBT.
- SKPKBT is issued within a period of 5 years, with the amount of tax due to be paid plus 100% as administrative sanctions. If this period has passed and the taxpayer has not paid the tax deficiency, an additional penalty of 48% of the amount of tax due will be imposed.

Taxpayers can apply for a correction to the tax assessment letter if there are errors. The correction is limited to the following errors:

1. Typographical errors in the name, address, taxpayer identification number, tax assessment letter number, type of tax, tax period or tax year, and due date.
2. Calculation errors arising from addition and/or subtraction and/or multiplication and/or division of a number.
3. Mistakes in the application of specific provisions in tax laws and regulations, namely errors in the application of rates, errors in the application of the percentage of Net Income Calculation Norms, errors in the application of administrative sanctions, Non-Taxable Income errors, errors in calculating Income Tax in the current year, and errors in tax crediting.

- When receiving any letter indicating underpayment of tax or administrative penalties in the form of fines and/or interest, promptly resolve them before exceeding the deadline mentioned in the tax assessment letter.
- Tax collection is defined as a process of actions taken by taxpayers (taxpayers) to settle their tax debts along with collection costs.

Aside from the similarities, there are also several differences between bookkeeping and recording, namely:

- Essentially, based on the Tax Law (UU) KUP, it is stipulated that individual taxpayers engaged in business activities or freelance work, as well as corporate taxpayers in Indonesia, are required to carry out or organize bookkeeping. However, this bookkeeping is exempted for individual taxpayers engaged in business activities or freelance work, according to applicable provisions, allowing them to calculate net income using the Net Income Calculation Norm (NPPN) as stipulated in the Tax Law. The following are the criteria for taxpayers required to carry out bookkeeping and recording:
 - Taxpayers conducting bookkeeping:
 - Corporate taxpayers.
 - Individual taxpayers engaged in business activities or freelance work, except for individual taxpayers with gross income (revenue) of less than Rp 4.8 billion in one year.
 - Taxpayers conducting recording:
 - Individual taxpayers engaged in a business activity or freelance work with gross circulation (revenue) of less than Rp 4.8 billion in one year may use the Net Income Calculation Norm (NPPN) to calculate net income, provided they inform the Directorate General of Taxes (DJP) within the first 3 (three) months of the relevant tax year.
 - Individual taxpayers who do not engage in business activities or freelance work.

- Requirements for bookkeeping and recording:
 - Bookkeeping requirements:
 - For bookkeeping, it is carried out using the principle of compliance and accrual or cash basis.
 - Bookkeeping consists of records of assets, liabilities, capital, income, expenses, as well as sales and purchases so that the tax payable can be calculated.
 - Recording requirements:
 - In recording, it must depict the circulation or gross receipts and the amount of gross income received or obtained.
 - It must depict non-taxable income and income subject to final taxation.
 - For taxpayers with more than one type of business or place of business, the recording must clearly depict each type of business or place of business concerned.
 - In addition to conducting recording, individual taxpayers must also maintain records of assets and liabilities.

- Language Differences:
 - Bookkeeping is conducted in Indonesia using Latin letters, Arabic numerals, Indonesian language or foreign languages in accordance with permits from the Ministry of Finance.
 - Whereas recording uses the Indonesian language and Indonesian currency.

- Taxpayers can apply for a correction of the tax assessment if there are errors. Correction is limited to the following errors:
 - Typographical errors in the name, address, taxpayer identification number, tax assessment letter number, tax type, tax period or tax year, and due date.
 - Calculation errors arising from addition, subtraction, multiplication, or division of a number.
 - Errors in the application of specific provisions in tax laws and regulations, namely errors in the application of rates, errors in the application of Net Income Calculation Norm percentages, errors in the application of administrative sanctions, errors in Non-Taxable Income, errors in the calculation of Income Tax in the current year, and errors in tax crediting.

- When receiving any letter indicating that you have underpaid taxes or incurred administrative penalties such as fines and/or interest, promptly resolve it before exceeding the deadline specified in the tax assessment letter.
- Tax collection is defined as a process of actions taken by the tax bearer (taxpayer) to settle their tax debts along with collection costs.
- Tax collection process certainly involves taxpayers as previously explained. In this case, it cannot be denied that every taxpayer has several tax liabilities. Regarding this matter, there are several types of tax collection, both passive, active, and immediate and simultaneous.

- **Passive tax collection:** In this passive tax collection process, the tax authority or fiscus only issues Tax Assessment Letters (STP) or similar letters that cause the tax due to increase. In this type of collection, the tax authority or fiscus will only notify the taxpayer that there is a tax debt. If within 1 (one) month from the issuance of the STP or similar letter, the taxpayer does not pay the tax debt, the tax authority or fiscus will apply active collection.
- **Active collection:** As explained in the previous type of collection, active collection will be directly implemented if the taxpayer or tax bearer does not make the payment (due date) since the issuance of the STP. In this active collection, the tax authority or fiscus will deploy tax execution officers to take further actions such as seizure and auction if the taxpayer or tax bearer does not settle the tax debt within 21 (twenty-one) days from the date of receipt of warning letters or compulsory letters issued by the tax authority or fiscus.

- Immediate & simultaneous collection: This type of immediate and simultaneous collection is carried out by the fiscus and tax execution officers directly against the taxpayer without waiting for the predetermined time or due date for tax payment. This type of collection covers the entire tax debt, including all types of taxes, tax periods, and tax years. This type of collection also aims to prevent the accumulation of overdue taxes that will be difficult to collect later.

- Basis for Income Tax, Value Added Tax (VAT), Luxury Goods Sales Tax (PPnBM), and Collection Interest:
 - Tax Assessment Letters (STP)
 - Tax Underpayment Assessment Letters (SKPKB)
 - Additional Tax Underpayment Assessment Letters (SKPKBT)
 - Correction Decisions
 - Aggravation Decisions
 - Appeals Decisions
 - Reconsideration Decisions
- Basis for Land and Building Tax (PBB):
 - Land and Building Tax Payment Notification Letters (SPPT)
 - Tax Assessment Letters (SKP)
 - Tax Assessment Letters (STP)

- In the tax collection process, there is a time frame or due date set by the Directorate General of Taxes (DJP) for conducting tax collection, including interest, increases, and tax collection costs, against taxpayers or tax bearers, which is within a period of 5 (five) years from the issuance of the tax collection basis. However, this process may be deferred or exceed 5 (five) years if:
 - A Compulsory Letter (SP) has been issued.
 - There is acknowledgment of tax debt by the taxpayer or tax bearer, either directly or indirectly, such as applying for installment payments or deferred payments.
 - Tax Underpayment Assessment Letters (SKPKB) or Additional Tax Underpayment Assessment Letters (SKPKBT) have been issued. This is because the taxpayer or tax bearer has committed tax offenses and other criminal acts detrimental to state revenue.
 - Investigation has been conducted into criminal acts in the field of taxation.

- The collection process will begin with the tax collection basis consisting of Tax Assessment Letters (STP), Tax Underpayment Assessment Letters (SKPKB), Additional Tax Underpayment Assessment Letters (SKPKBT), Correction Decisions (SK Pembetulan), Objection Decisions (SK Keberatan), Appeal Decisions, and Reconsideration Decisions not disputed by the taxpayer or tax bearer.
- The time frame (due date) of the tax collection basis will be 1 (one) month from the issuance of these letters. If within this period, the taxpayer or tax bearer does not make payment or request installment payments, then after 7 (seven) days from the due date, Warning Letters will be issued.

- If warning letters have been issued and the taxpayer still does not pay or settle the tax debt, then the tax authority or fiscus will issue Compulsory Letters (SP) after the specified period, which is 21 (twenty-one) days from the issuance of the Warning Letters. In this case, the tax authority will deploy tax execution officers.
- After the issuance of seizure letters, the next authority will be carried out by the Auction Officer, where an auction will be conducted if more than 14 (fourteen) days have passed from the date of seizure and the taxpayer or tax bearer has not settled the tax debt and collection costs.
- The auction will be conducted in accordance with applicable regulations if the taxpayer or tax bearer does not settle the tax debt and collection costs within 14 (fourteen) days from the announcement of the auction.

SUMMMARIES

LECTURE 2: INTRODUCTION TO TAX LAW AND GENERAL PROVISION

THANK YOU

LECTURE 2: INTRODUCTION TO TAX LAW AND GENERAL PROVISION

LECTURER: DIMAZ RAMANANDA

Reference:

- Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Taxation Procedures
- Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax