

# Acceleration of Pre-audit Tax Refund



Ministry of Finance of the Republic of Indonesia  
Directorate General of Taxes

# Background and Objective



## Background:

1. Tax refund through verification tends to decrease In 2014–2016. this trend occurs because tax refund was given through audit.
2. The average time for completing of tax refund through audit is 10 months. As a result, our paying taxes` s indicator is still above 100 based on Ease of Doing Business (EoDB) World Bank report, even though the overall ranking of Indonesia has risen from 91 to 72.
3. Refund discrepancy through audit is less than 5% per year



## Objectives:

1. Commitment to encourage investment and assist business financing through the acceleration of VAT refunds including for SMEs.
2. Improving EoDB rankings.
3. Encouraging the growth of business activities, business sustainability, and business simplicity for taxpayer/ taxable entrepreneur

# GENERAL DESCRIPTION OF PRE AUDIT TAX REFUND



Pre-Audit Tax Refund Mechanism

1

**Tax refund is given for:**

1. Taxpayer with certain Criteria (article 17C UU KUP) → good tax obedience
2. Taxpayer with certain specification ( article 17D UU KUP) → tax refund with certain value
3. Low risk taxable entrepreneur (article 9(4c) UU PPN → certain taxable entrepreneur with good tax obedience

**Tax refund procedure:**  
Verification on:

- ✓ Validity in writing and tax calculation
- ✓ Validity in Tax Credit/Input Tax

**SKPPKP**  
(if there is tax overpayment)

Post Audit can be done

**taxpayer with certain Criteria**

- a. Income tax → max 3 months
- b. VAT Tax → max. 1 month

Low risk taxable entrepreneur  
→ VAT Tax → max. 1 month

**taxpayer with certain specification**

- a. Individual tax income → max 15 days
- b. Entity tax income → max 1 month
- c. VAT tax → max. 1 month

After the request is accepted



2

**Audit referred to article 17B UU KUP, given for:**

- ✓ Taxpayer who request tax refund based on article 17B UU KUP
- ✓ taxpayer with certain Criteria, taxpayer with certain specification, or Low risk taxable entrepreneur who based on tax return verification will not get issued with SKPPKP

**Audit approval:**

- ✓ Audit proposal approval

**Audit preparation:**

- ✓ SP2 issued
- ✓ Audit notice and summon

**Audit execution:**

- ✓ File borrowing
- ✓ Requesting information
- ✓ examination

**Final result discussion:**

- ✓ Taxpayer comment
- ✓ Discussion with auditor

**Reporting & conclusion:**

- ✓ Audit report
- ✓ Notice of tax assessment issued

**SKPLB**  
(if there is tax overpayment)

SKPPKP

SPMKP

SP2D



max. 12 months after the request is accepted



## Criteria:

*(for main and branch taxpayer)*

### 1. tax return is filed on time

- a. *Annual tax return → the last 3 taxable year*
- b. *Monthly tax return jan-dec → last taxable year*
- c. *If there is overdue monthly tax return filing:*
  - 1) *Max 3 taxable period for each type of tax & not consecutive; &*
  - 2) *Not over the time limit of the next tax return filing.*



*“to become a taxpayer with certain criteria, pre-assessment is needed*

### 2. Has no tax debt, except has been given permission to postpone or to install tax debt

- a. *Condition on 31 Dec last year; &*
- b. *tax debt that`s not overdue yet is not included.*

### 3. Has audit financial report with unqualified opinion for 3 consecutive years

- a. *Audited by public accountant or government financial supervisory agency*
- b. *Financial statement is attached to the annual tax return*

### 4. Has never been convicted in the field of taxation in the last 5 years

*has a permanent legal force*

# TAXPAYER WITH CERTAIN SPECIFICATION (article 17D UU KUP)



1



**Individual taxpayer**  
Does not conduct  
business activity  
(example: employee)

Tax refund value in annual  
tax return  
**unlimited**

2



**Individual taxpayer**  
conduct business  
activity

Tax refund value in annual  
tax return  
**max Rp100 million**

3



**Entity taxpayer**

Tax refund value in annual  
tax return  
**max Rp1 billion**

4



**Taxable  
entrepreneur**

Tax refund value in periodic  
VAT tax return  
**max Rp1 billion**

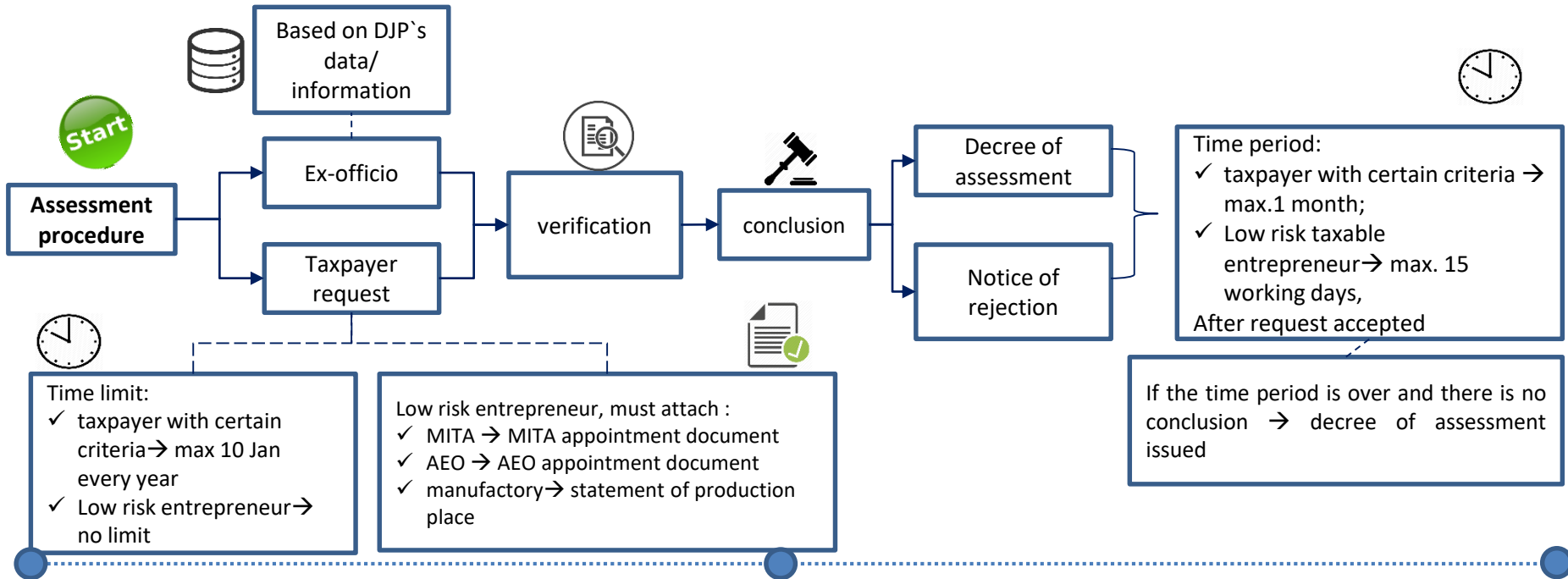
*There is no need to get decree to be a taxpayer  
with certain specification*

# LOW RISK TAXABLE ENTREPRENEUR (Article 9(4c) UU PPN)



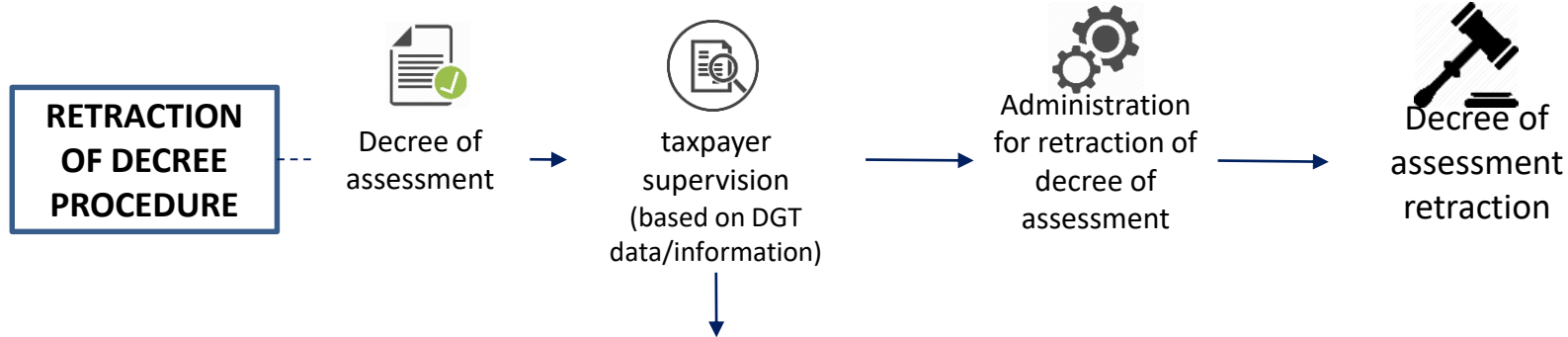
Taxable entrepreneur	Requirement		Certain activities	
<ol style="list-style-type: none"> <li>1. Company whose shares are traded on the stock exchange</li> <li>2. State/regional owned enterprise</li> <li>3. Custom`s main partner</li> <li>4. <i>Authorized Economic Operator/AOE</i></li> <li>5. manufacturer who has a production place with tax overpayment up to Rp1billion</li> </ol>	<ol style="list-style-type: none"> <li>1. Is not being investigated</li> <li>2. Has never been convicted for the last 5 years</li> <li>3. <i>Only for manufacturer:</i> file monthly VAT Tax return on time for the last 12 months.</li> </ol>	<p>Can be appointed as low risk taxable entrepreneur</p> <p><b>(taxable entrepreneur With Tax Overpayment Less Than Rp1 Billion do not need decree)</b></p>	<ol style="list-style-type: none"> <li>1. Export</li> <li>2. Delivery of taxable goods/service to VAT tax collector</li> <li>3. Delivery of taxable goods/service whose VAT Tax not collected</li> </ol>	<p>Can be given Overpayment Assessment at each Taxable Period when certain activities conducted</p>

# DECREE OF TAXPAYER WITH CERTAIN CRITERIA / LOW RISK TAXABLE ENTREPRENEUR



- 1 Decree of assessment is valid until revoked
- 2 Decree of taxpayer with certain criteria for main and branch taxpayer (only 1 decree is needed)
- 3 Decree of low risk taxable entrepreneur for main and branch taxable entrepreneur must be done separately.
- 4 Taxable entrepreneur with tax overpayment up to Rp1 billion, will be considered as low risk Taxable entrepreneur, with conditions:
  - ✓ Is not being investigated
  - ✓ has never been convicted for the last 5 years
  - ✓ has not been issued decree of assessment as low risk taxable entrepreneur ex-officio
  - ✓ tax entrepreneur does not need to request decree of assessment as low risk taxable entrepreneur

# RETRACTION OF DECREE OF TAXPAYER WITH CERTAIN CRITERIA / LOW RISK TAXABLE ENTREPRENEUR



No.	Condition on how to retract a decree	taxpayer with certain criteria	Low risk taxable entrepreneur
1.	Tax return is filed overdue:		
	a. Annual tax return	✓	
	b. Periodic tax return for one type of tax → 2 consecutive taxable period	✓	
	c. Periodic tax return for one type of tax → 3 taxable period in 1 Taxable year	✓	
2.	Is not being investigated	✓	✓
3.	has never been convicted		✓
4.	Taxable entrepreneur no longer meet the following requirement:		✓
	a. companies whose shares are traded on the stock exchange		
	b. states/regional owned enterprises		
	c. appointed as MITA		
	d. appointed as AOE		
	e. manufacturer who has a production place with tax overpayment up to Rp1 billion		

“if the decree is retracted, taxpayer can request another decree of assessment”



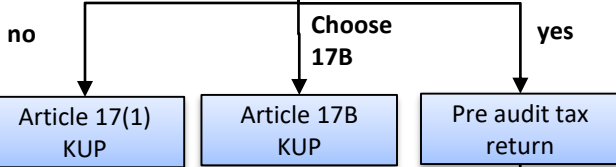
# PRE AUDIT TAX REFUND SCHEME



Request By Giving tick (v) in the tax return



Is there any tax refund request in the tax return? **Start**



✓ taxpayer with certain specification

✓ taxpayer with certain criteria  
✓ Low risk taxable entrepreneur

**Formal verification:**

- Assessment still valid;
- Is not being investigated;
- Tax return is filed on time (only for taxpayer with certain criteria);
- has never been convicted in the last 5 years (only for low risk taxable entrepreneur)

**Material verification:**

- writing and tax calculation
- Withholding tax certification
- Input tax
- Fulfillment of certain activities (only for low risk taxable entrepreneur)

formal OK → SKPPKP issued

formal NO → Pre audit tax refund is not given

Tax overpayment

No overpayment / material condition not meet

**Old process:**

- Taxpayer with certain criteria
  - Income tax → max 3 months
  - VAT tax → max 1 month
- Taxpayer with certain specification
  - Individual income tax → max 15 days
  - Entity income tax → max 1 month
  - VAT tax → max 1 month
- Low risk tax entrepreneur VAT tax → max 1 month

SKPPKP value = Request value



There are tax overpayment that's not refunded yet



request refund with different letter



Tax return correction (compensation)

Pre audit tax refund is not given  
SKPPKP is not issued  
Taxpayer is notified

Article 17B KUP



condition	Can it be considered tax overpayment?
1. Tax credit is not reported in the withholding tax certificate's issuer's tax return or tax invoice	No
2. Tax credit is not reported in the withholding tax certificate's issuer's tax return or tax invoice, but is reported in the pleader tax return	No

# VERIFICATION OF PRE AUDIT TAX REFUND REQUEST



No.	Verification point	taxpayer with certain criteria	taxpayer with certain specification	Low risk taxable entrepreneur
<b>A. Formal verifications</b>				
1.	Decree of taxpayer with certain criteria/low risk taxable entrepreneur assessment still valid <i>(decree of assessment is retracted if taxpayer does not file tax return on time/is being investigated)</i>	√	-	√
2.	Annual tax return filing is not overdue	√	-	-
3.	Periodic tax return filling is not overdue for 2 consecutive period	√	-	-
4.	Periodic tax return filling for a type of tax is not overdue for 3 period in a year	√	-	-
5.	Is not being investigated	√	-	√
6.	has never been convicted in the field of taxation in the last 5 years	-	-	√
<b>B. Material verifications</b>				
1.	Validity in writing and tax calculation <i>(make sure that addition, reduction, multiplication, and division in tax calculation is right)</i>	√	√	√
2.	Withholding income tax certificate crediting <i>(make sure that withholding income tax certificate has been filed by the issuer)</i>	√	√	-
3.	Tax input/output crediting that`s been paid by the taxpayer himself/herself <i>(make sure input tax that has been filed has been validated by NTPN)</i>	√	√	√
4.	Taxable entrepreneur conducts certain activity in the taxable period that it requests pre audit tax return <i>(make sure taxable entrepreneur has conduct export, doing delivery to VAT collector, or doing delivery whose VAT tax not collected)</i>	-	-	√

# SPECIFIC PROVISIONS



- 1 VAT tax refund for taxpayer with certain criteria/taxpayer with certain specification that also assessed as low risk taxable entrepreneur -> processed with pre audit tax refund for low risk taxable entrepreneur mechanism.
- 2 If taxpayer with certain criteria, taxpayer with certain specification, or low risk taxable entrepreneur file tax return with tax overpayment and does not tick the pre audit tax refund and restitution column -> processed with audit mechanism as stated in **article 17 (1) UU KUP**.
- 3 If taxpayer with certain criteria, taxpayer with certain specification, or low risk taxable entrepreneur, file tax return with tax overpayment and tick the restitution column (*without ticking the pre audit tax refund column*)  
Processed with audit mechanism as stated in **article 17B UU KUP**.
- 4 If pre audit tax refund has been processed via verification and SKPPKP not issued -> processed with audit mechanism as stated in **article 17B UU KUP**.
- 5 The Director General of Taxes can conduct **audit** to taxpayer with certain criteria, taxpayer with certain specification, or low risk taxable entrepreneur that have been given pre audit tax refund and issue notice of tax assessment.



# TRANSITIONAL PROVISIONS

Max 1 month after  
the request is  
accepted

**1** taxpayer who has not been assessed as taxpayer with certain criteria until 11 Apr 2018 →  
**can request assessment**

12 Apr 2018

11 Mai 2018

11 June 2018

11 July 2018

**2** Taxpayer with certain criteria & low risk taxable entrepreneur assessment still valid until 11 Apr 2018 → **reassess ex-officio**  
max 1 month after this regulation shall be enacted upon

**3** Pre audit tax refund request that has not been completed until 12 Apr 2018 → **must be completed according to the old regulation:**

- taxpayer with certain criteria → PMK-74/2012
- taxpayer with certain condition → PMK-198/2013
- low risk taxable entrepreneur → PMK-71/2010 & PMK-72/2010



# Thank You

