The right of a taxpayer to object to a tax assessment is regulated under Articles 25, 26, 26A, 27 and 27A of the Law on Taxation, General Provisions and Procedures (Law No. 6 of 1983, as amended). To implement these provisions, the Ministry of Finance issued Regulation No. 9/PMK.03/2013 on Procedure for Submitting and Resolving Objections, which revoked and replaced the previous regulation on the subject (Reg. No. 194/2007), as of March 1, 2013.

- **Overview of Objections**

All taxpayers are entitled to file an Objection Letter to the Director General of Taxation ("DGT") objecting to: (i) Underpaid Tax Assessment; (ii) Additional Underpaid Tax Assessment; (iii) Overpaid Tax Assessment; (iv) Nil Tax Assessment; or (v) withholding or collection of tax by a third party.

Taxpayers may only object to: (i) the contents of a tax assessment, including losses to the taxpayer, (ii) the amount of tax assessed; and/or (iii) the contents and/or amount of withholding or collection by a third party. No other matters will be considered.

The taxpayer is entitled to obtain information from the DGT pertaining to the imposition of tax, calculation of loss, and withholding/collection of tax prior to submitting the Objection Letter.

- **Submitting on Objection**

The Objection Letter must be submitted in the Indonesian language to the Tax Office where the taxpayer or the taxable entrepreneur is registered within three months from the date of assessment, deduction, or collection, unless the taxpayer can prove the delay is due to circumstances beyond their control. The Objection Letter and supporting evidence can be submitted by: (i) personal delivery; (ii) registered mail; (iii) courier; or (iv) e-Filing.

The Objection Letter should state the amount of tax payable, the amount of tax withheld or collected, or the amount of alleged loss based on the taxpayer’s calculation, along with the basis for the calculation. A separate Objection Letter is required for each assessment, withholding, or collection to which the taxpayer objects.

Note: for Tax Year 2007 and earlier, filing an Objection will not postpone payment or collection of underpaid taxes stated in the Tax Assessment. For Tax Year 2008 and later, the taxpayer must settle the amount of tax due and payable prior to submitting the Objection Letter, at least in the amount conceded by the taxpayer in an audit or verification result closing conference. Payment of the disputed amount will be postponed until one month after the Decree of Objection.

- **Resolving the Objection**

Within twelve months from the date an Objection Letter is filed, the DGT must render a Decree of Objection,
which may approve the Objection in whole or in part, reject the Objection, or increase the amount of tax payable. If the DGT does not render a Decree within twelve months, the Letter of Objection will be deemed granted by operation of law.

In order to resolve the Objection, the DGT is authorized to: (i) obtain taxpayer books, records, data and information; (ii) collect information or evidence from third parties (e.g., bank, public accountant, notary, tax consultant, administration office); (iii) survey the location of the taxpayer, or other places as needed; (iv) summon the taxpayer; and (v) investigate any other data and information relevant to resolving the Objection. If the taxpayer does not fulfill part or all of the DGT’s request for records or information, the Decree of Objection will be rendered in accordance with available data.

Before rendering a Decree of Objection, the DGT will issue a Notice to Appear, along with the results of the examination and a form response letter. If the taxpayer does not attend, the Objection will be resolved in the taxpayer’s absence.

In the event that an Objection is filed simultaneously with a request for Mutual Agreement Procedure (“MAP”) under a Double Taxation Treaty, but Mutual Agreement has not yet been reached, the DGT will render the Decree of Objection based on an examination of the assessment filed with the MAP proceedings. If Mutual Agreement has already been reached when the Decree is issued, the DGT will consider the findings of the MAP in rendering the Decree.

**Penalties and Fines**

In the event that an Objection is rejected or approved only in part, the taxpayer will be subject to an administrative fine amounting to 50% of the total tax payable based on the Decree of Objection minus any tax that was paid before the Objection was submitted. Similar sanctions will be imposed if the Decree increases the amount of tax payable.

The 50% fine will not be imposed if: (i) the taxpayer revokes the Objection; (ii) the Objection is not considered due to nonfulfillment of filing requirements; or (iii) the taxpayer appeals the Decree to the Tax Court.

Objection Letters submitted before the regulation came into effect but for which a Decree of Objection was not yet issued will be settled based on the new provisions.

April 8, 2013

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