



New Value Added Tax Exemption on Some Strategic Taxable Goods

by Kemal Rayoza



On 24 August 2020, President Joko Widodo enacted Regulation Number 48/2020. * These Regulations update the list of taxable goods, whether imported or sold within Indonesia, that are exempt from Value Added Tax (VAT).**

One of the most anticipated additions to exemption list is liquefied natural gas. Liquefied natural gas is used in Indonesia primarily to produce electricity. The Government considers that a VAT exemption on liquefied natural gas will improve the national availability of electricity.

In addition to liquefied natural gas, the Government has also exempted most fish products imported, produced and sold by Indonesia's marine and fishery industries. Many other craft products and agricultural products have been added to the exemption list. The Regulations do not, however, cover certain real estate transactions.

The Regulations require that a VAT exemption certificate is only needed for the import/sale of machinery and factory equipment used directly to produce taxable goods.

*Government Regulation No. 48 of 2020 Concerning Amendments to Government Regulation Number 81 Year 2015 Concerning Import And/Or Transfer Of Certain Strategic Taxable Goods That are Exempted From Value Added Tax.

**This was previously regulated by Government Regulation Number 81/2015.

Indonesia Stock Exchange: Deadline Extensions

by Melisa Kristian

On 19 August 2020, the Director of Indonesia Stock Exchange (the **IDX**) issued a Decree* to temporarily extend deadlines for the submission of certain reports. This Decree acknowledges the difficulties faced by many listed companies and attempts to provide some relief from bureaucracy during this difficult time.



The Decree provides a 2-month extension on the submission deadline for annual financial reports, annual reports and first quarterly statements of interim financial statements under certain IDX regulations.

In addition, the Decree provides a 1-month extension to the deadline for submission of certain biannual financial reports.

The Decree specifies that there will be no penalty for missing the extended deadline for biannual financial statements.

*IDX Director's Decree No. KEP-00057/BEI/08-2020. This Decree revokes another decree issued in March 2020 on the temporary relaxation of submission deadlines for financial statements and annual reports.

Regulatory Compliance Leeway for Small to Medium Sized Listed Companies

by Pratiwi Widyastuti

Listed companies have certain statutory reporting and disclosure obligations. The Government is acknowledging the difficulties faced by small to medium public companies during the Covid19 pandemic by granting leeway in relation to some of these obligations, as set out in its 1 July 2020 FSA Regulation No. 43/2020.¹

The Regulations state that those listed companies with assets up to the value of Rp 250 billion, will no longer have to:

- use appraisers to carry out certain transactions including transactions with related companies and material transactions, unless General Shareholders' Meeting approval is needed;
- publish announcements in a national newspaper but only on the company's own website and the IDX's website;
- translate their periodic reports to the FSA and public announcements into English – rather they may use Bahasa only;
- have two separate individuals fulfilling the role of independent commissioner and an audit committee member – rather one individual can carry out both roles; and

Once a company exceeds the maximum asset threshold to qualify for the relaxed obligations, the Regulations provide the company with 6 months to prepare for full compliance.

¹ Regulation of the Financial Services Authority Number 43/POJK.04/2020 of 2020 on Information Disclosure and Corporate Governance Obligations for Issuers or Public Companies that Fulfill The Criteria For Issuers with Small-Scale Assets and Issuers with Medium-Scale Assets

M & A: A Guidance

by Silvana Jovanka Putri Surbakti



The Government has issued **Regulation No. 57*** to ensure healthy competition in free market conditions in relation to mergers and acquisitions in Indonesia.

The Regulations prohibit mergers and acquisitions facilitated:

- by using certain practices such as making prohibited agreement, price fixing, taking unfair advantage of oligopolies/oligopsonies, creating cartels/trusts and similar practices;
- by taking advantage of monopsonies, monopolies, unfair market control and similar practices; and/or
- by the abuse of a dominant position.

If a merger or acquisition results in an anti-competitive business environment the Business Competition Supervisory Commission, ("KPPU") may investigate by requesting information from business actors and/or other parties in order to conduct an assessment and impose administrative sanctions towards the business person who commit violations.

The Regulations require that any merger or acquisition that results in a company with assets of Rp2.5 trillion and/or with sales of Rp5 trillion must be notified to the KPPU and certain supporting documentation (i.e. company's articles of association, company profile and its financial statements) must be submitted with the notification within 30 days after the merger or acquisition. However, notification obligations do not apply to transactions carried out between affiliated companies.

Any delay in notification may result in fines of up to Rp25 billion.

*Government Regulation No. 57 of 2010 concerning Merger or Consolidation of Business Entities and Acquisition of Company Shares Which May Result in Monopolistic Practices and Unfair Business Competition.

Special Economic Areas: New Environmental Regulations

Shaskia Putri Ramadhani

To carry out an activity that has significant impact on the environment, a person/ business must have an environmental licence, which based on Environmental Impact Analysis Assessment or Environmental Management Efforts and Environmental Monitoring Efforts.*

Regulation No. 12 exempts businesses operating in special economic areas from the requirement to have an environmental licence.** Those business must, however, prepare a detailed environment management plan and a monitoring plan (**Detailed Environment Plan**), which will act as an environmental license. This provision is in accordance with Regulation No. 15.**

Regulation No. 15 mainly stipulated the implementation and the supervision of Detailed Environment Plan. Every 6 months, businesses operating in special economic areas must submit a report on the implementation of their Detailed Environment Plan to the Minister for the Environment and Forestry. The report aims to convey environmental management and monitoring that has been carried out by the businesses. Failure to comply may result in administrative sanctions.

While Regulation No. 15 came into force on 30 July 2020, the government has made it clear that it will give businesses one year to prepare for compliance.

* Government Regulation No. 27 Year 2012 On Environmental Licences.

** Government Regulation No. 12 Year 2020 On Facility and Simplicity in Special Economic Areas

*** Regulation of the Minister of Environment and Forestry No. P. 15/MENLHK/SETJAN/PLA.4/7/2020 regarding the Implementation and Supervision of Environment Management Plans and Environment Monitoring Plans in Special Economic Areas.

Local Currency Settlement via Banks

by A. A. A. Reditha Saras



On 27 August 2020, Bank Indonesia issued Regulation No. 22.* The purpose of Regulation No. 22 is to ensure the long-term stability of the Rupiah and to mitigate value fluctuations through cooperation between Bank Indonesia and partner countries by encouraging the use of local currencies for settlement of bilateral transactions.

Local Currency Settlement (LCS) is a bilateral transaction settlement conducted by business actor in Indonesia and partner countries using their respective currency. In this type of settlement, Bank Indonesia appoints a bank to settle the transaction using local currencies – that bank is called the Appointed Cross Currency Dealer bank (the ACCD Bank). The Indonesian ACCD Bank may carry out all financial activities necessary to settle the transaction in parties' respective local currencies. The Indonesian ACCD Bank must quote a fair currency exchange against the Rupiah reflecting the current values on the foreign exchange market.

For the purpose of local currency settlement, Indonesian ACCD Bank may conduct financial activity (among others the opening and managing Special Purpose Non-Resident Account (SNA) Rupiah, SNA in partner country's currency opening, transfer of funds, and financing) and financial transaction (among others spot transaction, forward transaction, and swap transaction). This regulation prohibits Indonesian ACCD Bank to conduct any non-deliverable forward transaction of rupiah against the partner country's currency.

Regulation No. 22 allows Bank Indonesia to supervise the activities of the Indonesian ACCD Bank and to coordinate with other authorities to do so.

*Bank Indonesia Regulation No. 22/12/PBI/2020 Year 2020 concerning the Settlement of Bilateral Transactions Using Local Currency Exchanged by Banks.