

DGT reorganization

Change of KPP of registration

By the time you get this ITNH, you may have received a written notice from the Director of General of Taxation (DGT) about the change of the Tax Service Office (*KPP*) with you or your company is registered as a taxpayer and/or confirmed as a taxable entity (*PKP*). Separately the DGT has issued decision letters No. KEP-176/PJ/2021 (KEP 176) and KEP-177/PJ/2021 (KEP 177) each with a list of thousands of taxpayers being reallocated from their existing KPP of registration to another resulting in a situation just like yours. The measure is part of a vertical reorganization of the DGT office mandated by Minister of Finance (MOF) regulation No. 210/PMK.01/2017 as amended by MOF Reg. No. 184/PMK.01/2020.

The reorganization spans changes from just the name of certain institutions of the DGT to changes in the areas assigned to certain tax service offices (*KPP*), regional offices (*Kanwil*), and Tax Service, Counseling and Consulting Offices (*KP2KP*) and the types of *KPP*. Reallocation of certain taxpayers and taxable entities from one *KPP* to another is one of inevitable consequences of it bearing in mind that the DGT may have some other reasons for the measure.

The change of the *KPP* of registration entails for sure some other changes from your part. Take the *KPP* to which you have to lodge your tax returns. Effective from the Registration Starting Date (RSD), you should address your tax reporting to the new *KPP*. Dealings for all other tax affairs such as filing an objection or tax-related requests should follow suit. In this regard, KEP 176 and KEP 177 stipulated the RSD to be 24 May 2021, changing it from 3 May 2021 stated in the previous DGT decisions (KEP-116/PJ/2021 and KEP-117/PJ/2021).

Of a crucial issue is VAT reporting of a company with branches located in various areas of different *KPPs*. If the company's head office is registered with a middle tax service office (*KPP Madya*), it will automatically get approval to centralize its VAT reporting to the Middle *KPP* of the head office for all branches wherever they are located. If the head office is registered with a primary tax service office (*KPP Pratama*), VAT reporting centralization can only be applied based on a specific approval from the DGT pursuant to the company's request.

The reorganization appears to minimize potential hurdles in VAT reporting. Automatic approval for VAT reporting centralization applies for a company with its head office reallocated to a middle *KPP*. Other companies reallocated from a middle *KPP* to a primary *KPP* may keep their VAT reporting centralization by the head of the primary *KPP* issuing a special approval *ex officio* pursuant to an administrative verification of the newly registered company.

In the transition, there could be confusion whether certain tax affairs with a settlement period straddling between the two KPPs should be dealt with by the old or the new KPPs. Take an on-going tax audit related to an overpaid tax refund request conducted by the old KPP. While you may consult directly with the audit team (of the old KPP), DGT Reg. No. PER-09/PJ/2021 (PER 09) gives a guideline on it. It states that either the old or the new KPP may have to complete the audit and issue tax assessment, depending on when the request deadline is and whether the tax audit finding notice (SPHP) has been submitted to the taxpayer. If the deadline is on or before 31 August 2021 and the SPHP has been submitted to the taxpayer by 27 April 2021, the old KPP should have completed the audit and issued tax assessments by 7 May 2021. Similar audits with the deadline beyond 31 August 2021 and SPHP not yet submitted to the taxpayer by 27 April 2021 must be handed over by the old KPP to the new KPP for completion.

PER 09 also provides transitional guidelines for other tax affairs with a deadline closely before or after the RSD such as preliminary tax refund requests, execution of DGT decisions and Tax Court Verdicts, interest compensation requests, etc. The number of days spanning from the SMT to the settlement deadline will generally determine whether the old or the new KPP should complete the tax affair.

The change of the KPP of registration also involves a change of your tax identity number (NPWP). You will need to communicate the change to your suppliers and customers in order for them not to make incorrect tax related documents such tax invoices and withholding tax slips to you.

Please contact us to get more insight.

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