

Tax Newsletter

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Indonesia Tax Administrative Penalty Relief

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The Indonesian Minister of Finance released Regulation No. 71 Year 2026 ("MoFR 71/2026") concerning Procedures for Tax Objection and Tax Administrative Penalty Relief[1]. To stimulate economic growth, the DGT may grant a reduction or waiver of tax administrative penalty ranging from 25% to 100% for requests submitted within two years upon the enactment of the regulation.

MoFR 71/2026 is not applicable to the penalties arise from tax objection, tax appeal and judicial review. The requirements state that the tax penalties arose due to oversight and remain outstanding, and no tax objection is being pursued.

Requests for relief are granted up to two times, with a six-month process for each filing.

Key highlights of the PSA rule

The Indonesian Minister of Finance recently released MoF Regulation No. 71 Year 2026 ("MoFR 71/2026") enacted on 2 October 2026 concerning Procedures for Tax Objection and Tax Administrative Penalty Relief (so called PSA – Pengurangan Sanksi Administrasi). The implementation is technically governed by the DGT Decree No. KEP-239/PJ/2026. MoFR 71/2026 amends MoFR No. 118 Year 2024 concerning the same subject.

Tax administrative penalty relief at 25% up to 100% - MoFR 71/2026 highlights on the tax administrative penalty relief for number of tax conditions, ranging between 25% and 100% relief for requests submitted within two years upon the enactment of regulation. Each taxpayer may file request up to two times, except for land and building tax is given one time request, with a six-month process for each filing. PSA rule is not applicable to tax penalties derive from failure in tax objection, tax appeal and judicial review, and those who pursue tax objection.

Tax objection - The DGT may conduct exchange of information with the tax authorities of other jurisdictions during the process of tax objection. Response against tax objection result must be filed no later than 10 (ten) working days after the date of which the invitation letter (Surat Pemberitahuan Untuk Hadir) is sent. In the past, the 10 (ten) working days applied since the date when the invitation letter is sent.

Allocation of tax payments - Tax payments are first allocated to the principal before being applied to tax penalties. In the past, allocation are divided into two types: (i) payments made before the month of which the request for relief is filed, will be allocated proportionately between the principal and the penalty; and (ii) payments made in the same month of which the request for relief is filed, will be treated as payment for the principal.

Requirements for tax administrative penalty relief – for the tax penalties arose due to oversight and it remains unpaid.

Definition of oversight - An oversight or a situation not attributable to any fault of the taxpayer, including specific circumstances is considered to have occurred when:

a. the administrative sanctions or administrative fines related to the Land and Building Tax (PBB) stated in a Tax Assessment Letter, Tax Collection Letter, Land and Building Tax Assessment

[1] MoFR 71/2026 is released as an update to MoFR 118/2024 concerning the same subject, enacted since 2 October 2026.

Letter, or Land and Building Tax Collection Letter are issued for the first time to the taxpayer;

b. administrative sanctions or administrative fines related to Land and Building Tax (PBB) resulting from the changes of tax laws and regulations—affecting the exercise of tax rights or the fulfillment of tax obligations—that occur within 6 (six) months of the effective date of said tax laws and regulations;

c. a taxpayer is subject to administrative sanctions or administrative fines related to Land and Building Tax (PBB) due to an error by the DGT, other than the errors referred to in Article 2;

d. a taxpayer is subject to administrative sanctions or administrative fines related to Land and Building Tax (PBB) due to circumstances caused by a third party, and not as a result of any fault of the taxpayer;

e. taxpayers subject to administrative sanctions, or tax objects owned, controlled, and/or utilized by taxpayers subject to administrative fines for Land and Building Tax, that are affected by natural disasters, non-natural disasters, or social disasters—as evidenced by a decision, determination, or statement from an authorized official—which occur:

1. during the year in which the exercise of tax rights or the fulfillment of tax obligations took place, leading to the imposition of administrative sanctions or administrative fines for Land and Building Tax;

2. within a maximum period of 6 (six) months following the issuance of a Tax Assessment Letter, Tax Collection Letter, Land and Building Tax Assessment Letter, or Land and Building Tax Collection Letter; or

3. within a maximum period of 6 (six) months prior to the submission of requests for tax administrative penalty relief;

f. administrative sanctions or administrative fines related to Land and Building Tax imposed on a taxpayer, which arise due to issues within the electronic system network that disrupt the exercise of the taxpayer's rights or the fulfillment of their tax obligations;

g. the imposition of administrative sanctions resulting from the implementation of a transfer pricing agreement; or

h. the taxpayer is experiencing financial difficulties, subject to the following conditions:

1. Individual taxpayers engaged in business activities or independent professional services, as well as corporate taxpayers, who maintain formal accounting records and have experienced commercial losses and liquidity difficulties for 2 (two) consecutive years;

2. Individual taxpayers engaged in business activities or independent professional services who maintain simplified financial records and have experienced difficulties in covering their living expenses from the income earned over 2 (two) consecutive years; or

3. Individual taxpayers who are not engaged in business activities or independent professional services and have experienced difficulties in covering their living expenses from the income earned during the tax year,

prior to the submission of the application.

Conditions for tax relief - The tax administrative penalty relief granted by the DGT to the conditions below:

a. Late filing of annual tax returns for fiscal years up to 2025 and/or monthly tax returns up to September 2026 with tax underpayment position and filed within the period of 8 October 2026 up to 30 June 2027.

b. Voluntary amendments of annual and monthly tax returns for fiscal years and fiscal periods similar to those mentioned at no. a.

c. Late tax payments of annual and monthly tax returns for fiscal years and fiscal periods similar to those mentioned at no. a.

d. Tax assessment letters based on tax audit result released within 8 October 2026 up to 30 June 2027 and the outstanding principal is paid by 30 June 2027.

e. Tax assessment letters based on tax audit result released before 8 October 2026 and part of the principal and penalty are paid by 30 June 2027.

f. Tax collection letters issued within 8 October 2026 up to 30 June 2027 and part of the principal and penalty are paid by 30 June 2027.

g. Tax assessment letters due to undisclosed or under disclosed assets with regards to the voluntary disclosure program, issued within 8 October 2026 up to 31 December 2027 and the principal is settled by 31 December 2027.

The content of this newsletter is for the purpose of general guidance on matters of interest and is not meant as advice. The implementation and impact of laws/regulations can vary widely based on the specific facts involved. Readers are advised to consult their tax advisors before making any business decisions.

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