

# E-invoice rule could discourage transactions

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As part of the government's drive to increase the number of taxpayers and eventually boost tax revenue, the Directorate General of Taxation has issued a regulation requiring non-retail business entities to identify their buyers when issuing electronic invoices (e-invoices).

The regulation was supposed to take effect in December, however, it was delayed until April 1 to give the public time to fully understand the rule.

Despite the delay, tax analysts and businesses fear the rule could discourage people from making transactions when it takes effect.

The tax office stated the regulation, which requires any taxable

business entity to name the citizenship identity number (NIK) or passport number of their buyer on an e-invoice, was for the sake of transparency.

Center for Indonesia Taxation Analysis executive director Yustinus Prastowo said the regulation could hamper the economy when it takes effect, especially when the government has projected economic growth at 5.4 percent.

"The government should focus on economic growth, besides pursuing tax revenue. Otherwise, it would cause poverty and inequality in the country," Yustinus told *The Jakarta Post*, adding that the new policy could discourage people from trading.

The tax office is set to implement the policy on April 1, as stipulated under PER/31/2017 on

procedures for creating and reporting e-invoices.

The policy makes it compulsory for non-retail taxable businesses to include the citizenship identity numbers of individual buyers who do not have taxpayer registration numbers (NPWP).

Non-retail taxable businesses comprise wholesalers that do not sell directly to end-users, as stipulated in regulation PER-58/PJ/2010.

Meanwhile, according to Finance Ministerial Decree No. 197/PMK.03/2013, a business with total sales of Rp 4.8 billion (US\$357,600) a year is considered taxable. However, many have not registered their businesses despite meeting the criteria.

Tax office spokesman Hestu Yoga Saksama said the govern-

ment was concerned that dozens of companies claim they do not have NPWP numbers despite having billions of rupiah in transactions.

"We know that this issue has been going on for a long time. With the regulation [PER-31/PJ/2017], a company can only issue an e-invoice once they identify [their buyer]. If they cannot identify their buyer, our system will prevent the company from creating an e-invoice," Hestu told reporters recently.

Public resistance toward taxation is relatively high with many unwilling to provide their NPWP numbers or personal details, he added.

Yustinus said the government's approach may put tax compliant businesses in a dilemma.

"Say if a buyer declined to provide their NIK to a compliant business, the buyer may instead buy from an unregistered company or the black market that does not require the NIK," said Yustinus.

He underlined that the government should improve its current taxation system, otherwise companies would opt to evade taxes by creating smaller business units with less than Rp 4.8 billion in transactions.

Meanwhile, Chamber of Commerce and Industry vice chairman of taxation Herman Juwono said the regulation should be implemented step-by-step.

"The government could possibly impose the policy on transactions worth say Rp 100 million this year. It could subsequently impose it on transactions with

lower value such as Rp 75 to 50 million the year after," Herman told the Post.

Moreover, CORE Indonesia director Mohammad Faisal said the government's aggressive approach in boosting tax revenue was increasingly worrying the public.

"The emergence of new taxation policies may lead businesses to put their money in banks instead," he said.

Earlier last week Finance Minister Sri Mulyani Indrawati announced that Rp 1.34 quadrillion in taxes had been collected by year-end, or 91 percent of the Rp 1.45 quadrillion target as set in the 2017 state budget (APBN).

Meanwhile, in the 2018 APBN, the tax office targeted Rp 1.62 quadrillion in tax revenue, according to data from its website. (fny)

# Govt expands fuel contract duration

Viriya P. Singgih and Rachmadea Aisyah

THE-JAKARTA POST/JAKARTA

The Downstream Oil and Gas Regulatory Agency (BPH Migas) has extended the duration of distribution contracts from one to five years in a bid to encourage private firms to supply fuel to less accessible regions.

The longer contract period is expected to provide greater certainty for suppliers that need to invest in building distribution networks on their own.

Energy and Mineral Resources Minister Ignasius Jonan said on Monday that under the previously shorter contract period, investors were often reluctant to channel money into establishing fuel distribution agents in remote regions.

"It's difficult for investors to get a return on investment within one year," he said.

With the expanded duration of contract, Jonan called on private investors to help distribute non-subsidized, Premium, and subsidized diesel (Solar) fuel, to frontier, outermost and remote regions, known as the 3T regions, as it will be impossible for the government to rely solely on state-owned energy giant Pertamina and private fuel distributor PT AKR Corporindo to undertake the task.

Currently, Pertamina operates around 6,800 gas stations nationwide. Nonetheless, it only fully owns 170, while the rest are jointly-owned with various partners. Meanwhile, AKR only ran 129 gas

BPH Migas expands distribution contract period to five years

Move to encourage private firms to distribute fuel in less accessible areas

Agency appoints Pertamina, AKR as distributors until 2022

stations across the country as of August 2017.

In line with the ministry's instruction, on Monday BPH Migas officially assigned both companies to deliver subsidized Solar and subsidized kerosene throughout the archipelago during the 2018-2022 period.

The two companies have again been designated as the only official distributors of the government-backed one fuel price program, which intends to make the price of fuel the same across Indonesia and kicked off last year.

Furthermore, Pertamina has also been tasked with distributing specially-assigned Premium gasoline, which has a research octane number of 88, to regions outside Java, Madura and Bali over the same period.

For 2018 alone, AKR will distribute 250,000 kiloliters of Solar, while Pertamina is set to deliver 15.37 million KL of Solar, 610,000 KL of kerosene and 7.5 million KL of Premium.

This year, Pertamina and AKR have targeted to establish 50 and

four fuel stations, respectively, under the one fuel price program, bringing the total to 54 stations, similar to what BPH Migas set for 2017.

Additionally, the government aims at building 150 subsidized fuel stations in 148 cities and regencies nationwide between 2017 and 2019. With 108 stations set to be built by the end of 2018, there will be another 46 stations left to be built in 2019 when the one price fuel program is supposed to end.

Separately, BPH Migas fuel committee member Ibnu Fajar said the agency would team up with the National Police to tackle the hoarding of subsidized fuel by unregistered sellers. Both parties recently inked a cooperation agreement.

"We have formed a task force with the police to directly supervise unregistered fuel retailers who have allegedly bulk-bought fuel from [official] distributors and later sold it at an excessively higher price," Ibnu said.

Late last year, the Indonesian Consumers Foundation said it had received reports of many unofficial fuel retailers operating in regions where Pertamina had appointed fuel agents.

Meanwhile, BPH Migas head Fanshurullah Asa said other business entities keen to distribute Premium or Solar were allowed to submit proposals to the agency by the end of 2018.

"If we consider them to be eligible, we will designate them [as distributors in 2019]," Fanshurullah said.

# Ministry to lure foreign participation in LRT project

Farida Susanty

THE JAKARTA POST/JAKARTA

The government has reiterated that it will be open to private investment, both local and foreign, for the second phase of the light rapid transit (LRT) project in Greater Jakarta amid a cash-strapped state budget.

Coordinating Maritime Affairs Minister Luhut Pandjaitan said the government would be open to private investors for the project's next phase.

The first phase revolves around the ongoing Rp 29.9 trillion (US\$2 billion) project spearheaded and handled mostly by state-owned enterprises.

State railway firm KAI serves as the investor and operator of the project, based on a presidential regulation while state construction firm Adhi Karya is the contractor and investor in charge of

stations and train depots.

"The lower the state budget, the better. President [Joko "Jokowi" Widodo] has instructed that all projects should be open to private investors, not just state enterprises," he said on Monday.

He added that the investors would likely be foreign due to the limited budget of local investors.

Previously, South Korea's Land, Infrastructure and Transportation Minister Kim Hyun-mee expressed interest in participating in the funding for the second phase of the Greater Jakarta LRT during Luhut's visit to Seoul last month.

Luhut said South Korea had allocated \$100 billion for infrastructure investment in ASEAN countries.

The LRT construction will be divided into two phases; the first

phase — the ongoing construction — will span from Bogor in West Java to Jakarta in a 44.4 kilometer-long track across Cibubur-Cawang, Bekasi Timur-Cawang and Cawang-Dukuh Atas in Central Jakarta.

The project cost stands at Rp 29.9 trillion and is expected to be completed by 2019.

The second phase will go through a 38.5 km-long track from Cibubur-Bogor, Dukuh Atas-Palmerah-Senayan to Palmerah-Grogol in West Jakarta. The project cost is currently still being calculated by Adhi Karya, which also drafted the design.

In the first phase, the LRT is expected to transport 116,000 passengers in 2019, and climb to 474,000 within 50 years.

As the investor, KAI will receive Rp 7.6 trillion in state capital injection (PMN). The remaining cost will fulfilled by the recent syndi-

cated loans between KAI and 12 banks worth Rp 19.25 trillion.

Luhut said the government would prioritize foreign investors who brought in environmentally friendly technology, employed Indonesian workers, carried out business from upstream to downstream and agreed to transfer the technology.

South Korea, Luhut said, would also be involved in the production of the rolling stock for the Greater Jakarta LRT. Hyundai Railroad Technology System (Rotem) was requested to serve as consultant for state-owned train manufacturer PT Industri Kereta Api (INKA) that would produce the project's carriages.

"We see that Hyundai is already close to us, and they have pretty good technology. We will consider using it," he said.

INKA acting president director Mohamad Nur Sodik said there

was not yet any definite decision on the cooperation with Hyundai to produce 31 train sets.

In the first phase, INKA will deliver four train sets for the LRT within 15 months, or by April 2019, in accordance with its contract.

"We also think in a long-term context where there need to be a transfer of technology. We will handle a lot of big projects in the long term," Nur said.

Apart from Hyundai, the company is still considering the alternative, to cooperate instead with China-based CRRC Sifang Co., Ltd., a wholly owned subsidiary of China South Locomotive and Rolling Stock Industry.

However, Nur stated that INKA was ready to manufacture the train sets even though there were several components that it still could not produce, such as propulsion.

# Election year kicks off as registration opens

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Nurul Fitri Ramadhani,  
Apriadi Gunawan, Arya  
Dipa and Suherdjoko

THE JAKARTA POST/JAKARTA/MEDAN/  
BANDUNG/SEMARANG

Candidates have begun registering for the country's next simultaneous regional elections, with those endorsed by political parties showing up at local general election commissions (KPU) accompanied by party officials.

In North Sumatra, gubernatorial candidate Edy Rahmayadi, a former Indonesian Military (TNI) officer, and his running mate Musa Rajekshah registered at their local KPU in Medan on Monday.

The pair is supported by six political parties, namely the Golkar Party, Gerindra Party, Prosperous Justice Party (PKS), National Mandate Party (PAN), Hanura Party and NasDem Party.

The six parties control a total of 60 seats on the North Sumatra Legislative Council (DPRD), making Edy-Musa the pair with the most political party support.

"We are confident because the support represents the trust of North Sumatran voters," Edy said.

Chairpersons of supporting parties' regional branches accompanied the pair as they registered, including NasDem's North Sumatra chairman and the province's current governor, Tengku Erry, whose candidacy was canceled after his party decided to throw its support behind Edy.

"My party has decided to support [Edy-Musa pair]. I'm sure the pair can develop the province," Erry said.

Edy and Musa will likely challenge the pair of Jopinus Ramli Saragih and Ance Selian, who are backed by the Democratic Party, National Awakening Party (PKB) and the Indonesian Justice and Unity Party (PKPI).

Another pair planning to run is Djarot Saiful Hidayat-Sihar Sitorus, both are members of the Indonesian Democratic Party of Struggle (PDI-P). While other parties in the province have formed coalitions, the PDI-P has yet to team up with a party, although it needs four more legislative seats to field a candidate.

In the country's most populous province, West Java, none of the four possible candidate pairs had registered as of Monday. "I have received confirmation from the four pairs that they will register tomorrow [Tuesday] or on the last day [Wednesday]," KPU West Java chairman Yayat Hidayat said.

Yayat explained that front-runner and incumbent Ridwan Kamil and running mate Uu Ruzhanul Ulum would register on Tuesday.

Running in the conservative province's gubernatorial race, the pair secured support from NasDem, Hanura and two Islam-based parties, the National Awakening Party (PKB) and United Development Party (PPP).

Deddy Mizwar and Dedi Mulyadi, who gained support from

Edy Rahmayadi, Musa Rajekshah secure support from 6 parties in North Sumatra

West Java candidates to register Tuesday

Golkar and the Democratic Party, also planned to register on Tuesday, Yayat said.

Another pair of candidates, Sudrajat and Ahmad Syaikh, who are endorsed by Gerindra, PKS and PAN, will register on the last day. "We'll register on Wednesday," Gerindra executive Sodik Mudjahid said.

Other candidates in the West Java election are TB Hasanuddin and running mate Anton Charliyan, former West Java Police chief, who are endorsed by the PDI-P. Hasanuddin, a member of the House of Representatives, has yet to give up his political post, while Anton has yet to resign from the police force.

Meanwhile, in East Java, possible gubernatorial candidate Saifullah "Gus Ipu" Yusuf is still seeking a running mate. His former running mate, Abdullah Azwar Anas, withdrew his candidacy following the circulation of photographs allegedly showing him with an unidentified woman.

The coalition of Gerindra-PKS-PAN has reportedly approached Gus Ipu, who has secured support from the PDI-P and PKB, in a bid to offer a deputy governor candidate. "Maybe [we'll form coalition with PDI-P and PKB]. We're still in discussions, just wait," Gerindra deputy chairman Fadli Zon said.

Central Java has also yet to see any candidates register. Incumbent Governor Ganjar Pranowo

and running mate Taj Yasin, son of noted Islamic scholar Maimun Zubair, are supported by four political parties: the PDI-P, Dems, NasDem and the United Development Party (PPP), which together hold the majority of legislative seats.

Their possible rival, Sudirman Said, who is backed by the Gerindra-PKS-PAN coalition, is still seeking a deputy governor candidate.

"No pairs have registered yet," KPU Central Java chairman Joko Purnomo said.

Papua, which is most prone to electoral fraud, will see two tickets running in the gubernatorial election. Incumbent Lukas Enembe and Klemen Tinal will not face a blank box, although they have secured support from 10 political parties, as the PDI-P and Gerindra have teamed up to endorse Jhon Wempi Wetipo-Habel Melkias Suwae.

Out of the 171 regions participating in the simultaneous elections, many candidates from other regions have registered.

Independent ticket M. Ali and running mate Lalu Gede Sakit registered as governor and deputy governor candidates in the West Nusa Tenggara election. Ali is currently the regent of East Lombok, while Lalu is a former NTB legislator and member of Nahdlatul Wathan, the province's largest Islamic organization.

In Flores, East Nusa Tenggara, independent ticket Bonifasius Uha and Frans Anggal were the first pair to register.

PANCA NUGRAHA, MARKUS MAKUR,  
DJEMI AMNIFU, NI KOMANG ERVIANI,  
THERESIA SUFA, GANUG NUGROHO ADI,  
ANDI HAJRAMURNI AND RIZAL HARAHAP  
CONTRIBUTED TO THIS STORY.

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## Golkar not ready to name new speaker

JAKARTA: The House of Representatives may have to wait longer to have a new speaker after the Golkar Party decided to postpone the announcement to wait for the endorsement of a law revision that will reformulate the composition of the House's leadership board.

After its former chairman, Setya Novanto, resigned from his post as speaker in December, Golkar initially planned to name his replacement when the House entered this year's first sitting, which falls on Tuesday.

However, the party backtracked, saying that it would first wait for a complete deliberation of the 2014 Legislative Institution (MD3) Law revision that could give a fix slot to the Indonesian Democratic Party of Struggle (PDI-P).

"We won't announce the name tomorrow [Tuesday]. It's better if we finish the deliberation of MD3 Law in order to complete all things at one time," Golkar deputy secretary-general Muhammad Sarmuji told *The Jakarta Post* on Monday.

Golkar politician Zainudin Amali, who chairs House Commission II overseeing home affairs, was reported to be a potential candidate to be the next speaker. "[He] is still among the hopefuls," Sarmuji said.

According to the MD3 Law, Golkar has the right to name a lawmaker to a seat at the legislative body's top post. Golkar, however, has promised the PDI-P, which has the most seats in the House, to revise the law to add a deputy speaker slot.

The PDI-P has long requested an amendment to the law, arguing that as the winning party in the 2014 legislative elections, it should have at least a post on the House speaker board. — JP

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## KPK grills Marzuki Alie in e-ID case

JAKARTA: Corruption Eradication Commission (KPK) investigators grilled former House of Representatives speaker and Democratic Party politician Marzuki Alie in the e-ID procurement graft case on Monday.

Marzuki, who served as House speaker from 2009 to 2014, was questioned as a witness for suspect Anang Sugiana Sudihardjo, the president director of IT consulting firm PT Quadra Solution, who was involved in the mega project.

"Even though I served as House speaker, I was never involved with the matter," he told reporters after the questioning, also denying that he knew Anang.

He said he was asked 13 questions by the investigators. He had previously been questioned as a witness for different suspects, namely businessman Andi Agustinus and former speaker Setya Novanto.

Marzuki was implicated when his name was mentioned in the indictment of former Home Ministry officials Irman and Sugiharto, who were tried in early March 2017 and convicted in July 2017 for their roles in the graft case, which reportedly incurred Rp 2.3 trillion (US\$161 million) in state losses.

The indictment claimed Marzuki received Rp 20 billion along with other lawmakers, while Abdul and Djamal received \$37,000 each.

Anang is accused of bribing lawmakers through businessman Andi Agustinus, known as Andi Narogong, who was convicted for his role in the e-ID case and sentenced to eight years in prison last month. —JP

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## GAS-RICH BLOCK

# Total still wants slice of Mahakam pie

France's Total E&P Indonesia has submitted a proposal to state-owned energy giant Pertamina to obtain a stake in the gas-rich Mahakam block for a period of three years.

Pertamina, through its subsidiary PT Pertamina Hulu Indonesia (PHI), officially took over Mahakam on Jan. 1 from Total and Japan's Inpex Corporation, which had operated the block since Oct. 6, 1966.

As mandated by Energy and Mineral Resources Minister Ignasius Jonan, PHI currently controls a 90 percent stake in Mahakam, while the remaining 10 percent has been granted to Kutai Kartanegara regency and East Kalimantan province where the block is located.

Jonan also allowed Pertamina to offer 39 percent of its 90 percent stake to any partners, including Mahakam's previous operators Total and Inpex, based on a business-to-business approach.

Subsequently, Total has submitted the so-called bridging proposal to Pertamina, which, if approved, will pave the way for the French company to extend its operations in Mahakam for only a short run.

"It [Total] still wants to have a stake in Mahakam, but only for three years," Pertamina president director Elia Massa Manik said on Monday, without disclosing whether Pertamina would approve such a proposal.

The Upstream Oil and Gas Regulatory Special Task Force (SKK-Migas) previously stated that Mahakam's assets had been worth \$4.79 billion as of December 2015, according to calculation made by asset valuation firms IHS Vantage and PetroPro.

Nonetheless, the value was projected to depreciate to \$3.45 billion by December 2017, especially considering Mahakam's declining production rate.

With this calculation, 39 percent of Mahakam is equal to \$1.34 billion.

In August 2017, the Energy and Mineral Resources Ministry stated it had rejected Total's request for several incentives if it acquired a stake in Mahakam after the block was taken over by Pertamina.

The incentives included a reduction in first tranche petroleum (FTP) and investment credit.

Deputy Energy and Mineral Resources Minister Arcandra Tahar said several investors had shown an interest in grabbing the 39 percent stake in Mahakam, including the United Arab Emirates-based Mubadala Petroleum.

It is crucial for Pertamina to team up with heavyweight partners to make the most of the mature, depleted Mahakam, which had proven reserves of 4.9 trillion cubic feet (tcf) of natural gas, 57 million barrels of oil and 45 million barrels of condensate as of 2016.

Pertamina has set a target to produce 42,010 barrels of oil per day (bopd) and 916 million standard cubic feet per day (mmscfd) of gas from Mahakam in 2018, down from the average of 52,000 bopd and 1,360 mmscfd of gas as of November 2017.

"We can only pluck the fruit from Mahakam long in the future. But now, we need to invest a huge amount of money first in order to maintain the block's production," Pertamina's Elia said.

—JP/ VIRIYA P. SINGGIH