



TAX AUDITS

In order to increase tax revenue, the government, through the Ministry of Finance, is planning to increase the number of tax audits. To achieve this, Minister of Finance Regulation No. 15/2025 (“MoF-15”) was introduced. This regulation consolidates provisions on tax audits from three other regulations¹ into one. One of the more significant changes is the shortened tax audit timeline. MoF-15 came into effect on 14 February 2025.

The key changes to be aware of are:

- Field and office audits have been replaced by comprehensive, focused, and specific audits
- The duration of audits has been shortened
- A discussion of temporary findings will now be held

Taxpayers need to be well organized and prepared to meet the short deadlines for the document submission and to respond to the audit findings. Below we discuss these changes and highlight some of the other changes and issues to note about tax audits.

A. Types of Audits

The purpose of an audit is to test compliance with tax obligations or for other purposes. These are outlined below.

1. Tax audits to test compliance

An audit to test compliance covers one, several, or all types of tax. The types of tax that can be audited include income tax, VAT, sales tax on luxury goods, stamp duty, land and building tax, and carbon tax.

Under MoF-15, there are no longer field audits or office audits; now, there are three types of audits to test compliance:

- **Comprehensive audit:** An in-depth examination of all items in the tax return or tax object notification letter.
- **Focused audit:** An in-depth examination of one or more items in the tax return or tax object notification letter.
- **Specific audit:** A simple examination of one or more items in the tax return or tax object notification letter, data, or specific tax obligations.

¹ MoF-15 revokes:

- MoF No. 17/PMK.03/2013 on Tax Audit Procedures, as amended by MoF No. 184/PMK.03/2015
- MoF No. 256/PMK.03/2014 on Tax Audit and Review Procedures for Land and Building Tax
- Article 105 of MoF No. 18/PMK.03/2021, related to tax provisions in the Job Creation Law

The criteria to conduct an audit to test compliance are the same as before, with the following additions:

- A VATable entrepreneur does not deliver or export VATable goods or services and has been granted a refund of or has credited input VAT.
- Other parties did not withhold or collect tax.
- There is concrete data that the tax was not paid or was underpaid, i.e.:
 - VAT invoices were approved through the DGT's information system but not reported in the tax return
 - Evidence of income tax withholding or collection but not reported in the tax return
 - Evidence of transactions or tax data that can be used to calculate the tax obligation which is followed up by a specific audit.
- Tax object notification letter for land and building is not submitted and the taxpayer has been reprimanded in writing.
- The amount of land and building tax payable based on post-assessment data is greater than the amount stated in the taxpayer's tax object notification letter or the DGT's valuation data.

The type of audit to be conducted (comprehensive, focused or specific) is determined by the tax office based on the taxpayer's risk level.

2. Tax audit for other purposes

The criteria for conducting an audit for other purposes has increased from 12 to 25. Some of the new criteria are:

- Registration or revocation of a land and building tax object
- Completion of mutual agreement procedure (MAP) or advance pricing agreement (APA)
- Testing of granted tax facilities

B. Timeline for Audits

1. Examination and Closing period

The **examination period** for an audit begins from the date the notice of audit (*Surat Pemberitahuan Pemeriksaan*/"SP2") is delivered until the notice of audit findings (*Surat Pemberitahuan Hasil Pemeriksaan*/"SPHP") is delivered. The examination period lasts up to five months for a comprehensive audit, three months for a focused audit, and one month for a specific audit. Previously, the duration for a field audit was up to six months and four months for an office audit. The examination period can be extended up to four months if the audit relates to the examination of taxpayers in one group, transfer pricing or other transactions indicating financial manipulation.

The examination period for a specific audit to test compliance based on concrete data that the tax was not paid or was underpaid is 10 business days, and 10 business days for the closing conference and reporting period.

The **closing and reporting period** covers the time between the closing conference and the preparation of the audit findings report. The duration is 30 business days from delivery of the SPHP. This was previously two months.

Phase	Duration	Exception
Examination Period	▪ Comprehensive audit: 5 months ▪ Focused audit: 3 months ▪ Specific audit: 1 month <i>(Previously, a field audit was 6 months; an office audit 4 months.)</i>	Specific audits based on concrete data: 10 business days
Extension of Examination Period	The examination period of tax audits involving group taxpayers or transfer pricing/financial transaction manipulation can be extended 4 months	-
Closing & Reporting Period	30 business days from issuance of the SPHP <i>(previously 2 months)</i>	Specific audits based on concrete data: 10 business days

The examination period for an audit for other purposes is four months from delivery of the SP2 until preparation of the audit findings report.

The above timelines do not apply to tax audits of production sharing contract (PSC) oil and gas taxpayers, which follow specific regulations regarding joint tax audits for PSC taxpayers.

2. Submission of Requested Data

A tax auditor can request books, records, or data through a formal letter, and the taxpayer must provide them within one month. A tax auditor will send a first warning letter within two weeks from the request letter and a second warning letter within three weeks. Under MoF-15 taxpayers need to be aware that any documents submitted after the deadline will be considered not provided at the time of the tax audit.

An exception only applies to documents obtained from third parties or documents other than the ones requested by the tax auditor, which can be submitted before the minutes of the closing conference are signed.

If the taxpayer fails to provide all of the documents requested, the auditor may determine taxable income on an *ex officio* basis. However, MoF-15 requires the tax auditor to prove the documents were not provided. If they still cannot determine the income, they may propose a preliminary evidence audit if criminal acts are suspected.

Given the tight deadline for submission of the documents requested, it is suggested that if an overpayment tax return is filed, the taxpayer should start preparing records and documents that are likely to be requested in an audit, before the tax office issues an audit instruction letter.

3. Discussion of Temporary Findings

Tax auditors are now required to conduct a discussion of temporary findings. This discussion must be held at least one month before the examination period ends or before the issuance of the SPHP. This new procedure allows taxpayers more time to address tax audit findings. The taxpayer will receive a formal invitation for this discussion, along with a list of temporary findings.

During the discussion, the taxpayer may:

- Provide or present books, records, data, and other relevant information, including electronic data that were not previously requested or are still held by third parties.
- Show books, records, data, and other relevant information, including electronic data that were not previously requested by the tax auditor.
- Present witnesses, experts, or third parties if necessary.

Minutes of the discussion, including the documents that were provided, are made after the meeting is concluded.

4. Changes to SPHP response deadline and closing conference

MoF-15 shortens the deadline for submitting a SPHP response from seven business days to five business days. No extension of the SPHP submission deadline is provided under MoF-15. Previously, the submission deadline for the SPHP response could be extended by three business days.

A closing conference will be conducted after submission of the SPHP response. The invitation to this meeting will be sent within three business days after the SPHP response is received (or after the response period ends, whichever comes first).

If the tax office makes an *ex officio* tax determination, documents submitted during the closing conference may still be considered, but only for calculating revenue and tax credit.

As taxpayers have only five business days to prepare the SPHP response after receipt of the SPHP, they should begin preparing a draft of the SPHP response based on the temporary audit findings.

C. Other Important Changes

Update of Kick-Off Meeting Procedure

Under MoF-15, tax auditors must explain the purpose of the audit and taxpayer's rights in a kick-off meeting after the SP2 is issued. If the taxpayer cannot attend, a proxy may attend. The meeting can be held offline (face-to-face) or online (via video conference).

In offline meetings, both the tax auditor and the taxpayer (or proxy) are required to sign the minutes of the meeting. In online meetings, the minutes of the meeting will be sent to the taxpayer for signing and must be returned within five business days.

A kick-off meeting is not required for specific audits. The purpose of the audit and the taxpayer's rights will be documented in writing and sent to the taxpayer together with the SP2.

Submission of documents and electronic signatures

Tax audit documents can be submitted electronically, directly, or by post or courier with proof of mailing. However, the SPHP and its response can only be submitted electronically, directly, or by fax; it cannot be submitted by post or courier. Electronic channels include the taxpayer's account in the Coretax System.

If the tax audit is conducted online, any required signatures from the taxpayer and the tax auditor team can be done electronically. If electronic signatures are not possible, the taxpayer must first sign the documents (with a wet signature) before the tax auditor signs the documents.

Quality Assurance

The taxpayer can request a discussion with the audit quality assurance team if there is a difference of opinion with respect to the legal basis for a correction. This request must be submitted within three business days of signing the minutes of discussion of audit findings. The quality assurance team's decision is binding for the audit report.

Transitional provisions

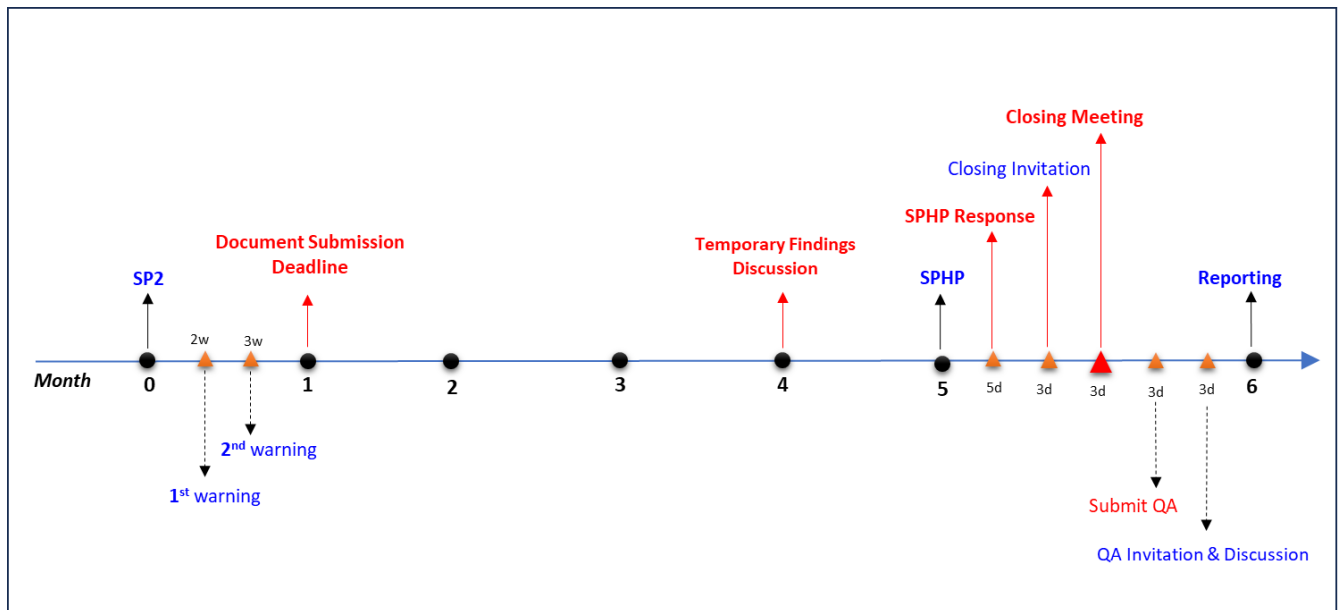
The new procedures in MoF-15 apply to tax audits where the SP2 is issued on or after 14 February 2025. Any tax audits that started with an SP2 issued before 14 February 2025 (ongoing tax audits) will continue to follow the procedures outlined in the previous MoF regulations:

- Tax audits (except land and building tax): MoF Regulation No. 17/PMK.03/2013 as last amended by MoF Regulation No. 18/PMK.03/2021
- Land and building tax audit: MoF Regulation No. 256/PMK.03/2014

D. Tax Audit Timeline

Taxpayers need to be well prepared for the changes to the tax audit process. Given the tight schedule once the SP2 is issued, taxpayers should begin collecting documents likely to be requested as soon as the overpayment tax return is filed. Taxpayers should also begin drafting the SPHP response based on the temporary findings keeping in mind the short time given to respond to the SPHP.

Below is an illustrative diagram of the timeline for a comprehensive tax audit.



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