

The Brief

Tax

ARTHADAYA
PARTNERSHIP

Tax Objections and Penalty Relief: Key Changes to the Remedies Framework under PMK 71/2026

21 October 2026

Industry - All Sectors



BACKGROUND

Minister of Finance Regulation No. 71 of 2026 (“PMK 71/2026”) makes targeted amendments to Minister of Finance Regulation No. 118 of 2024 (“PMK 118/2024”), which governs tax rectification, objections, reductions, deletions and cancellations. The most consequential changes concern how payments count towards principal tax and which administrative penalties fall within the relief framework. A new provision also enables penalty relief to support the national economy for applications filed within a two-year period.

LEGAL BASIS

PMK 118/2024 (Principal Regulation)

PMK 118/2024 consolidates the procedures for rectification, objections, reductions, deletions and cancellations in taxation. It replaced six earlier regulations, including PMK 8/PMK.03/2013, PMK 9/PMK.03/2013 and PMK 11/PMK.03/2013, and took effect on 1 January 2025.

JDIH Kemenkeu record of PMK 118/2024.

PMK 71/2026 (Amending Regulation)

PMK 71/2026 sets out seven change items in Article I and the transitional and commencement rules in Article II. Article references in this publication are to PMK 118/2024 as amended by PMK 71/2026, unless stated otherwise; existing provisions are identified where they provide necessary context.

PMK 71/2026, Arts. I and II; State Gazette of 2026 No. 691.

Purpose

The amendments are intended to improve fairness, legal certainty, convenience and administrative efficiency. Formal application requirements and the interaction between remedies remain central to eligibility, so the amended provisions should be read together with the continuing rules of PMK 118/2024.

PMK 71/2026, preamble and Art. I, points 3-5.

Terms Used

SKP	Tax assessment, including underpayment, additional underpayment, nil and overpayment assessments.
STP	Tax Collection Notice. SKP PBB and STP PBB are the corresponding PBB instruments.
SPPT	PBB Tax Due Notice issued under the PBB Law.
PBB	Land and Building Tax within the central-government framework; rural and urban PBB is excluded.
SPUH	Surat Pemberitahuan Untuk Hadir, the notice inviting the taxpayer to attend the objection discussion.
KUP Law	General Tax Provisions and Procedures Law.
DGT	Directorate General of Taxes.
<i>PMK 118/2024, Art. 1.</i>	

REGULATORY TIMELINE

1	2	3	4
PMK 118/2024 Takes Effect	PMK 71/2026 Signed by the Minister of Finance	Promulgation and Commencement of PMK 71/2026	Art. 27A Filing Window Ends
1 January 2025	29 September 2026	2 October 2026	Two years from commencement

What’s Next?

The narrower scope of ordinary penalty relief, the principal-first allocation rule, the Art. 27A filing window and the replaced Annex C formats apply from 2 October 2026. Taxpayers with open assessments, collection notices or pending applications should review their position now.

KEY CHANGES AT A GLANCE

PMK 71/2026 contains seven change items in Article I. Their weight is unequal: two items create new rules, one changes an economic outcome, and four clarify wording, correct numbering or replace forms.

PMK 71/2026, Art. I, points 1-7.



01

New Provisions

New Art. 21A identifies the instruments containing administrative penalties that may be reduced or deleted under Art. 21(a), and excludes STP penalties issued under KUP Law Arts. 25(9), 27(5d) and 27(5f). New Art. 27A enables the Director General of Taxes to reduce or delete penalties to support the national economy for qualifying applications filed within two years of commencement.

Practical significance: classify each penalty by its legal basis, and assess the Art. 27A opportunity together with the Art. 23 requirements.

Arts. 21A and 27A; PMK 71/2026, Art. I, points 3 and 5.

02

Revised Economic Rule

Art. 23(6), (7) and (9) apply payments first to principal tax and then to penalties, replacing the earlier timing-based proportional allocation, and replace the related calculation reference.

Practical significance: reconcile principal settlement under the amended allocation rule before filing a relief application.

Art. 23(6), (7) and (9); PMK 71/2026, Art. I, point 4.

03

Clarifications

Art. 14(2)(h) adds the word informasi to the provision on exchange with partner tax authorities for tax purposes. Art. 16(5) retains ten working days but changes the timing wording from sejak to setelah the SPUH dispatch date.

Practical significance: review how the response period is computed by reference to dispatch.

Arts. 14(2)(h) and 16(5); PMK 71/2026, Art. I, points 1 and 2.

04

Technical Replacements

Art. 32(2) corrects the PBB subitem numbering in letter (d) from 4-6 to 1-3; the eligibility wording is retained. Annex C replaces the document formats and calculation examples for reductions, deletions and cancellations.

Practical significance: use the amended Annex C formats and continue to test the existing Art. 32 conditions.

Art. 32(2) and Annex C; PMK 71/2026, Art. I, points 6 and 7.

Reading the Amendments Accurately

A provision reproduced in full is not necessarily new in every respect. The operative change instructions in Article I identify the paragraphs that are actually amended, and those instructions should guide the reading of each restated provision.

The ten-working-day response period in Art. 16(5) and the maximum of two applications under Art. 32(5) already existed before PMK 71/2026. Art. I, point 1 reproduces Art. 14 in full, but its instruction amends only paragraph (2) letter h.

PMK 71/2026, Art. I, points 1-7; original PMK 118/2024, Arts. 14(2)(h), 16(5), 23(6)-(9) and 32(2), (5).

OBJECTION REVIEW AND TAXPAYER RESPONSES

Two amendments affect the objection review stage. Neither changes the length of any response period, but both affect how taxpayers should manage evidence and deadlines during the review.

I Information Exchange During the Review

Amended Art. 14(2)(h) expressly refers to information exchange for tax purposes with tax authorities in partner countries or jurisdictions. The original provision already referred to an exchange for tax purposes; PMK 71/2026 adds the word informasi. The textual comparison supports treating this as a clarification of the existing review power.

ARTHADAYA ANALYSIS: For cross-border and transfer pricing disputes, the factual explanations in an objection submission should be reconciled with the documents held by overseas counterparties. Consistent explanations help the taxpayer address differences that the exchanged information may reveal during the review.

Art. 14(2)(h); PMK 71/2026, Art. I, point 1.

II Written Responses to Objection Findings

A taxpayer who does not exercise the right to attend may submit a written response to the objection research findings. Art. 16(5) now requires submission within ten working days after the date the SPUH is dispatched. The amendment changes sejak to setelah; the number of working days remains ten.

STATUTORY TEXT (VERBATIM) Art. 16(5) PMK 118/2024, as amended by PMK 71/2026

“(5) The response letter to the objection research results as referred to in paragraph (4) must be delivered within a maximum period of 10 (ten) business days after the date the Notification Letter to Attend is sent.”

ARTHADAYA ANALYSIS: The word “after” supports excluding the dispatch date from the count. Until DGT practice settles, deadlines should be diarised on the more conservative reading.

Art. 16(1), (4), (5) and (7); PMK 71/2026, Art. I, point 2.

Keep the Response Periods Distinct

First request for books or information

Counted after dispatch of the first request

15 working days

Second request for books or information

Counted after dispatch of the second request

10 working days

Written response under Art. 16(4)

Counted after dispatch of the SPUH

10 working days

Taxpayers should retain evidence of dispatch and receipt, assign responsibility for each response, and distinguish requests for supporting information from the response to the research findings. Additional information requests follow the period specified in the relevant letter under Art. 14(6).

Art. 14(3)-(6) (existing provisions); Art. 16(4)-(5).

SCOPE AND LIMITS OF PENALTY RELIEF

New Art. 21A specifies the instruments containing administrative penalties that may be reduced or deleted under Art. 21(a); PBB administrative fines are addressed through reduction. Penalties that follow an adverse objection, appeal or judicial review outcome are carved out of this ordinary relief route.

Arts. 21(a) and 21A; PMK 71/2026, Art. I, point 3.

ORDINARY RELIEF / INCLUDED

Letter (a): Penalties in an SKP

Administrative penalties stated in a tax assessment fall within the ordinary relief framework.

Art. 21A(a).

Letter (b): STP Linked to an SKP

Penalties in an STP connected with the issuance of an SKP are included, except STP penalties issued under KUP Law Arts. 25(9), 27(5d) and 27(5f), which are set out in the adjacent panel. Transitional treatment is explained on page 9.

Art. 21A(b).

Letter (c): Other STP

Penalties in an STP other than the assessment-linked STP described in letter (b) are included.

Art. 21A(c).

Letters (d) and (e): PBB Fines

PBB administrative fines stated in an SKP PBB or an STP PBB are included and are addressed through reduction.

Art. 21A(d)-(e).

Principal and Status Conditions

Art. 23(5) continues to require the relevant principal tax to be paid in full. The application must also meet the status requirements in Art. 23(2)-(3), subject to the exception in Art. 23(4).

Art. 23(2)-(5).

Formal Requirements

A written application in Indonesian stating the requested penalty amount and the supporting reasons. One application for one relevant assessment or collection instrument.

Submission before the specified auction request or request to transfer seized property sold outside an auction. Signature by the taxpayer, its representative or an authorised proxy.

Art. 23(2)-(5).

Excluded: Dispute-Outcome STP Penalties

Art. 21A(b) removes from ordinary relief the penalties in STP issued under three KUP Law provisions:

a Art. 25(9) KUP Law: penalty of 30%

Objection rejected or only partly granted.

b Art. 27(5d) KUP Law: penalty of 60%

Appeal rejected or only partly granted.

c Art. 27(5f) KUP Law: penalty of 60%

Judicial review decision increases the tax payable.

Art. 21A(b); KUP Law Arts. 25(9), 27(5d), 27(5f), as amended by the HPP Law.

STATUTORY TEXT (VERBATIM) Art. 21A letter (b) PMK 118/2024, as inserted by PMK 71/2026

“b. administrative sanctions specified in a Tax Collection Letter associated with the issuance of a Tax Assessment Notice, except administrative sanctions specified in a Tax Collection Letter issued pursuant to Article 25 paragraph (9), Article 27 paragraph (5d), and Article 27 paragraph (5f) of Law on General Provisions and Procedures of Tax.”

PRINCIPAL-FIRST PAYMENT ALLOCATION

Amended Art. 23(6) applies payments first to the principal tax component described in Art. 23(5)(a). Under Art. 23(7), any payment exceeding that component is then applied to the administrative penalty or PBB administrative fine. The same cash payment now settles more principal tax, which can reduce the additional payment needed before a relief application is filed.

Arts. 23(5)(a), 23(6)-(7) and (9); PMK 71/2026, Art. I, point 4.

Original Rule

Payments made before the month of the application were allocated proportionately between principal and penalties. Payments in the same month as the application counted towards principal tax.

Original PMK 118/2024, Art. 23(6)-(7).

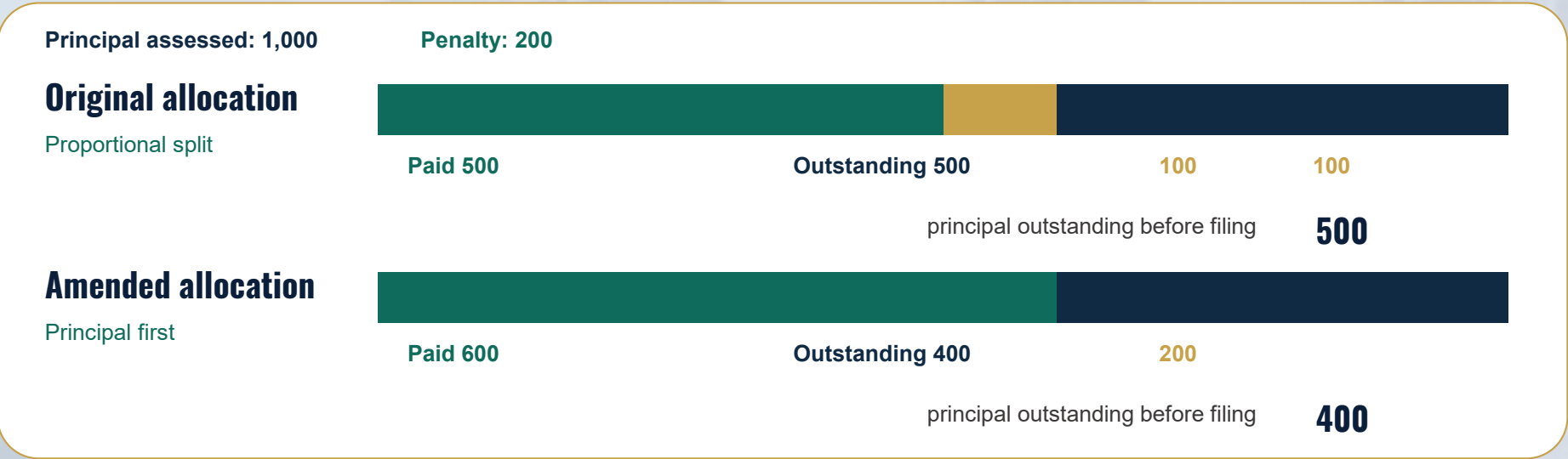
Amended Rule

Payments are applied first to principal tax. Only the amount exceeding principal is applied to the administrative penalty or PBB administrative fine. The amended text replaces the timing distinction with an express priority for principal tax.

Art. 23(6)-(7), as amended by PMK 71/2026, Art. I, point 4.

Illustration of the Allocation Change

Assume an SKP contains IDR 1,000 million of principal and IDR 200 million of penalties, and IDR 600 million was paid before the application month, with no other payments or adjustments. All figures below are in IDR million.



Allocated to principal Allocated to penalty Principal outstanding Penalty outstanding

Item	Original	Amended
Payment allocated to principal	500	600
Payment allocated to penalty	100	0
Principal remaining	500	400
Penalty remaining before relief	100	200
Aggregate balance before relief	600	600

The original principal allocation is 600 multiplied by 1,000/1,200. Under the amended rule, the full payment counts towards principal. Cash paid and the aggregate balance are identical; only the remaining principal differs.

The illustration compares the statutory methods. An actual application requires reconciliation of the specific instrument, payment history and applicable rules, and a reduction or deletion of penalties still requires the relevant decision.

Arts. 23(5)(a), 23(6)-(9) and amended Annex C. Illustration prepared by ARTHADAYA; not an official example.

PENALTY RELIEF FOR THE NATIONAL ECONOMY

FILING WINDOW

2 Years

From commencement on 2 October 2026

INSTRUMENTS

4

SKP, SKP PBB, STP and STP PBB

CONDITIONS

Art. 23

The only requirements cross-referenced

New Art. 27A allows the Director General of Taxes, in order to support the national economy, to reduce or delete administrative penalties or reduce PBB administrative fines on qualifying instruments. It applies to applications filed no later than two years from the commencement of PMK 71/2026.

Art. 27A, inserted by PMK 71/2026, Art. I, point 5.

STATUTORY TEXT (VERBATIM) Art. 27A PMK 118/2024, as inserted by PMK 71/2026

"In order to boost the national economy, the Director-General of Tax may reduce or abolish administrative sanctions or reduce Land and Building Tax administrative fines on a Tax Assessment Notice, Land and Building Tax Assessment Notice, Tax Collection Letter, or Land and Building Tax Collection Letter that fulfils the requirements as referred to in Article 23 for applications submitted within a maximum of 2 (two) years from the entry into force of this Regulation of the Minister."

ARTHADAYA ANALYSIS

Reach to Dispute-Outcome Penalties

Art. 27A covers STPs without repeating the exception in Art. 21A(b), refers only to Art. 23, and does not use the kekhilafan or bukan karena kesalahannya wording associated with Art. 36(1)(a) of the KUP Law. Read together, the text indicates that penalties following an adverse objection, appeal or judicial review outcome may still be considered under Art. 27A during the two-year window, although they leave the ordinary route under Art. 21A(b). This is a reading of the text, not an assured outcome: implementing guidance or DGT practice may take a narrower view.

Opportunity

Taxpayers holding a qualifying SKP, SKP PBB, STP or STP PBB with fully paid principal have a defined period in which to seek relief on policy grounds. On ARTHADAYA's reading, this includes STPs issued under KUP Law Arts. 25(9), 27(5d) and 27(5f).

Arts. 23 and 27A.

Assess the Opportunity by Instrument

ARTHADAYA ANALYSIS Each instrument should be assessed on its own facts before an Art. 27A application is filed.

- 1 Identify the principal and penalty components of each instrument.
- 3 Reconcile principal settlement under the principal-first allocation rule.

Feature

Statutory Position

Policy purpose	Supporting the national economy.
Authority	The Director General may (dapat) grant the reduction or deletion.
Instruments	SKP, SKP PBB, STP and STP PBB.
Requirements	Those in Art. 23, expressly cross-referenced.
Filing period	No later than two years from commencement on 2 October 2026.
Relief amount	No universal percentage and no automatic approval.

Limits

Relief is discretionary, no percentage is prescribed and approval is not automatic. The collection-stage restriction in Art. 23(5)(d) still applies, and the window runs sejak berlakunya, so filings should be made well before October 2028 rather than on the final day.

Arts. 23(5)(d) and 27A; PMK 71/2026, Art. II, point 2.

- 2 Check the penalty classification under Art. 21A and the legal basis stated in the instrument.
- 4 Establish the status of earlier or pending remedies, then state the amount sought and the reasons.



INTERACTION OF ADMINISTRATIVE REMEDIES

Art. 32 governs applications to reduce or cancel an incorrect SKP, SPPT or SKP PBB. PMK 71/2026 restates paragraph (2), correcting the PBB subitem numbering in letter (d) from 4-6 to 1-3; comparison with the original text shows that the eligibility wording is retained. Access to an Art. 32 application depends on the status of every earlier remedy, and withdrawing an objection closes the route.

Art. 32(2)-(3); PMK 71/2026, Art. I, point 6

These are selected status conditions. The complete requirements must be tested for the particular instrument; satisfying one condition alone does not establish eligibility.

Status Requirements

- 1

Objection concerning the relevant instrument
No objection filed; or an objection filed but not considered.
Art. 32(2)(a).
- 2

Penalty reduction or deletion under Art. 21(a)
No application; withdrawn with approval; or not considered.
Art. 32(2)(b).
- 3

Cancellation for specified audit procedural defects under Art. 21(d)
No application currently pending; withdrawn with approval; not considered; or rejected.
Art. 32(2)(c).
- 4

PBB reduction under Art. 19 of the PBB Law
No application; withdrawn with approval; or returned and treated as no application.
Art. 32(2)(d).

Consequences to Manage

- Withdrawal has a distinct consequence**
Art. 32(3) bars the incorrect-assessment application where an objection against the relevant incorrect SKP was filed and then withdrawn with approval. This consequence should be reviewed before an objection is withdrawn.
Art. 32(3).
- Not considered is not rejected**
A procedural outcome of not considered must be distinguished from a substantive rejection. Each outcome is treated differently in the status conditions of Art. 32(2).
Art. 32(2)(a)-(d).
- Existing filing limits remain**
Art. 32(5) already permits a maximum of two applications. A second application is generally due within three months from dispatch of the decision on the first, subject to the exception for circumstances beyond the taxpayer's control in Art. 32(6). The formal requirements in Art. 32(4) and the conditions in Art. 32(8) continue to apply.
Art. 32(4)-(6) and (8) (continuing rules).

How an Objection Outcome Affects Art. 32

Objection against the relevant incorrect SKP

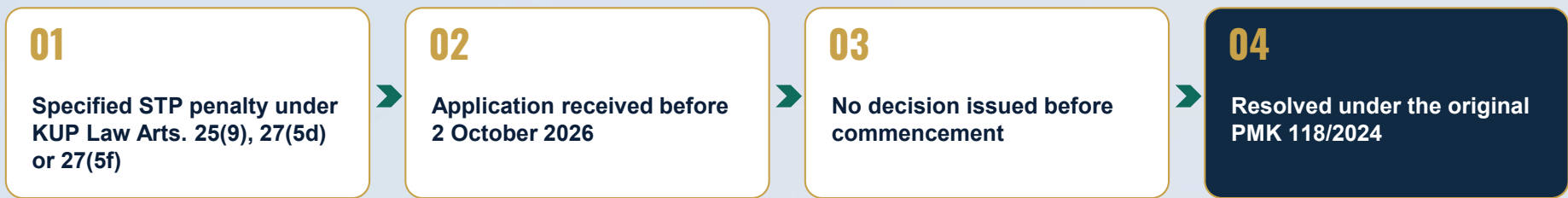
Not filed	Status condition in Art. 32(2)(a) met
Filed but not considered	Status condition in Art. 32(2)(a) met
Filed and decided	Status condition in Art. 32(2)(a) not met
Filed and withdrawn with approval	Art. 32 application barred under Art. 32(3)

Art. 32(2)(a) and (3). Other status conditions in Art. 32(2)(b)-(d) and the formal requirements continue to apply.

ARTHADAYA ANALYSIS Before choosing between an objection, a penalty relief application and an Art. 32 application, the status of each instrument and the consequence of each step should be mapped, because one route can close another. A withdrawal should be treated as a decision with lasting effect on the remaining remedies.

TRANSITIONAL RULES AND APPLICATION FORMS

Transitional Test for Pending Applications



PMK 71/2026 preserves the original PMK 118/2024 treatment for applications to reduce or delete penalties in STP issued under KUP Law Arts. 25(9), 27(5d) and 27(5f), where the application was received before commencement and no decision had been issued. The specific preservation rule does not cover every pending application. Applications outside that category should be assessed under the amended framework and the facts.

PMK 71/2026, Art. II, points 1-2; compare Art. 21A(b).

Amended Document Formats

Annex C

Replaced in full by PMK 71/2026

C.1 to C.9

Formats and calculation examples

A, B and D

Annexes marked as unchanged

PMK 71/2026 replaces Annex C, which contains formats and calculation examples for reductions, deletions and cancellations. Annexes A, B and D are marked as unchanged. Taxpayers should use the relevant amended Annex C format and check the accompanying completion instructions.

The request format distinguishes the instrument, the applicant or signatory, the amount according to the taxpayer, the reasons, and supporting attachments. The annex also contains authority-side formats, including requests, minutes and decisions; these do not all become taxpayer filing documents.

PMK 71/2026, Art. I, point 7 and Annex, sections C.1-C.9.

Prepare a Complete Application Record

ARTHADAYA ANALYSIS Three records should be complete before submission, so that the request can be tested against the continuing requirements.

1 Instrument File

Retain the SKP or STP, its legal basis, payment evidence and an instrument-level reconciliation.

2 Procedural History

Record all earlier applications, receipt dates, withdrawal approvals and decisions, including evidence needed for the transitional test.

3 Filing Check

Confirm the requested amount, reasons, signatory authority, supporting documents and the applicable submission channel.

These steps connect the amended forms with the continuing substantive and formal requirements, so that the request and its supporting evidence present a consistent position.

Arts. 23(2)-(5), 32(2)-(4) and amended Annex C.

KEY TAKEAWAYS AND PRACTICAL IMPLICATIONS

01 Anchor Every Deadline to 2 October 2026

PMK 71/2026 took effect on promulgation. That date governs the transitional test for pending applications and starts the two-year Art. 27A filing window.

02 Separate Genuine Change from Restated Text

Several provisions are reproduced in full but changed only in part. The ten-working-day response period and the two-application limit already existed, and the Art. 32(2) change corrects numbering.

03 Keep the Timetable and Cross-Border Facts Aligned

The Art. 16(5) period remains ten working days, now counted after SPUH dispatch. Objection submissions in cross-border and transfer pricing cases should match the documents held by overseas counterparties.

04 Classify Every Penalty by Its Legal Basis

Art. 21A defines which penalties qualify for ordinary relief and carves out STP penalties under KUP Law Arts. 25(9), 27(5d) and 27(5f). Classification should follow the legal basis stated in the instrument.

05 Reconcile Payments Before Testing Eligibility

The principal-first rule attributes the same cash payment differently. An instrument-level reconciliation establishes whether principal is fully settled and what balance remains.

06 Evaluate the Art. 27A Window, Including Dispute Penalties

Art. 27A offers discretionary, policy-based relief for two years and, on its wording, reaches STPs excluded from ordinary relief. Approval and amount remain uncertain, so applications should be well supported and filed early.

07 Assess Consequences Before Withdrawing an Objection

Withdrawal, non-consideration and rejection carry different consequences for an Art. 32 application. Each step should be mapped against the remaining routes before it is taken.

08 Test Transitional Status and File on Annex C

Only specified STP applications received before 2 October 2026 and still undecided keep the original treatment. New filings should use the replaced Annex C formats with a complete application record.

We will continue to follow the developments on this topic and provide additional information as it becomes available. If you have any questions on this topic, please contact:



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