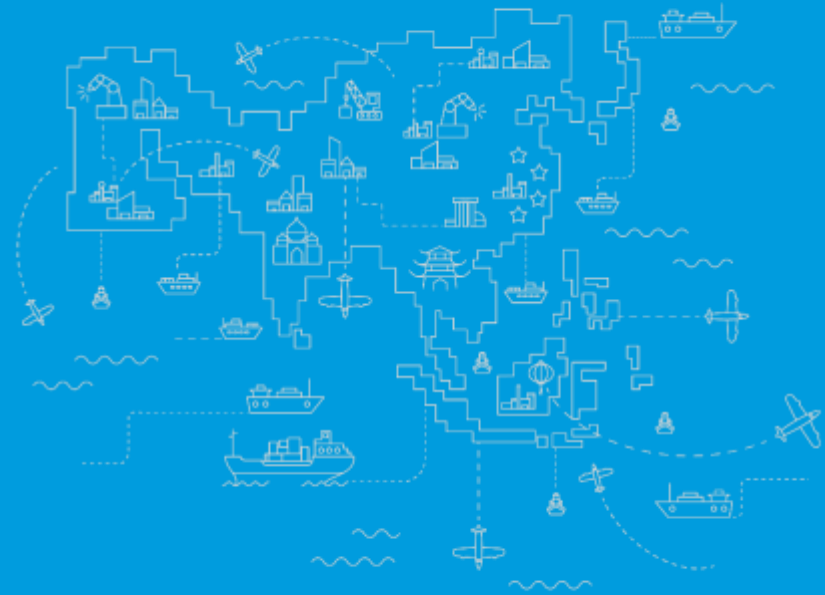


THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



Presented by :

Clarence JMD Cruz & Eny Susetyoningsih - Partner RSM Indonesia

OVERVIEW OF THE BIG THREE PSAK (PSAK 71, 72, AND 73) & POTENTIAL TAX IMPLICATIONS

IFRS 9 (PSAK 71) the need for change...

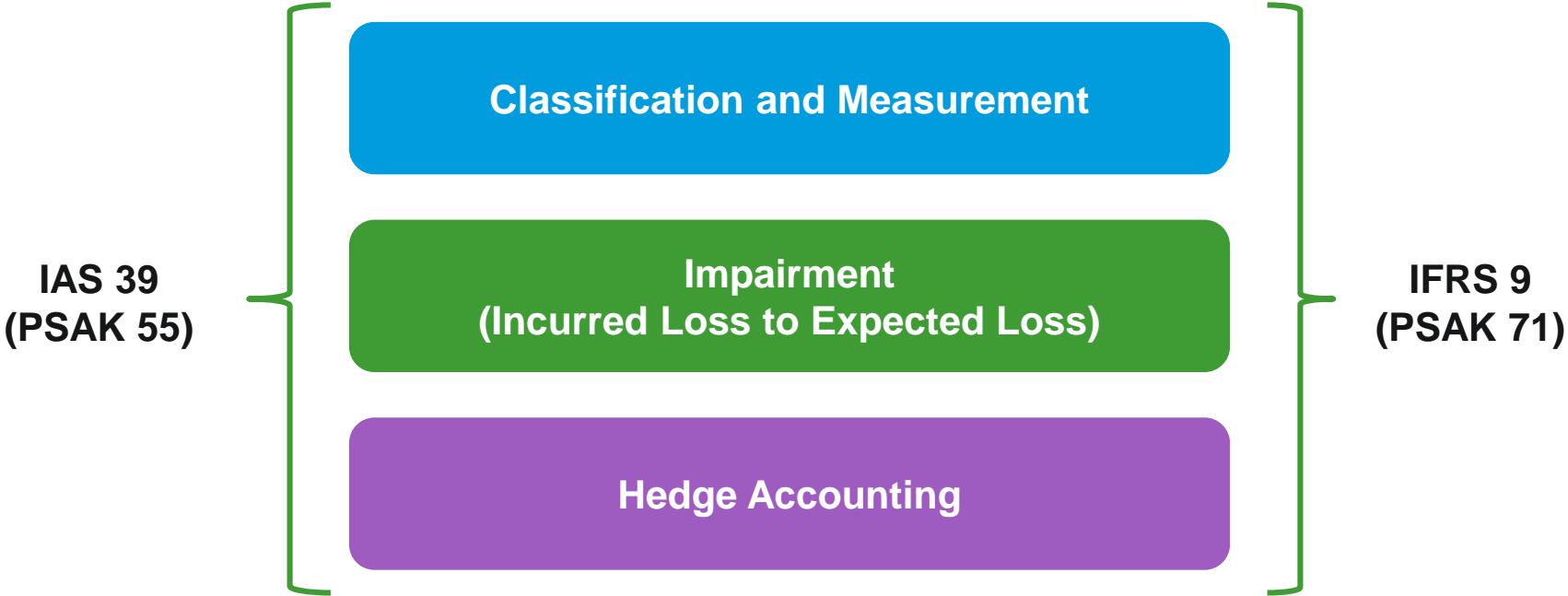


IFRS 9 (PSAK 71)

- IAS 39 requirements were difficult to understand, apply and interpret.
- The IASB's objective in issuing IFRS 9 was to develop a new Standard for the financial reporting of financial instruments that is principle-based and less complex.
- IFRS 9 is IASB's response to the financial crisis and represents a fundamental reconsideration of the accounting for financial instruments.



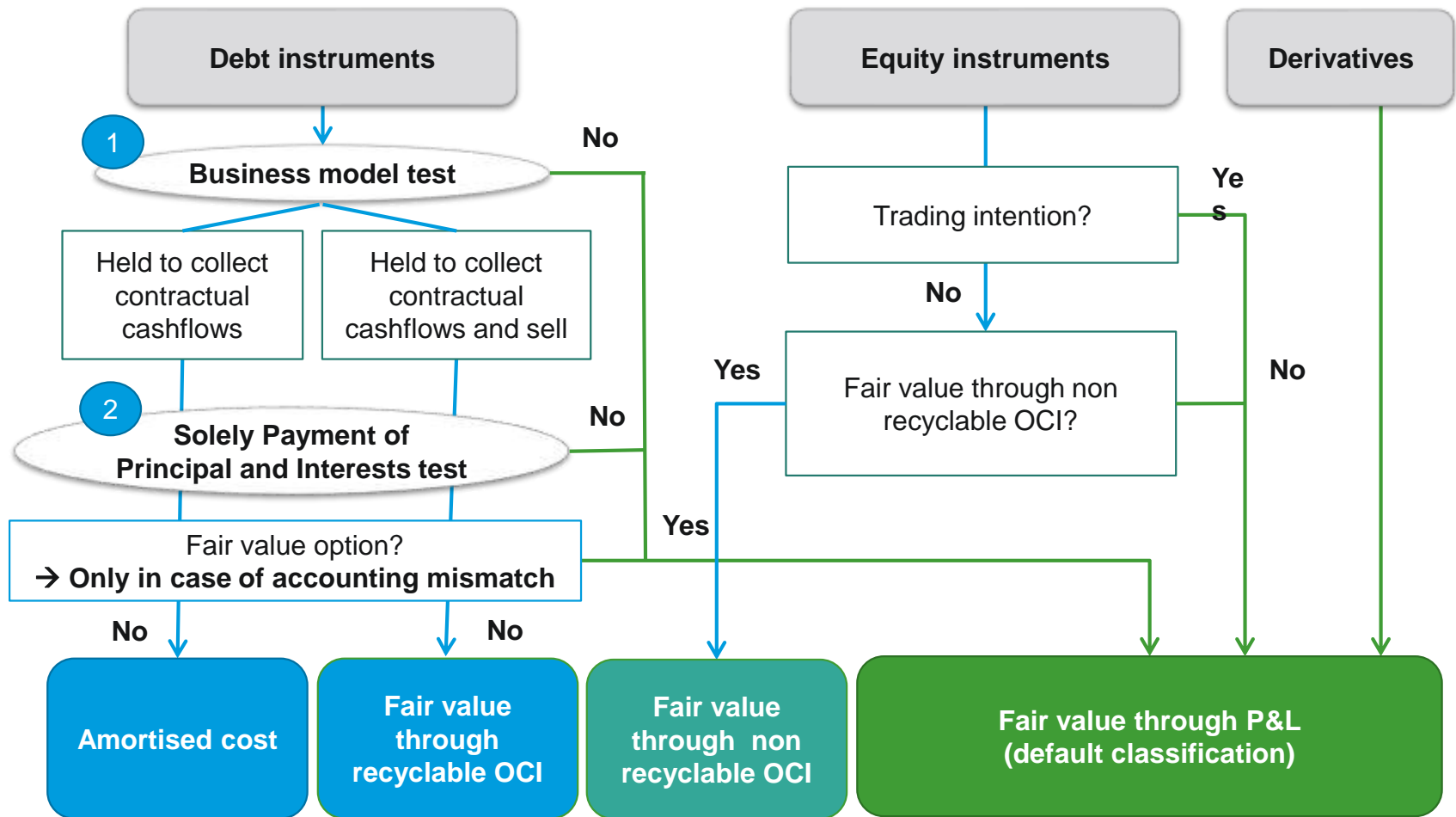
Changes from IAS 39 (PSAK 55) to IFRS 9 (PSAK 71)



Changes from IAS 39 (PSAK 55) to IFRS 9 (PSAK 71)

Theme	IAS 39 (PSAK 55)	IFRS 9 (PSAK 71)	Potential Impact
Classification and Measurement	<ul style="list-style-type: none"> • Classification for Financial Assets : Held to Maturity, Loans and Receivables, FVTPL, and Available for Sale • All equity available for sale is measured at fair value in comprehensive income 	<ul style="list-style-type: none"> • Classification of Financial Assets: Amortized Cost, Fair Value Through Other Comprehensive income (FVOCI) and FVTPL • Fair value through comprehensive income, fair value through profit and loss if it is Held for Trading 	<ul style="list-style-type: none"> • Changes in categorization of financial instruments
Reclassification	<ul style="list-style-type: none"> • Reclassification through profit and loss after initial recognition is not valid 	<ul style="list-style-type: none"> • Changes in business model 	<ul style="list-style-type: none"> • Reclassification if a business model changes
Impairment	<ul style="list-style-type: none"> • The Incurred Loss method that is backward looking 	<ul style="list-style-type: none"> • The Expected Loss Method that is forward looking 	<ul style="list-style-type: none"> • Increase provisions • Decrease in entity profits
Hedge Accounting	<ul style="list-style-type: none"> • The hedging relationship is considered effective if it meets the requirements for effectiveness test of 80-125% 	<ul style="list-style-type: none"> • Eliminate the requirements of effectiveness test and introduce more general requirements based on Management's consideration 	<ul style="list-style-type: none"> • Changes of hedging model will require deep judgment and improvement of processes and controls • Irrelevant if no hedging transaction

Classification and Measurement Decision Tree of Financial Assets and Derivatives



IFRS 15 (PSAK 72) the need for change...

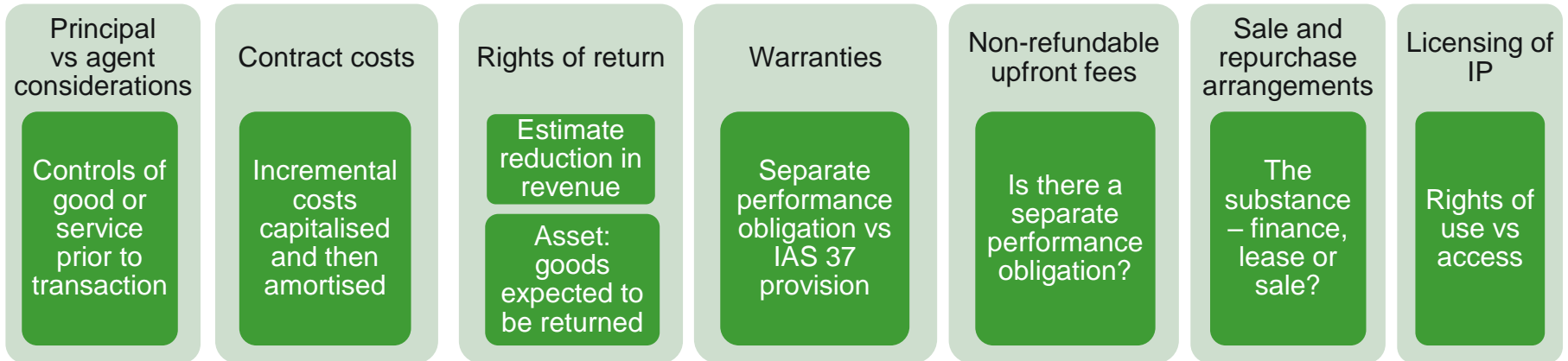
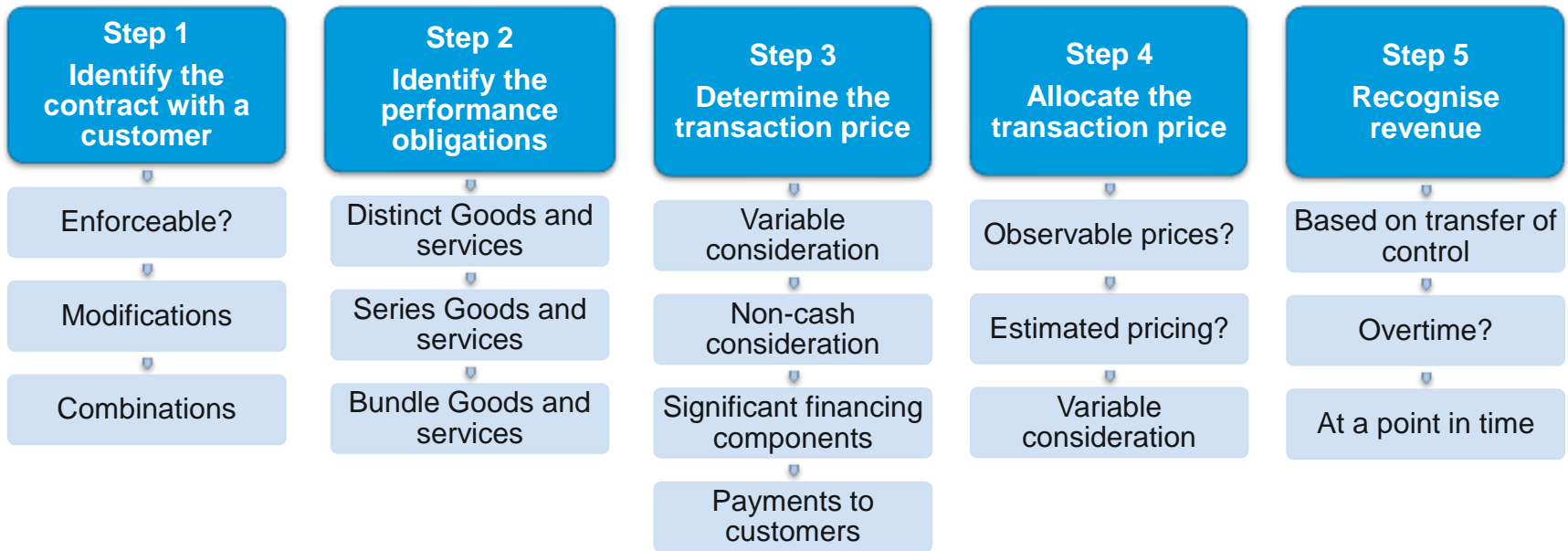


IFRS 15 (PSAK 72)

- Old guidance contained in multiple standards and interpretations while in the new standard, all guidance contained in a single standard.
- Old standard is risk and rewards based model while the new standard is control based model.
- In old standard revenue is measured at fair value of the consideration received while the new standard consideration is measured as the amount the entity expects to be entitled to (Transaction Price).



The 5 Steps Model



IFRS 16 (PSAK 73) the need for change...



IFRS 16 (PSAK 73)

Leases are an **important and flexible source of financing** — listed companies using IFRS Standards or US GAAP estimated to have US\$3.3trillion lease commitments.

“Over 85% of lease commitments do not appear on balance sheet”

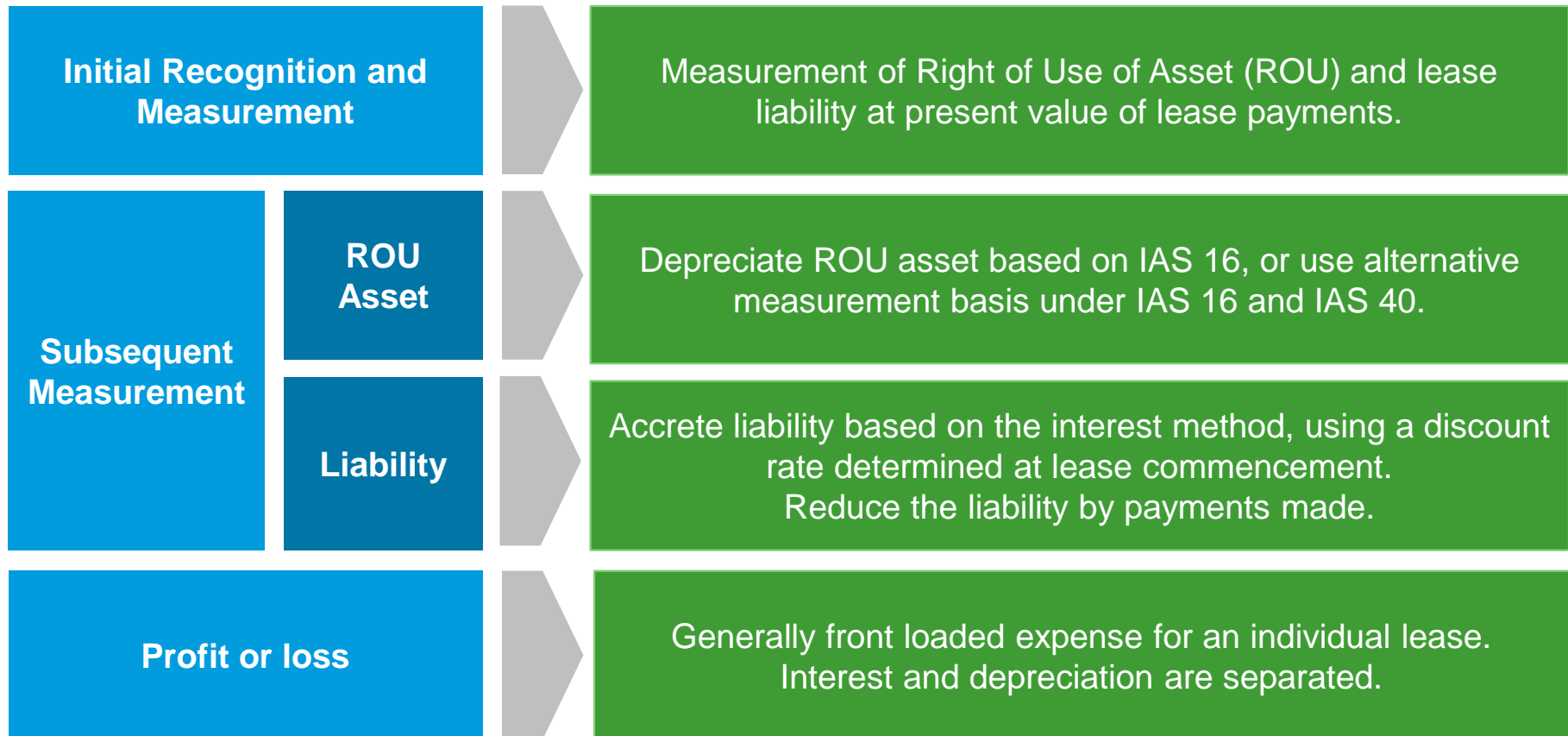
Therefore, it is **difficult** for investors and others to:

- **Get accurate picture** of entity’s lease assets and liabilities
- **Compare companies** that lease assets with those that buy
- **Estimate** the amount of off balance sheet obligations: often overestimated

Changes from IAS17 (PSAK 30) to IFRS 16 (PSAK 73)

Lease Type	Lessor	Lessee - Single Model of Lease	
		IAS 17 / PSAK 30	IFRS 16 / PSAK 73
Financial Lease	No changes	<ul style="list-style-type: none"> • On-balance sheet (asset & liabilities) – specific asset • Depreciation • Interest expense 	<ul style="list-style-type: none"> • On-balance sheet (asset & liabilities) – Right of Use • Depreciation • Interest expense Exception : Short term (< 12 months), low value
Operating Lease	No changes	<ul style="list-style-type: none"> • Off balance sheet • Rent expense 	

Overview - Lessee Accounting





WHAT IS THE POTENTIAL IMPACT OF THE
NEW IMPLEMENTATION OF
PSAK 71, 72 AND 73?

Potential Impact of PSAK 71, 72 and 73

Business processes and internal control	Data and technology	Accounting and financial reporting	Tax implication
<ul style="list-style-type: none"> • Current business processes and internal controls, may be modified as consequences of change in business model • Modification or development new business process may lead to change in policy 	<ul style="list-style-type: none"> • Modify or establish new database to record historical collection experiences • Technology platform may require modification as impact of revenue stream or impairment 	<ul style="list-style-type: none"> • Business model test and contractual cash flows test may lead change in classification and measurement of financial assets and liabilities • Receivable impairments may require adjustment as a result of expected loss impairment model • Revenue recognition may change due to application of 5-step model • Lease classification will change as a result of single model of lessee's accounting • Change in equity investment since the standard permits to choose irrevocable choices upon initial recognition to classify the instrument at FV through OCI or FV through profit and loss • Disclosure requirements increase 	<ul style="list-style-type: none"> • Change in tax accounting method, if occurred should get approval from tax office if the changes for financial reporting purposes • Changes in temporary differences will result in a change to deferred tax assets and liabilities • Valuation allowances may require adjustments due to: <ul style="list-style-type: none"> • Changes in the timing of temporary difference reversals • Changes in timing of future taxable income

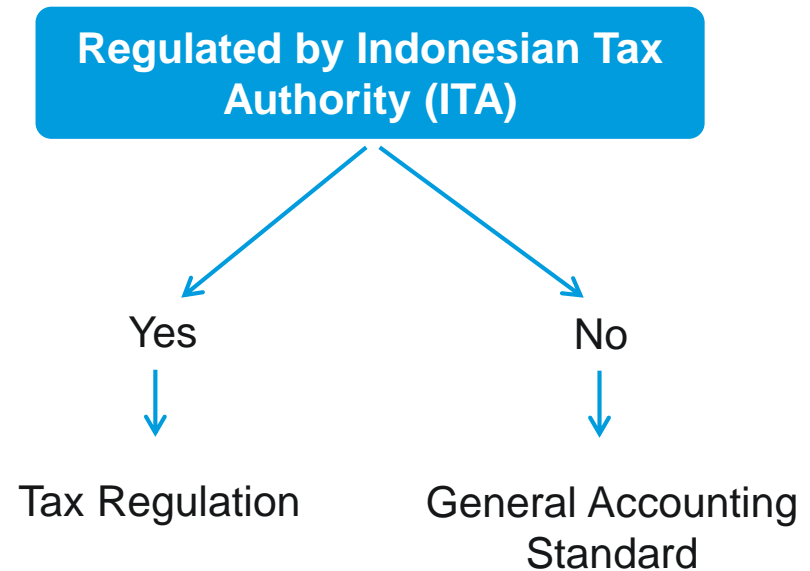
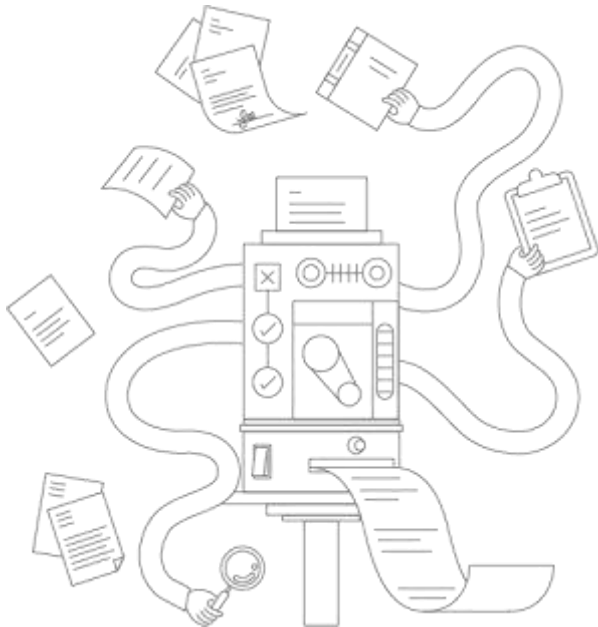


POTENTIAL TAX IMPLICATION ON ADOPTING PSAK 71, 72 AND 73

Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Art.28 (7) – elucidation Tax Law No.16 2009



Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Bookkeeping

Indonesian Tax Law No.16 year 2009 (General Provision and Procedures of Taxation)

Article 28 :

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5. Bookkeeping maintained using the principle of consistence and using accrual basis or cash basis
6. Changes to the methods of bookkeeping and/ or the fiscal year must obtain an approval from the Director General of Taxes
7. Bookkeeping at least consist of records concerning assets, liabilities, capital, income and expenses, as well as sales and purchases therefore could be calculated the amount of tax payable

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Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Taxable Object

Indonesian Tax Law No.36 year 2008 (Income Tax)

Article 4 :

- (1) The object of tax is income, that every additional economic capability received or obtained by Taxpayer, whether originating from Indonesia or abroad, that can be used to consume or to increase the wealth of the Taxpayer, in whatever name or form including:
 - a. compensation or other remuneration received
 - b. lottery prizes or gift in respect of employment activities ...
 - c. business profit
 - d. gains from sale or transfer property ...
 - e. refunds of tax payments that already deducted as expenses and addition payment of tax refund
 - f. interest including premium, discounts, and compensation for loan repayment guarantee ...
 -
 - s. surplus of Bank Indonesia

Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Taxable Object

Indonesian Tax Law No.36 year 2008 (Income Tax)

Article 10 :

- (1) Acquisition cost or selling price in terms of occur property trading that is not influenced by special relationship as referred to in Article 18 (4) is an amount that actually paid or received, whereas, if there is a special relationship is the amount which should have been paid or received
- (2) Acquisition value or selling value in terms of occur property exchange is the amount which should have been paid or received on the basis of market price ...

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Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Finance Lease and Operating Lease – Lessee

Minister of Finance Decree (MoF No.1169/KMK.01/1991)

Finance Lease (article 16)

- a. During the lease period, lessee may not make depreciation of capital goods leased until the lessee uses the option to buy
- b. After the lessee has used the option to buy the capital goods, the lessee make depreciation and the depreciation basis is the residual value of the goods the capital concerned
- c. Lease payments that are paid or owed by the lessee except for loading on land , will be a deductible expense from the lessee's gross income as long as the lease transaction meets the provisions in Art.3 of this Decree
- d. In the case the lease period is shorter than the period specified in art.3 this Decree, the DGT made a corrections to the impositions of lease fee

Potential Tax Implication of PSAK 71, 72 and 73

Income Tax Calculation - Indonesian Tax Legislations

Finance Lease and Operating Lease – Lessee

Minister of Finance Decree (MoF No.1169/KMK.01/1991)

Operating Lease (article 17)

- Lease payments of operation lease paid or liable by lessee is deductible
- Lessee obligate to withheld the withholding tax article 23 on the payment of operation lease paid or liable



Questions and answers?

Thank you
for your time
and attention