THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING





TAX AUDIT ENVIRONMENT & DEVELOPMENT IN INDONESIA





- 1. Regulations
- 2. Reasons on Tax Audit
- 3. The Trend of Current Tax Audit
- 4. Strategy for Countering Tax Audit
- 5. How to mitigate the audit risk and tax planning structure





REGULATIONS

- PMK-17/PMK.03/2013 Tax Audit Procedures
- PMK-184/PMK.03/2015 Amendment of PMK-17/PMK.03/2013
- PER -07/PJ/2017 Tax Audit Guidelines
- SE-10/PJ/2017 Technical Guidelines of Tax Audit
- PMK-239/PMK.03/2014 Tax Audit Investigation
- PMK-34/PMK.03/2018 Joint Tax Audit for Oil & Gas Sector



REASONS OF TAX AUDIT

- Claiming Tax Refund
- Claiming Advance Tax Refund
- Other reasons:
 - Have fiscal losses;
 - Changing of bookkepping period;
 - Not reporting Tax Teturns (Compliance);
 - Random and choosen based on risk analysis;
 - Tax ID revocation and changing of domicile;
 - Special tax audit due to linkage/relationship;
 - etc.



THE TREND OF CURRENT TAX AUDIT

Beside of tax refund, commonly the reason of tax audit because of Indonesian Tax Authority (ITA - Account Representative) do risk analysis on the Taxpayers business

Common corrections:

- Corrections due to reconciliation (such as revenue in Corporate Tax Return vs. VAT objects as per monthly VAT returns, expenses vs. withholding tax objects, etc.);
- Existence of transaction;
- Usage of tax treaty rates;
- Invalid VAT invoice;
- Export considered as local sales;
- Input VAT on Temporary Import;
- Accrual Bonus for Employees including Tantiem for specific industry;
- Provisions for specific industry;
- Transfer Pricing;
- Etc.
- Existing tax audit change into tax audit investigation (Pemeriksaan Bukti Permulaan) - (Article 38, 39, and 39A KUP Law) – 150% penalty to close the case



STRATEGIES FOR COUNTERING TAX AUDITS

- Provide complete data/documents as requested by tax auditors;
- Provide complete details reconciliation to tax auditors instead of waiting tax auditors to make its own reconciliation;
- Communicate, monitoring and frequently following up of tax audit status to tax auditors;
- Make sure data/documents provide to tax auditors are easy to read and understand;
- Make sure transactions supported by documentation (such as agreement, invoice, payment evidence, etc);
- Engage and asking advise from third party to do internal tax review before claiming tax refund to get view of tax risks and could solve it first before claiming the tax refund;
- Apply a monthly VAT refund for taxpayer who could apply for it (such as taxpayer who do an export, have transaction with VAT collector, etc) to reduce the 100% penalty risk for VAT compensation.
- Etc.



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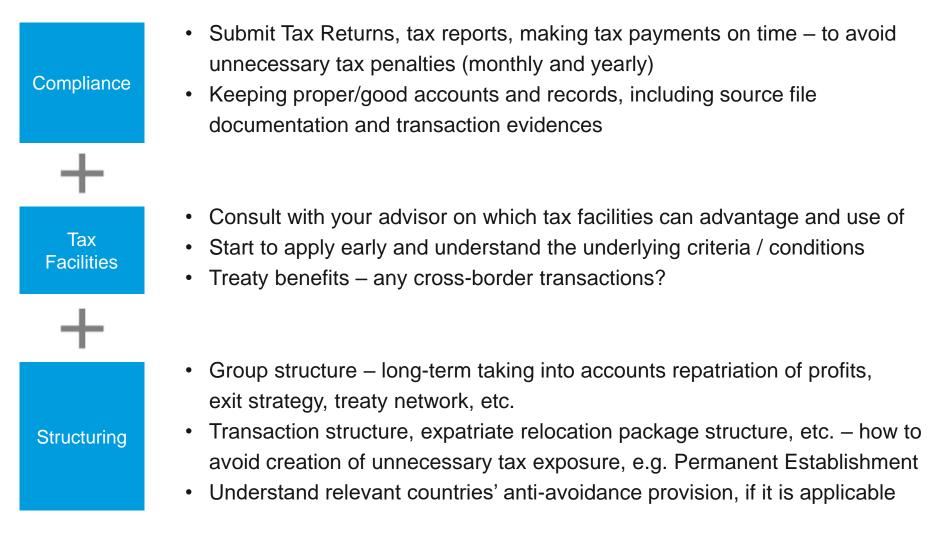
TAX PLANNING OPPORTUNITIES

Tax Planning is all about stepping forward and understand well of the relevant tax consequences resulted from any commercial arrangement / transactions – and try to optimize the outcome by rearranging the structure or transactions.

However, commercial considerations should always be put first – Tax Planning should align to the bigger picture of a group's business direction and visions.



TAX PLANNING OPPORTUNITIES





Thank you for your time and attention

