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AUDIT | TAX | CONSULTING



Presented by :
Sentot A Priyanto - Partner RSM Indonesia

TAX AUDIT ENVIRONMENT & DEVELOPMENT IN INDONESIA

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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 bookkeeping period;
 - Not reporting Tax Returns (Compliance);
 - Random and chosen 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.



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

Compliance



Tax
Facilities



Structuring

- Submit Tax Returns, tax reports, making tax payments on time – to avoid unnecessary tax penalties (monthly and yearly)
- Keeping proper/good accounts and records, including source file documentation and transaction evidences
- Consult with your advisor on which tax facilities can advantage and use of
- Start to apply early and understand the underlying criteria / conditions
- Treaty benefits – any cross-border transactions?
- Group structure – long-term taking into accounts repatriation of profits, exit strategy, treaty network, etc.
- Transaction structure, expatriate relocation package structure, etc. – how to avoid creation of unnecessary tax exposure, e.g. Permanent Establishment
- Understand relevant countries' anti-avoidance provision, if it is applicable

Thank you
for your time
and attention