Wake Up Call

RSM

Fixed Asset Revaluation for Tax Purpose

My fixed assets are undervalued. Is there a mechanism to revalue these for tax purposes?

Felix Wijaya, Jakarta

Under Minister of Finance Regulation No. 79/PMK. 03/2008 it was possible to conduct periodic revaluations of fixed assets for tax purposes. The process was subject to certain requirements and the revaluation adjustment was subject to a Final Tax of 10%. However, on 15 October, 2015, the Minister of Finance issued Regulation No.191/PMK. 010/2015 ("PMK-191") regarding Fixed Asset Revaluation for Tax Purposes for Fiscal Year 2015 and 2016.

PMK-191 provides special treatment for taxpayers that wish to submit applications for fixed asset ("FA") revaluation during 2015 and 2016. That is:

- there will be a reduction to the rate of Final Tax that applies to the revaluation
- there is greater flexibility regarding what FA will be revalued, and
- there is additional flexibility regarding the time to obtain a licensed appraisal.

It is even possible for taxpayers that previously revalued FA under PMK-79 to revalue those FA again even though the previous revaluation was less than 5 years ago.

PMK-191 allows a reduced rate of Final Tax for the FA revaluation adjustment depending on the date of the application. Unlike PMK-79 it is necessary to pay the tax before the application is made, however, if it is rejected then the taxpayer can request a refund of this tax.

If the revaluation is made and the application is lodged before 31 December, 2015 then the Final Tax is 3% instead of 10% under PMK-79. This becomes 4% for applications submitted between 1 January – 30 June, 2016 and 6% for applications submitted between 1 July-31 December, 2016. FA revaluations after 31 December, 2016 are subject to PMK-79.

In addition to the reduced rate of Final Tax you also have the ability to decide which FA you will revalue. It is not necessary to follow PMK-79 that required all FA to be revalued or all non-land FA to be revalued.

To further encourage FA revaluations, PMK-191 also allows you to undertake an initial revaluation using an internal estimate, provided this is then followed by an appraisal from a licensed appraisal firm. If the estimated value was less than the value per the licensed appraisal firm then the difference is subject to Final Tax based on when the Final Tax is paid.

Finally, do be aware that there is a hidden trap: if the revalued assets are sold within a specified period then the original revaluation adjustment will be subject to Final Tax of 25% (less the Final Tax already paid). As usual, any capital gain above the revalued amount will be subject to normal income tax. The period is 4 years for FA classified for tax as Group 1, 8 years for FA classified as Group 2 and 10 years for other FA.

Therefore care should be taken in assessing the likelihood of selling any FA that are might be revalued.

KEY POINTS

- PMK 191 provides special treatment for taxpayers who submit applications for fixed asset revaluation
- Reduced rate of final tax for the fixed asset revaluation adjustment depends on the date of application
- The difference between internal estimate and value by licensed appraisal is subject to final tax
- Beware of the hidden trap: if revalued assets are sold within a certain specified period, there will be a penalty tax

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