



Implications of AEOI commencement for Indonesian investors

The end of September marked the implementation deadline for 49 countries that had committed to the Automatic Exchange of Information (AEOI) under the Common Reporting Standard (CRS). Although Indonesia is part of this group, there are implications for Indonesian investors with funds overseas.

The AEOI agreements allow the exchange by tax authorities of information regarding financial account balances. "Financial accounts" are not limited to cash holdings, but include share portfolios and other investment balances. Although these do not include direct investment in real estate, for example, such information can usually be exchanged between revenue authorities on a specific request basis if there is a tax treaty between those countries.

Indonesia, Hong Kong and Singapore have not committed to the September 2017 deadline, but have committed to implement AEOI by September 2018. Singapore and Hong Kong are taking the necessary regulatory actions to prepare. Indonesia has also issued regulations, including PERPPU 1/2017 and PMK-70 to allow the identification and collation of financial account information (including the removal of bank secrecy).

Investors should be aware that the delayed commitment does not mean that financial account data is only collected per 30 September 2018. The date refers to when financial account data per 31 December 2017 will be shared. Similarly those countries that committed to September 2017 are collating financial account data per 31 December 2016. Furthermore, just because Indonesia committed to September 2018 it does not mean that a country that has implemented the AEOI per 30 September 2017 cannot share their 2016 financial account data with Indonesia's Director-General of Taxation ("DGT").

Information sharing will commence once the relevant countries execute the relevant bilateral agreement. In the case of Hong Kong and Indonesia, this was signed on 16 June 2017. Therefore sharing of 2017 financial account information should occur between Hong Kong and

Indonesia by September 2018. The agreement with Singapore remains in process with Singapore indicating that exchange of information "can commence after committed jurisdictions have introduced the necessary laws to implement CRS and the required confidentiality and data protection safeguards are in place".

The USA has not committed to the CRS, however, it has created its government-to-government FATCA regime that Indonesia has signed in 2014.

Although the threshold for reporting under the CRS is USD 250,000 or its equivalent, PMK-70 allows the DGT to access financial account information for domestic tax purposes based on lower thresholds (e.g. IDR 1 billion for bank accounts held by individuals).

The information gathering process includes the identification of the beneficial owners of all reportable accounts. There is no doubt

that this is a time-consuming process for the financial institutions because it requires liaison with the customer and then verification of information provided. This might explain why 53 countries have committed to September 2018 rather than 2017.

The implementation of the AEOI regime is part of the continuing global movement towards increased tax transparency. AEOI should be of no concern for tax residents that have always reported their assets or that followed the tax amnesty. Of course you should remember that reporting of assets is only the first step – you must also report the income generated by those assets.

In addition, as noted in our previous Wake Up Call, the recent issue of PMK-107 has broadened the obligations for reporting income generated by companies in which Indonesian tax residents, individually or collectively, hold at least 50% of the shares.

KEY POINTS

- AEOI for Financial Account Information is now "live".
- Indonesia has signed an AEOI agreement with HK; Singapore will follow.
- Tax treaties allow for more than AEOI-related information to be shared.

THE POWER OF BEING UNDERSTOOD

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