



Post Tax Amnesty. Relax or Worry ?

The Tax Amnesty Program launched by the Government is now over. A lot of corporate and individual taxpayers have participated in the Tax Amnesty program and perhaps assume that they can now relax because they are not anymore subject to any tax audit for 2015 and the years earlier. But some taxpayers might still be concerned about what lies ahead.

So, is it really time to relax ? Here are some of the key obligations that you should be aware of:

- Did you declare all your worldwide assets? If you did not declare everything and the Tax Office become aware of this then these assets are regarded as additional income. Please remember that Indonesia and 99 countries have committed to the Automatic Exchange of Financial Account Information (AEOI), commencing during 2017 or 2018. Both Singapore and Indonesia should commence by September, 2018, which requires collection of 2017 bank balances and other financial account information. Any assets that are discovered will be taxed at your marginal rate plus a penalty of 200% of the tax.
- You are required to lodge an Annual Report regarding those declared assets that were already in Indonesia or that were repatriated

from overseas. The Report must be lodged by the due date for lodgement of your annual tax return.

- Any local assets or repatriated assets are required to remain in Indonesia for at least 3 years from the date of the Tax Amnesty Statement Letter for local assets or the date of repatriation.

Please also note that the TA relates to 2015 and earlier. For 2016 onwards you still need to properly manage and report your tax affairs. For example:

- If your company is undertaking related party transactions (especially with jurisdictions like Singapore or Hong Kong that have a lower tax rate) then it is likely that you need to prepare Transfer Pricing Documentation. These should have been available on 30 April, 2017 if your company met the criteria for Transfer Pricing Documentation for the 2016 year and

had a 31 December year-end.

- Although the Tax Office has said they will focus tax audits on taxpayers that did not follow the TA you should expect detailed attention if you apply for a tax refund. Therefore your records and supporting documents should be available.
- The Government has recently initiated its AKASIA software application to speed up access by the Tax Office to Indonesian banking data. The previous process was manual. Therefore you should continue to report all bank accounts.

Furthermore, PERPPU No 1 of 8 May, 2017 provides a legal basis for the collection and sharing of financial information under Indonesia's AEOI commitments. This regulation requires banks, insurance companies, other financial institutions and specified other entities to identify account holders, and to compile and transmit

account balance and related income information to either OJK (for financial institutions) or the Tax Office (for the other financial institutions/entities). This information will be shared with other tax jurisdictions in accordance with Indonesia's AEOI commitments.

In addition the Government intends to revise the Income Tax Law and the Law on Tax Administration & Procedures (KUP). Although we are hopeful that the revisions will clarify some existing problem areas and provide some tax "carrots" it is also likely that compliance obligations will become more complex because the Tax Office is learning from and using taxing ideas from other jurisdictions.

However, if you fully disclosed your assets under the TA and carefully attend to your 2016 and future compliance then you should be in a good position if (or is it when?) the tax man comes.

KEY POINTS

- Risk remains if you did not declare all assets during the Tax Amnesty.
- Financial data sharing amongst 99 countries under the Automatic Exchange of Financial Account Information (AEOI) should commence by September, 2018.
- PERPPU No 1 provides mechanism to obtain Indonesian banking data.

THE POWER OF BEING UNDERSTOOD

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