

Annual Tax Returns, again

For most taxpayers, it is now time to prepare your Annual Tax Return. Yogi Berra, "It's like déjà vu all over again" – but with some new twists that you should be aware of.

In addition to March being the time when Julius Caesar was assassinated, March is the month for lodgement of Personal Tax Returns. 30 April is another highlight with lodgement of Corporate Tax Returns (SPT Badan) for those corporates with December year-ends. And, of course, any tax due for 2017 must be paid prior to lodging the Tax Return.

Similar to 2016, the 2017 SPT Badan requires inclusion of summary information regarding related party transactions and confirmation of the existence of a formal transfer pricing report if any of the thresholds are exceeded. In this regard there is no materiality if the income/expense transaction is with a country that has a lower headline corporate tax rate than Indonesia (e.g. HK and Singapore). Thanks to Trump's recent tax reform bill, starting 2018 this will include the USA. The UK's rate is also below Indonesia's.

Do also remember that parties can be related through direct or indirect control and not only due to direct or indi-

rect ownership of 25% or more of the share capital.

The transfer pricing obligations also apply to 100% domestic groups – not just those with foreign parents or that have overseas subsidiaries. If no transfer pricing report exists at the time of preparing the SPT Badan and it is not provided when requested by the Tax Office then the Tax Office can determine that the taxpayer is not properly maintaining books and any assessed taxes will be subject to penalties equal to 50% of the additional tax payable.

A new requirement for the 2017 SPT Badan is the attachment of forms relating to the company's Debt-Equity Ratio ("DER"). The first form calculates the DER – if this exceeds 4:1 there is a proportionate reduction to the arms-length borrowing costs that can be deducted. The second form summarises any offshore loans. If this second form is not attached then the related borrowing costs cannot be claimed as a tax deduction.

The 2017 SPT Badan should include any deemed dividend

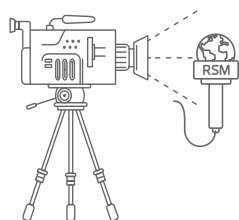
accruing from overseas entities, with adjustments and/or tax credits for actual dividends declared. As per PMK-107/2017, the scope for the deemed dividend is now expanded from direct entities to include indirect entities where one or more Indonesian taxpayers or CFCs owns at least 50% of the voting shares or paid up share capital.

Although not attached to the SPT Badan, companies must also meet a 30 April deadline for lodgement of reports for any Country-by-Country Report for 2016 (assuming the year-end was December) and for additional assets declared during the Tax Amnesty. The 30 April deadline should not be missed otherwise the Tax Amnesty assets are deemed to be income and subject to tax. The deadline for individuals is 31 March.

So, there is some additional work required in March and/or April to ensure your tax compliance and Tax Amnesty reporting is up to date and to avoid un-necessary complications or lost deductions.



Nicholas Graham
Nick.graham@rsm.id



KEY POINTS

- Tax Amnesty updates are due on 31 March (individuals) or 30 April (companies).
- Deemed dividends include after-tax profits of indirect CFC.
- Overseas loans must be reported otherwise deduction for borrowing cost is lost.

THE POWER OF BEING UNDERSTOOD

RSM Indonesia
Audit | Tax | Consulting

Wake Up Call is a column designated to discuss issues related to audit, accounting, tax, corporate finance, business services, governance, risk management, internal audit, internal control, information technology, and general consulting. RSM member firms in Indonesia are member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network, the 6th largest global network of audit, tax and consulting services. RSM network has representative in more than 120 countries, and a combined total of 43,000 staff in 800 offices. Inquiries can be submitted to wakeupcall@rsm.id.