



*Happy
New Year!*

A Newsletter of RSM AAJ Associates


Wake Up Call

Quarter I - 2014 Edition



RSM AAJ
Audit • Tax • Advisory

contents

- 
- **doing business in Indonesia:**
update on import tax
 - **occupational fraud:**
indispensable info
for every organization
 - **news from our office**

Welcome

2014





Doing Business in Indonesia: Update on Import Tax

Indonesia has been struggling to stabilise its external balance sheet, due to persistently high imports and weak structural reforms, which are putting downward pressure on the ailing rupiah currency.

Starting 6 January 2014, a new tax rate for imported retail goods has taken effect, which hikes the rate from 2.5% to 7.5%.

Imposing a higher tax for imported goods is the latest attempt to dampen domestic consumption in Southeast Asia's biggest economy.

In order to improve Indonesia's trade balance, on 5 December 2013, the Government of Indonesia has raised income tax on imported products through the issuance of a new ministerial regulation No.175/PMK.011/2013 (PMK-175).

PMK 175 was the third amendment made on Minister of Finance Regulation No.154/PMK.03/2010 regarding "collection of Article 22 income tax pertaining to payment of delivery of goods and activities on import or business activities in other sectors".

Import Tax for Retail Goods

PMK-175 changes the Article 22 tax rates on import tax of certain goods from 2.5% to 7.5%. The new tax rates applied for import of 502 goods that are specifically mentioned on the attachment of

PMK-175, which mostly are consumer goods.

Before this regulation come through, there were two income tax tariffs for Indonesian companies that import goods. Those companies that have received an importer identification number (API, *Angka Pengenal Importir*) from the Trade Ministry have to pay income tax

(over the imported goods) of 2.5%, while the income tax for those companies that do not have an API is 7.5%.

As such, API holders received a tax-cashflow break. Now, however, the new ministerial regulation removes this by setting the tax at 7.5% for all companies that import consumer-type goods.

Several Category of Goods Affected by the New Import Tax

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|---|---|
| <ol style="list-style-type: none"> 1. Perfumes and eau de toilette. 2. Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics. 3. Other articles of plastics and articles of other materials of headings 39.01 to 39.14. 4. Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewelry boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper. 5. Articles of apparel and clothing accessories, of leather or of composition leather. 6. Other articles of leather or of composition leather. 7. Tableware and kitchenware, of wood. 8. Carpets and other textile floor coverings, tufted, whether or not made up. 9. Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted. 10. Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted. | <ol style="list-style-type: none"> 11. Men's or boys' shirts, knitted or crocheted. 12. Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted. 13. Babies' garments and clothing accessories, knitted or crocheted. 14. Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear). 15. Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear). 16. Men's or boys' shirts. 17. Women's or girls' blouses, shirts and shirt-blouses. 18. Other footwear with outer soles and uppers of rubber or plastics. 19. Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. 20. Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. 21. Other footwear. 22. Umbrellas and sun umbrellas (including walking-stick umbrellas, garden umbrellas and similar umbrellas). 23. Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 70.10 or 70.18). 24. Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal. 25. Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed). |
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.....continued, **Several Category of Goods Affected by the New Import Tax**

26. Imitation jewelry.
27. Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas-rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel.
28. Table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel.
29. Table, kitchen or other household articles and parts thereof, of aluminum; pot scourers and scouring or polishing pads, gloves and the like, of aluminum; sanitary ware and parts thereof, of aluminum.
30. Spoons, forks, ladles, skimmers, cake-servers, fish-knives, butter-knives, sugar tongs and similar kitchen or tableware.
31. Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated.
32. Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air conditioning machines of heading 84.15.
33. Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37.
34. Household or laundry-type washing machines, including machines which both wash and dry.
35. Sewing machines, other than book-sewing machines of heading 84.40; furniture, bases and covers specially designed for sewing machines; sewing machine needles.
36. Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.
37. Vacuum cleaners.
38. Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners of heading 85.08.
38. Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus (for example, hair dryers, hair curlers, curling tong heaters) and hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than those of heading 85.45.
39. Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless networks (such as a local or wide area network), other than transmission or reception apparatus of heading 84.43, 85.25, 85.27 or 85.28.
40. Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders.
41. Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus.
42. Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.
43. Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars.
44. Bicycles and other cycles (including delivery tricycles), not motorised.
45. Baby carriages and parts thereof.
46. Yachts and other vessels for pleasure or sports; rowing boats and canoes.
47. Spectacles, goggles and the like, corrective, protective or other.
48. Wrist-watches, pocket-watches and other watches, including stop-watches, with case of precious metal or of metal clad with precious metal.
50. Wrist-watches, pocket-watches and other watches, including stop-watches, other than those of heading 91.01.
51. Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof.
52. Other furniture and parts thereof.
53. Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, puffs and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered.
54. Lamps and lighting fittings including searchlights and spotlights and parts thereof, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like, having a permanently fixed light source, and parts thereof not elsewhere specified or included.
55. Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds.
56. Video game consoles and machines, articles for funfair, table or parlour games, including pintables, billiards, special tables for casino games and automatic bowling alley equipment.
57. Articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table-tennis) or outdoor games, not specified or included elsewhere in this Chapter; swimming pools and paddling pools.
58. Fishing rods, fish-hooks and other line fishing tackle; fish landing nets, butterfly nets and similar nets; decoy "birds" (other than those of heading 92.08 or 97.05) and similar hunting or shooting requisites.
59. Combs, hair-slides and the like; hair pins, curling pins, curling grips, hair-curlers and the like, other than those of heading 85.16, and parts thereof.
60. Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetics or toilet preparations.
61. Vacuum flasks and other vacuum vessels, complete with cases; parts thereof other than glass inners.

Impact on Import of Industrial Goods

There will be no affect of PMK-175 on the import of industrial goods (i.e. raw materials), the Article 22 tax rates on the import of industrial goods are still 2.5% for API holder and 7.5% for non-API holder.



Occupational Fraud: Indispensable Info for Every Organization

According to Association of Certified Fraud Examiners, global losses from occupational fraud and abuse may exceed \$3 trillion each year.

If we add together the various fraud schemes, the total may run as much 10 percent of global economic output.

Occupational Fraud, which is defined as “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.”

Simply stated, occupational fraud are those in which employee, manager, officer, or owner of an organization commits fraud to the organization’s detriment.

Occupational fraud schemes include among others asset misappropriations, corruption, and fraudulent financial statements.

Financial Statement Fraud

Financial statement schemes are one of a large category of frauds that fall under occupational fraud. Financial statement fraud is the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statement to deceive financial statement users.

This type of fraud is usually a means to an end, meaning that the act of fraud is conducted for other purpose of which the result is influenced by the financial statements, such as to obtain bonus on large revenue booked, or to have a refinancing of debt.

Financial statement fraud usually involves overstating assets, revenues, and profits; and understating liabilities, expenses, and losses. It might also be in the contrary if the intention was to have saving for a rainy days, i.e. understating revenue generated in this year and record the difference in the following year as measure to create the image of stability in condition where most likely next year is a tough year to sell (note that this most likely to happen if current year performance has exceeding the target by far thus understating current year performance does not jeopardize current year performance and that the perpetrator will still hold post for the next year).

Asset Misappropriation

Asset misappropriations are by far the most common of all occupational frauds. There are three major categories of asset misappropriation, cash receipt schemes, fraudulent disbursements of cash, and theft of inventory and other non-cash assets.

Cash Receipt Misappropriation

Cash, both on deposit in banks and on hand as petty cash, can be

misappropriated through many different schemes. These schemes can be either on-book or off-book, depending on when they occur.

Cash receipts schemes fall into two categories, skimming and larceny. The difference in the two types of fraud depends completely on when the cash is stolen. Cash larceny is the theft of money that has already appeared on organization’s book, while skimming is the theft of cash that has not been recorded in the accounting system.

Fraudulent Disbursement

In fraudulent disbursement schemes, an employee makes a distribution of company funds for a dishonest purpose, in terms of forging company’s cheques, submitting false invoices, modifying timecards, etc.

Inventory and Other Assets

As for fraud related to inventory and other assets, employee target inventory, equipment, supplies, and other non-cash assets for theft in a number of ways. These schemes can range from stealing a box of pens to theft of millions dollar’s worth of company’s equipment.

There are basically two ways a person can misappropriate a company asset. The asset can be misused or it can be stolen. Assets that are misused but not stolen typically include company vehicles, company supplies, computers, and other office equipment. A personal use of company’s vehicle that is unauthorized is consider as asset misappropriation, even though the car was returned unharmed.

Non-cash larceny typically committed by employees with access to inventory or supplies, and this type of fraud is usually not very complicated. When employees see a trusted colleague taking something out of the workplace, most people think that those people were authorized to do so.

Misappropriation of Intangible Assets

Organizations are also in risk of theft of proprietary information, which can undermine value, reputation, and competitive advantages. Leakage of proprietary information mostly sourced from employees, as they are the party that have best knowledge on those.

Corruption

Corruption is the wrongful use of influence to procure a benefit for the actor or another person, contrary to the duty or the rights of others, and it can take on many forms, including bribery, kickbacks, illegal gratuities, economic extortion, and collusion.

Bribery. Bribery may be defined as the offering, giving, receiving, or soliciting anything of value to influence an official act or business decision, and it can be classified into official bribery (which intention is to influence the decisions of government agents or employees), and commercial bribery (which intention is so that a private individual gain a commercial or business advantage).

Kickbacks

Kickbacks are improper, undisclosed payments made to obtain favorable treatment. In the commercial world, kickbacks refer to the giving or receiving of anything of value to influence a business decision without the employer's knowledge

and consent.

Illegal Gratuities

Illegal gratuities are similar to bribery schemes, except there is not necessarily an intent to influence a particular business decision before the fact.

Economic Extortion

Economic extortion is present when an employee or official, through the wrongful use of actual or threatened force or fear, demands money or some other consideration to make particular business decision.

Collusion

Collusion refers to an agreement between two or more individuals to commit an act designed to deceive or gain an unfair advantage.

Indonesia's Anti-corruption Regulations.

Specifically in Indonesia, there are several related regulations, i.e. Law No. 28 of 1999 on Good Governance - which applies to government executives such as public officials and civil servants; Law No. 31 of 1999 on the Eradication of Criminal Acts of Corruption, as lastly amended by Law No. 20 of 2001 (Anti-Corruption Law), which applies to government executives as well as everybody else beyond government executives.

Under the Anti-Corruption Law in Indonesia, bribery/corruption offence constitutes:

- the illegal act of making profit for himself, another person or a corporation which can possibly create loss to the state finance or economy;
- abuse of authority, opportunities or facilities vested in relation to his position which can create loss to the state finance or economy; the aim of the abuse being to earn a profit for himself, another person or a corporation;
- giving or promising something to

a civil servant or state apparatus (i) with the aim of persuading him/it to do something or not to do something which would then violate his/its obligations; or (ii) because of or in relation to something in violation of his/its obligation, whether or not it is done because of his/its position; and

- providing "gratification" to a civil servant or public official in relation to his position in return for a favor. "Gratification" is a gift in a very broad sense and can include money, goods, discounts, interest-free loans, free medical treatment, travel tickets and other benefits.

Corruption is still a significant problem, despite of anti-corruption legislation and increased enforcement efforts around the world.

Fundamentals to Prevent Occupational Fraud

Before we can prevent occupational fraud to happen, we need to know what are major triggers of such act to happen, which have close tie to the human behavior.

Albert Study, a research funded by The Institute of Internal Auditors, revealed the red flags that every organization should be aware of, which promote the occurring of occupational fraud, which falls into two categories, personal characteristics and organizational environment.

Personal characteristics and low morale of individuals which both creates motives to perpetrate fraud can only be executed if there are opportunities that allow such act to happen.

RED FLAGS CONTRIBUTING TO EXISTENCE OF OCCUPATIONAL FRAUD

Low Morale / Poor Personal Characteristics

- Living beyond their means
- Overwhelming desire for personal gain
- High personal debt
- Close association with customers
- Feeling that pay was not commensurate with responsibility
- Strong challenge to beat the system
- Excessive gambling habits (or other types of addiction)
- Family/spouse/life-partner's pressure
- No recognition for job performance

Weak Organizational Control & Culture

- Placing too much trust in key employees
- Lack of proper procedures for authorization of transactions
- Inadequate disclosures of personal investments and incomes
- No separation of authorization of transactions from the custody of related assets
- Lack of independent checks on performance
- Inadequate attention to details
- No separation of custody of assets from the accounting for those assets
- No separation of duties between accounting functions
- Lack of clear lines of authority and responsibility
- Department that is not frequently reviewed by internal auditors,

Individual Trait and Motives



Organization Environment



Combination of "Low-Morale / Poor Personal Characteristics & Motives" supported by "Weak Organizational Control & Culture" promotes occurrence of occupational fraud.

System of Control

Fraud prevention requires an establishment of a control system.

The Committee of Sponsoring Organization (COSO) has identified five interrelated components of internal control, which effectiveness can be determined from an assessment of whether those five components are in place and functioning effectively.

Control Environment act as foundation supporting other components, as control is still perform by human, and therefore it is important to set the right tone on the expected behavior and the importance of integrity.

Fraud Risk Management

As part of the control system, an organization should have a Fraud Risk Management Program that address fraud before, during, and after it occurs. Naturally, to be effective, the program need to be

supported by policies and procedures designed and incorporated to prevent fraud, detect fraud, and respond to identified fraud.

Fraud prevention activities focus on proactively identifying and assessing fraud risks and taking steps to address those risks. These are the first line of defense against fraud and generally include policies and procedures, training, and communication within organization.

Fraud detection activities seek to identify fraud occurrences as soon as possible after they begin for the purpose of minimizing damage. One effective tool in this area, is the existence of a trusted whistleblowing system, as tips and inputs gathered from this system was proven to be more effective for organization in detecting fraud.

Fraud response is how an organization respond to the suspected fraud occurrences, which should includes:

- Investigating the allegation, whether it is true or not, and who is the perpetrator;
- Punishing the perpetrator through sanctions; and
- Remediating control weaknesses that allowed fraud to happen within the organization.

Angela I Simatupang, Partner
Risk Advisory Practice



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甲午年

馬年大吉

2014 癸卯甲午年
HAPPY CHINESE NEW YEAR
YEAR OF THE HORSE

Happy Chinese New Year

Best wishes for a happy and prosperous year of the horse



News From Our Office

RSM AAJ 2013 Annual Party

Last month, RSM AAJ held its annual party on 13th of December 2013 at Kartika Chandra Hotel. As always, the most-awaited event of the year at RSM AAJ was always filled with fun and laughter, a refreshing evening during busy times.

All partner and staff contributed their performance on stage. We were also amazed by the highly creative ideas that people came up with to ensure that they finished the night as winner. Awards were given to acknowledged staff and partner of the year during this event, and there was also drawing of door prizes.

RSM AAJ thank all of its employee for making 2013 a wonderful year and we look forward to another round of exciting event this year!





News From Our Office

RSM US4ICA Training Program



The increasing globalization of US clients has led to a significant increase in component audit work to be performed by RSM member firms throughout the world.

Therefore RSM delivered a training on US Standard for International Component Auditors, to help member firms in serving US companies, and to meet a growing regulatory need, as the US PCAOB has also indicated the importance of component auditors having the appropriate knowledge and training, and has tested this in their overseas inspection programme.

The training is delivered by Partners and Practice Leaders from RSM member firm in the United States, RSM McGladrey, using a blend of in-person and virtual training sessions. The first round of programme began in October 2013 and will be completed in November 2014.

Among the topics covered in the programme includes:

- US GAAP. To equip understand on key aspects of US GAAP to support the group audit.
- US GAAS / PCAOB Audit Standards. This section focus on the key differences in the application of US GAAS and PCAOB Audit Standards compared to RSM and it's methodology which is compliant with International

Standards on Auditing. Specific topics include the expectations regarding audit documentation and other application differences existing because of different regulatory and legal expectations in the United States.

- US SEC, Independence and Ethical Standards. This section of the training programme focus on a variety of areas where the US has different regulatory and independence standards.

The programme's in-person sessions were held based on regional locations, being London/Hamburg/Brussels for Europe, Middle East & Africa region; Hong Kong/Singapore for Asia Pacific region, and Cancun for Latin America region. Two partners from RSM AAJ's Audit Assurance practice, Leknor Joni and Benny Andria, joined the group of around 30 partners from the Asia Pacific region, in Singapore last December 2013.

We hope that RSM can serve our clients better in meeting the needed and capabilities in US Standards, as delegates joining the programme will be able to conduct a component audit in accordance with the applicable US Standards. As our team will have knowledge related to financial statements prepared in accordance with accounting principles generally accepted in the US (US GAAP) to allow them to effectively function in their role as a component auditor.

RSM AAJ Training for New Intake

Entering 2014, RSM AAJ held its semi-annual training for graduates joining the firm.

During this programme which started in the first week of January, aside to fundamental technical skills, there was also a "Q&A" session on RSM attended by the RSM Asia Pacific Regional Leader, Neil Hough, accompanied by RSM AAJ Chairman, Amir Abadi Jusuf, and RSM AAJ International Contact Partner, Angela Simatupang



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