



A Newsletter of RSM AAJ Associates

Wake up Call

Quarter I/2015 Edition





Inside this issue:

1. Managing your taxes
2. Challenges ahead for cellular operator
3. What you should know about electronic tax invoice (e-faktur)
4. Our activities

Managing your taxes

Irwan B Affif, Tax Practice

The proposed target for collection of taxes for 2015 is higher than the target for 2014 and its actual realisation.



As a consequence the Tax Office will not be able to simply rely upon natural growth in corporate profits and personal incomes – in my opinion the Tax Office will be focusing on identifying new taxpayers and ensuring that existing taxpayers are fully complying with the tax laws and regulations.

The areas where you are mostly likely to be impacted by the Tax Office's revenue-drive are in relation to tax audits and transfer-pricing because the typical tax audit arises from a taxpayer's claim for a refund from State Treasury and transfer-pricing is often assumed to result in the artificial shifting of profits overseas (branded by the OECD as Base Erosion & Profits Shifting – BEPS).

In both cases the Tax Office's objective appears will be to minimize refunds and maximize adjustments against transfer-pricing.

Taxes are a cost of business and these should be actively managed - just as you would for any other cost.

Therefore it is important that you understand when and how taxes apply to your business (i.e. to ensure that you do not fail to comply due to ignorance). We continue to be amazed that many taxpayers get the basics wrong and then wonder why they have unexpected tax bills!

It is equally important that you engage proactively with the Tax Office if you do have a tax audit. Either you, or your authorized consultant, must maintain contact with the tax auditors throughout the tax audit rather than waiting passively for the bomb to drop.

We often find the biggest problems have occurred because the tax auditors have been left alone to form wrong perceptions and make invalid assumptions; it then becomes very difficult to reverse these once the Notification Letter of Audit Findings (SPHP) is issued.

As mentioned, transfer-pricing has become a focus area. This applies in particular for transactions with related parties overseas but can also apply in limited circumstances to related party transactions within Indonesia.

You are required to prepare a formal Transfer-Pricing Report if your transactions with a related party exceed IDR 10 billion during the tax year.

If the amount of the transactions is less than you are only required to maintain documents to support that the pricing for those transactions was on an arms-length basis.

In all cases you are also required to complete various schedules to the Annual Corporate Tax Return that disclose certain information about your transac-

tions with related parties and/or tax havens.

These disclosures need to be carefully considered because the Tax Office will use these as ammunition during a tax audit – especially if you have not disclosed any related party transactions or you have (and these exceed IDR 10 billion) but you have no Transfer Pricing Report.

In summary preparation and engagement are the key to managing taxes in 2015 and beyond.

Family owned businesses is the most dominant form of business organizations in Indonesia. A survey conducted on family owned business in Indonesia shows that 95% of companies in Indonesia are family owned and they contribute significantly to Indonesia's economy. Family owned business in this case is defined as a company where the majority of their voting rights are in the hands of founder(s) or a person who acquires the company, for example spouse, parents, descendants or heir. There is at least one representative of the family placed in managerial position or Company's administration.

Challenges ahead for cellular operator

Syahraki Syahrir Musin, Governance Risk Control Practice

Indonesia as the largest archipelago country in the world with more than 17,000 islands lies from Sabang to Ma-
rauke and the 4th largest population in the world (more than 250 million citizens), is a very potential market for telecom industry.

Settlements that are geographically dispersed throughout the country led to the need for telecommunication means that can overcome the barriers of distance and physical access. There are challenges and opportunities for mobile telecommunications companies in the sense that physical network require substantial investment to be able to reach rural parts of Indonesia.

Of the 250 million people in Indonesia, young population (aged 10-24 years) is estimated at 20% and number of middle-class citizens is almost 50% of the population. Group of young and middle-class population are high adopters of technology and telecommunication

where it indicates that Indonesian telecommunication market has a great potential to be developed and tapped by investors.

The development of technology and the use of telecommunications services in Indonesia, which is growing very rapidly in the last 5 years, were caused by the increasing availability of network access to remote areas, more affordable smartphones, as well as the social media and messaging system trend that boosts the rate of use of the internet via mobile phone. The development of such data communications also driving the growth of content-based applications, allowing users to communicate all over the world with easier, faster and cheaper means.

The presence of commercialized 4G-LTE technology in Indonesia will create increasing demand for data-based services and multimedia services such as video streaming and mobile commerce.

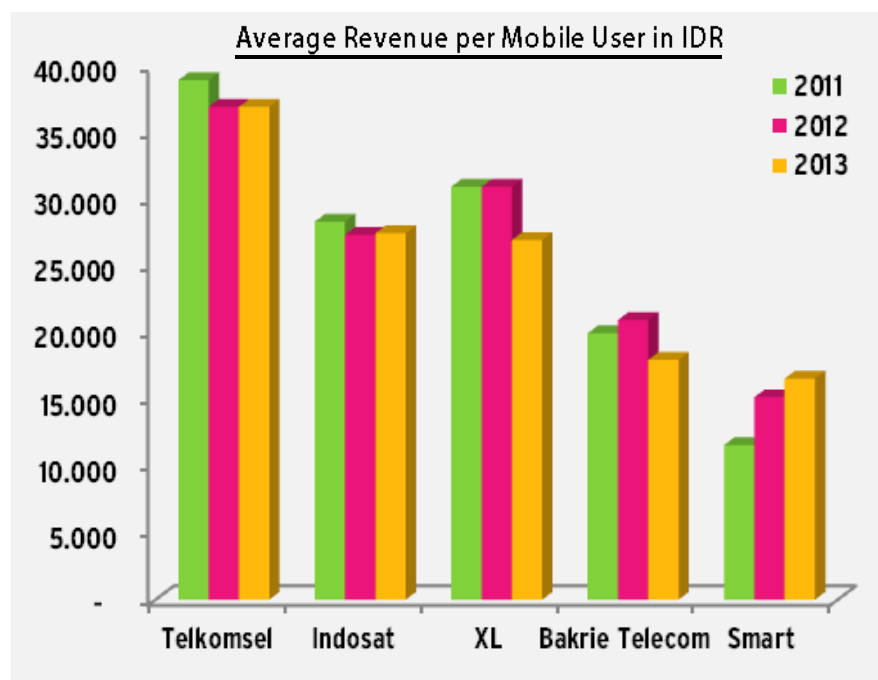
Rapid development in a relatively short time, forces mobile telecommunication companies to adapt in order to win the competition.

In the era of network and service convergence, steps need to be taken by mobile telecommunication companies, ranging from adapting changes to technological developments, partnering with service providers, competing in content development services, to enhancing the operations through business transformation. This is certainly along with impressive tariffs and promotional offers to the user.

At present, there are 7 mobile telecommunication companies in Indonesia, among others as shown on the graph, indicating that there are 3 biggest companies which are Telkomsel, Indosat and XL Axiata.

Those companies have booked revenues of tens of trillions rupiahs and dominate the Indonesian market. In 2013 it was noted that Telkomsel recorded revenue of 60 trillion rupiahs, Indosat at 24 trillion rupiahs and XL at 21 trillion rupiahs. The increase in revenue from year to year are also accompanied by a growing number of users nationwide.

Revenue from voice services and short message service (SMS/text messages) still play as the largest contributor (around 60% - 80% from the revenue), revenue from data service is increasing every year and is approaching the portion of revenue from SMS. The growth of data traffic triggered by over the top (OTT) services, the rise in the use of multimedia content and social media needs. These conditions require telecom



operator to increase services and network capacity.

Although number of users increases, the average revenue (Average Revenue Per User / ARPU) showed a downward trend, so if not managed properly, there is a potential decline in the revenues annually.

The declining revenue was caused by several factors:

- Customers have more than one SIM card, while the cost of communication has not changed much. It also causes greater divider factor in the calculation of ARPU.
- Price war among telecommunications providers that were not offset by an increase in Minutes of Usage (MoU) voice service usage.

Being the world 4th largest population in the world and the increasing consumer generation, Indonesia remain a sexy market.

Throughout the years there have been many changes in the shareholding of several mobile telecommunication companies in Indonesia, Ooredoo at Indosat, SingTel at Telkomsel, and Axiata at XL, to name a few.

It would be quite a challenge for mobile telecommunication companies in Indonesia to excel in facing the technological development and the way users enjoy telecommunications service.

Innovate and manage the quality of products and services

Although development of the internet is not something new, but its development the last few years continued to show improvement. The development of 4G-LTE technology, the growing service content providers, encourage a growing development of data services.

One of the rapidly growing digital services today is M2M, where Korea and China have demonstrated success in the Asia Pacific.

A challenge for the mobile telecommunications company to be competitive in this market is certainly some thing that must be consider to compete, and this includes among others:

- Products and services that fit the user's needs
- Good services performance
- Competitive tariff rates
- Good relationship with business partners, and provider of goods and services supporting the operations.

The series of processes to innovate products and services in the mobile telecommunication industry in Indonesia do have some risks that need to be anticipated:

- Analysis and planning were not made using accurate information.
- Agreement and cooperation with certain business partners and providers were not align with company's needs.
- Products and services offered breach certain rules and regulations.
- Termination of product and services not perform in a proper manner.

Development of products and services starting from at each stage, be it from plan, development, launch, and termination needs to be well conducted to meet the market needs and expectations as well as to enable a company competes with another.

Adapt fast to changes in rules and regulations

New regime shows tendency in issuing and improving prevailing regulations. Changes that are currently being encouraged by the government were related to a reform in licensing process, improvement of tariff and interconnection regulation, as well as improvement on

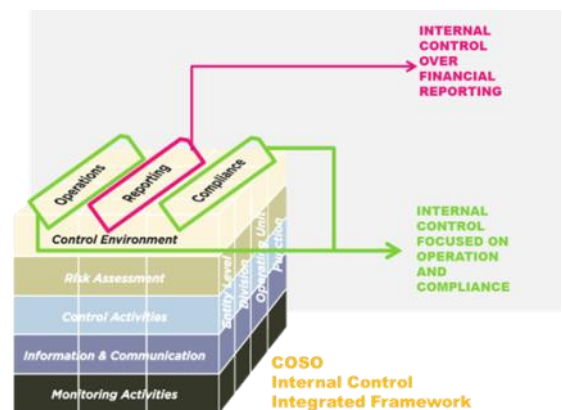
identity management for prepaid services.

Sound internal control as well as efficient & effective process

Financial cases experienced by several companies in the world some time ago causing heavy focus of management control in the financial area.

Implementation of Internal Control over Financial Reporting (ICFR) which refers to the application of the Sarbanes Oxley Act in the United States requiring US listed companies to focus their internal control over financial reporting, has a broader impact to other companies (which are not listed) in focusing their internal control on the financial related risk.

Given the rapid growth of the telecommunications business, companies need



to also see the operational and compliance aspect to ensure that business activities are meeting the company objectives and strategies, while keeping them comply with the laws and regulations.

Improvement of risk management and internal controls should also be supported by the improvement of business processes so that it can more effectively and efficiently. A good way is to adopt a generally accepted practice in the telecommunications industry, there are many standards to be used, one that can be consider is the application of eTOM framework published by the TM Forum.

What you should know about electronic tax invoice (e-faktur)

Nick Graham, Tax Practice

The electronic tax invoice or e-Faktur system is not an electronic invoicing system but is a system for generating a Faktur Pajak that has been validated by the Tax Office (and stored on their system) and that includes an integrated VAT Return.

Commencing 1 July, 2015 all registered VATable Taxpayer in Java and Bali are required to implement the e-Faktur. Furthermore, commencing 1 September, 2015 all registered VAT-able Taxpayer in Madya Tax Office in Medan, Pekanbaru, Palembang, Balikpapan and Makassar are also required to implement the e-Faktur. The system will then be gradually broadened to include all VATable Taxpayers in Indonesia.

e-Faktur is a Faktur Pajak (Tax Invoice) that is issued through an application or an electronic system that determined and/or provided by the Directorate General of Taxation (DGT). Basically the difference between an e-Faktur compared to a paper based/manual Tax Invoice is that e-Faktur is issued electronically after an approval/validation by DGT and signed electronically by the Taxpayer whereas a paper based/manual Tax Invoice is prepared by the taxpayer using their system and then printed and signed. From a practical perspective it will still be necessary to print the e-Faktur and send to the customer because they will need this to input in their VAT Return.

Differences between e-Faktur and existing Tax Invoice

	Previous Tax Invoice	E-Faktur / e-Tax Invoice
Format/Lay-out	Free and can follow the sample as per DGT Regulation No. PER-24/PJ./2012	Determined by the program/system and/or by the Indonesian Tax Authority.
Signatory	Signed on the hardcopy of the Tax Invoices	Signed electronically – shown by QR (Quick Response) Code
Form & number of copies	On paper and the number for copies is determined by DGT	There is no obligation to print on paper/hardcopy (but in practice the customer will request)
Issuer	All VAT-able Taxpayer	Decided by DGT – all registered VAT-able Taxpayer in Java and Bali region (as per 1 July 2015) and all registered VAT-able Taxpayer in Madya Tax Office in Medan, Pekanbaru, Palembang, Balikpapan and Makassar (as per 1 September, 2015)
Types of transaction	All	Only for Taxable Goods/Services
Upload procedure	-	Upload and approval by DGT through e-Faktur
Currency	IDR and USD	IDR only (other than IDR has to be converted into IDR using the MoF rate as per the issuance of Tax Invoice)
VAT return lodgment	Using separate program (e SPT)	Using the same program (e-Faktur)

The procedures for issuance, cancellation and replacement of e-Faktur remain the same as for manual Tax Invoices.

E-Faktur shall be issued for all of VAT-able Goods and/or Services deliveries within Indonesia, except for the delivery of Goods and/or Services :

- performed by a retailer;
- performed by a retail store to a foreign passport holder individual;

- using certain documents that are stipulated as being equivalent to a Tax Invoice (e.g. exports and imports, invoices from Telkom and PLN).

VAT relating to the above are documented in accordance with the existing regulations and are reported in the VAT Return together with Tax Invoices from the e-Faktur system.

A VAT-able Taxpayer is allowed to issue a paper based (manual) Tax Invoice only in a force-majeure situation. Once the situation has over, the Taxpayer shall input the manual Tax Invoice into e-Faktur.

Requirement on e-Faktur

VAT-able Taxpayer must be electronically registered to implement the e-Faktur. That is the Taxpayer shall hold an Electronic Certificate. Commencing 1 January, 2015 the Taxpayer is able to apply to the Tax Office for an Electronic Certificate.

The Electronic Certificate is required before the VATable Taxpayer can request a Tax Invoice serial number by online and issue an e-Faktur.

The Electronic Certificate will be given once the Taxpayer has submitted a request letter and agreed the terms and conditions stipulated by the DGT. In practice there is no choice – these terms and conditions must be accepted otherwise the Taxpayer will not be able to use the e-Faktur system. The Electronic Certificate is a certificate that contains the electronic signature and identity that shows the status as the subject of law of the parties in the electronic transactions.

The request letter for the Electronic Certificate shall be signed and submitted directly by the Taxpayer's board of management. That is, by a person who obviously has an authority in determining the policies and/or making decisions in running the Company as referred to in the Tax Law, and their name is listed in the Company's Corporate Tax Return for the latest year that was due at the time of submission of the request letter. If the person is not listed in the Company's Corporate Tax Return then other

evidence can be provided such as the Notarial Deed of the appointment to the board of management or the original letter of appointment as representative for the permanent establishment .

The person who applies for a Electronic Certificate shall enclose a softcopy of his/her last photo, a copy of his/her ID (KTP for an Indonesian or KITAS for an expatriate) and also show the original IDs. Although the individual's Personal Tax ID (NPWP) is not included on the list of required documents it is likely that it will be requested.

Evidence that the latest required Corporate Income Tax Return has been submitted to the Tax Office. Thus, a copy of the 2014 Corporate Tax Return will be required if the request letter is lodged after 30 April, 2015 since the due date for that was 30 April, 2015.

The process for obtaining the Electronic Certificate and registration will be guided by an appointed staff in the Tax Office.

Implementation of e-Faktur

The VAT-able Taxpayer who has an activation code and password and already activate its account is able to apply for an Electronic Certificate. For newly registered VAT-able Taxpayers, they should apply for an activation code and password, and activate their account first before applying for the Electronic Certificate. During the verification process for the Electronic Certificate, the Taxpayer would also need to create a passphrase (this would be assisted by the appointed staff in the Tax Office).

According to the Tax Office only 1 Electronic Certificate is given per Taxpayer and for 1 e-Faktur program. Therefore

the e-Faktur program cannot be used for several Taxpayers. It has further been suggested by the Tax Office that this is then linked to a single computer and so all e-Faktur operations must be done at 1 computer. We are still assessing if this is really the case.

E-Faktur program is given in an electronic folder so the Taxpayer can copy the folder and paste it to the desired folder in the Taxpayer's computer. The Taxpayer shall input the Electronic Certificate file given by the Tax Office and input the passphrase in order to run the program.

An internet connection is needed to run the e-Faktur program (validating the Tax Invoices).

The Output Tax Invoice can be issued after it is verified/validated through the e-Faktur program. The issued Tax Invoices are electronically signed.

Our activities



RSM AAI 30th anniversary. On March 4, 2015, RSM AAI celebrated its 30th anniversary. All staff got together to celebrate its anniversary by various activities.

A week before it, all staff have prepared a list of activities including video shooting on anniversary congratulations on the success of RSM AAI and photography shooting on its success. There were collection of staff pictures during the past 30 years, a giant banner to be written their congratulations expressions signed by all staff.

In the commemoration of the anniversary, traditional games were also conducted, such as Kartu Remi, Congklak and Karambol. On the day of the anniversary, there were a photo booth for all staff to have their pictures taken as souvenirs, there was also a giant birthday cake symbolizing the 30 year success of RSM AAI. The anniversary celebration for staff was closed by all staff watching movie.

The celebration was also marked with introduction of the new firm's theme of **“Global Connection. Strong Local Knowledge on Indonesia.”**, and RSM AAI as an integrated accounting and consulting firm in the area of audit, tax, governance risk control, and business advisory, supported with qualified human resources, reaffirming its direction of becoming the best audit and consulting firm in Indonesia that contributes to the advancement of the country and nation, and it was covered by several national media, Bisnis Indonesia (http://bit.ly/1M8iQM_u), Suara Pembaruan (<http://bit.ly/1NjCqQH>), Investor Daily, Koran Kontan (<http://bit.ly/1M8itkU>), Antara (<http://bit.ly/1M8j6Lv>).

Our activities



Wake Up Call as a consultancy column in national newspaper.

Wake Up Call is now available as a consultancy column on a monthly basis at Jakarta Post and Bisnis Indonesia. You can ask questions related to RSM AAJ services, such as audit, accounting, tax, governance, risk, control, and corporate finance by email to wakeupcall@rsmaaj.com.



RSM AAJ Partner On TV. RSM AAJ was invited by MNC Business TV on 26 January 2015 and further on 23 February 2015 for a live interview on their EBuzz program. Our Governance Risk Control Partner and International Contact Partner, Angela Simatupang, discussed the role of audit tax advisory firms on the verge of ASEAN Economic Community 2015, and the strength of RSM network within the ASEAN region. Irwan Affif, our Senior Managing Partner discussed on the importance of tax for a nation Development.

In addition, on 19 March 2015, Angela was also invited a spokesperson on a live interview on Bloomberg TV Indonesia. On the EconOutlook program, she talked about the economy outlook on Indonesia with respect to the upcoming ASEAN Economic Community, its competitiveness and the governance practices in Indonesia.



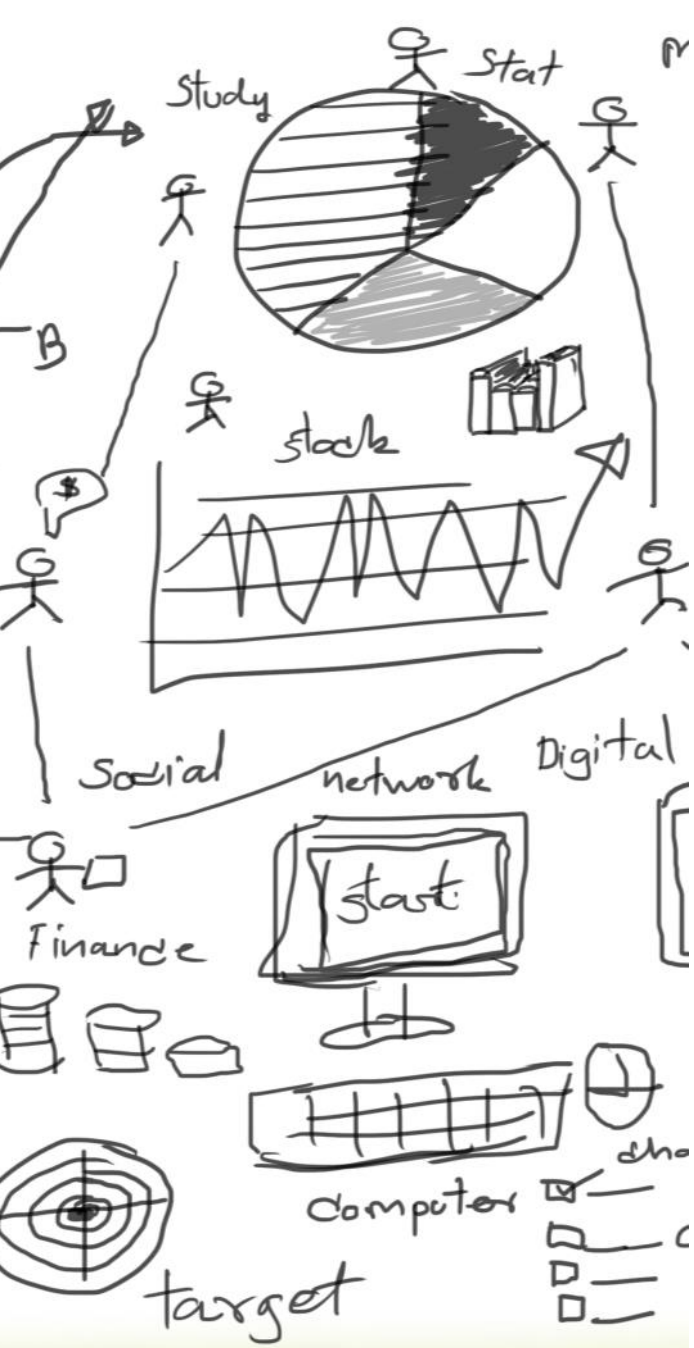
Take your part in an internal control survey specifically catered for Indonesia.

As you are a leading professional, RSM AAJ would like to invite you to participate in its annual Internal Control Survey, which can be access at www.research.net/s/ICS_2015.

Many countries have made available information on how internal control system is applied in many of its organization, and this has made possible sharing of valuable information among organizations; however, this is not the case in Indonesia. At present, there has not been any survey conducted to see how organization views internal controls, be it on its importance and benefit. With this survey, you can help shape the improvement and development needed with regards to the implementation of internal controls.

Your survey responses will provide the foundation to this research study on Internal Control System in Indonesia. We therefore encourage you to participate in order to ensure that data collected is as valuable and has much practical benefit as possible. Your responses will be processed confidentially and only group data will be made available. The survey will then be published and you will also be receiving it. The survey is composed of just a dozen of questions and should take between 10 to 15 minutes to complete. Therefore, we would kindly ask you to take a few minutes today to complete it. More information can be found on <http://www.rsmaaj.com/survey/index.php>





audit assurance ●

tax ●

corporate finance ●

transaction support ●

governance risk control ●

business services ●

connect with us



facebook.com/RSMAAJ.ID



twitter.com/RSMAAJ



linkedin.com/company/rsm-aaj-associates

Contact us at newsletter@rsmaaj.com

to subscribe, unsubscribe, or to receive printed copy of Wake Up Call

For general queries, contact us at inquiry@rsmaaj.com

RSM AAJ Associates

Plaza ASIA Level 10 Jl. Jend. Sudirman Kav.59

Jakarta 12190 Indonesia

www.rsmaaj.com

Opinions expressed in these articles are the personal view of RSM AAJ Associates, and are not intended as specific business advice. It might contain extracted information from publicly disclosed information. Though this publication was prepared in cautiousness, no warranty is provided for the information it contains and no liability is accepted for any statement or opinion presented. Readers of this material are recommended to seek professional advice before making any business decisions.

© RSMAAJ 2015