

WAKE UP CALL

Welcome to issue 45 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, transaction support, governance, internal control, management, risk, and taxation.

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THE POWER OF BEING UNDERSTOOD
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Don't let culture risk hold back your business



Angela Simatupang, Consulting Practice

In executing the risk oversight function in the normal course of business as well as in business acquisition, board members need to take into account not only trending issues but also existing risk that sometimes overlooked and not deemed as important as other risks.

Risk oversight is part of the board's function to ensure that the enterprise has in its operations an adequate and robust system for identifying, prioritizing, managing and monitoring key risks to that enterprise.

We are much drawn to issues such as geopolitical, digital, fraud, data privacy. Those are still relevant this year, but we need to also taken into account existing risk which might not be considered as priority, such as culture.

The values and behavior of an enterprise set up its culture. Sometimes we overlooked to ensure that the enterprise culture needs to align with where the enterprise wants to be in the future, its strategy and objectives. Misalignment of culture can lead to different path taken that contradicts what it needs to reflect.

Poor culture can lead to unethical behavior which risking the enterprise to regulatory sanction, lawsuit, and reputational damage. Social media has its contribution making it viral and unmanageable to enterprise as public can easily post information on unethical behavior of people representing the enterprise. You might recall news about online drivers that exhibit bad behavior to customers, including threatening and sexual harassment. This is just an example why culture

should be part of the board's top list for attention this year.

Strong control policies must extend beyond individuals. To help protect the enterprise from the broader array of this threat, controls must be designed to monitor this area. A robust control environment must also include oversight of third-party intermediaries, since illicit behavior by those parties can easily become a company liability as part of an enforcement action by regulatory agencies.

Program to nurture and shape the intended culture should be reinforced. Placing a whistleblowing system can strengthen your ethical and anti-fraud program. Monitoring function should incorporate cultural assessment into its plan, evaluate how engaged are employee with the enterprise values, review the adequacy and effectiveness of related policies and practices and how it align with the enterprise vision.

Culture risk is not only relevant in the normal operations of an enterprise, but also important to be looked at in a merger and acquisition activity.

Forcing a merge of culturally unfit enterprises can put off the success and continuity of the business. Daimler and Chrysler is an example.

When German Daimler (the makers of Mercedes-Benz) merged with American company Chrysler in the late 1990s, it was called a "merger of equals." A few years later it was being called a "fiasco." Conflicting cultures had the two divisions at war as soon as they merged. Differences included their level of formality, philosophy, and operating styles. By 2000, major losses were projected and, a year later, layoffs began. In 2007, Daimler sold Chrysler.

Therefore, culture factor should be included in the due diligence activity, assessing whether the target's culture, values and behavior will create potential issues or not. This will also help in designing the correct culture alignment plan post-merger, speed up the integration and increase the likelihood of success.

This article has been published at The Jakarta Post, 29 January 2018.

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Annual tax returns, again



Nick Graham, Tax Practice

For most taxpayers, it is now time to prepare your Annual Tax Return. To quote 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 indirect 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 summarizes 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.

*This article has been published at
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For further information, please contact:

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Our activities

RSM Indonesia 33rd Anniversary

In conjunction with RSM Indonesia 33rd anniversary on 4 March, we held an up close & personal discussion with Chairman of the Financial Services Authority (OJK), Dr. Wimboh Santoso, which was attended by more than 50 C-level executives of top companies in Indonesia at Dharmawangsa Hotel. The Chairman shared opportunities and challenges updates in the financial services industry.





Meet Our New Personnel



Rahmat Waluyanto, Senior Advisor

Vice Chairman of the Indonesia Financial Services Authority during 2012–2017. Have more than 32 years of experience in accounting, finance, and government sector. He earned his PhD in accounting and finance from University of Birmingham, UK; his MBA in Finance from Daniels College University of Denver, Colorado, USA, and his bachelor in Accounting from Gadjah Mada University in Yogyakarta, Indonesia. During 2008 to 2012, he was assigned as the Alternate Governor for the International Monetary Fund. Rahmat joined RSM in January 2018.

Ichwan Sukardi, Tax Partner

Ichwan hold a Master Degree in International Tax (LL.M) from the International Tax Centre, Leiden University, Netherlands as well as a Bachelor of Law from the University of Indonesia. He regularly speaks around Indonesia and the region on taxation of oil and gas, mining, investments, transfer pricing, and other general and international tax issues. He was appointed as a Chairman of International Fiscal Association Indonesia in 2016. Ichwan joined RSM in January 2018.



Humbul Kristiawan, Consulting Partner

Humbul earned his bachelor degree in Accounting from Universitas Padjadjaran Bandung and then continued with a Master of Business Administration from Bandung Institute of Technology. Currently he is also studying for a PhD in Strategic Management at Universitas Padjadjaran. Humbul brings 20 years of experience in Audit, Internal Control, Compliance, and Risk Management. He is a Chartered Accountant (CA), a Certified Internal Auditor (CIA) and a Certified Internal Control Auditor (CICA). Humbul joined RSM in January 2018.

Ivoni Noviana, Tax Partner

Earned her bachelor degree majoring in Fiscal Administration from University of Indonesia, Ivoni is a licensed Tax Consultant. She has more than 14 years of experience, including providing service related to tax court. Ivoni joined RSM in March 2018.



Sharing tax update to the Indian Chartered Accountant in Indonesia

One of our Tax Partner, Ichwan Sukardi, speak at the Indian Chartered Accountant on Feb 10th, 2018. He shared tax updates in Indonesia to around 40 member of Indian Chartered Accountant in Indonesia.



Indonesia Facts



Ulos is the traditional handwoven cloth of the Batak people of North Sumatra. Different kinds of Ulos have different ceremonial significance. According to the Batak people, there are three sources of warmth for human; Sun, Fire and Ulos. Ulos is said to be a source of warmth because they were living on cold mountains.

This natural condition makes sunlight insufficient to give warmth especially at night. Then, they created something that is able to give them warmth, also believed to be able to give the men bravery and the women strength against infertility.

Ulos is also used as a symbol of love, in traditional ceremony requirements, and as society structural system symbol. Even today

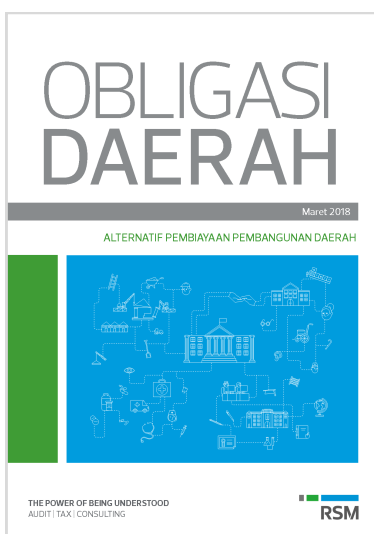
Ulos is believed to have magical religious power and is thus considered 'sacred' and has special power to protect the user. Traditionally, weaving was the task of women only, and men were prohibited from the work, since it is believed that while weaving, women instill the cloth with symbolic values connected with women's role in caring for family, children and the community. It is small wonder, then, that one cloth may take months to complete.

Ulos use mostly cotton yarn, while colors are produced by immersing the yarn in plant dye. The blue color comes from the indigo plant; red is made from sappanwood and morinda which grow abundantly in the tropics. Yellow comes from turmeric, whereas black is produced by mixing morinda with indigo, and green is a mix of indigo and turmeric.

Source: from various sources

Wake up call

is also available in a column published at The Jakarta Post and Bisnis Indonesia



RSM Indonesia has released a brief guide that can help you to understand more about Municipal Bond. It is downloadable at our [website](http://www.rsm.id).

Downloadable at www.rsm.id

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