

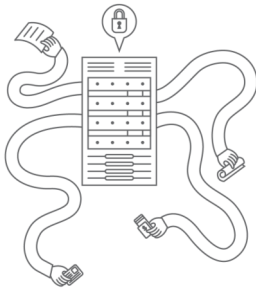
WAKE UP CALL

Welcome to issue 42 of Wake Up Call—RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, governance, internal control, management, risk, taxation.

In this issue:

- Post Tax Amnesty. Relax or Worry ?
- A Step Into the Future
- Amendment to Netherlands–Indonesia Tax Treaty Now Ratified by Indonesia
- Our Activities

POST TAX AMNESTY. RELAX OR WORRY ?



Nick Graham, Tax Practice

If you followed the Tax Amnesty (TA) then a major benefit is that you are not subject to tax audit for 2015 and earlier. So, is it 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 lodgment 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.

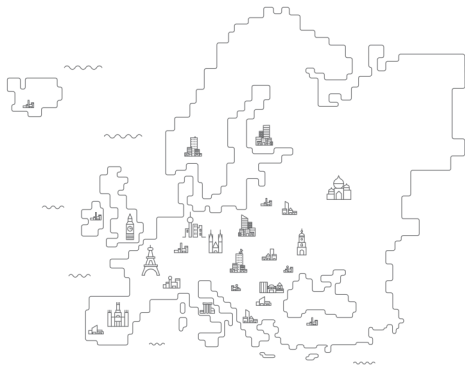
In addition the Government intends to revise the Income Tax Law and the Law on Tax Administration & Procedures (KUP). Although we are hopeful that the revisions will clarify some existing problem areas and provide some tax "carrots" it is also likely that compliance obligations will become more complex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

For further information, please contact:

tax@rsm.id

A STEP INTO THE FUTURE



Chandra Susanto, Governance Risk Control Practice

The World is entering an e-commerce era. A lot of company, and also individuals are jumping into the online business. Some found their way and some end up burning their capital. This phenomena most of the time started with a great idea with a dream of success. Quite often too, the idea and the dream are put in the wrong business models. Most of us tend to forget that commerce is commerce, constraint by demand and supply, government regulations, and other external factors that need to be managed.

Obviously, these characteristics are highly related to risks, revenue, and values of a business.

In the past, technology changes happen in a slower pace and still allow us to think and rethink how we might capitalize on technology changes. Now, we don't have that luxury of time anymore. In an ever-changing environment of technology, internal control and risk management are substantial in the process of accomplishing operational, compliance, strategic and reporting objectives. Internal control should also be agile enough to respond to the future need as an add on to it's conventional goal of safeguarding the company's asset and ensuring reliability.

By nature e-commerce organizations abhor control systems, and therefore the control environment is often weak or non-existent. Strict controls are unlikely to be accepted by management or staff. The strategic imperative for e-commerce companies is usually rapid expansion and growth, often with diversification and IPO target.

Initially, management believes that they know what is going on in the

company. As the company grows this believe start to fade and the lack of formal controls during a period of growth becomes a major risk factor that create many holes. As such:

- **Volume of Data**

Provided the volumes grow gradually the initial tendency towards errors is easily managed. However, if high volume is expected almost immediately the result is often huge backlogs. The process gets caught in a system of vicious circles around error and delay that can lead to an accelerating build-up of data errors. A full blown data quality meltdown can occur if monitoring is not in place or the response to problems is inadequate. Once this occurs the only recourse will be a costly data cleanse operation.

- **Acceptance of the new Technology**

This risk means companies must push for maximum reliability at go-live and ensure that controls and monitoring are rehearsed in advance and properly staffed from the beginning. Monitoring controls looking at process health (e.g. load, errors, and backlogs) are vital and there should be frequent reporting of end-to-end

statistics, with analysis and commentary to a group which owns the whole process.

- **Business process**

is often entirely computer supported this means that controls, of all types, will be particularly important. The risks are magnified by the fact that some of the technology is still immature, with controls lagging behind functionality. The goal is to maximize the inherent reliability of the process.

- **Payment over the net**

May use electronic forms of money, Digital money, particularly digital cash is an obvious target for crime. Counterfeiting and theft can be attempted with digital money just as with paper. The technical security techniques used with these systems are extremely complex, as they need to be.

We need to think widely about the issues if we are to design and implement comprehensive control solutions. The first fact for effective controls design is to think about what is special, or distinctive, about this online environment. Our observation show that old fashioned control system is not working anymore with this emerging industry that lead by

young people having idealistic notions of freedom, equality, and trust. Controls that are based around tight supervision, segregation of duties, sign offs, and analysis of reports by "management" may not be acceptable and moving forward into quality check, feedback-review, written guidance, checklist, and also team performance reports/service level reports. Sound internal control design, control customization and control rationalization become a sure-

way that ensure moderating the rise of complexity associated with laws, regulations, and industry need into a smaller set of controls that still meet the requirements. supervision, segregation of duties, sign offs, and analysis of reports by "management" may not be acceptable and moving forward into quality check, feedback-review, written guidance, checklist, and also team performance reports/service level reports. Sound internal control design, control customization

and control rationalization become a sure-way that ensure moderating the rise of complexity associated with laws, regulations, and industry need into a smaller set of controls that still meet the requirements.

For further information, please contact:
grc@rsm.id



THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Wake up call

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

Find the article on our website
www.rsm.id

Wake up call Akuntansi Tanaman Perkebunan

Salah satu aset yang dimiliki perusahaan adalah tanaman perkebunan yang menghasilkan produk pertanian. Tanaman perkebunan ini memiliki karakteristik yang berbeda-beda, tergantung jenis tanamannya. Oleh karena itu, akuntansi tanaman perkebunan harus disesuaikan dengan karakteristik tersebut. RSM Indonesia akan membantu perusahaan dalam memahami dan menerapkan akuntansi tanaman perkebunan yang tepat.

KEY POINTS

- Mengetahui karakteristik tanaman perkebunan yang dimiliki perusahaan.
- Mengetahui cara menghitung biaya produksi tanaman perkebunan.
- Mengetahui cara menghitung nilai jual tanaman perkebunan.



Wake up call Football Stars as Intangible Assets

Football stars are considered as intangible assets because they have the ability to generate future economic benefits. However, they are also subject to high volatility and risk. RSM Indonesia will help companies understand and manage football stars as intangible assets effectively.

KEY POINTS

- Mengetahui cara menghitung nilai aset tak berwujud.
- Mengetahui cara mengelola aset tak berwujud.
- Mengetahui cara melindungi aset tak berwujud.



Wake up call Mengukur Pendapatan atas Jasa

Pendapatan atas jasa adalah pendapatan yang diperoleh perusahaan dari kegiatan jasa yang ditawarkan. Mengukur pendapatan atas jasa secara akurat sangat penting untuk perusahaan. RSM Indonesia akan membantu perusahaan dalam memahami dan menerapkan cara mengukur pendapatan atas jasa yang tepat.

KEY POINTS

- Mengetahui cara menghitung pendapatan atas jasa.
- Mengetahui cara mengelola pendapatan atas jasa.
- Mengetahui cara melindungi pendapatan atas jasa.



THE POWER OF BEING UNDERSTOOD
Audit | Tax | Consulting
www.rsm.id

THE POWER OF BEING UNDERSTOOD
Audit | Tax | Consulting
www.rsm.id

THE POWER OF BEING UNDERSTOOD
Audit | Tax | Consulting
www.rsm.id

AMENDMENT TO NETHERLANDS-INDONESIA TAX TREATY NOW RATIFIED BY INDONESIA

Nick Graham, Tax Practice

The 6 March 2017 ratification of the protocol amending the 2002 Netherlands-Indonesia Tax Treaty will potentially resolve existing uncertainties whilst also facilitating the exchange of information and increased inter-Tax Office cooperation.



The current Netherlands-Indonesia Tax Treaty ("the Tax Treaty") has been controversial since its signing in 2002 because of the stipulation in Article 11(4) that "interest arising in one of the two States shall be taxable only in the other State if the beneficial owner of the interest is a resident of the other State and if the interest is paid on a loan made for a period of more than 2 years or is paid in connection with the sale on credit of any industrial, commercial or scientific equipment." That is, in relation to an Indonesian borrower and Netherlands lender, no withholding tax ("WHT") should be deducted in relation to interest payable, provided the financing meets the term or purpose criteria and the Netherlands lender is the beneficial owner of the interest. By comparison most other tax treaties provided for a minimum rate of WHT of 10%.

The Indonesian Tax Office has variously argued that this paragraph is not effective because the mode of application has not been settled between the 2 countries and/or that the Netherlands parties trying to utilize the 0% WHT rate are either not the beneficial owner or do not comply

with Indonesia's tax treaty eligibility regulations (Director-General of Taxation ("DGT") Regulation No. PER-61/PJ/2009 dated 5 November 2009 as amended by DGT Regulation No. PER-24/PJ/2010 dated 30 April 2010 regarding the application of double taxation treaties, and DGT Regulation No. PER-62/PJ/2009 dated 5 November 2009 as amended by DGT Regulation No. PER-25/PJ/2010 dated 30 April 2010 regarding prevention of abuse of tax treaties). As a consequence, there has been continued uncertainty regarding the WHT exposure of financing transactions involving the Netherlands.

What does the Amending Protocol Stipulate?

The two Governments signed the amending protocol on 30 July 2015. Amongst others, the Protocol provides:

- Revised WHT rates for dividends (generally lower)
- Revised WHT rates for interest (the 0% WHT rate now becomes 5%)
- Exclusion of the mode of

application requirement for implementation of the WHT rates for dividends, interest and royalties

- Clarification of the definition of Beneficial Ownership (should follow OECD Commentary rather than Indonesia's own definition)
- Exchange of information obligations
- Assistance with tax collection for tax debts that are EUR 1,500 or more and are no longer being contested (i.e. no longer under objection/appeal)



The current and revised provisions relating to dividends and interest are as follows (from the perspective of an Indonesian investee/borrower):

| | Per Tax Treaty | Per Amending Protocol |
|-----------|--|---|
| Dividends | 10% WHT if the beneficial owner of the dividends is a resident of the Netherlands | <p>Provided the beneficial owner of the dividends is a resident of the Netherlands then:</p> <ul style="list-style-type: none"> • 5% WHT if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends; or • 10% WHT if the beneficial owner is a pension fund that is recognized and controlled according to the statutory provisions of the Netherlands and the income of which is generally exempt from tax in the Netherlands; or • 15% WHT in all other cases. |
| Interest | <p>10% WHT if the beneficial owner of the dividends is a resident of the Netherlands, or</p> <p>0% WHT if the beneficial owner of the interest is a resident of the Netherlands and if the interest is paid on a loan made for a period of more than 2 years or is paid in connection with the sale on credit of any industrial, commercial or scientific equipment.</p> | <p>10% WHT if the beneficial owner of the dividends is a resident of the Netherlands, or</p> <p>5% WHT if the beneficial owner of the interest is a resident of the Netherlands and if the interest is paid on a loan made for a period of more than 2 years or is paid in connection with the sale on credit of any industrial, commercial or scientific equipment.</p> |

Consistent with the movement towards greater global tax transparency the Protocol expands the definition of information that can be shared to include "taxes or every kind and description" and not just income taxes as per the original Tax Treaty. In addition the Protocol specifically prevents a country from refusing to share information on the grounds that it has no use for that information itself or from not sharing information "solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it

relates to ownership interests in a person". These stipulations appear to reflect the Automatic Exchange of Information commitments arising from the OECD's Base Erosion & Profit Shifting Project.

When will the Amendments be effective?

Each Government must first notify the other that it has undertaken the relevant procedures to bring the Protocol into legal force. In the case of the Netherlands, we understand that such notification was provided to Indonesia by Diplomatic Note No. JAK-EA/077/2016 dated 20 June 2016.

It remains unclear, however, if Indonesia has notified the Netherlands since the stipulation of the Presidential Regulation No. 24/2017 on 6 March 2017. We continue to make inquiries to the authorities regarding this.

Provided that Indonesia does notify the Netherlands then the amendments will become effective on the first day of the second month following the date on which Indonesia has notified the Netherlands that it has completed all relevant procedures to bring the Protocol into legal force. Therefore the revised rates of WHT will apply for amounts paid or credited

on or after the first day of the second month following the date on which the Protocol enters into force.

Conclusion & Actions

Once effective it is expected that the Protocol will provide greater certainty regarding the WHT rates applicable to Netherlands originated financing arrangements and will also provide favorable WHT rates for direct investment into Indonesia by corporate investors and pension funds.

In addition the reference to the OECD's definition of beneficial ownership might simplify the requirements currently imposed by Indonesia before a Netherlands resident can access the Tax Treaty.

The door is also firmly opened regarding sharing of information and assistance for the recovery of tax debts.

Clients with Netherlands based lenders and shareholders should review their circumstances and prepare to implement the revised WHT rates once the Protocol enters force.

For further information, please contact:

tax@rsm.id



Indonesia Facts

TONGKONAN is the traditional ancestral house, or rumah adat of the Torajan people, in South Sulawesi, Indonesia. Tongkonan have a distinguishing boat-shaped and oversized saddleback roof. Like most of Indonesia's Austronesian-based traditional architecture tongkonan are built on piles. The construction of tongkonan is laborious work and it is usually built with the help of all family members. In the original Toraja society, only nobles had the right to build tongkonan. Commoners live in smaller and less decorated homes called banua.

The name Toraja is of Bugis origin and is given to the people of rugged northern part of the south peninsula.

Source : Wikipedia

Our activities



Launching Co-Branding Debit Card Bank Mandiri and RSM Indonesia



On 5 June 2017, RSM Indonesia and PT Bank Mandiri (Persero) Tbk launched co-branding debit cards and credit cards for all employee of RSM Indonesia.

This cooperation is also part of an active role of RSM Indonesia and Bank Mandiri in supporting government program Gerakan Nasional Non Tunai atau cashless society.

RSM Asia Pacific Conference 2017

This year's RSM Asia Pacific Conference was held on 10-12 May in Seoul, Korea. The conference address the challenges and opportunities facing both clients and professional advisers in not only servicing clients, but also meeting the ever increasing demands of running a professional practice.

More than 150 people from all over the world attended this conference, including 9 Partners of RSM Indonesia.



New Partner at RSM Indonesia

During the last quarter, a partner has joined the RSM Indonesia team. We hope that you will be seeing him more in the following year to come.



Sapto Amal Damandari has joined RSM Indonesia as a Senior Partner starting from 1 June 2017. He started his career as lecturer in his alma mater, University of Gajah Mada in 1979. He then worked at an Audit and Consulting Firm in 1991 and start building his career from there. In 2003 asked to become an Expert for the Commission IX of Indonesia's House of Representative.

In 2007, he became one of the Board Member of the Audit Board of the Republic of Indonesia (BPK RI). His last position in the Audit Board of the Republic of Indonesia is Vice-Chairman. We are pleased to have such a person in the Firm and we look forward to work well with him.

Thank you for reading.

Audit Assurance
Business Services
Corporate Finance
Governance Risk Control
IFRS Services
IT Consulting
Tax
Transaction Support



@ID_RSM



RSM ID



RSM Indonesia



RSM Indonesia

Opinions expressed in these articles are the personal view of RSM Indonesia 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.

Contact us at newsletter@rsm.id to subscribe, unsubscribe, or to receive printed copy of Wake Up Call
For general queries, contact us at inquiry@rsm.id

RSM Indonesia

Plaza ASIA Level 10
Jl. Jend. Sudirman Kav. 59
Jakarta 12190 Indonesia

www.rsm.id

RSM is represented in Indonesia by Amir Abadi Jusuf, Aryanto, Mawar & Rekan, PT RSM Indonesia Konsultan; PT RSM Indonesia Mitradaya; PT RSM Indonesia Mitradana. RSM's Indonesian member firms work closely together within Indonesia. Each firm is a separate and independent legal entity and a member of the RSM network and trades as RSM. The RSM network is not itself a separate legal entity in any jurisdiction.