

WAKE UP CALL

Welcome to issue 46 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, transaction support, governance, internal control, management, risk, and taxation.

In this issues:

- Globalisation & Geopolitics: Is Indonesia Out There?
- Will the new Tax Holiday regulation encourage investment?
- Our activities

Globalisation & Geopolitics: Is Indonesia Out There?



Angela Simatupang, Consulting Practice

If your organisation has operation beyond its home country, then understanding of geopolitics is imperative. Although geopolitical risk is something that although might seem too complex to deal with internally, it is something that should not be disregarded in your key risks bucket.

Geopolitics includes broad and complex interrelated issues such as climate change, outbreak of disease, political instability, war, conflict, and economics, which can present risks with little or no notice. Business leaders should start to include geopolitical risks into their areas of attention.

Indonesia Global Presence

In the Elcano Global Presence Report 2017, Indonesia is now considered as 'out there', participating in and shaping the process of globalisation.

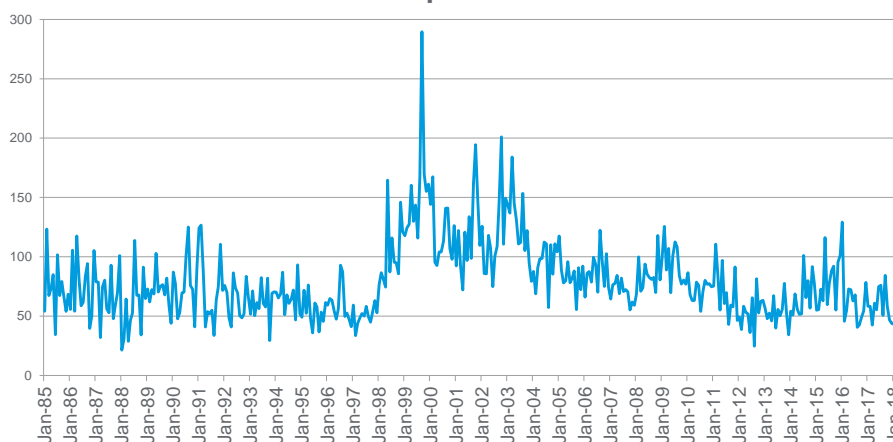
There are 7 from 10 ASEAN countries that are listed in the 100 countries that have global presence.

It was noted that Indonesia, along with few other countries in East Asia as South Korea, Thailand, Vietnam and, China were regarded as emerging countries that are gaining global presence.

This remark was made based on variations of global presence index value where all countries above showed

	Index Value	Position
Singapore	128.8	17
Thailand	91.2	22
Malaysia	82.7	24
Indonesia	69.9	29
Philippines	26.3	52
Vietnam	22.2	56
Myanmar	5.9	88

Indonesia Geopolitical Risk Index



Caldara, Dario and Matteo Iacoviello, "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, January 2018

positive variations in global presence index in 2015–2016 as compared to 2012–2015.

Geopolitical Risk Flag

Political unpredictability has the ability to disrupt supply chains, affect markets, and delay achieving business objectives.

Several red flags to bear in mind include among others: Rising potential conflicts; Frequent updates to insurance terms arising from political events; Increased number of terror incidents in areas of business operations; Presences of sizeable assets in countries experiencing conflicts.

What You Can Do

Tracking regulatory changes and mapping the organisation's exposure to geopolitical risk can help ensure an optimal geographical allocation of resources to effectively mitigate risk.

the potential exposure on national and regional scale. Examine the capital and assets the organisation has in regions that are experiencing high levels of risk. Map the risk exposure geographically to identify trends. Identify which business processes rely on countries that are experiencing political uncertainty, and assess what risk mitigation strategies presence. You might also want to review your political insurance risk and adjust the coverage and plan to match with the changing risks in relevant countries.

This article has been published at The Jakarta Post, 26 March 2018.

For further information, please contact:

inquiry@rsm.id

Will the new Tax Holiday regulation encourage investment?



Nick Graham, Tax Practice

The Government is initiating various reforms to simplify doing business and to encourage investment. A component of this is the recent tax holiday regulation. But will this make a difference?

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 tax-payers 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
The Jakarta Post, 23 April 2018.*

For further information, please contact:

inquiry@rsm.id

Our activities



Our partner as speaker at the IFA Aspac Tax Conference



RSM Indonesia Tax Partner, Ichwan Sukardi, who is also the Chair of Indonesia International Fiscal Association (Indonesia IFA) was invited to speak on increasing the transparency in Asia (Common Reporting Standard) during the 4th Asia-Pacific Tax Regional Conference 2018 on 18–19 April 2018 at Taipei held by International Fiscal Association.

Energy Forum

On 3 May 2018, RSM Indonesia held its Energy Forum to discuss issues on Gross Split PSC–Accounting and Tax Approach. This event was attended by representative from around 30 companies.

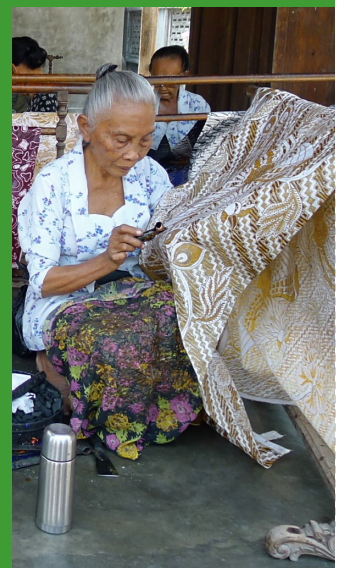


Indonesia Facts

Batik is a technique of wax-resist dyeing applied to whole cloth, or cloth made using this technique originated from Indonesia. Batik is made either by drawing dots and lines of the resist with a spouted tool called a canting, or by printing the resist with a copper stamp called a cap. The applied wax resists dyes and therefore allows the artisan to color selectively by soaking the cloth in one colour, removing the wax with boiling water, and repeating if multiple colours are desired.

A tradition of making batik is found in various countries; the batik of Indonesia, however, may be the best-known. Indonesian batik made in the island of Java has a long history of acculturation, with diverse patterns influenced by a variety of cultures, and is the most developed in terms of pattern, technique, and the quality of workmanship. In October 2009, UNESCO designated Indonesian batik as a Masterpiece of Oral and Intangible Heritage of Humanity.

Source: wikipedia.com





All of us at RSM wishes you
a joyful Eid al-Fitr 1439 H

May Allah's blessing light up the path
and lead us to peace and happiness.

www.rsm.id

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Wake up call

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

Wake up call

Pemerintah Daerah Juga Perlu Tata Kelola Informasi

Informasi merupakan salah satu aset penting bagi Pemerintah Daerah, namun perlu diketahui bahwa pengelolaan informasi yang baik dan benar akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah. Oleh karena itu, Pemerintah Daerah perlu memperhatikan tata kelola informasi yang baik dan benar.

Key Points

- Informasi merupakan salah satu aset penting bagi Pemerintah Daerah.
- Pemerintah Daerah perlu memperhatikan tata kelola informasi yang baik dan benar.
- Tata kelola informasi yang baik dan benar akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah.

THE POWER OF BEING UNDERSTOOD

Wake up call

Kepastian Pajak sebagai Daya Tarik Investasi Migas

Terdapat beberapa hal yang perlu diperhatikan oleh Pemerintah Daerah dalam hal kepastian pajak sebagai daya tarik investasi migas. Hal ini akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah.

Key Points

- Terdapat beberapa hal yang perlu diperhatikan oleh Pemerintah Daerah dalam hal kepastian pajak sebagai daya tarik investasi migas.
- Hal ini akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah.

THE POWER OF BEING UNDERSTOOD

Wake up call

Standar Akuntansi Keuangan untuk Agrikultur

Standar Akuntansi Keuangan untuk Agrikultur adalah standar yang mengatur tentang akuntansi untuk sektor agrikultur. Standar ini akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah.

Key Points

- Standar Akuntansi Keuangan untuk Agrikultur adalah standar yang mengatur tentang akuntansi untuk sektor agrikultur.
- Standar ini akan sangat mempengaruhi kinerja dan reputasi Pemerintah Daerah.

THE POWER OF BEING UNDERSTOOD

Client Alert

RSM INDONESIA CLIENT ALERT — May 2018



New Regulation on Tax Holiday

Minister of Finance Regulation No. 35 /PMK.010/2018 ("PMK-35") dated 29 March, 2018

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



RSM Indonesia Client alert: New Regulations on Tax Holiday
is now available at www.rsm.id

Downloadable at www.rsm.id

Thank you for reading.

Audit
Tax
Consulting



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](#) or [unsubscribe](#) from our quarterly newsletter.
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.