

WAKE UP CALL

Welcome to issue 47 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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Tax Office and Immigration cooperation is a further step towards greater compliance



Nick Graham, Tax Practice

For years, the information "silos" within various Government departments have created opportunities for non-compliance. The Cooperation Agreement signed on 15 May by the Director-General of Taxation and the Director-General of Immigration should increase the number of foreigners that register for tax and assist collection of tax arrears, but may also raise questions for those that remain tax residents of other countries.

Under the Income Tax Law, foreigners are Indonesian tax residents (and should obtain a Tax ID) if they:

- Reside in Indonesia;
- Are present in Indonesia for more than 183 days in any 12-months period, or
- Are present in Indonesia during a tax year and intend to reside in Indonesia.

Despite this some incorrectly believed they were only tax residents if they held a work permit and they assumed the use of business visas avoided Indonesian tax residence obligations (ignoring their obligation to hold a valid visa consistent with their activities).

The sharing of information between Immigration and the Tax Office has the potential to:

Highlight foreigners whose time in Indonesia exceeds the time test

Allow the Tax Office to cross-check the date when tax residence occurred (e.g. if this is prior to the work permit date)

In theory this should result in more and/or earlier tax registrations of foreigners that are working or living in Indonesia. In practice, however, there remains a question whether the Tax

Office will register a foreigner who is technically a tax resident but does not hold a work permit.

Given that certain information will also be shared from the Tax Office to Immigration, there is a related question whether a foreigner will voluntarily register for tax if they are living and doing business in Indonesia but do not have a work permit (e.g. because there is no sponsor available) when this might then result in them appearing on Immigration's radar.

Another potential consequence is that foreigners that remain a tax resident of another country are more likely to be required to prove their foreign tax residence in response to a question from the Tax Office why they have not registered as an Indonesian tax resident despite exceeding the time test.

In addition to information sharing, the Agreement allows the two institutions to cooperate to prevent overseas travel by taxpayers under investigation for tax crimes or the non-payment of tax. The travel ban can be imposed for up to 6 months with an extension for up to a further 6 months.

The Tax Office has specific obligations under the Tax Administration & Procedures Law regarding the

confidentiality of taxpayer information received by it.

The Agreement requires both institutions to ensure confidentiality in relation to the storage and use of shared data. Interestingly, it does then allow data to be provided to other parties, though only after receiving approval from the original data-sending institution.

The Cooperation Agreement is a positive step by the Government towards removal of information gaps that allowed some to avoid their tax obligations through non-registration or flight. It is further evidence of the global trend towards greater transparency in tax matters. This underlines our view that tax planning should never be based on non-declaration or the unavailability of information. Tax planning should reflect the laws and the expected developments. Individuals should review their current tax residence status and take appropriate action. In the case of unpaid tax debts or significant tax investigations then it is possible that travel restrictions will be imposed.

This article has been published at The Jakarta Post, 2 July 2018.

For further information, please contact:

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Be Ready for Application of Sustainable Finance Regulation



Angela Simatupang, Consulting Practice

Indonesia Financial Services Authority (OJK) has issued a regulation on Application of Sustainable Finance to Financial Services Institution, Issuer and Public Company. Reporting of its implementation will start in 2020, and companies is better to be ready at least 2 years prior to that.

OJK has issued a regulation to create sustainable economic growth by harmonising economic, social and environmental interests through regulation No. 51/POJK.03/2017 which applicable to Financial Services Institution (FSI): institution that implements activities in banking, capital market, insurance, pension fund, financing institution and other financial services institutions.

What does it mean?

To apply the Sustainable Finance, FSI shall prepare Sustainable Finance Action Plan on annual basis to OJK at the same time as business plan submission, for FSI that is required to submit business plan; or on 31 January at the latest, if FSI is not required to submit business plan.

Sustainable Financial Action Plan is a written document containing FSI's short term (one year) and long term (five years) business plan and work programs relevant to the principles applied to Sustainable Finance, including strategy to realise the said work plans and programs according

to the predetermined targets and timeline, taking into account the principle of prudence and application of risk management.

The Sustainable Finance Action Plan shall be prepared based on each FSI priorities that cover at least: a. development of Sustainable Finance Product and/or Service including increase of financing portfolio, investment or placement on financial instruments or projects in line with the Sustainable Finance application; b. FSI internal capacity building; or c. adjustment of FSI organisation, risk management, governance and/or standard operating procedure in line with the principle of Sustainable Finance application.

When is it effective?

The effective date varied based on the type of entities, starting 2019 until 2025.

1 Jan 2019 will be the effective date for FSI in the form of a Commercial Bank that is classified as a Commercial Banks – BUKU 3, BUKU 4 and foreign bank categories.

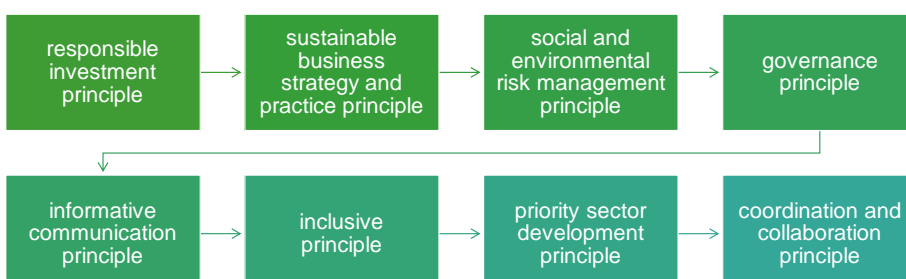
1 Jan 2020 will be the effective date for FSI in the form of BUKU 1 and BUKU 2, financing company, venture capital company, infrastructure financing company, insurance company, reinsurance company, Indonesian Export Financing Institution, secondary mortgage company, Social Security Administering Board, Issuers other than Issuers having small scale assets and Issuers having medium scale assets, and Publicly Listed Company.

1 Jan 2022 will be the effective date for FSI in the form of RCB BUKU 3 including IRFB having a core capital equivalent to the BUKU 3 category, securities company managing the securities account of its customers, and Issuers having a medium scale asset.

Preparing to comply

Entities will need to map its current processes to ensure that the sustainable finance principles are applied in business activities. Perform business process improvement to close the gap before effective date to enable reporting of implementation for the full year period on the following year.

This article has been published at The Jakarta Post, 4 June 2018.



For further information, please contact:

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Our activities



73rd Indonesia Independence Day at RSM



Every 17th of August 2018, Indonesian people celebrated Indonesia independence day. RSM Indonesia celebrated the occasion with a flag-raising ceremony, and sang the national anthem. The ceremony was attended by all the partners and staffs in RSM Indonesia.

Co-Branding E-Money with Bank Mandiri

On 20 August 2018, RSM Indonesia and Bank Mandiri launched co-branding E-Money for all employee of RSM Indonesia.

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



New Partners at RSM Indonesia



Heru Budiargo

Heru Budiargo has joined as Senior Advisor since July 2018. He has more than 40 years of experience in finance, compliance, risk management, human resources area. Prior joining RSM Indonesia, he was Chairman of Indonesia Deposit Insurance Corporation (LPS).



Vidvant Brahmantyo

Vidvant Brahmantyo has joined as a Partner since July 2018. He has more than 14 years of experience in general audit, internal audit, internal control, risk management, in array of industries including financial services, energy, telecommunications, hospitality, and transportation.

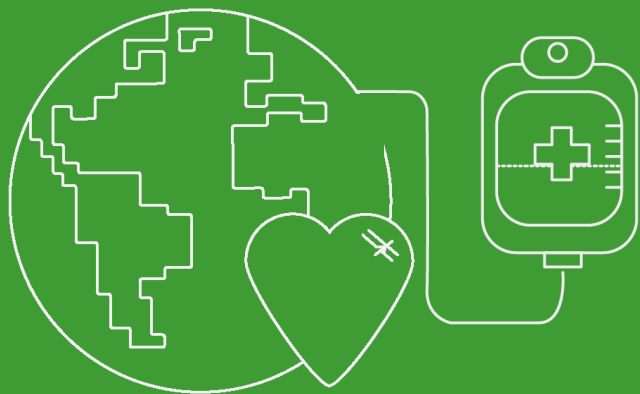


Bimo Iman Santoso

Bimo Iman Santoso has joined as Partner since August 2018. He has more than 23 years of experience across many industries. His main specialty is in the financial services, which include private, SOE, local and foreign banks, and non banks include insurance, insurance broker, pension fund, financing company, securities, investment management.

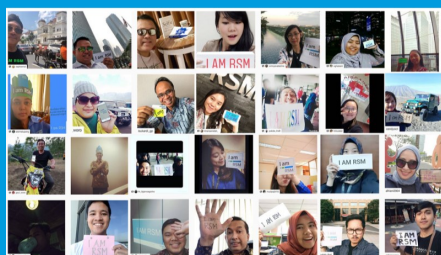
IIA National Conference 2018

RSM participated as sponsor for the IIA National Conference 2018. The event was held on 27–30 August 2018 in Bali. This year theme was Nurturing Agile Internal Auditors in Disruptive Times. Our partner who is Vice President of IIA Indonesia, Angela Simatupang, was one of the speaker at the event. Approximately 500 people attended this annual conference.



RSM World Day: Putting our people first

On 27 September 2018 RSM celebrated RSM World Day a global celebration of the network's vision and values. This year theme was 'Putting our People First' and at the same date RSM firm from 120 countries shared the same spirit and vision.



In Indonesia, we celebrated the event by conducting blood donation in corporation with Indonesian Red Cross (PMI), followed by presentation RSM core values and updates by our International Contact Partner, Angela Simatupang.

Prior the event, we also held a I am RSM Selfie competition. The purpose of the competition are to share their favorite moment working in RSM and gain the RSM World Day spirit especially for millennial generation by using social media.

Indonesia Facts

Located off the northwest tip of Bird's Head Peninsula on the island of New Guinea, in Indonesia's West Papua province, Raja Ampat, or the Four Kings, is an archipelago comprising over 1,500 small islands, cays, and shoals surrounding the four main islands of Misool, Salawati, Batanta, and Waigeo, and the smaller island of Kofiau. The Raja Ampat archipelago is the part of Coral Triangle which contains the richest marine biodiversity on earth. Most of the archipelago is in the Southern Hemisphere, with a few small islands northwest of Waigeo such as Sajang Island in the Northern Hemisphere. Some of the islands are the northernmost parts of the Australian continent.

Raja Ampat Regency is a new regency which separated from Sorong Regency in 2004. The population of the Regency was recently (January 2014) put at 49,048. It encompasses more than 40,000 km² of land and sea, which also contains Cenderawasih Bay, the largest marine national park in Indonesia. It is a part of the newly named West Papua province of Indonesia which was formerly Irian Jaya.

Source : wikipedia.com



Wake up call

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



Client Alert



RSM Indonesia Client Alert:
Government Regulation Concerning Taxation Rules for the Mineral Mining Sector
is now available at www.rsm.id

Downloadable at www.rsm.id



Thank you for reading.

Audit

Tax

Consulting



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