

# WAKE UP CALL

Bringing you the updated news from **RSM Indonesia**

## QUARTER III – 2023

Welcome to issue 66 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, tax and consulting.

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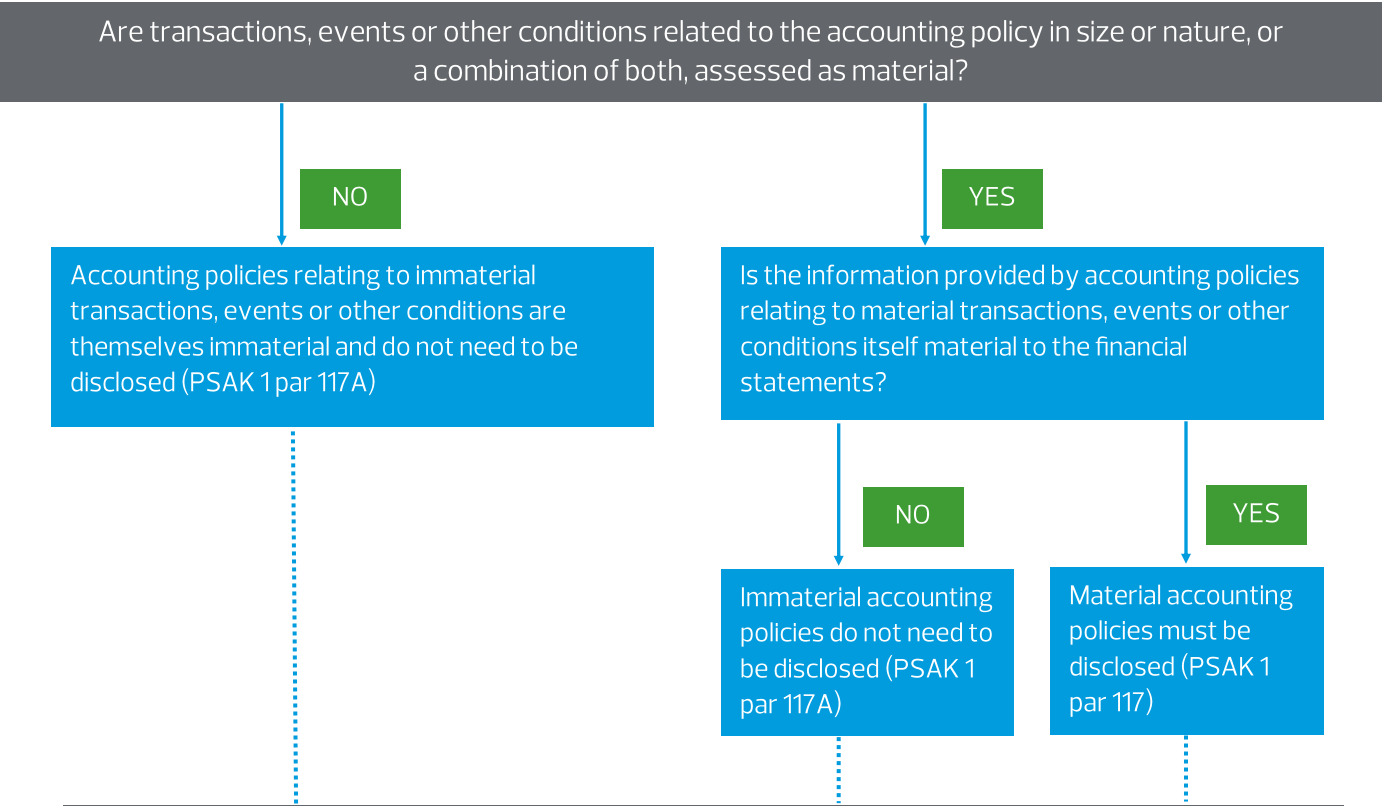
# Is Accounting Policies Information Considered as Material?

MARISSA PRADIPTA, AUDIT ASSURANCE PRACTICE

Information regarding accounting policies is one of the components in the notes to the financial statement that must be disclosed. Accounting policies are some explanations which describe how each accounts balance and transaction are prepared and presented in the financial statement. Sometimes, the amount of accounting policies information is more extensive rather than the information related to balance and transaction occurred in the period presented in the financial statements.

Amendment PSAK 1: Presentation of Financial Statement regarding Disclosure of Accounting Policies should be applied for annual reporting period

beginning on or after January 1, 2023. This amendment requires entities to disclose "material accounting policy information" previously "significant accounting policies". It is also clarifying that not all accounting policies information should be disclosed in the financial statements. Determining what constitutes a material accounting policy in each entity's financial statements can vary. Each entity must prepare its own assessment of which accounting policies are considered material. Diagram below can be used by the entity to assess is the accounting policy is material or not.



Note:  
the entity must still consider whether it has complied with other applicable disclosure requirements in other PSAKs (PSAK 1 para 117D)

Accounting policies considered as material if it is necessary for users of financial statements to understand other material information in the financial statements, and that information can affect the user's decision-making process. For example, accounting policy is material, if there is some information relates to transactions, other events or conditions that are assessed as material in the current financial statement and:

- a) There were changes in accounting policies during the reporting period and these changes resulted in material changes in the financial statements;
- b) Selection of accounting policies from one or more options permitted by financial accounting standard, for example: choosing to measure investment property at historical cost rather than fair value;
- c) There is development of accounting policies in accordance with PSAK 25 because there is no other PSAK that can be specifically applied;

- d) Accounting policies that contain elements of significant judgments or assumptions in their application; or
- e) Accounting policies that are complex, for example if an entity applies more than one PSAK for a class of material transactions.

However, even though the accounting policy information based on their assessment is concluded to be immaterial, it still must consider related disclosure requirements stipulated by other PSAKs, including requirement from Financial Services Authority (FSA) regulations regarding disclosure of financial statement which relevant for public companies and issuer.

Another thing to remember is that disclosure of accounting policy information must focus on how specific financial accounting standard requirements are implemented by the entity. So, there are no accounting policies information that are standardized, duplicative or simply summarize the requirements in accounting standards.



For further information, please contact :  
[inquiry@rsm.id](mailto:inquiry@rsm.id)

## INDONESIA FACTS

### TENUN PRINGGASELA

Pringgasela weaving is a traditional Indonesian weaving craft originating from West Nusa Tenggara and has been designated by the Directorate of Cultural Heritage and Diplomacy as Indonesia's Intangible Cultural Heritage in 2018 with the cultural domain of Traditional Skills and Crafts. The ikat weaving center in East Lombok, West Nusa Tenggara is located in Pringgasela Village. In Pringgasela Village, there is a Pringgasela Weaving maestro named Suharti.

Source: Wikipedia



# Framework for Artificial Intelligence Capability Building in Forensic Auditing

**RESDY BENYAMIN**, TECHNOLOGY CONSULTING PRACTICE

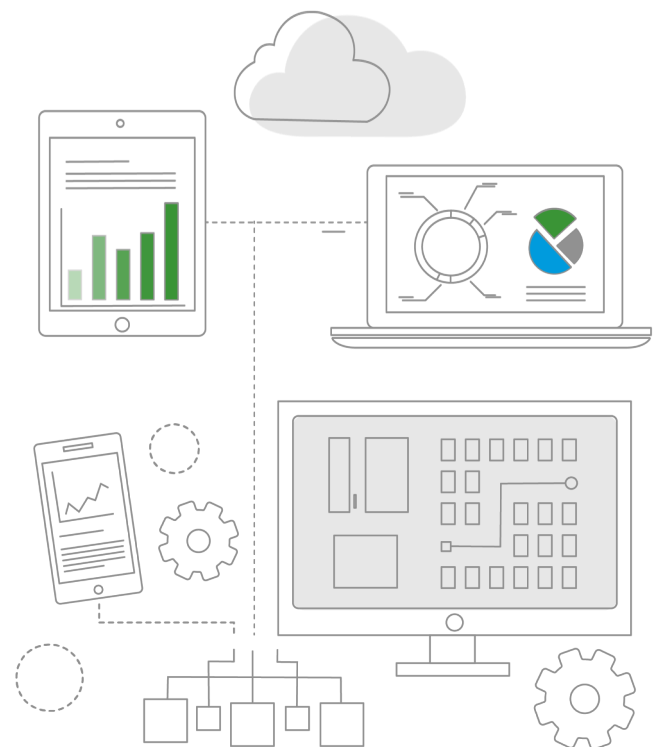
Auditing process is made up of multiple inter connected processes that culminate in the audit report. Despite its linearity and process emphasis, the auditors are facing significant challenges. Given that audit is a yearly ritual that is often supplemented by internal audits that are supposed to add another level of credibility, and that the reported financial statements are released wrapped in the protective shield of audits, one would expect audit quality to be flawless and unquestionably successful.

The issues with audit are behavioral rather than procedural. In most cases, processes exist but are not followed or are purposefully ignored. In the absence of protocols, willful ignorance is used to move forward. Both are behavioral problems. Human tends to act at the heart of these actions. Choices and ambitions are influenced by our emotions and moods. Professional skepticism is a personality trait.

Machines has the ability to learn to tackle these biases. If they are taught on data, they will pick up on our biases and anxieties. Audit automation approach consists of five steps: automated pre-audit evaluation, automated risk assessment, automated audit procedures, automated post-audit management, and automated assurance, forensic, and valuation. Our model believes that the automation will be designed to be continuous, intelligent, and automated.

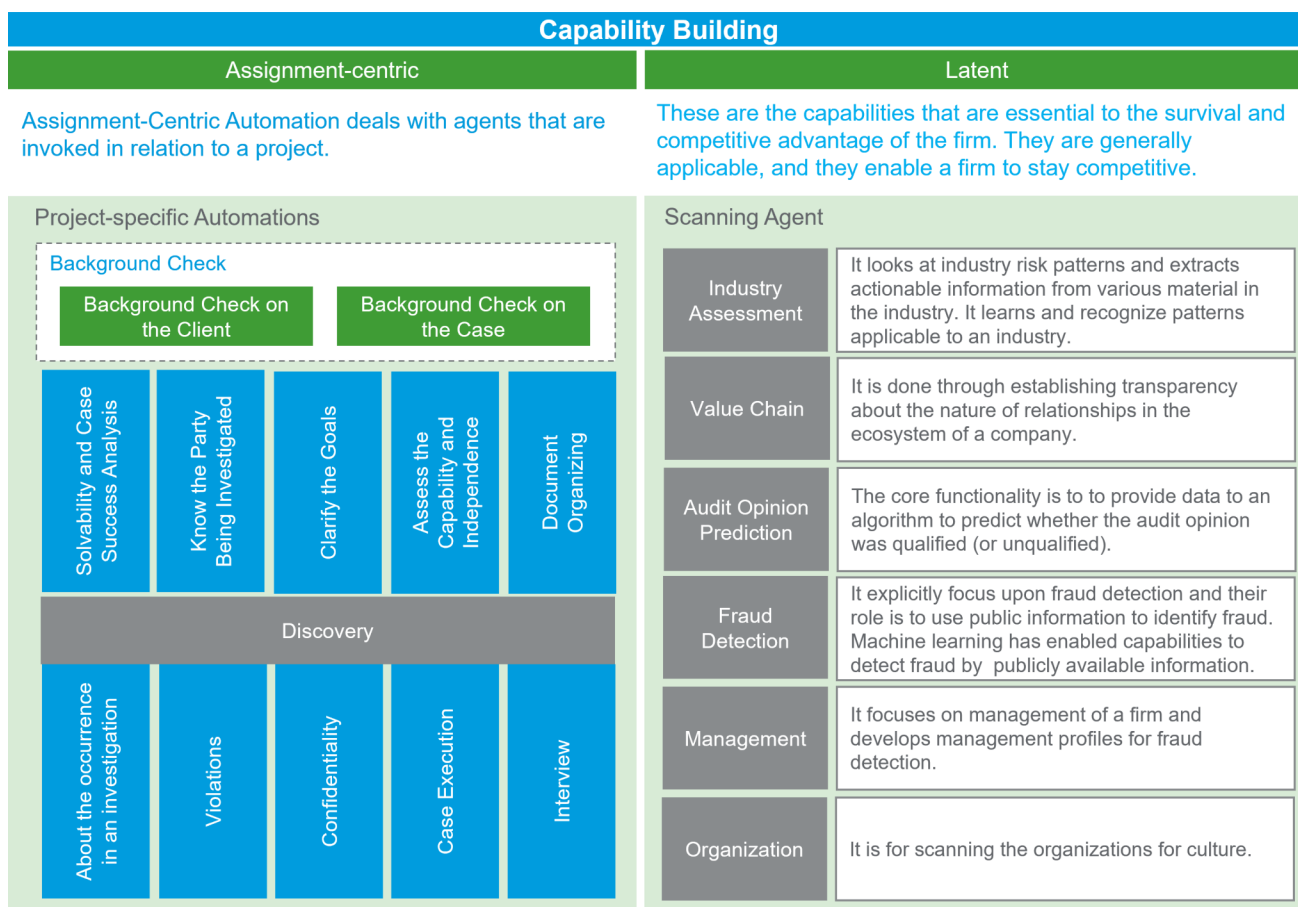
Unlike general auditing, which focuses on risk that affects a corporation in recent, present, and future times, forensic auditing deals with past events. In general auditing, we seek for control deficiencies and assess various risks to determine whether

material errors or frauds can enter the financial systems. In forensic auditing, we normally start with the understanding that an undesirable occurrence has occurred and that our purpose is to determine the root cause or the true impact. However, the function of forensic auditing has recently shifted. Forensic auditing is becoming more proactive and is being used to safeguard shareholders' interests. Positive activism refers to forensic auditing firms actively probing questionable activity in businesses. They rely on publicly available information to make their case and accusations while probing shareholder value destruction before an official investigation is begun. Forensic auditing provides important tools for protecting investors' interests.



The intelligent capability development in a forensic accounting firm comes in two forms:

- (1) Assignment-centric Automation
- (2) Latent Capabilities



Agents invoked in relation to a project are dealt with by Assignment-Centric Automation. When a specific project is outlined and pursued, something occurs. A project might come from a customer who demands a specific inquiry, or it can be a self-assigned project based on the forensic accounting firm's research. The development of capabilities is more domain and project specific. Latent capacities, on the other hand, are more generic in nature.

Latent capabilities are structural capabilities that a forensic accounting business must establish. These capabilities are all-encompassing and apply to the automation that must be integrated into a company's infrastructure. These are the skills necessary for the company's survival and competitive edge. They help a business maintain its competitiveness and are generally applicable. These abilities can be

thought of as scanning capabilities because they examine business environments (like marketplaces) to look for fraud, anomalies, and inconsistencies. They also conduct risk assessments to examine the risk variables related to a certain sector, industry, or company.

### OUR RECOMMENDATION

Since intelligent automation has a lot to offer the field of forensic accounting. We help you to prepare both your organization's latent and assignment-centric capabilities. Our proposed approach is dividing the project into 2 (two) stages. Stage-1 would be preparing your intelligence collecting capabilities that are carried out continuously. After your organization's latent capabilities are all set, the initiative would continue to Stage-2 which are crafted specifically to support specific assignments.



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# Update on Remote Work (“Digital Nomad”) Visa – Tax Considerations

**NICK GRAHAM, TAX PRACTICE**

There was some excitement in 2022 regarding the prospect of Indonesia offering visas to digital nomads. Our [Quarter3/2022 – Wake Up Call](#) article highlighted potential tax considerations for digital nomads based on the limited information/speculation available at that time.

On 22 August 2023, the Minister of Law & Human Rights issued regulation No. 22 regarding Visas & Stay Permits. Amongst others, this stipulates the requirements for a Remote Work Visa (“RWV”) and its validity period. It does not address taxation matters. It is therefore timely to provide an update to reflect this regulation.

## REMOTE WORK VISA REQUIREMENTS & TERM

The applicant for a RWV must provide various documents including:

- Evidence of income (salary or other) of at least USD 60,000 per year
- Evidence of a work agreement/contract with a company overseas (i.e. the individual must already have an expected source of income)
- Evidence of ability to pay living expenses during the period of stay in Indonesia for the individual and any family (the amount is to be determined by the Director-General of Immigration)

The term of the visa is 1 year, which can be extended.

## TAX CONSIDERATIONS

### Taxation of the individual

The individual will be subject to Indonesian taxation of their worldwide income if the individual becomes a tax resident. Generally, this will occur if the individual is present in Indonesia for more than 183

days in any 12 month period, resides in Indonesia or is present in Indonesia and intends to reside in Indonesia.

This result might be modified if the individual is currently tax resident of a country that has concluded a tax treaty with Indonesia and the terms of that treaty provide that the individual remains a tax resident of that country and not Indonesia (e.g. due to location of permanent home, center of vital interests (personal and economic relations) and habitual abode).

If the individual becomes a tax resident then all income should be reported in Indonesia and be subject to the progressive tax rates (5%–35%), with possible credits for foreign taxes paid.

*(It should be noted the above also applies for any foreigner present in Indonesia – whether holding a tourist visa, other visa or work permit. That is, the type of visa does not explicitly determine whether an individual becomes a tax resident.)*

The special exemptions from taxation of worldwide income earned by technology related workers are not likely to apply for RWV holders since these are linked to individuals employed by Indonesian taxpayers in specific positions.

If the individual is not tax resident then they will only be subject to Indonesian tax on any income earned/sourced from Indonesia. Given the RWV is not for work in Indonesia, in principle such Indonesia sourced income should be passive income (e.g. interest) and not employment or business income. Nevertheless, if there is any active income, then it will be subject to tax, even if such income might trigger a breach of the RWV conditions.

## Permanent Establishment risks

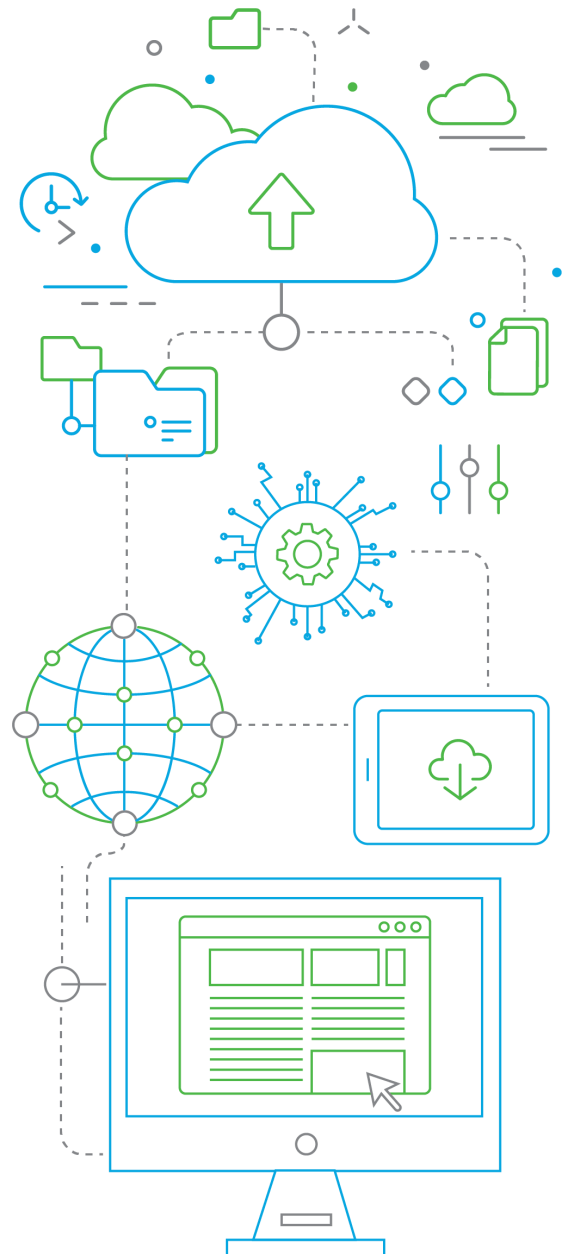
Assuming the RWV holder does have a working agreement/contract with a foreign company there is a risk that entity could be deemed to have a Permanent Establishment ("PE") in Indonesia if the individual's activities meet the definition under the Income Tax Law. Assuming the RWV holder is present for more than 183 days, the time test exemption under most tax treaties is unlikely to assist. Therefore it is important to ensure the actual activities do not trigger a PE. Practically the risk is lower if the individual's activities support the business rather than being a fee-earning/income generator for the business, and the foreign entity does not have a place of business available to it in Indonesia.

If there is a PE then income generated by the individual will be taxable together, potentially, with income earned by the entity that is effectively connected to that individual's activities.

## CONCLUSION

The RMV does not appear as flexible as was initially expected, requiring the applicant already has a work arrangement with a foreign entity and evidence of a reasonable level of income. It also does not permit work/income generation from Indonesian employers. Further, as expected, the individual remains subject to Indonesia's tax laws and regulations and will be required to register as a taxpayer and pay tax on worldwide income if the individual becomes a tax resident. Aspiring foreign remote workers should ensure they understand the details before assuming they can have an idyllic and tax-free work sojourn in Indonesia. Foreign companies should also carefully consider the PE risks before agreeing for their employees to work remotely from Indonesia.

If the Government is serious about encouraging digital nomads and the related economic benefit from their stay, then it should consider an integrated approach including specific tax incentives (e.g. exemptions from worldwide taxation similar to those available for expatriates employed by Indonesian companies in technology oriented positions).



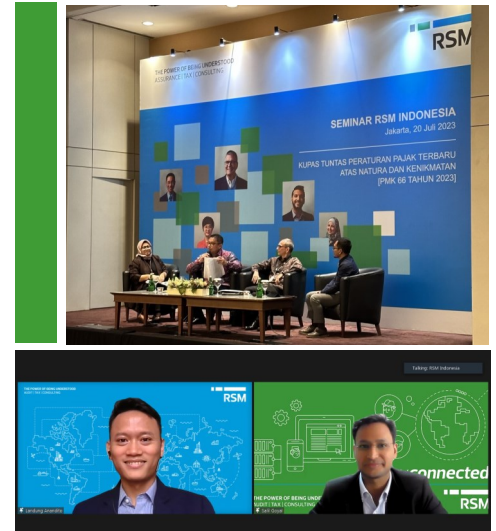
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## OUR ACTIVITIES

### ●●● RSM Indonesia Tax Events

We successfully conducted tax seminar and webinar during the 3rd quarter of this year. We held a seminar on the latest tax regulations on natura and enjoyment (PMK 66 of 2023) with speakers Nick Graham and Sundfitris LM Sitompul as Tax Partners RSM Indonesia and also Teguh Rulianto from The Directorate General of Taxation. The seminar was attended by 150 people from various industries.

Our webinar's topic this quarter was about updates on Transfer Pricing. The webinar were delivered by our Senior Manager and Partner. More than 100 participants attended the webinar. Our past webinars also can be watched in our youtube channel.



### ●●● Celebrated Independence Day at RSM Indonesia



We celebrated the 78th Independence Day of Indonesia in our office. Began with a flag ceremony and followed by traditional games competition. All staff enthusiastically participate in the event.

### ●●● RSM Indonesia Earns Great Place to Work Certification

We are proud to share that we have been certified Great Place to Work for September 2023 – September 2024. This achievement would not have been possible without our incredible team's dedication, also the positive and supportive workplace culture we've built together.

Visit our page published at Great Place to Work website [here](#).



## RSM PUBLICATION

Investing in the future—Supporting the ESG mission in Asia Pacific



In the bustling Asia-Pacific (APAC) region, many businesses have pivoted their strategies to align with regional ESG ambitions, which include an assortment of benchmarks such as the United Nations' 2030 Sustainable Development Goals (SDGs).

Click [here](#) to read more.



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