



# WAKE UP CALL

Welcome to issue 40 of Wake Up Call—RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, governance, internal control, management, risk, taxation.

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- IFRS 9 Financial Instruments: 3 Elements, 3 Categories, 3 Approaches
- Investment Property: Pros and Cons on Telecommunication Tower Leasing Industry
- Prepare for Change
- Our Activities

# IFRS 9 FINANCIAL INSTRUMENTS: 3 ELEMENTS, 3 CATEGORIES, 3 APPROACHES



***Galuh Worohapsari & Saptoto Agustomo, Audit Assurance Practice***

The IASB published the final version of IFRS 9 in July 2014. This standard becomes effective for annual periods beginning on or after 1 January 2018. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Just recently, the Indonesia Financial Accounting Standard Board issued Exposure Draft (ED) PSAK 71 which adopts the IFRS 9. This ED PSAK 71 is expected to be effective by one year lag or by 1 January 2019.

This standard will have a substantial financial impact on banks and involve significant implementation challenges. However with optimal compliance, banks and other corporation can achieve an acceptable financial impact in a way that minimizes efforts but is still sufficiently prudent to ensure compliance.

IFRS 9 sets out and describes the requirement for 3 main elements: Classification and Measurements, Impairment, and Hedge Accounting. Here are the areas require more attention in the preparation stage of implementation.

## **First. Classification & Measurement.**

IFRS 9 contains three classification categories for financial assets:

- measured at amortized cost (AC);
- measured at fair value through other comprehensive income (FVOCI); and
- measured at fair value through profit or loss (FVTPL).

IFRS 9 uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value. The assessment of the new measurement is based on two tests: (a). how a company manages its financial instruments (its business model); and (b). the contractual cash flows characteristics of the financial assets.

IFRS 9 requires a financial asset to be classified at amortized cost if the objective of the company's business model is to hold the financial assets to collect the contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. When these two requirements are not met, the financial asset has to be measured at fair value.

There are also three steps to apply the new categories: (i). business model criterion. Entity may have separate business models for portfolios of investments that are managed in different ways; (ii). cash flow characteristics criterion; and (iii). no accounting mismatch.

## **Second. Impairment.**

As a result of the new classification model, the only financial assets subject to impairment will be instruments measured at amortized cost. Impairment does not apply for the other categories.

IFRS 9 has redesigned the provisioning model for financial assets, financial guarantees, loan commitment, and lease receivables. The incurred loss model has been changed to an expected loss model. This is what we call as 'forward-looking impairment model'. Emphasis is on the estimation of forward-looking scenarios, both worst and best-case scenarios.

Impairment process of financial assets follows "the three stages approach". (1). A twelve-months expected credit losses; (2). Lifetime expected credit losses—gross carrying amount; and (3). Lifetime expected credit losses—net carrying amount.

### Third. Hedge Accounting

"IFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements, principally by aligning the accounting more closely with risk management." (*IFRS 9 Project Summary, 2014*). In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

There are three criteria to apply hedge accounting: (1). Hedging relationship; (2). Designation and documentation; and (3). Hedge effectiveness requirements. Hedge accounting can be applied only if all of those conditions are met.

Hedge accounting under current standard (IAS 39 or PSAK 55) is considered complex and rules-based, thus, ultimately not reflecting an entity's risk management activities.

IFRS 9 will reflect the effect of an entity's risk management activities in the financial statements by replacing rules by more principle-based requirements and allowing more hedging instruments and hedged items to qualify for hedge accounting. Thus, both financial and non-financial entities get more benefit from the new standard.

#### Let's Get Ready to Implement.

In November 2016, surveys conducted by the working group for IFRS 9 implementation by OJK concluded that 43% banks (mainly large banks and branch office of international banks) have just started to identify and have understanding the preparation stage.

Looking at experience when implementing the previous standard for financial instruments (IAS 39 or PSAK 55), it took two to four years preparation. So now, entities must be prepared itself as early as possible. It is only about three years to 2019.

Here are the key considerations to IFRS 9 Readiness. First, "tone from the top", meaning that entities need to get "buy-in" from all top executive to implement. Second, gap-analysis where entities need to develop a gap analysis between current standard and IFRS 9 considering the firm-wide impact. Third, "IT systems readiness", meaning that entities may plan to acquire new IT systems tailored to IFRS 9. It can be an "IFRS 9 engine" like "PSAK 55 engine".

Lastly, IFRS 9 is not applied only for banks, but it applies to all entities in the industry, both financial and non-financial entities.

For further information, please contact:

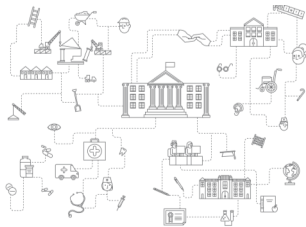
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for the holiday,  
wishing you a happy  
and healthy  
new year ahead.

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# INVESTMENT PROPERTY: PROS AND CONS ON TELECOMMUNICATION TOWER LEASING INDUSTRY



*Maxson Hakim Wijaya & Saptoto Agustomo, Audit Assurance Practice*

Current Standard: PSAK 13  
Accounting standards for investment property in Indonesia, PSAK 13 (2007) "Investment Property", has been issued on 29 May 2007 which adopted the IAS 40 (2003). PSAK 13 (2007) has been revised three times, which was in 2011 and in 2014, and recently, on 18 November 2015 with annual improvement to adopt IAS 40 (2014).

Investment property in accordance to PSAK 13 is defined as "property (land or building or part of a building or both) is controlled (by the owner or lessee a finance lease) to earn rentals or for capital appreciation or both, and are not for use in production or the supply of goods or services or for administrative purposes or for sale in their daily activity.

There are several examples of investment property in the form of buildings:

- i. buildings owned by the entity and leased to others through one or more operating leases;
- ii. unused building but available for rental to others through one or more operating leases; and
- iii. property under construction or development in the future be used as an investment property.

Management judgment is needed in determining whether a property owned (either land or a building or part of a building or both) meets the criteria as an investment property. If the assets meet the criteria for an investment property, then the recognition, measurement time of recognition, subsequent measurement, disclosures follow PSAK 13.

Investment properties are initially measured at cost. The acquisition cost is not only the purchase price, but any

expenses directly attributable such as legal fees, property transfer tax or the like. Then entities can choose whether to use the fair value model or the cost model for all investment property. If after the initial recognition, the entity chose to use the fair value model, an entity must measure all investment properties at fair value and the gains or losses arising from changes in fair value of investment property are recognized in income in the period incurred. As a consequence, if previously the entity measure investment property at fair value, it shall continue measuring the property at fair value until disposal of the property.

If an investment property carried at fair value and then transferred to owner-occupied property or inventories, accounting hereinafter referred to other relevant accounting standards; which is the default acquisition cost is the fair value at the date of change in use.

## Different views and practices by telecommunication tower leasing industry

An entity in the telecommunication tower leasing industry receives an order to build a tower in a specific location from telecommunication operators. Then, after the regulatory approval is obtained, the entity acquires a piece of land through a lease or purchase agreement and builds a tower,

along with the facilities that are requested by the telecommunication operators. As the owner of the tower, the entity rents spaces on the tower to the telecommunication operators who put their own equipment on the spaces. Tower could be used by multiple operators. The entity receives rent revenue from the operators along with revenue from maintenance services provided in certain years of lease contract.

Certain feature of tower. The tower consists of only steel frames and other supporting components (there are no solid walls or floors in the tower); it could be in the form of either a permanent physical structure that is constructed in a specific location or a mobile facility that serves similar functions; and it is permanently constructed in a specific location. In addition, the tower belongs to an entity whose business model is primarily leasing telecommunication towers, and that the entity has no association in any form with the telecommunication operators except for the leasing agreements.

Entities engaged in the telecommunication tower have different views on the accounting for its' telecommunication tower. Most admit it as Fixed Asset (Property Plant Equipment/PPE) under PSAK 16 "Fixed Assets" and the others recognize it as Investment Property under PSAK 13. The different

treatments lead to confusion amongst the external users of the financial statements, either public entities or non-public entities.

Pros and cons arise here because of its impact on the recognition of profit that differs from the classification being fixed assets or investment property. If telecommunication tower is accounted for as fixed assets, then the use of revaluation model (fair value based) will not have any impact to recognition of gains or losses arising from changes in fair value of the assets as income in the period incurred. Those gains or losses arising from changes in fair value of assets are recognized in other comprehensive income in equity. As mentioned above, telecommunication tower is classified as investment property using fair value model, then the gains or losses arising from changes in fair value of investment property are recognized in income in the period incurred.

We can see that there is significant effect from those different practices, which is the different profit and loss figure when the transaction is measured under revaluation model (PSAK 16) and fair value model (PSAK 13). This gives significant impact on the comparability among entities in the industry, and more importantly different accounting treatments of transactions that in substance are the same and have similar economic consequences.

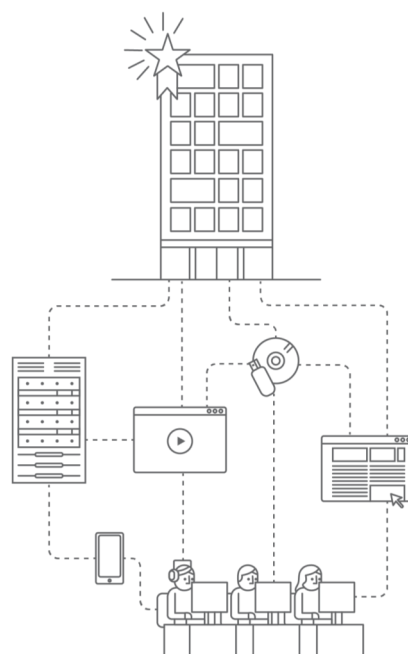
#### Standing position of standards setter: DSAK and OJK

Those different practices continue for financial statements ended 31 December 2014. However, in 2015, for public entities, the Financial Service Advisory/FSA ("OJK") issued Circular Letter No.27/SEOJK.04/2015 dated 1 September 2015 regarding Accounting Treatment of Assets Telecommunica-

tions Tower Rent, which specifically require the leased telecommunication tower assets to be recognized as investment property. SOJK No.27 became effective for the financial statements ended 31 December 2015 and afterward.

Later, on 18 November 2015, the Financial Accounting Standard Board (DSAK) issued Interpretation of Financial Accounting Standards ("ISAK") 31, namely "Interpretation of the Scope of PSAK 13", together with annual improvement of PSAK 13 (2015). ISAK 31 will be effective for financial statements commenced on 1 January 2017. ISAK 31 emphasizes the definition of "building" in the context of PSAK 13 to become more specific, where telecommunication tower is not a building. As a consequence, telecommunication tower will not be accounted for as investment property.

Recently, in 2016, to follow ISAK 31, OJK issued Circular Letter No.36/SEOJK.04/2016 dated 5 September 2016 that revoked the Circular Letter No.27/SEOJK.04/2015. It means that the accounting treatment for telecommunication tower must follow ISAK 31.



In particular, telecommunication tower will never been categorized as Investment Property.

#### ISAK 31 (2015) "Interpretation of the Scope of PSAK 13"

Basis for Conclusion (BC) in ISAK 31 mentioned several points, as follows: in 2012, DSAK asked clarification on issue (the different views) to the IFRS Interpretation Committee (IFRIC) and continued to International Accounting Standard Board (IASB). In 2014, IASB concluded that the issue is not a global issue, but restricted only in Indonesia jurisdiction and no further discussion agenda is required.

Based on that, DSAK has decided and issued ISAK 31 which will be applied for financial statements starting from 1 January 2017. In this ISAK 31, buildings" in the context of investment property is defined as "the structures that have physical characteristics that are generally associated with a building". The characteristics include the presence of walls, floors, and roofs are attached to the assets in question. With this new definition, telecommunication tower should not be categorized as building. Consequently, telecommunication towers cannot be classified as investment property. Classification will follow the relevant accounting standards, for example as Fixed Assets (PSAK 16).

What were the pros and cons? Here is the summary of different views taken from "Issue Paper" made by the DSAK/Indonesian Institute of Accountants (IIA) that has been submitted to IFRIC in 2012.



	As Property, Plant, and Equipment	As Investment Property
Definition of Property	Tower is a tangible asset used by the entities in their ordinary activities, in line with their business model, which is to generate revenue from leasing arrangement with telecommunication operators as their tenants. It is generally expected to be used during more than one period.	Tower is a property held by the entities to generate revenue from the leasing arrangement with telecommunication operators as their tenants, and not used by the entities in their ordinary activities. Entities also expect some sort of value appreciation through appreciation in the value of the tower, where generally the value of a tower will increase along with the lease frequency – an idle tower (non-leased) does not hold significant value for the owner.
	Based on Indonesian tax regulation, income earned from lease of land and/or building is levied by a deemed (final) tax. The regulation states the scope of building that is levied by the deemed tax system, but based on the regulation tower is outside the scope of the regulation.	Based on the definition of tower as stated by the Ministry of Communication and Information, <i>Tower is a special building designed and constructed specifically for telecommunication service purpose, functioned as supporting structure to attach telecommunication equipment. Permit to construct tower is permit to construct building under required laws and regulations.</i>  Furthermore, there is another tax regulation that stipulates that (telecommunication) towers are regarded as special building object. Based on this regulation, a tower is subject to land and building tax which has to be paid annually. This regulation is applicable to all companies that operate telecommunication tower.
	Based on the company classification as defined by the Indonesian Stock Exchange (ISE), entities with the main business of tower leasing are classified under the Infrastructure, Utilities & Transportation Companies and not under the Property, Real Estate and Building Construction Companies.	Based on the definition of tower as stated in a joint law as issued by the Ministry of Communication and Information, Ministry of Home Affairs, and Ministry of Public Works, <i>Tower is a structure constructed for public purposes on a land, or a building constructed for public purposes with typically steel structure, where the function, design, and structure are meant as supporting structure to attach telecommunication equipments. Permit to construct tower is permit to construct building issued by local Government to the telecommunication tower owners to either construct new towers or modify towers based on required administrative and technical requirements.</i>
Physical Characteristics	<p>Tower even if permanently constructed is similar to equipment in a sense that if required, it could be relocated to other locations. Some of the considerations raised for this are:</p> <ol style="list-style-type: none"> <li>1. Should it be required and considered to be beneficial, technically speaking, entities could dismantle, relocate and reconstruct the tower in other locations.</li> <li>2. This process is considerably easier compared to relocating other assets or structures that are generally considered to be a building.</li> <li>3. From the economic perspective, entities could always consider whether the benefit is significantly higher compared to the potential costs of relocating the tower.</li> </ol>	<p>Tower is characteristically similar to a building in a sense that it is permanently established / constructed in a specific location. Some of the considerations raised are:</p> <ol style="list-style-type: none"> <li>1. From the perspective of practicality, generally there is no intention to relocate unless required by certain laws or regulations issued by the Governments.</li> <li>2. From the economic perspective, the costs incurred to dismantle, relocate, and reconstruct the tower is considerably significant (approximately 70% of the total costs of the tower).</li> <li>3. From the technical perspective, the decision to construct a tower in a particular area is based on the quality of networks available as part of the network of towers available in that particular area. Relocating the tower would affect the quality of the network coverage (network interruption), which would affect tenants' decision in leasing a particular space on a particular tower in a particular area.</li> </ol> <p>Several phases performed in constructing a tower are:</p> <ul style="list-style-type: none"> <li>• Site survey;</li> <li>• Site (land) acquisition, including permit;</li> <li>• Construction, Mechanical and Electrical (CME); and</li> <li>• Commissioning.</li> </ul> <p>From cost structure point of view, CME phase contributes significant cost to the construction process.</p>



	As Property, Plant, and Equipment	As Investment Property
<b>Physical Characteristics</b>	Tower is a mechanical structure consisting of steel structure and other supporting components used to serve a specific purpose in a telecommunication process. This can be considered similar in characteristics to advertising board / tower (space), which in practice is accounted as equipment (PPE).	There are no physical limitations in dimension or shape on what constitutes a building. An example for this would be a house constructed on a knock-down basis, which is still considered a building. A tower could be seen to be similar to a knock-down house in this sense.
<b>Telecommunication Tower as an Integral Part of a Building/Land</b>	Tower is closer in characteristics to those of equipment since it is mobile as it is not permanently attached to a particular building or land. Also, what is considered to be an integral part could be seen from a perspective where a particular land or building would generally still serve its functions regardless of whether a tower is attached to it.	Based on the definition as stated by the Ministry of Communication and Information, Ministry of Home Affairs, and Ministry of Public Works, Telecommunication tower is a structure that is constructively attached to a building, thus it can be considered to be an integral part of a building or land on where it is constructed.  The value of the lease arrangement consists of components representing the value of the land or building where the tower is constructed, the value of the networks available in that particular location, and the value of the tower. This illustrates how tower is integrated with the building or land where it is constructed.
<b>Ancillary Service Element</b>	Paragraph 12 of IAS 40  "In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner-managed hotel is owner-occupied property, rather than investment property."  The service provided in the arrangement between the entities and the customer / tenant is considered to be significant. Taking the example of the owner-managed hotel, the entities acts as both the owner of the tower leased by the tenant and the manager providing the service bought by the customer in the form of access to the network available in the area where the tower is constructed. The service is considered to be the main element bought by the tenant, where the physical tower only acts as the media just as a hotel room in the owner-managed hotel example.  In addition, the owner is the party that operates and manages the tower. Tenants have no power to manage/operate the tower and have no physical access to the tower. Tenants only place their transmitter-receiver device and responsible only for the device, not to the tower. This condition is similar to an owner-managed hotel example.	Paragraph 11 of IAS 40  "In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building."  Typical lease arrangement would include a portion of "service" where the entities would be responsible for the routine maintenance, security, and other things as specified in the arrangement. Although entities provide these services they are considered to be insignificant to the arrangement as a whole (generally ranges between 5 and 10% of the overall value of the arrangement).  Other example similar to this type of arrangement is maintenance and security service provided by building management in an office lease arrangement.



	As Property, Plant, and Equipment	As Investment Property
<b>Business Model</b>	<p>The entities' business is to provide network access to the tenants through leasing arrangements where tenants could lease a particular space to attach their telecommunication devices in order to gain access to the network available in the area. The entities are using the tower as a mean to deliver this network access to the tenants. This is generally similar to an owner-managed hotel situation.</p> <p>Tower is only of value when the tenancy ratio is high, thus affecting the overall quality of the network coverage available. This is different to assets generally considered as building where it will generally increase in value over time.</p>	<p>Business model of the entities is to lease the tower to the telecommunication operator. The main objective is to increase the tenancy ratio per tower. The increase in the tenancy ratio would increase the earnings and cash flows of the entities which in the end will increase the value of the tower. This is generally similar to an office lease arrangement.</p> <p>The selling price of a tower does not depend on the historical value of the tower, but on the lease value of the tower and the tenancy ratio. Consequently, entities believe that tower should be measured using the fair value model so that the carrying value of the tower at the statement of financial position will reflect the increase in the value of the entities' tower.</p>
<b>Ability to Independently Generate Cash Flows</b>	<p>Ability to Independently Generate Cash Flows Paragraph 7 of IAS 40</p> <p>"Investment property is held to earn leases or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. IAS 16 Property, Plant and Equipment apply to owner occupied property."</p>	
	<p>In generating the lease revenue entities use other assets such as other towers and other supporting assets to provide the benefit of network to the tenants. Thus the cash flows generated is dependent to other assets.</p> <p>Technically speaking, a network is created through continuous chains of towers communicating signal to generate a network in the area. Communication also exists between networks. A single tower cannot create a network, which is something that is of the concern of the tenants. Without the existence of network a tower would be without economic value and thus bring no economic benefit to the entities.</p>	<p>Cash flows generated from a tower is independent to the other towers or assets of the entities. In an arrangement between the entities and the tenants generally a particular space on the tower is leased to a particular tenant / operator. The cash flows from that particular space would be independent to the conditions that might affect other spaces in other towers that might be in the possession of the entities.</p> <p>Entities could still generate cash flows from a tower that they have regardless of the conditions of other towers that they might have (from the point of view of the entities), assuming that they could still access the network created by other towers that might be available in the area (owned by other entities).</p> <p>The business arrangement and revenue stream from each tower is always independent since the lease arrangement is dedicated on each tower, not based on the network.</p> <p>The tower companies do not have any visibility and interest on the network since their business model is only to lease the space in the tower and do not have any arrangement on the network.</p>

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# PREPARE FOR CHANGE



## *Ponda Suwaka Hidajat, Governance Risk Control Practice*

Accounting standard related to financial instrument is one of the most complex standard compare to other. Currently, financial instrument is regulated by some standards, such as PSAK NO.50: Financial Instrument – Presentation, PSAK No.55: Financial Instrument – Recognition and Measurement, PSAK No.60: Financial Instrument – Disclosure. Those standards are adopted from international standard – IFRS.

The applicable standards causing delays on the recognition of impairment at the time of crisis in 2008 occurred. In response to that situation, the International Accounting Standards Board (IASB) conduct a comprehensive review on the applied standards, and on July 2014 they published IFRS 9 – Financial Instrument that will effectively use on January 1, 2018. Furthermore, this IFRS 9 will be adopted in Indonesia as PSAK 71 Financial Instrument which is currently still in Exposure Draft phase. This PSAK is planned to be effective for financial statements that started on January 1, 2019 or after.

One of the fundamental things that differentiate between new and existing standards is the concept of the impairment recognition. Under current standard the impairment recognition of financial asset only applied for exposure that has impairment. This approach is known as “incurred loss model”. As consequences of this approach the entity’s IT system must be able to capture the historical information related to impairment.

In the other side, the new impairment standard is more forward looking. Under the new standard, the entities are not only should consider adjusted historical information to reflect the impact of the condition and current information which provides objective evidence of impairment, but also need to

consider the appropriate and supporting information which includes forecasts of economic conditions on calculating the forecast credit losses. This approach is known as the “expected loss model”.

The needs to include the future information may require the different information system compared to existing system. If the current system only able to record and capture the historical information, then the company needs to add features so that it can accommodate future information. For example, if the previous information system only contains historical information about the collectability of accounts receivable (customers), the company needs to add additional feature that may create the expected collectability of those account receivable. The new system might need additional feature to record the data about forecast of client’s business prospect, the ability of current financial, and forecast of future financial capabilities.

In addition, these new standards will trigger the needs of more integrated system between risk management process and financial & accounting processes. It is because in the expected loss model, there should be alignment between risk and accounting. Data and risk model will frequently used in the assessment and calculation of accounting figure. This condition will

be the major challenge for the company.

The connectivity between risk management and financial accounting trigger the need of an integrated IT system between accounting and risk management. The IT system should have the ability to perform data analysis, store the result data and information, perform calibration and monitoring, and perform modelling projections and calculation. Learning from past experience when implementing PSAK No.55 a few years ago, the implementation of PSAK 71 will not be easy and it will be more challenging because of the complexity the standards.

Based on our experience, the main constraint in the implementation of PSAK No.55 is the parties who involved in the project were lack of PSAK knowledge. This condition may potentially to recur in the implementation of new standard. Therefore, company needs to prepare as soon as possible by assess the readiness of the company’s internal systems, anticipating the need to change and modify.

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# Indonesia Facts

HONAI HOUSE is the traditional house of the mountainous community in central Papua.

Honai made of wood with a roof-shaped cone made of straw or reeds. Honai purposely built narrow or small, windowless aimed to withstand the cold mountains of Papua.

Honai usually built as high as 2.5 meters and in the middle of the house prepared a place to make a fire to warm themselves.

Honai house is divided into three types, namely for the men (called Honai), women (called Ebei), and cage pig (called Wamai).

Source : Wikipedia

## wake up call

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

### wake up call

**Tax amnesty as Indonesia's source of fund**

An assessment working and living in Indonesia, the Tax Amnesty can be considered as a gift.

Indonesia already has a long history of tax amnesty. The first time it was introduced was in 1960. Since then, it has been a recurring theme in Indonesian tax law. The most recent one was in 2016, which was aimed at attracting foreign investment and boosting the economy.

The government's goal was to encourage taxpayers to declare their hidden assets and pay taxes on them. This was seen as a way to increase the state's revenue and reduce the tax evasion problem.

The amnesty was successful in many ways. It brought in a significant amount of new revenue for the state. It also helped to improve the tax compliance rate among taxpayers. The government was able to recover a large portion of the tax that had been evaded in the past.

However, there were some challenges. The amnesty was only for a limited period of time. This meant that taxpayers had to act quickly to take advantage of it. Additionally, the amnesty was not universal. It only applied to certain types of taxes and assets.

Despite these challenges, the amnesty was a valuable tool for the government. It provided a source of funds that was otherwise difficult to obtain. It also helped to build trust between the government and its citizens.

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**KEY POINTS**

- Tax amnesty is a gift from the government to taxpayers.
- It is a way to increase the state's revenue and reduce tax evasion.
- The amnesty was successful in many ways, including bringing in new revenue and improving tax compliance.
- However, there were some challenges, such as the limited time and scope of the amnesty.

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### wake up call

**Tax Amnesty Implications for Expatriates**

An assessment working and living in Indonesia, the Tax Amnesty can be considered as a gift.

For expatriates, the tax amnesty is a valuable opportunity. It allows them to declare their hidden assets and pay taxes on them. This can be a significant benefit, especially for those who have been living in Indonesia for a long time.

The amnesty is available to all expatriates who are currently living in Indonesia. It does not matter how long they have been in the country. The only requirement is that they must be a legal resident of Indonesia.

The amnesty is a one-time opportunity. It will only be available for a limited period of time. Expatriates who are interested in taking advantage of it should act quickly.

The amnesty is a valuable tool for the government. It provides a source of funds that is otherwise difficult to obtain. It also helps to build trust between the government and its citizens.

### RSM

**KEY POINTS**

- Tax amnesty is a valuable opportunity for expatriates.
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### wake up call

**Tax Amnesty - Tidak Ada Lagi Perencanaan Pajak?**

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### wake up call

**Mengetahui Social Engineering**

An assessment working and living in Indonesia, the Tax Amnesty can be considered as a gift.

Social engineering is a type of cyber attack that involves tricking people into revealing sensitive information. It is a common and effective way for hackers to gain access to a system.

The most common type of social engineering is phishing. This involves sending emails that appear to be from a legitimate source, such as a bank or a government agency. The emails contain links to a website that is designed to steal the user's login information.

Other types of social engineering include pretexting, baiting, and tailgating. Each of these techniques involves using a different method to trick the victim into revealing information.

Social engineering is a serious threat to the security of a system. It is important for organizations to be aware of the risks and to take steps to prevent it.

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**KEY POINTS**

- Social engineering is a type of cyber attack that involves tricking people into revealing sensitive information.
- The most common type of social engineering is phishing.
- Other types of social engineering include pretexting, baiting, and tailgating.
- Social engineering is a serious threat to the security of a system.

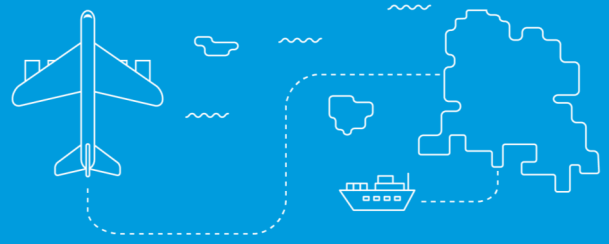
**THE POWER OF BEING UNDERSTOOD**

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# Our activities



## Opening the first day of trade of December 2016 at Indonesia Stock Exchange

On 1 December 2016, our Chief Executive Partner (CEP) Amir Abadi Jusuf opened the IDX together with Director of Indonesia Stock Exchange Nicky Hogan. After the opening, Mr. Jusuf was interviewed live by IDX Channel to talk about issuers' performance and the potential in 2017.

At the same day, we held a discussion Road to Initial Public Offering (IPO) in collaboration with Indonesia Stock Exchange (BEI) that was attended by more than 40 people. We shared and discussed about pre IPO preparation on audit & accounting, finance, tax; IDX shared about market update & IPO process; our colleague from institutional investor shared the benefit of IPO and Ace Hardware shared a success story of IPO.





# AAJ Annual Party 2016, a Fabulous Costume and Mask Party



AAJ annual party this year took place at Foundry 8 SCBD, Jakarta. The costume and mask party include performances from RSM Indonesia's personnel featuring the renowned KSP band that played all the good times song throughout the night and led by popular entertainer Denny Chandra of Padhyangan/Project-P as the master of ceremony.

## New Personnel at RSM Indonesia

During the last quarter, several senior persons has joined the RSM Indonesia team. We hope that you will be seeing them more in the following year to come.



Rusli joined our Audit Practice as a Partner. He brought with him 23+ years of experience. Rusli is experienced in handling State Own Enterprises, Foreign and National companies in many industries. Before joining RSM Indonesia, Rusli was a Partner at Deloitte Indonesia.



Aria Farah Mita has returned to RSM Indonesia after a period of time contributing her expertise in the education sector. Farah has a doctoral degree in Accounting, an active lecturer at the University of Indonesia. Farah joined our Audit Assurance Practice as Senior Manager and brought with her 15+ years of experience.



Jimmy Tan joined our Audit Assurance Practice as a Senior Manager. Jimmy brought with him 15+ years of experience in the oil & gas, and manufacturing industry. Before joining RSM Indonesia, Jimmy was a Senior Manager at KPMG Indonesia, and prior to that he was at E&Y Indonesia and Andersen.



Peiria Santoso joined our Governance Risk Control as a Senior Manager. Peiria brought with her more than 13+ years of experience in financial institution, manufacturing, and retail industry. Before joining RSM Indonesia, Peiria was a Senior Manager at Deloitte Indonesia.

# Thank you for reading.

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