



Indonesian Tax Amnesty Where Are We Now?

The Draft Tax Amnesty Bill ('the Bill') now seems to have received support from the Indonesian Parliament, as it is believed that the Bill can provide a significant contribution to the Indonesian economy. This is in stark contrast to the sentiment expressed at the end of 2015.

The Minister of Finance for Indonesia claims he is confident that the discussion on the Bill with the House of Representatives will be completed no later than mid-June 2016. If this holds true, it is expected that the enactment and implementation of the Tax Amnesty will commence in early July 2016.

Holding Period

The Director General of Taxes for Indonesia has stated that, as per the draft Bill, the Tax Amnesty holding period will be valid for one year and split into three periods from its commencement:

- 1) The first three months - July to September 2016;
- 2) The second three months - October -December 2016; and
- 3) The final six month period - from January to June 2017.

Each period has proposed redemption tariffs i.e. 2%, 4% and 6% respectively without asset repatriation to Indonesia.

With asset repatriation, the redemption tariffs are proposed to be 1%, 2% and 3% respectively.

Rather confusingly however, The Minister of Finance for Indonesia has stated that the Tax Amnesty is only going to be in force until the end of this year - meaning from July to December 2016. As such, the holding period of the Tax Amnesty, and its tax redemption tariffs, have become unclear!



Outstanding issues

The Parliament Working Committee reviewing the Tax Amnesty is of the opinion that there are at least three crucial issues unresolved in the draft Bill and they are as follows:

1. Tax reform should be carried out simultaneously with the Tax Amnesty. When looking at experiences of other countries, tax amnesties have tended to fail in the absence of relevant tax reform.
2. Redemption tariffs in the amnesty appear too low. The concern is that such tariffs will create a sense of injustice, and more importantly the government will miss out on significant revenue. Instead of 1% to 6% tariffs on the net value of asset, higher tariffs of 5% to 15% have been proposed.
3. Regarding the non-use of data and information contained in the Tax Amnesty for criminal investigation and/or prosecution of taxpayers, it is still unclear whether data and information from the Tax Amnesty could still be used to assist other criminal investigations or enquiries relating to matters such as corruption, drugs, terrorism, and human trafficking.

Conclusion

We at Rawlinson & Hunter Singapore will continue to monitor how this Bill develops in the following months. In our view it is optimistic to believe that the Tax Amnesty will be in place by July 2016. We do however suggest that taxpayers who may be impacted start identifying all of their assets and consider the advantages and disadvantages for repatriation or non-repatriation schemes.

Once the Bill is enacted, Rawlinson & Hunter Singapore will be ready to assist clients with preparing and filing the Tax Amnesty application to the Indonesian Tax Authority.



Herdin Syafari
Tax Director

+65 6908 8870
herdin.syafari@rawlinson-hunter.com.sg

Herdin has more than 16 years experience in Indonesian and International tax consultancy having previously worked for one of the "Big 4" accounting firms for 11 years. Serving multinational clients from various industries, Herdin also has 5 years of experience working as Head of International Tax Department in Indonesia's largest public energy company.

In addition, Herdin is a certified Indonesian Customs and Trade consultant, with a Customs Certification from the Indonesian Ministry of Finance. He has been involved in various customs projects from master list facility application, due diligence, audits and appeals assistance in the tax and customs courts.

Herdin obtained his first degree in Economic and Accounting in Indonesia and a Masters Degree in Business Administration (MBA) from the University of Bath, United Kingdom. He is a Certified Indonesian Tax Consultant, Certified Indonesian Customs Expert and holds a License of Tax Power of Attorney for Tax and Customs Appeal in the Indonesian Tax Courts.

Rawlinson & Hunter (Singapore) Pte Ltd

63 Market Street, #10-02
Bank of Singapore Centre
048942
Singapore



Peter Milnes
Managing Director

+65 6908 8870
peter.milnes@
rawlinson-hunter.com.sg



John Chew
Director

+65 6908 8870
john.chew@
rawlinson-hunter.com.sg