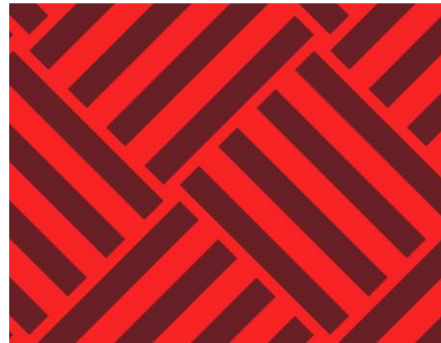


Tax Transparency System in Indonesia

Ay Tjhing Phan

August 5, 2022



Tax Transparency System in Indonesia

1. Taxpayers's

- a. Tax Returns;
- b. Bookkeeping; and
- c. Transfer Pricing (“TP”).

2. Directorate General of Tax (“DGT”)

Domestic Regulation:

- a. Tax Audit;
- b. Third Party;
- c. Government Agencies, Institutions Associations, and other parties; and
- d. Data and Information collected by DGT.

International Regulation (Treaty):

- a. Tax Treaties concerning “**Exchange of Information**” (“EoI”)
- b. Multilateral convention on Mutual Administrative Assistance in Tax Matters (**MCAA – CRSS & MCAA - CbCR**)

Implementing Regulation (Domestic and International)

- a. Procedure of EOI (PMK-39/PMK.03.2017)
- b. Access to financial info (Perpu -1/2017, PMK-19/PMK.03/2018)

Tax Transparency System

TAX RETURN

Article 3 (1) of Tax Administration (“KUP”) Law requires each taxpayer to file its their Tax Return:

“correctly”

means that the Tax Return must contain information that **represents the actual situation**;

“completely”

means that the Tax Return must contain **all elements related to the tax object** and **other elements that must be reported** in the Tax Return; and

“clearly”

means that the Tax Return must report **the origin or source of the tax object** and **other elements that must be reported** in the SPT.

Tax Transparency System

BOOKEEPING

a. Article 28 (3) of KUP Law

Bookkeeping must be carried out with due regard to good faith and **reflect the actual condition or business activity.**

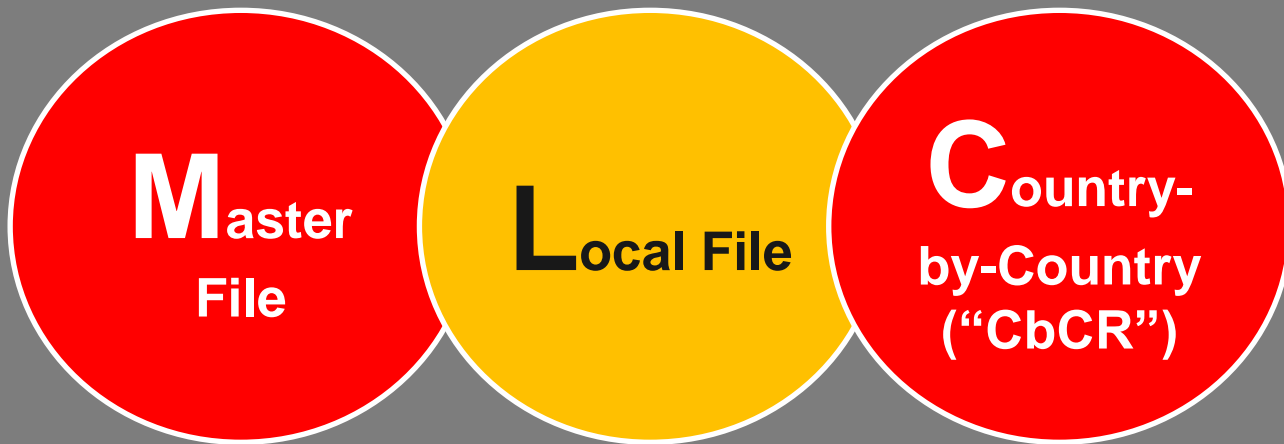
b. Article (11) of KUP Law

Books, records, and documents that **form the basis for bookkeeping** must be kept for 10 (ten) years in Indonesia (at the place of an individual taxpayer's activity or residence, or at the domicile of corporate taxpayers).

Tax Transparency System

TRANSFER PRICING

PMK-213/2016 requires that the taxpayer provides:



Tax Transparency System

TAX AUDIT



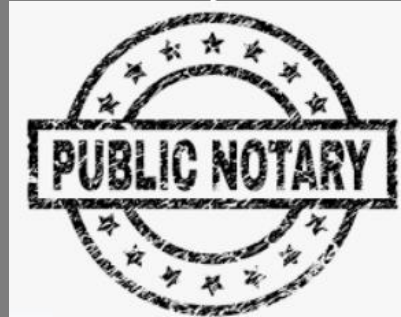
Article 29 (3) of KUP Law

Taxpayers to provide books, records and document that form the basis for bookkeeping

Tax Transparency System

THIRD PARTIES

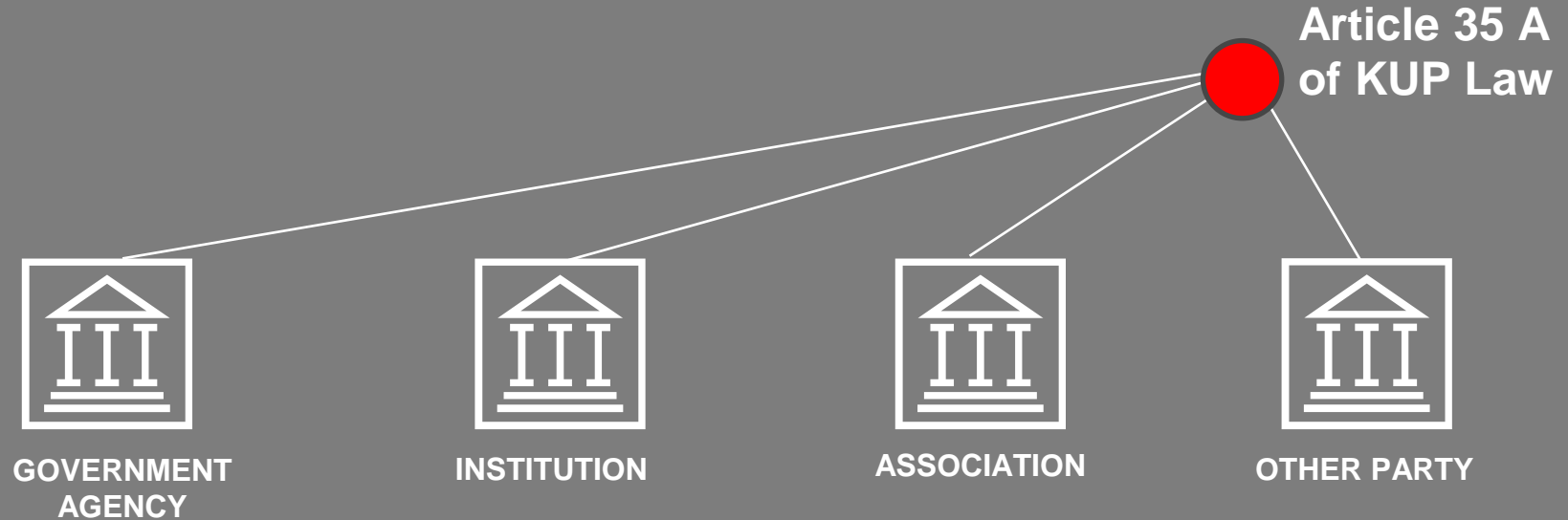
Article 35 of
KUP Law



Must provide explanation/information or evidence,
if requested in writing by DGT

Tax Transparency System

GOVERNMENT AGENCIES, INSTITUTIONS, ASSOCIATIONS, AND OTHER PARTIES



To provide data and information related to taxation

Tax Transparency System

INDONESIAN TAX TREATIES CONCERNING EOI

The competent authorities of the two States **shall exchange such information** as is necessary **for carrying out the provisions of this Agreement** or of the **domestic laws** covered by Agreement.....

Any information received by one of the two States **shall be treated as secret.....**

Tax Transparency System

INDONESIAN TAX TREATIES CONCERNING EOI

In no case shall the provisions of paragraph one be construed so as to **impost on one** of the stage **the obligation**:

- a. to carry out administrative measures **at variance with the laws**.....;
- b. to supply information which **is not obtainable under the laws**
- c. to supply information which **would disclose**, the disclosure of which **would be contrary to public policy**.

Tax Transparency System

MCAA

MCAA ratified by Indonesia on 17.10. 2017

1. EoI;
2. Assistance in Recovery (recovery of tax claims); and
3. Service of Documents.

Tax Transparency System

MCAA

MCAA – EoI in two different treaties:

1. **MCAA AEOI (MCAA - CRS)** signed by Indonesia in **September 2018**;
and
2. MCAA on exchange of CbCR (**MCAA - CbCR**) signed by Indonesia on **26 January 2017**.

Tax Transparency System

ACCESS TO FINANCIAL INFORMATION FOR TAX PURPOSES

Perpu -1/2017 (8 May 2017) contains the following important provisions:

- 1. Consideration of the enactment of Perp-1/2017:**
 - a. Limited access of tax authority:** to receive and obtain financial information stipulated in the tax law, banking law, sharia banking law and capital market law; and
 - b. Indonesia must immediately establish legislation** at the level of law, regarding access to financial information for tax purposes as mandated by **MCAA-CRS**.

Tax Transparency System

ACCESS TO FINANCIAL INFORMATION FOR TAX PURPOSES

2. **DGT's authority to obtain access** to financial information
3. **Type of report:**
 - a. **Eol Report for International purposes;** and
 - b. **Eol Report for domestic purposes.**
4. **The content of the report :**
 - a. Identity of the financial account holder;
 - b. Financial account number;
 - c. Identity of the financial service institution;
 - d. Balance or amount of the financial account; and
 - e. Income related to the financial account.

Tax Transparency System

ACCESS TO FINANCIAL INFORMATION FOR TAX PURPOSES

5. The provision concerning the obligation to keep the secret (“**Confidentiality**”), including “**Bank Secrecy**”, is not applicable in implementing Perpu-1/2017.
6. **Criminal sanction** for non-compliance.

THANK YOU



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