Oil and gas taxation in Indonesia
Deloitte taxation and investment guides

Contents

Deloitte taxation and investment guides
www.deloitte.com/taxguides
Oil and gas tax guide

Tax professionals of the member firms of Deloitte Touche Tohmatsu Limited have created the Deloitte International Oil and Gas Tax Guides, an online series that provides information on tax regimes specific to the oil and gas industry. The Guides are intended to be a supplement to the Deloitte Taxation and Investment Guides, which can be found at www.deloitte.com/taxguides. For additional information regarding global oil and gas resources, please visit our website: www.deloitte.com/oilandgas

1.0 Summary

Indonesia has several layers of taxation on upstream oil and gas activities. The most important taxes which apply to companies extracting oil and gas from Indonesia and/or the Indonesian Continental Shelf are; :

• Corporate income tax (upstream)	Depends on the signing date of the Production Sharing Contract ("PSC"); the current rate is 25%
• Corporate income tax (downstream)	25%
• Branch profits tax	20%
• Withholding tax *	
o Dividends	10% – 20%
o Interest	15% – 20%
o Royalty	15% – 20%
• VAT	10%

* Depends on the recipient; subject to treaty reduction in the case of non-residents.

2.0 Corporate income tax

The Cooperation Contract can be in the form of a Production Sharing Contract ("PSC") or a Service Contract. A PSC is the common contract in the Indonesian upstream business. Generally, a Cooperation Contract overrides the general principles of Indonesian income tax law, because the contracts have the status of "Lex Specialis".

2.1 In general

Oil and gas business activities in Indonesia mainly consist of upstream (exploration and exploitation) and downstream (processing, transport, storage and commerce). There are also other supporting activities for both the upstream and downstream businesses. The Oil and Gas Law prohibits a business entity engaging in upstream activities from also conducting downstream business activities and vice versa.

The upstream business activities are carried out by a business entity (commonly referred to as the "Contractor") based on the Cooperation Contract made with the Government. The Cooperation Contract can be in the form of a Production Sharing Contract ("PSC") or a Service Contract. A PSC is the common contract in the Indonesian upstream business. Generally, a Cooperation Contract overrides the general principles of Indonesian income tax law, because the contracts have the status of "Lex Specialis". Reference to the general tax laws and regulations will be made only on matters not specifically mentioned in the Cooperation Contract.

Taxation of business entities operating in the downstream sector is based upon the prevailing tax laws and regulations, except when downstream activities are an integral part of upstream activities.

2.2 Rates

Upstream business

Historically, the corporate income tax rate applicable to the Contractor is the prevailing income tax rate at the date of signing of the PSC. The summary of oil and gas sharing and corporate tax rates in various PSC regimes is as follows:

	Old		1985 – 1994		1995		1995 Province		New	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
Corporate tax	45	45	35	35	30	30	30	30	30*	30*
Branch profits tax	20	20	20	20	20	20	20	20	20	20
Effective	56	56	48	48	44	44	44	44	44*	44*
Share of production after										
Government	85	70	85	70	85	70	65	60	Varies	
Contractor	15	30	15	30	15	30	35	40	Varies	
Contractor's share of production before										
Oil – 35/(100-44); Gas – 40/(100-44)							62.5	71.43	Depends on negotiated share production	
Oil – 15/(100-44); Gas – 30/(100-44)					26.79	53.57				
Oil – 15/(100-48); Gas – 30/(100-48)			28.85	57.69						
Oil – 15/(100-56); Gas – 30/(100-56)	34.09	68.18								

*** The corporate tax rate has reduced to 28% for 2009 and 25% for 2010 onwards, which results in effective rates of 42.4% and 40% respectively.**

For contracts signed after Government Regulation No. 79/2010 ("GR-79/2010"), the income tax rate is in accordance with the provisions of the laws and regulations relating to income tax. The Contractor can opt to either apply the income tax rates that prevailed at the time the contract was signed or follow the changes in tax rates as they occur over time.

Downstream business

The corporate income tax rate for downstream business generally follows the prevailing tax law and regulation, unless a certain tax incentive is granted by the Minister of Finance (please refer to Section 3 Tax Incentives). The current tax rate is 25%.

2.3 Taxable income

The taxable income of an upstream Contractor shall comprise of the income derived from the operations (section 2.4), less current year non-capital costs, less current year depreciation of capital costs, less prior years' unrecovered operating costs.

The taxable income of a downstream business is generally computed on the basis of Indonesian accounting principles. Certain adjustments are made for fiscal purposes to arrive at taxable income as a basis for calculating corporate tax liability, for example benefit in kind expenses, tax expenses, tax penalties, provisions and other non-deductible expenses.

2.4 Revenue

Upstream business

Assessable income consists of gross income of Contractors based on the type of Cooperation Contracts and its source, as follows:

- income within the framework of a PSC, which is the traditional income received from oil and gas sharing as regulated by the PSC, such as equity share, First Tranche Petroleum, oil and/or gas derived from recovery of operating costs, incentives, Domestic Market Obligation, and any price variance;

- income within the framework of a Service Contract, which is basically the agreed compensation received from the Government plus the realized value of sales of oil and/or gas derived from recovery of operating costs; and

- income derived from outside a Cooperation Contract, which consists of:

  a. Uplift or other similar income; and/or

  b. Income from the transfer of a participating interest.

Oil and gas pricing policy

The value of crude oil is determined based on the average Indonesian Crude Price ("ICP"), which is in turn determined by the Government periodically based on the movement in the price of a basket of selected internationally traded crudes. The ICP is the basis for converting the crude oil to gross revenue in order to calculate the Contractors' share, cost recovery, and taxable income.

Gas price is as stipulated in the respective Gas Sales Agreement.

First Tranche Petroleum ("FTP")

First Tranche Petroleum or FTP means the portion of oil or gas produced and set aside from the Contract Area which the Government and the Contractor are entitled to take and receive each year before any deduction for recovery of Operating Costs and production handling costs. FTP is generally 20% of the production. A variation may exist in the latest PSCs whereby only the Government is entitled to the FTP.

Investment credit

The Contractor may recover an investment credit from the capital cost directly required for developing the crude oil production facilities of a certain project. Depending on the PSC, an investment credit may also be available for the capital cost directly required for developing natural gas production facilities.

Generally, the investment credit ranges between 15.78% and 20% for crude oil, while certain PSCs provide higher investment credit for crude oil production facilities of new fields producing from pre-tertiary reservoir rocks, and for natural gas production facilities. The investment credit is recovered from gross production after recovering Operating Costs, commencing in the earliest production year, and is taxable in the hands of the Contractor.

The Contractor may recover an investment credit from the capital cost directly required for developing the crude oil production facilities of a certain project.

Domestic Market Obligation ("DMO")

The Contractor is required to participate in supplying domestic needs for oil and/or gas. The participation of the Contractor in the supply of domestic needs is determined on a prorated basis in line with the share of oil and/or gas production. The amount of the Contractor's participation is generally 25% of the oil and/or gas production.

The price of crude oil sold for domestic supply is typically ranging between 10% – 25% of the weighted average price ("WAP"). Earlier generations of PSCs provided a DMO price of only US$0.20 per barrel.

The DMO requirement for natural gas is generally stipulated in Cooperation Contracts signed after Law No.22. Any new natural gas reserve discovered by the Contractor shall first be reported to the Minister of Energy and Mineral Resources ("MoEMR"). In the event that the natural gas reserve is to be produced, the MoEMR shall first give priority to domestic demands.

Downstream business

Assessable income is every economic benefit, originating from Indonesia or abroad, received or obtained by the taxpayer, that can be used for consumption or for adding to the wealth of the taxpayer. It includes, amongst others, business profits, capital gains (which are taxed as ordinary income), dividends, interest income and rental income.

2.5 Deductions and allowances

Upstream business

The "Uniformity Principle" is adopted by the upstream operation. This principle provides that the treatment of deductible costs for tax purposes shall be identical to the costs recovered by the Contractors from the Government within the framework of the Cooperation Contract, and vice versa. Generally the Contractor will recover all operating costs out of sales proceeds. If in any calendar year the Operating Costs exceed the value of crude oil or gas produced, then the unrecovered excess shall be recovered in succeeding years.

The operating costs of a Cooperation Contract consist of exploration costs, exploitation costs, and other costs. The main principles governing the types of operating costs that can be recovered and that are deductible for tax purposes, are as follows:

- incurred for income generating and directly related to the work area in Indonesia;
- satisfy the arm's length pricing (for transactions with related parties);
- the operation is performed in accordance with proper business and technical practices; and
- the activities are in accordance with the work plan and budget approved by Government.

Depreciation or amortization of assets follow the specific classification and rates as stated in the Cooperation Contracts

Certain costs cannot be recovered and are not deductible for income tax purposes (the negative list), including:

- costs related to the personal interests of workers, management, holders of participating interest, and shareholders and/or their families;
- reserve funds, except for mine abandonment and site restoration costs deposited in a bank located in Indonesia;
- assets that are donated;
- tax administration sanctions, as well as penalties arising from negligence or deliberate mistakes by a Contractor;
- depreciation costs of goods/equipment that are not owned by the State;
- incentives, pension fund contributions, and insurance premiums incurred for the personal interest of foreign workers, management and shareholders and/or their families;
- costs for foreign workers not following the Expatriate Manpower Utilization Plan (RPTKA) procedures and/or not having Expatriate Work Permits (IKTA);
- legal consultant fees that are not directly related to the Cooperation Contract's operations;
- tax consultant fees
- costs for marketing the Contractor's share of oil/gas, except gas marketing costs approved by the Government;
- public relations costs, including entertainment in any name or form whatsoever, unless accompanied by a nominative list of the beneficiaries and their tax identification numbers;
- community development costs during the exploitation stage;
- costs related to technical training for foreign workers;
- costs related to merger, acquisition, and transfer of participating interest;
- interest costs on loans;
- employees' income tax borne by the Contractors or paid as a tax allowance, and third parties' tax that should be withheld or collected but is instead borne by the Contractors or grossed up;
- procurement of goods and services or other activities not in accordance with the arm's length principle and proper technical practices, or exceeding the value of the authorization for expenditure by more than 10%;
- excessive surplus of materials due to errors in planning and purchasing;
- book value and operating costs of assets used that can no longer operate due to the Contractor's negligence;
- transactions that: 1) cause losses to the State; 2) are procured without tender process (except for emergency purposes); or 3) conflict with the regulations;
- bonus paid to the Government;
- expenditures incurred prior to signing of Cooperation Contracts;
- interest recovery incentive; and
- costs for commercial audit.

Downstream business

Generally, a deduction is allowed for any expenses incurred in obtaining, collecting and maintaining taxable income. On the other hand, the income tax law also specifies types of expenses that cannot be allowed as expenses for calculating corporate income tax (non-deductible expenses). Please refer to "Deloitte – Taxation and Investment in Indonesia" for details of allowable and non-allowable expenses.

2.6 Losses

There is no concept of a tax loss for the upstream business. Unrecoverable costs can be carried over into the subsequent tax years until the end of the Cooperation Contract.

Tax losses of companies operating downstream businesses are allowed to be carried forward and applied against future tax obligations for a period of up to five fiscal years.

2.7 Branch Profits Tax ("BPT")

Upstream Contractors are also subject to a final tax on taxable income after corporate tax deduction (Branch Profit Tax or BPT). The statutory rate is 20%. The majority of income tax treaties will not allow the use of a lower BPT rate for income derived from oil and gas exploration activities. However, even if some tax treaties provide relief, the application of a lower BPT rate is still an industry issue and potentially creates disputes with the authorities, hence the agreed production split formula in the Cooperation Contracts typically imply the application of the statutory BPT rate.

Upstream Contractors are also subject to a final tax on taxable income after corporate tax deduction (Branch Profit Tax or BPT). The statutory rate is 20%.

The application of a reduced treaty rate for BPT purposes has been formally disallowed in PSCs which were signed under post 2001 Oil and Gas Law. A specific provision has been included in the PSC signed more recently (under the new Oil and Gas Law) to revise the production sharing scheme, such that the Government ends up with the same after-tax position if the reduced rate of BPT is applied by the Contractors.

3.0 Tax incentives

3.1 Income tax facility

Companies investing or expanding an existing business in the following downstream sectors may be granted certain income tax concessions:

- oil refinery with priority for local demand;
- natural gas refinery and processing business to produce LNG and LPG;
- lubricants manufacturer; and
- organic basic chemicals industry originating from crude oil and natural gas.

The income tax facilities are in the following forms:

- additional net income reduction, up to a maximum of 30% of the amount of the investment;
- accelerated depreciation and amortization;
- the period of loss carry forward being extended up to ten years; and
- withholding tax on dividends to foreign shareholders capped at 10%, or a lower tax treaty rate.

These facilities are granted by the Minister of Finance upon considering proposals from the Head of the Investment Coordinating Board.

3.2 Income tax holiday

Corporate taxpayers in the refinery industry of natural oil and/or basic organic chemicals originating from natural oil and natural gas may be eligible for a corporate income tax exemption facility (Tax Holiday), subject to application and approval from the Minister of Finance.

Taxpayers that may be entitled to the Tax Holiday facility are new corporate taxpayers that fulfill the following criteria:

- operate in a pioneer industry;
- have a new capital investment plan of at least IDR 1 trillion;
- will deposit at a minimum 10% of the total investment plan in an Indonesian bank; and
- have the status of a legal entity in Indonesia which should have been validated, at most, 12 months before the effective date of the tax holiday regulation (i.e. 15 August 2011), or those taxpayers whose status have been validated on or after the effective date of the regulation.

Exemption from income tax may be given for a maximum period of ten fiscal years and a minimum of five fiscal years from the fiscal year in which commercial production commences. After the end of the exemption periods, taxpayers will also be entitled to a 50% reduction of income tax payable for the subsequent two fiscal years.

This incentive can only be applied until August 2014.

Corporate taxpayers in the refinery industry of natural oil and/or basic organic chemicals originating from natural oil and natural gas may be eligible for a corporate income tax exemption facility (Tax Holiday) …

4.0 Payments to related parties

4.1 Transfer pricing

The Tax Law requires transactions involving related parties to be conducted at arm's-length. The arm's-length principle means that the pricing between related parties should be similar to the conditions that would have applied had the transaction taken place between unrelated parties. Certain transfer pricing documentation would need to be maintained by the taxpayer for qualified transactions.

In the upstream business, recoverable operating costs in the calculation of production sharing and income tax must also fulfill the arm's length requirement as mentioned in the Income Tax Law.

4.2 Thin capitalization

Indonesia currently does not have specific thin capitalization rules. However, the income tax law authorizes the Ministry of Finance to determine the debt-to-equity ratio of companies for tax calculation purposes.

4.3 Interest deductibility

PSCs signed prior to GR-79/2010 generally include a provision to allow interest cost on borrowings, where the interest rates do not exceed a prevailing commercial rate for capital investments, to be claimed as cost recovery on certain projects. In practice, interest costs are generally not allowed to be claimed either as a cost recovery or as a tax deduction, unless specifically approved by the Government. Details of financing plans and amounts must be included in the yearly budget for prior approval by the authority. All other financing must also be approved by the Government. Interest recovery claimed by the Contractor is subject to withholding tax under the prevailing Income Tax Law, at the statutory rate of 20%.

However, GR-79/2010 creates uncertainty as to whether interest deductions or incentives will still be allowed going forward for PSCs signed prior to the regulation as these items are considered as non-recoverable and non-deductible for the calculation of production sharing and income tax.

Interest deductibility for the downstream business follows the prevailing regulations whereby interest from loans obtained for the purpose of generating assessable income should be deductible in calculating corporate tax liability. If the loan is obtained from a related party, the interest should be charged on an arm's length basis and the gearing ratio must be in line with industry practice.

5.0 Transactions

5.1 Capital gains
Capital gains earned by Indonesian residents are taxable as ordinary income. A specific final tax regime will apply on the disposal of shares of companies listed on an Indonesian stock exchange. The disposal of shares of a non-listed Indonesian company by a foreign shareholder is subject to 5% tax, with possible relief based on the relevant tax treaty.

5.2 Asset disposals
Profits from asset disposals earned by Indonesian residents generally attract capital gains and VAT. Disposals of assets in the form of land and/or building will be subject to a final income tax at 5% for the transferor and 5% duty for the transferee.

5.3 Farm outs
A transfer of a participating interest of an oil and gas block (PSC Transfer) is subject to a specific final income tax at the rate of either 5% for transfer during exploration stage, or 7% for transfer during the exploitation stage.

Exemptions may be available for certain transactions such as a transfer for risk sharing during the exploration stage, and transfer to a national company during the exploitation stage. Risk sharing occurs when there is a partial transfer of participating interest, the interest has been held for at least three years, exploration has been performed in the work area (investment expenditures have been incurred), and the transfer is not intended to generate profit.

Exemptions may be available for certain transactions such as a transfer for risk sharing during the exploration stage, and transfer to a national company during the exploitation stage.

The latest regulation about PSC Transfers further elaborates that taxable income after final tax shall subject to BPT of 20%. Further, the Indonesian tax authority deems that the indirect sale (i.e. the sale of shares of an offshore company which also owns a participating interest) will also fall within the scope of transfers of participating interests.

The taxation rights and obligations pertaining to the participating interest transferred shall be resumed by the new Contractor.

5.4 Other income
Compensation received by an upstream Contractor in financing a partner for the purpose of upstream operations (i.e. uplift) is subject to final tax of 20% of the gross amount. In addition, such income is also subject to BPT.

The income tax treatment on the upstream Contractor's other income other than from PSC Transfers and uplift shall follow the prevailing tax law and regulations.

6.0 Withholding taxes

6.1 Dividends
Dividends received by a resident company from a shareholding in another Indonesian company are subject to a 15% withholding tax. However, where the recipient company holds at least 25% of the capital of the payer company and the dividends originated from retained earnings, the dividends are tax exempt in the hands of the resident corporate shareholder.

Dividends distributed to a non-resident shareholder are subject to withholding tax at the rate of 20%, subject to reduction under the income tax treaties.[1]

Dividends distributed by an upstream Contractor which operates through an Indonesian legal entity are treated as dividends that are available for payment. Although arguably the dividends may be exempted from tax or subject to a lower tax rate based on the prevailing tax law or tax treaty, in practice, the upstream Contractors are expected to remit 20% tax on dividends as the agreed production split formula in the contracts imply the application of a 20% rate (please refer to Section 2.7 Branch Profit Tax).

1 Please refer to "Deloitte – Taxation and Investment in Indonesia" for further details of tax treaty rates.

6.2 Interest

Interest paid to a resident (except to a bank or financial institution) is subject to 15% withholding tax. Interest from Indonesian banks and Indonesian branches of foreign banks is generally subject to a final 20% withholding tax for both companies and individuals (certain exemption may apply for PSC companies).

Interest paid to a non-resident is subject to withholding tax at the rate of 20%, subject to reduction under the income tax treaties.

6.3 Rents and royalties

A royalty paid to a resident is subject to a 15% withholding tax, while a royalty paid to a non-resident is subject to withholding tax at the rate of 20%, subject to reduction under the income tax treaties.

6.4 Tax treaties

Indonesia has a reasonably broad income tax treaty network, which potentially allows for a reduction in local withholding tax rates and may provide other forms of relief for cross border transactions. A foreign income recipient would need to satisfy certain administrative and substance requirements whenever it seeks to utilize the tax treaty relief.

7.0 Indirect taxes

7.1 VAT

Crude oil and natural gas are not subject to VAT; therefore, upstream Contractors are not taxable entrepreneurs for VAT purposes. However, the Contractors would still be imposed with VAT on local purchase of taxable goods and/or supplies. The VAT paid by Contractors may be reimbursable from the Government when the PSC commences production and the Government receives a share of production, except for PSCs signed after GR-79/2010 where VAT shall be included as part of operating cost instead of reimbursable from the Government.

Crude oil and natural gas are not subject to VAT; therefore, upstream Contractors are not taxable entrepreneurs for VAT purposes.

The VAT reimbursement from the Government will need to be supported by specific documentation (e.g. original commercial and VAT invoices etc.) and satisfy certain conditions (i.e. must not relate to a benefit in kind or entertainment unless at the operational site or remote area, and the related costs are recoverable). VAT paid by Contractors who fail to commence production, will not be reimbursed and will be an absolute cost for the Contractors.

Downstream products and services are generally subject to VAT. An entrepreneur delivering goods and/or services that are subject VAT should register as a taxable entrepreneur if its sales exceed a certain annual threshold. Thereafter, a taxable entrepreneur is required to comply with certain VAT administration requirements, such as the issue of a VAT invoice, collection and reporting of VAT to the authorities. The general VAT rate is 10%. However, a VAT rate of 0% is applied on the export of taxable goods, intangible taxable goods, and certain taxable services.

VAT paid (input VAT) by a taxable entrepreneur on purchases of goods/services from local suppliers on importation may be credited against VAT collected. Where the input VAT is higher than the output VAT, the excess may be either claimed as a refund or carried forward to following month(s).

7.2 VAT collector status

Upstream Contractors are appointed as a collector of the VAT charged by its vendors, except on the following transactions:

- expenditures with value of IDR 10 million or less;
- purchases of goods/services which are exempted from VAT;
- purchases of fuel oil and non-fuel oil from PT Pertamina;
- telephone bills; and
- air transport services provided by airline companies.

Contractors are required to collect VAT in the month when the VAT invoice is issued. Thereafter, the VAT collected should be remitted to the State Treasury and reported to the Tax Office by the 15th and 20th of the subsequent month.

7.3 Import, export, and customs duties

PSCs signed before the 2001 Oil and Gas Law was enacted are granted exemption from import taxes (i.e. import duty, VAT, and Article 22 income tax) for the importation of goods that will be used in petroleum operations. This exemption is based on the procedure specified in the regulation, such as submission of an annual Import Plan and obtaining a Master List from the customs authority.

PSCs signed before the 2001 Oil and Gas Law was enacted are granted exemption from import taxes (i.e. import duty, VAT, and Article 22 income tax) for the importation of goods that will be used in petroleum operations.

For PSCs signed after the 2001 Oil and Gas Law was enacted, the Government provides an exemption from VAT and customs duty on the importation of goods used in upstream activities, with the following conditions:

a. the goods are not yet produced in Indonesia;

b. the goods already produced in Indonesia but cannot meet the required specification; and

c. the goods already produced in Indonesia but cannot fulfill the demand of industry.

The latest regulation on Article 22 income tax also stipulates that the import of goods undertaken by the PSC Contractors is exempt from Article 22 income tax.

Importation by a downstream business entity generally follows the prevailing regulation where import taxes are payable, unless the importer is entitled to certain facilities.[2]

7.4 Excise tax

There is no specific excise tax on oil and gas related activities.[2]

7.5 Stamp tax

Stamp duty applies to financial transactions, legal documents and receipts at rates ranging from IDR 3,000 to IDR 6,000, depending on the value of the transaction and type of document.

7.6 State and municipal

Certain regional taxes and user fees are administered and collected by regional governments, such as provinces and districts. The major taxes applicable to oil and gas are land and/or building tax, duty on acquisition of land and/or building,[3] and Automotive Fuel Tax ("AFT"). AFT is a regional tax imposed on retail fuel sales. The rate could be as high as 10% (currently only 5%) and is already included in standard domestic retail fuel prices. AFT is collected by the producer or importer of fuel on behalf of the province government.

For older PSCs, this regional tax would be assumed and/or discharged by the Government. However, the later PSCs entered after GR-79/2010 no longer have "assume and discharge" provisions, meaning that contractors of new PSCs would be liable to regional tax. Regional tax borne by the contractors can be included as part of operating costs.

Investors should carry out separate reviews on potential regional taxes that could apply in specific regions and/or to particular oil and gas activities.

2 Please refer to "Deloitte – Taxation and Investment in Indonesia" for a general application of import taxes.

3 Please refer to "Deloitte – Taxation and Investment in Indonesia" for further details

8.0 Other

8.1 Choice of business entity

Both upstream and downstream businesses may be conducted by state-owned business entities, regional government-owned business entities, cooperatives, small-scale companies and private business entities. Specifically for upstream businesses, a foreign investor may also conduct activities through a branch of a foreign incorporate enterprise where they are automatically considered as a permanent establishment ("PE"). Most foreign investors prefer to operate in the form of a branch.

The Oil and Gas Law prohibits a business entity/PE that is engaged in upstream activities from also conducting downstream business activities, and vice versa, unless where the upstream entity also undertakes certain downstream activities that are integral to its upstream activities, subject to pre-approval from the authority.

The Government determines the business entity/PE to be appointed as the party to perform upstream business activities in a given Work Area. Only one Work Area can be granted to each business entity/PE (known as the Ring Fencing principle). An investor would need to establish a separate subsidiary for each oil and gas block. However, multiple investors can be parties to one Cooperation Contract.

The common form of business organization for foreign investors in downstream activities is a limited liability company (*Perseroan Terbatas*, or PT). There are certain formalities for setting up and maintaining a company in Indonesia.[3] Investors should carry out separate reviews on the structure of the proposed inbound investment in order to achieve an efficient structure.

8.2 Foreign currency

Subject to approval from the Minister of Finance, foreign investment (PMA) companies, permanent establishments, and certain entities with foreign affiliations, or taxpayers that intend to prepare their financial statements in US Dollars as the functional currency in accordance with the Indonesian financial accounting standards, may maintain English-language and US dollar books.

Upstream Contractors are only required to notify the Minister of Finance if they maintain their books in English-language and US Dollars; pre-approval is not required.

The Oil and Gas Law prohibits a business entity/PE that is engaged in upstream activities from also conducting downstream business activities, and vice versa …

3 Please refer to "Deloitte – Taxation and Investment in Indonesia" for further details

9.0 Oil and gas contact information

Jakarta (GMT +7)

Deloitte Southeast Asia

Deloitte Tax Solutions
The Plaza Office Tower 32nd floor
Jl. M.H. Thamrin Kav. 28-30
Jakarta 10350

Tel: +62 21 2992 3100
Fax: +62 21 2992 8303

Firdaus Asikin
Managing Partner
Deloitte Tax Solutions
Tel: +62 21 2992 3100 ext. 33888
firdausasikin@deloitte.com

Cindy Sukiman
Indonesia Oil & Gas Tax Leader
Deloitte Tax Solutions
Tel: +62 21 2992 3100 ext. 33898
csukiman@deloitte.com

John Spissoy
Senior Advisor – South East Asia Energy
& Resources Industry Tax Leader
Deloitte Tax Solutions
Tel: +62 21 2992 3100 ext. 33790
jospissoy@deloitte.com

John Lauwrenz
Director
Deloitte Tax Solutions
Tel: +62 21 2992 3100 ext. 33885
jlauwrenz@deloitte.com

Designed and produced by The Creative Studio at Deloitte, London. 31176A