



Tax Amnesty Law Implementing Regulation Issued

Further to the issuance of the Tax Amnesty Law No.11/2016, as of this time, the Government has issued the following implementing regulations and guidance:

1. Minister of Finance Regulation No.118/PMK.03/2016 regarding Implementation of the Tax Amnesty Law;
2. Minister of Finance Regulation No.119/PMK.08/2016 regarding Procedures for transfer of taxpayers' assets into the territory of the Unitary State of the Republic of Indonesia and placement in investment instruments in the financial market in the context of tax amnesty;
3. Director General of Tax Regulation No. PER-07/PJ/2016 regarding Documents and technical guidelines for Tax Amnesty Forms; and
4. Director General of Tax Circular No.30/PJ/2016 regarding Implementation guidelines for Tax Amnesty.

The key features of the Tax Amnesty:

1. **The periods and rate of the tax amnesty :**

Assets	1 July 2016 to 30 Sept 2016	1 Oct 2016 to 31 Dec 2016	1 Jan 2017 to 31 Mar 2017
Declaration of Offshore Assets without repatriation	4%	6%	10%
Onshore Assets or Repatriated Offshore Asset	2%	3%	5%

Small Taxpayers	Gross Assets up to IDR10bn	Gross Assets More than IDR10bn
With revenue <IDR4.8billion	0.5%	2%

2. The lower rate for Small and Medium Entrepreneurs is only applicable for the Indonesian tax residents who carry on business with revenue of IDR4.8billion or less; it is not applicable for employees or freelance workers who have special expertise such as doctors, notaries, accountants, architects, or lawyers.

3. **Repatriated assets**

Taxpayers intending to repatriate assets into Indonesia through a branch of an Indonesian Receiving Bank overseas should retain the assets in Indonesia for at least 3 (three) years from the placement in the overseas branch.

The branch must transfer the assets to Indonesia no later than the next working day.

4. **Taxpayers in the process of initial investigation or full investigation**

Taxpayers intending to participate in Tax Amnesty must pay the amount of tax payable based on written information from the tax office conducting the initial investigation or full investigation.

The taxpayer shall not pay the tax payable based on a tax assessment notice but rather based on the written information from the tax office.

5. **Asset owned through Special Purpose Vehicles (SPV)**

Assets owned through a SPV must be declared by disclosing the assets and liabilities. The assets are reported in the list of assets, while the liability is included in the list of liabilities. The list of liabilities would be subject to a limitation of 75% of the value of additional assets for an entity or 50% for an individual.

Hence, the reporting is not based on the value of net equity or shares of the SPV, but rather on the assets and liabilities of the SPV.

6. **Taxpayer must come directly to the tax office or prescribed place to submit the declaration**

Declarations must be submitted directly by taxpayers or their proxies. Directly means that the taxpayer or its proxy comes to the tax office or a prescribed location. Prescribed locations include the Indonesian General Consulate in Hong Kong, Indonesian Embassy in Singapore or London, or other appointed place.

In the event that the Declaration is not submitted directly, the Declaration is considered not to be submitted and the documents will be returned without a receipt.

7. **Transfer of title of Land and/or Building (L&B) or Shares**

Taxpayers having obtained a Certificate must change the title of L&B or Shares into their own names. The L&B or shares must be indirectly owned before the FY15.

The income tax from change of title of L&B or shares will be exempted after the issuance of the tax exemption letter (SKB) from the tax office where the taxpayer is registered.

8. **Revision of tax return after FY15 and waived interest penalty**

Subsequent to submission of the Declaration for FY15, taxpayers might have to revise the following year tax returns, since the tax loss or overpayment is no longer eligible. The interest penalty due to revision of such tax returns will be waived by the tax office.

9. **Receiving Banks**

The Minister of Finance will determine the Receiving Banks that will receive payments of redemption money and transfer of offshore assets.

10. **Implications for non-participating taxpayers**

If the tax office finds assets acquired from 1 January 1985 through 31 December 2015 within 3 years after the Tax Amnesty Law becomes effective, the tax office will issue an underpaid tax assessment notice. The penalty is 2% per month (up to 24 months or 48%) from when the asset is discovered until the tax assessment is issued.

The amount of the underpaid tax assessment would be 25% (entity) or up to 30% (individual) from the discovered assets, and the penalty will be up to 48% at the maximum.

Taxpayers are encouraged to participate in this Tax Amnesty program if they have any undisclosed assets.

Deloitte can assist clients in tax consultation in the areas of tax planning for high net worth individuals, corporate tax restructuring as well as preparation of tax amnesty applications, corporate tax returns and individual tax returns.

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