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Indonesia:
New thresholds of nontaxable income

Overview

The Minister of Finance (MoF) has issued Regulation No. 101/PMK.010/2016 which was announced on 27 June 2016 ("MoF-101") to revoke MoF Regulation No. 122/PMK.010/2015 and stipulate increase of the nontaxable income (PTKP) threshold by 50% for individual taxpayers.

The new thresholds (and the comparison with the previous thresholds) which are effective as of fiscal year 2016 are as follows:

Basis of deduction	Deductible amount (per year)	
	Previous threshold	New threshold
Taxpayer	IDR 36,000,000	IDR 54,000,000
Spouse	IDR 3,000,000	IDR 4,500,000

Basis of deduction	Deductible amount (per year)	
	Previous threshold	New threshold
	(Additional IDR 36,000,000 for a wife whose income is combined with her husband's)	(Additional IDR 54,000,000 for a wife whose income is combined with her husband's)
Dependents	IDR 3,000,000 each	IDR 4,500,000 each
	(up to a maximum of three individuals related by blood or marriage)	(up to a maximum of three individuals related by blood or marriage)

Subsequent to the issuance of MoF-101, the MoF has also issued Regulation No. 102/PMK.010/2016 ("PMK-102"), which was announced on 27 June 2016 to stipulate the increase of PTKP of daily, weekly, and similar temporary employees (as referred to in Article 21(4) of Income Tax Law as most recently amended by Law No. 36 of 2008). The PTKP has increased from IDR 300,000 per day to IDR 450,000 per day. This PTKP does not apply when the gross income exceeds IDR 4,500,000 per month (previously IDR 3,000,000 per month), or when income is paid on a monthly basis. This arrangement also does not apply to honorarium or commissions paid to sales and insurance agents (penjaja barang dan petugas dinas luar asuransi). PMK-102 is effective on 27 June 2016 and supersedes the previous MoF Regulation No. 152/PMK.010/2015.

Deloitte's view

In relation to the new nontaxable thresholds which are effective for the 2016 fiscal year, withholders may need to recalculate the employment income withholding tax (PPh21) for previous tax periods and amend the relevant monthly tax returns accordingly. This should be further regulated in the Directorate General's taxation regulation and its implementing guideline.

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United Kingdom:
Parliament passes motion safeguarding EU nationals in the UK after Brexit

Overview

On July 6, the Opposition in the House of Commons secured a crucial vote in favor of 'giving EU nationals currently living in the UK the right to remain.' Shadow Home Secretary Andy Burnham secured a 243-vote majority in a vote that Government benches abstained from, a tactic aimed at sending a message to EU leaders and nationals in advance of Article 50 negotiations. The motion states that the House of Commons:

- Notes that there are approximately three million nationals of other EU member states living in the UK;
- Further notes that many more UK nationals are related to nationals of other EU member states;
- Rejects the view that these men, women, and children should be used as bargaining chips in negotiations on the UK's exit from the EU; and
- Calls on the Government to commit with urgency to giving EU nationals currently living in the UK the right to remain.

Earlier in the week, Immigration Minister James Brokenshire responded to pressure from a cross-party group of parliamentarians who had concerns about resident EU nationals 'being used as bargaining chips' in EU negotiations after Home Secretary Theresa May refused to guarantee the position of EU nationals in TV interviews over the weekend. Brokenshire said:

> We want to make sure that EU nationals who are already here can stay in Britain, but we also, as I have already stressed, need to guarantee the rights of British nationals living in EU member states. That needs to be a priority of our negotiations.

Uncertainties in the aftermath of Brexit continues to raise a number of questions around the rights of EU citizens and the impact this will have on businesses based in the UK, however, recent developments in parliament around protecting EU nationals indicate that there is a substantial, even sizeable majority of MPs, ready to put pressure on the new Prime Minister to ensure that resident EU migrants are protected in future EU negotiations.

Those who voted in favor of the motion were predominantly Labor MPs but also included rebellions from the Government benches such as Boris Johnson, the former Mayor of London who was one of the key figures campaigning for the UK to leave the EU, and five other Conservative MPs. Brokenshire rejected the motion and said the Government would not support it but added:

> In the approach the Government takes and the agreements we make, we will never treat EU citizens as pawns in some kind of cynical game of negotiation chess.

Deloitte's view

Although we clearly have a long way to go until we have clarity as to the exact position of EU nationals in the UK, this is a good first step towards ensuring that EU workers already in the UK are protected for the long term. We need clarity as to numerous British nationals living in the EU, but that will take longer to ascertain.

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Global Rewards Updates:
United Kingdom: A summary of key changes to incentive plans for listed companies for 2016/17

There have been several recent changes which will impact the operation of share plans in the UK. Each of the changes are described in more detail below.

UK share plan reporting

Background: In 2015, HM Revenue and Customs (HMRC) published new share plan reporting templates for the 2014/15 tax year (replacing Forms 34, 35, 39, 40 and 42) which were required to be filed online for the first time by companies that operate share plans in the UK. HMRC have updated these templates for the 2015/16 tax year and companies will need to download the latest templates.
URL: https://www.gov.uk/guidance/tell-hmrc-about-your-employment-related-securities

The new templates: In terms of content, there have been two key changes to the information required for reporting non-tax advantaged plans on the Other Employment Related Securities (ERS) schemes template (formerly Form 42). The changes are detailed below:

- Previously employers were asked for the Actual Market Value (AMV) of a security. Now employers only need to report the AMV where securities are restricted and an election has NOT been made to disregard ALL of the restrictions. Where a security is unrestricted or an election was made to disregard ALL restrictions employers should report the unrestricted market value of the security.
- The AMV of a security previously caused some confusion where securities were restricted but an election had been made to disregard ALL restrictions as the AMV was not relevant for tax purposes.
- Previously, companies were asked to indicate if "any adjustments were made for amounts subject to the remittance basis". Employers are now asked to provide a yes/no answer as to whether any apportionment was

applied when calculating the taxable income for the relevant individuals (e.g. if they were an internationally mobile employee).

There are no substantial changes to the remaining templates.

Restricted Share Units (RSUs)

In our Global Rewards Update, December 2015, we discussed HMRC's draft legislation in respect of RSUs and similar awards. In particular, the draft legislation, which subsequently came into effect from 6 April 2016, confirms that where an RSU qualifies as a "securities option" under UK legislation, only the securities option legislation can apply and the general earnings provisions cannot.
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-rewards-update-united-kingdom-11-december-2015.pdf

Companies need to determine whether their awards qualify as securities options as this can have a significant impact for National Insurance Contributions (NIC), capital gains tax, corporate tax and overseas workday relief for internationally mobile employees. Details of the impact can be found in our December Global Rewards Update.

NIC consultations

A NIC election is a formal election which requires the approval of HMRC and legally transfers the Employer's Class 1 NIC obligation arising in respect of a share award to the employee.

HMRC are proposing to discontinue the availability of such NIC elections in relation to employee incentive plans. NIC agreements, which are a less formal method of transferring the employer NIC cost, will continue to be available.

The consultation is open until 13 July 2016 (more details can be found here). Companies that currently operate NIC elections and who want to continue to do so should consider responding to the consultation.

Dividends

From 6 April 2016, the rules on the taxation of dividends in the UK have changed. Dividends received by individuals in the UK were previously deemed to be paid net of a notional tax credit of 10%. UK income tax would then be due on the grossed-up value of the dividend received at the individual's marginal tax rate (previously 10%/32.5%/37.5%). The notional tax credit has now been removed and replaced by a tax free allowance for individuals.

In particular, UK taxpayers are now eligible to receive an annual £5,000 tax free dividend allowance. Where an individual receives dividend income in excess of the £5,000 limit, they will be obliged to pay income tax on the excess at their marginal tax rate (for dividend income in 2016/17 the rates have changed to 7.5%/32.5%/38.1%).

The impact of this is that individuals who receive significant UK dividend income will ultimately pay more tax on their UK dividends. A welcome change, however, will be for individuals receiving less than £5,000 of dividend income who will no longer have a tax liability in respect of such income.

Capital Gains Tax (CGT)

The tax rates for UK CGT payable by individuals disposing of assets (including shares) have been reduced. Previously, where the individual was a basic rate taxpayer any gains in excess of the annual allowance (currently £11,100 for 2016/17) would be charged at a rate of 18%, and at 28% for higher/additional rate taxpayers. These rates have been reduced to 10% and 20% respectively.

Deloitte's view

UK share plan reporting: It is welcome to see that there have been few changes since last year and companies should continue preparing their returns for this year. At the time of writing, there have been some issues with the HMRC portal but hopefully, HMRC will resolve these as soon as possible.

Restricted Share Units (RSUs): Employers with internationally mobile employees will need to carefully consider whether their RSUs are regarded as "securities options" and tax as appropriate for awards vesting since 6 April 2016.

NIC consultations: Employers should consider whether they have a need for NIC elections and decide if they want to make a submission before the consultation ends.

Dividends and Capital Gains Tax (CGT): Employers should consider whether their employee communications are accurate in relation to the changes to the tax treatment of dividends and capital gains tax.

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