



Indonesian Tax Info June 2014 edition

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2014 Tax Audit Plan and Strategy

The Directorate General of Taxation (DGT) has released its annual Tax Audit Plan and Strategy for 2014 through issuance of internal circular letter No. SE-15/PJ/2014 addressed to the heads of Tax Audit functions across the nation. Below is the summary of the highlights in the circular, which include new strategies or approaches adopted by the DGT:

The focus of tax audit this year will be:

1. Corporate taxpayers in property and financial services industry and individuals who earn income as entrepreneur, shareholder and notary.
2. Taxpayers with the following criteria:
 - Taxpayers that have transaction with related parties in Indonesia (corporate group taxpayer);
 - Taxpayers in Oil and Gas sector; the audit will be performed based on a joint agreement between DGT, SKK Migas and State Auditor;
 - Taxpayers that have transaction with its related party (transfer pricing audit);
 - Taxpayers whose tax returns' statutory limitation for audit will expire in 2014;
 - Taxpayers whose tax returns' statutory limitation for audit will expire in 2015 and the audit should start no later than 8 (eight) months before the expiry date.

Taxpayers in any industry sectors that potentially will earn high income or have increased income growth in 2014, or taxpayers with a track record of a low level of compliance, will continue to be the primary target for audit.

It appears that going forward DGT will expand its audit target and be more diligent in scrutinizing taxpayers.

Updated Regulation on Later Payment of Stamp Duty

The Minister of Finance has stipulated an update of the regulation governing the procedure of settlement of Stamp Duty through Later Payment (*Pematerian Kemudian*), through the issuance of PMK-70/PMK.03/2014 ("PMK-70"), which revokes Minister of Finance Decree No. 476/KMK/03/2002 ("KMK-476").

New definitions of Document Owner and Document Producer are added in PMK-70, along with their responsibilities for the payment of the stamp duty payable.

Under PMK-70, an Underpayment Tax Assessment Letter (“SKPKB”) may be issued for settlement of stamp duty, in cases where:

- The document owner did not perform later payment of stamp duty on a document whose stamp duty is unpaid or underpaid;
- The document issuer uses other methods to settle the stamp duty payable (other than through affixing a revenue stamp or paying with a Tax Payment Slip) for post-dated stamp duty, and it exceeds the deposit or down payment made;
- A party uses within Indonesia a document produced abroad whose stamp duty is unpaid or underpaid.

The amount of SKPKB shall be the stamp duty that is unpaid or underpaid plus an administrative penalty of 200% of the unpaid or underpaid stamp duty. The payment of amount based on the SKPKB must be settled using a Tax Payment Slip (“SSP”).

Furthermore, a Tax Collection Letter (“STP”) may be issued, in the event the unpaid or underpaid stamp duty has been settled but the administrative penalty has not. The payment of such administrative penalty stipulated in the STP must also be settled using SSP.

PMK-70 is effective as of 25 April 2014.

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

Firdaus Asikin	firdausasikin@deloitte.com	Tax Managing Partner
Carlo Llanes Navarro	canavarro@deloitte.com	Senior Technical Advisor
Connie Chu	cchu@deloitte.com	Senior Technical Advisor
Melisa Himawan	mehimawan@deloitte.com	Senior Tax Partner
Cindy Sukiman	csukiman@deloitte.com	Tax Partner
Dionisius Damijanto	ddamijanto@deloitte.com	Tax Partner
Heru Supriyanto	hsupriyanto@deloitte.com	Tax Partner
John Lauwrenz	jlauwrenz@deloitte.com	Tax Partner
Nazly Parlindungan Siregar	nsiregar@deloitte.com	Tax Partner
Roy David Kiantiong	rkiantiong@deloitte.com	Tax Partner
Turmanto	tturmanto@deloitte.com	Tax Partner
Dany Hamdan Karim	dkarim@deloitte.com	Tax Director
Reinhard Daniel Aritonang	redaniel@delotte.com	Tax Director
Soenari Chasan	csoenari@deloitte.com	Tax Director
Koji Sugimoto	kojisugimoto@deloitte.com	Technical Advisor

Deloitte Tax Solutions

The Plaza Office Tower, 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 2992 3100
Fax: +62 21 2992 8303
email: iddttl@deloitte.com
www.deloitte.com/id

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