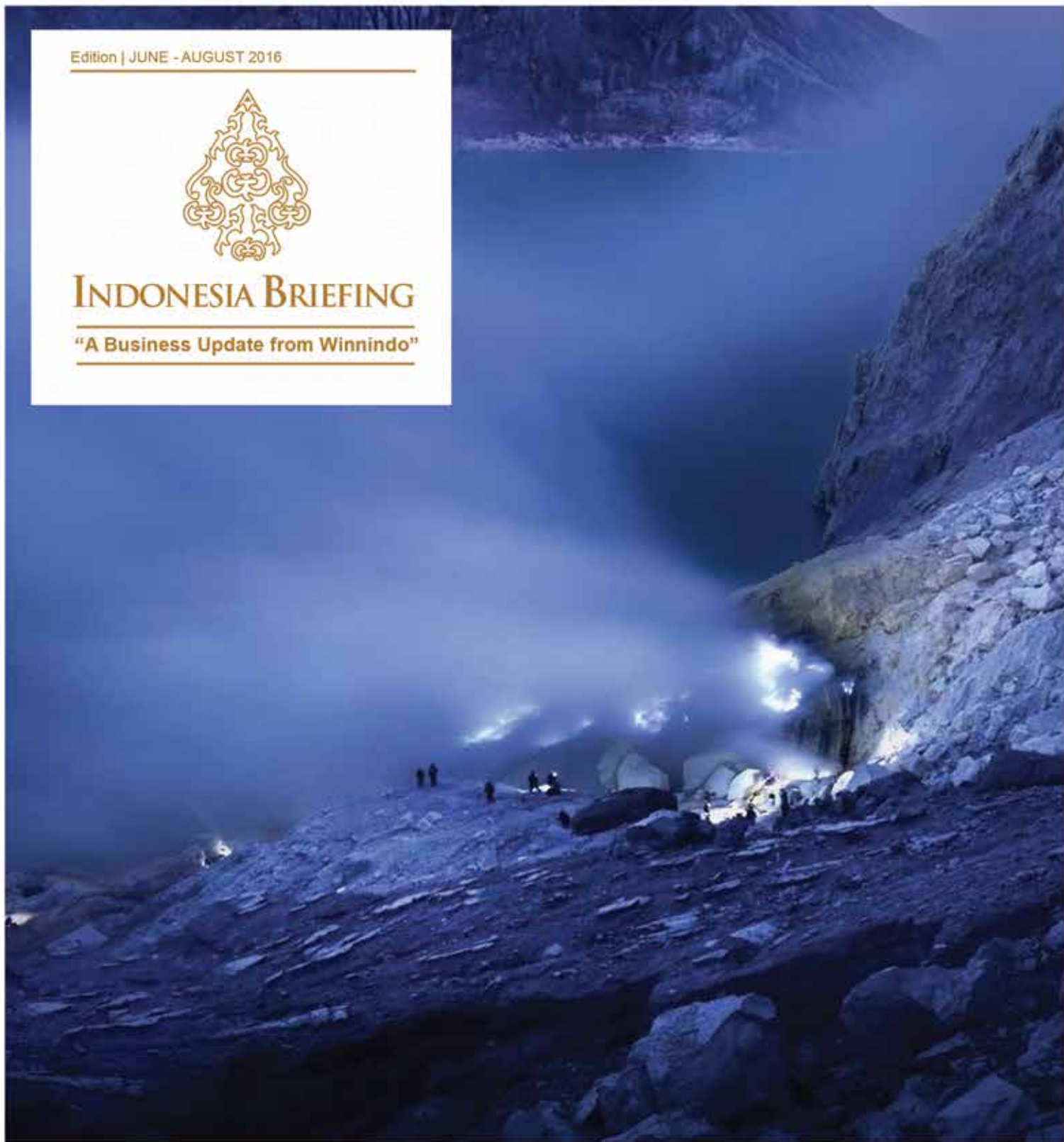


Edition | JUNE - AUGUST 2016



INDONESIA BRIEFING

"A Business Update from Winnindo"



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Mourme Taruna Halim
Partner
Winnindo Business Consult

This time is very delightful for me to release the first edition of Indonesia Briefing, a business publication from **Winnindo**, on May 2016. In this good moment, I would also introduce our consulting once again, **Winnindo**.

Winnindo was established in Jakarta on year 2002. It is the one of the leading local professional consulting firm, which has all the resources to provide a top-quality service. We offer our professional expertise and in-depth knowledge accounting taxation and all related management fields. **Winnindo** joined **The Leading Edge of Alliance (LEA)** on year 2012.

In the beginning of 2013, **Winnindo** established the Korean Desk which is dedicated to serve and cooperate with Korean companies that operating in Indonesia. **Winnindo** is the first accounting firm (non-big 4 accounting firms) that has a dedicated Korean CPA as Technical Advisors. Korean Desk is established in collaboration with Yeil Accounting Corp, a high-reputable accounting firm and LEA international affiliation in Korea.

In 2014, **Winnindo** was appointed as a member of **Dezan Shira & Associates (DSA)**, a specialist foreign direct investment practice with a pan-Asian presence. **DSA** has grown to be one of Asia's most versatile full-service consultancies with operational office across Asia, European and American countries.

Main topic on this issue is Indonesia Challenge on 2016: Accelerating Economic Growth. For Indonesia, year 2016 is very important year for economic acceleration milestone: the economic condition will be recovered from last year slowing down, investment opportunities are open widely for various sectors, infrastructure development is accelerated, and strong commitment of government arises to develop e-commerce and small-medium enterprise as backbone of future economic growth. Another important issue, government proposes tax amnesty as part of taxation reform, to extend the tax basis, and to collect fresh funding for infrastructure development.

Some of this information may arise questions furthermore as your interest to get benefit of economic opportunities in Indonesia: about how to invest in certain priority business sectors, or about how to participate and get benefit on tax amnesty program. We have growing teams of investment service, accounting, and tax professional with years of experience helping enterprises realize their investment opportunities and ensure compliance. Please contact to our **Jakarta** or **Tangerang** office for further information.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Mourme', with a stylized flourish at the end.

Mourme Taruna Halim

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Establishing a Representative Office in Indonesia

This Edition's Cover Picture

“Ijen Blue Fire Crater”

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Industrial Estate in Banten

Accelerating Foreign Investment in Indonesia on 2016

By: Mourme Taruna Halim

Talking about the type of foreign clients we are looking for, basically it would be favored if we can accept all kind of clients with their various businesses. But reflecting to our government policy to accelerate foreign investment growth in Indonesia, we could say that Indonesia open the investment opportunity widely for certain business sectors, those are manufacturing, agriculture, marine industries, infrastructure and tourism.

In addition, Indonesia always prioritizes labor intensive industries regarding its big population; represent 40% of ASEAN population and 38% of ASEAN market. Mining industries are suffered in the last several years; it is not a prospective investment anymore.

Prospective Sectors for Foreign Investment on 2016

Few months ago, Indonesia Investment Coordination Board (BKPM) was doing a road show to meet China businessmen to offer the investment opportunities on those five business sectors above, then followed to European countries also. Beside to fulfill the domestic market demand, new investment is expected to expand the export market. By establishing their industry basis in Indonesia, foreign investment business could expand to ASEAN market through Indonesia.

In agriculture sector, some agriculture commodities still need to be imported in Indonesia, for example corn and meat. To fulfill domestic market demand, Indonesia need investors to develop agriculture technology toward mass and integrated agriculture industry.

In infrastructure sector, Indonesia is focusing to generate 35,000 Megawatt electricity, 24 seaports, and several highway roads mostly outside of Java Island (Sumatera, Sulawesi and Papua). For your reference, currently our government is focusing the development acceleration at outside of Java Island and toward east side of Indonesia.

Even though global economy is slowing down, but Indonesia Investment Coordinating Board is optimistic

to achieve the 2016 investment realization target as of IDR 594.8 trillion; increase 14.5% from 2015 target as of IDR 519.5 trillion. From January 2016, foreign investors already realized USD 1.8 billion investment in several sectors; those are waste recycling, power plants on water resources, coal smelter for ethanol, machinery component industry, etc.

How about the creative economic industries? Nowadays, Indonesia also offers the opportunity to foreign investment in cinema industries. As the 4th biggest population country in the world, with 250 million people population, Indonesia only has 1,100 cinemas. To realize more movies to be broadcasted in Indonesia, the government revised investment negative list to enable 100% ownership of foreign investment in cinema industries.

This policy is applied to movie production, circulation or distribution, exhibition or cinema, which are included in revision of President Regulation No. 39 / 2014 about Open and Close Business Sector List with certain requirement on Investment Sector. In this regulation, cinema industries are categorized as creative economy and tourism sector.

At movie technical service subsector for production studio category, processing laboratory, dubbing, and movie reproduction, foreign investment are still allowed up to 49% ownership.

Meanwhile, some categories in movie technical service subsector are still closed for foreign investment, those are shooting facility, editing, and subtitling are mandatory of 100% domestic ownership.

Until now, some Korean investors already interest to expand their business on cinema industries in Indonesia. Indonesia is still looking for China and USA investors as the leading cinema business in the world to expand their business in Indonesia.

Economic Policy Packages to Accelerate New Investments

I already mentioned at previous section that government revised some regulations to ease new investment realization in Indonesia. Since 2015, Indonesia government already released ten economic policy packages to anticipate the slowing down of global economy. These policies are expected to sustain the economic growth through revision of some regulations to stimulate domestic business and simplification of business permits in certain business areas and sectors. I would summarize some business permits simplification and tax incentives in the economic policy packages to accelerate new investments, according to each package.

Package 2

- Significant foreign investment scale, measured by the minimum investment values as of IDR 100 billion or commit to employ minimum 1,000 employees will get benefit of investment permits simplification in industrial areas. Basic permits can be released just in three (3) hours; it includes principal license, notarial deed of company establishment, and tax identification number (NPWP).
- Simplification of permit registration at Ministry of Environment and Forestry, from 14 permits then simplified into six (6) permits.
- Tax allowance registration can be finished maximum 25 days.
- Tax holiday registration can be finished maximum 45 days.

Package 3

- Ministry of Agrarian and Spatial integrate the land request for business into one door integrated service (PTSP). We can register several basic permits into PTSP to accelerate the registration processing and saving registration time. This service is organized under Indonesia Investment Coordination Board (BKPM).
- Land technical consideration will be processed maximum in three (3) hours duration.
- Electricity tariff will be adjusted for industrial usage, especially for labor intensive industries and high competitive industries.

Package 7

- Eight (8) investment permits for labor intensive industries will be processed in three (3) hours.
- Tax allowance could be extended up to 10 years for investment in certain businesses or regions.

Package 9

- Logistic integrated service system can be online processing through Indonesia National Single Window portal to ensure the smooth flow of export and import documents.

Package 10

- Elimination of recommendation for 83 business sectors, include hospitality sectors, tourism, art, and entertainment.
- Simplification of similar business sector categories to simplify the investment permits registration process.

As summary, Indonesia offers foreign investment opportunities widely for the business sectors of manufacturing, agriculture, marine industries, infrastructure and tourism. Additionally, Indonesia also prefers foreign investment which has one or more the following industry characteristics:

- Labor intensive industries.
- Minimize dependence on import products or commodities.
- Export oriented.
- Capital intensive industries which apply transferable technology.

REALIZED INVESTMENT VALUES IN INDONESIA

Investment Value Realized

IDR 124,6 T



Q1 2015

IDR 146,5 T



Q2 2016

Open Policies to Attract Investing in Indonesia

By: Michael Lie

Editor: Mourme Taruna Halim

Indonesia government opens the tap larger for foreign investments. These funds are needed to finance many infrastructure development projects. To accelerate the economic growth, the government keep on pumping investment by opening a series of business types for foreign investor and adding more capital investment cooperation, locally and foreign, with micro, small, medium and cooperative business (UMKMK). Also targeted, Indonesia will be the basis for production and center of logistic in ASEAN Economic Community.

The investment lane is widened thru the 10th economic policy package which was issued at mid February 2016. The government revised the President Regulation (Peraturan Presiden / PP) No. 39 Year 2014 about the Lists of Closed and Open Business Types with Conditions in Investment Sector. These regulations also known as Negative Investment List (DNI). With this changes, investments outside Java which is about 42% are expected to rise.

At the bottom line, investment sector business is open wide. Only small parts are regulated in DNI. PP No. 39/2014 only close investment in total of 15 types of businesses covering 20 types of business sectors, and open with conditions in 216 types of businesses covering 652 business sectors.

Local and Foreign Investments which should cooperate with UMKMK are widened up to 51 business sectors from 48 previously. Three of these business sectors covers nursery plantation with area of 25 hectare or more, retail trading thru post order and internet. This will show that the government would like to strengthen UMKMK with investment support from the big businesses.

There are business sectors that were previously monopolized by Local Capital Investment (PMDN) or local investor as big as 100%, are opened by the government for foreign investment with certain portion of shares covering 20 business sectors. For example, portion of shares in high voltage/extra high voltage electrical energy utilization installation (49%), public land transport (49%), health support services (67%) and film industry including film distribution (100%).

Beside that, the revision closed 19 foreign investment

business sectors entirely and reserved for UMKMK. These business sectors included in business sector/construction consulting services. But in that case, it is focused on services with work value under IDR 10 Billion. Previously, foreigners can only invest maximum of 55%. This means adding business sectors reserved for UMKMK in DNI that was previously 139 business sectors.

According this explanation, we can understand that the government try hard to invite foreign investor to come into Indonesia in several business sectors. The amount is bigger compared to entirely closed business sectors for foreign investor to come in. It means the government ready to roll out the red carpet for the arrival of foreign investors.

Box 1

Changes in Foreign Shares Portion

1. As big as 30% in 32 business sectors (eg. Horticulture cultivation and horticulture nursery). This share portion does not change because of regulation mandate.
2. As big as 33% in 3 business sectors become 67% for distribution business and warehousing also 100% in cold storage.
3. As big as 49% in 54 business sectors become 67% in 14 business sectors (eg. Job training, travel bureau, golf field and air transport support services) also 100% in 8 business sectors (eg. Sport center, film production lab, crumb rubber industry, etc).
4. As big as 49% in 32 business sectors does not change (eg. Accupuncture service facility).
5. As big as 51% in 18 business sectors become 67% in 10 business sectors (eg. Private museum, catering services, convention services, exhibition and incentive travel), 100% in 1 business sector (restaurant), and keep steady on 51% for 7 business sectors (eg. Natural tourism business)
6. As big as 55% in 19 business sectors become 67% entirely in business service/construction consultation service with work value over Rp10 Billion.
7. As big as 65% in 3 business sectors become 67% entirely (eg. Telecommunication network execution which is integrated with telecommunication services).

8. As big as 85% in 8 business sectors become 100% in 1 business sector (eg. Drug raw material industry) and the remaining sectors are still steady due to regulations (eg. Business purpose hire)
9. As big as 95% in 17 business sectors become 100% in 5 business sectors (eg. Highway operation, telecommunication devices test body establishment/test laboratory) and 12 business sectors are still steady due to regulations (eg. Plantation business with area of 25 hectares or more which is integrated with production unit, with the same or exceeding certain capacities).

Box 2

Closed Business Sectors from Investment

01 Transportation

- Execution and Public Land Transport Terminal Operation
- Execution and Motor Vehicle Weighing Operation
- Telecommunication/Sailing Navigation Assist Tool and Vessel Traffic Information System
- Execution of Flight Navigation Services
- Execution of Motor Vehicle Type Tests

02 Marine & Fishery

- Catching fish species which is listed in Appendix I Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Utilization (gathering) of coral/reef from nature for building material/lime/calcium, aquarium, and souvenir/accessories, also live coral or death coral (recent death coral) from the nature.

03 Industrial

- Chemical industry that can harm the environment
- Chemical industry for chemical weapon
- Alcoholic beverages industry

04 Agriculture

Marijuana cultivation

05 Communication and Informatics

- Management and Execution of Monitoring Radio Frequency Spectrum Station and Satellite Orbit

06 Education & Culture

- Government Museum
- Historical and archaeological heritage (temples, palace, inscriptions, ruins, ancient buildings, etc.)

07 Tourism & Creative Economy

- Gambling/casino

Box 3

Open Business Types for Full Foreign Investment

Business Type	Business Sectors
Tourism and Creative Economic	Restaurant, Bar, Café, Sport stadium, Movie making studio, Movie sound dubbing devices, Movie duplication and printing devices, Movie production laboratory, Movie editing devices, Movie subtitling devices, Movie making devices, Movie making, Movie shows, Recording studio, Movie distribution.
Health	Drug raw material industry, Business consulting and management service or hospital management service, Health support services (medical check up clinic, clinic laboratory, medical equipment hire), General & specialist doctor practice, Dentist practice, Paramedic service, Traditional health service.
Communication and Informatic	Electronic trading transactions (market place) with value of IDR 100 Billion and over, Telecommunication shop, Telecommunication devices of body testing (test laboratory)
Trading	Future broker, Direct selling, Cold storage
Public Work	Toll road operation, Management and development of non-dangerous waste.
Industrial	Crumb rubber industry.
Finance	Pension funds.

Prepare for Tax Amnesty Year 2016

By Imung Parang Jati
Editor: Mourme Taruna Halim

Year 2016 has been expected to be the tax amnesty year, as follow up of 2015 as tax education year). Commonly tax amnesty is defined as the elimination of tax base, administrative sanctions and or tax punishment on non-compliance of tax payment in the past. Tax amnesty program generally takes place within a period of two months until to a year. Indonesia taxation history recorded the tax amnesty program already executed, with a variety of common term in practice such as remission, amnesty and sunset policy. At least Indonesia has applied four times of the similar program which in 1964, 1984, 2008 (Sunset Policy) and 2015 (Reinventing Policy).

Indonesia government is almost certain to apply Tax Amnesty in 2016. The general purpose of national tax amnesty is to increase tax revenue of the current year, improve tax compliance in the future, capital repatriation, transition to the new taxation system and national reconciliation. The successful of tax amnesty program is measured by the level of achievement of those purposes.

In this amnesty program, Indonesia government should learn the history of tax amnesty policies in South Africa. It could inspire Indonesia that if the taxpayers whose assets saved in overseas propose tax amnesty and accepted by tax authority, and then the tax rate will be charged 50% lower if they transfer and save the assets back to the origin country, rather than still keep it abroad.

Nowadays, most of taxpayers are waiting for tax amnesty policy to be applied in Indonesia. Until now, the government still not yet decided the term of policies. Current temporary discussion about tax rates are 2% for tax amnesty proposal in the first 3 months, 4% for the proposal in second 3 months, and 6% for the second semester of tax amnesty year. The tax rate will be charged to the difference between the net asset values to be proposed for tax amnesty and net assets that already reported in Income Tax Return (SPT) at year 2014.

Taxpayers, who have not filed their overall assets whether placed in domestic or overseas, absolutely should participate on the national tax amnesty program to take its

benefits. Please consider that after tax amnesty year end, the government has planned to set law enforcement year, tax law amendment, and acquisition of bank account data by implementing Automatic Eol system which allows Indonesia Tax Authority obtains the bank accounts information of taxpayers.

Reporting all assets into tax filing also will help taxpayer children and heirs in their own tax reporting in the future. Be prepared to greet the tax amnesty policy, maximize the opportunity to get the lowest tax rate in the early months of its implementation.

Upon this article prepared, Indonesia government and legislators still prepare the tax amnesty program in term of detail, and not yet made any final decision, so we still cannot conclude anything about any terms, procedures, or period about this program. If you have any questions about tax issues in your institution, please get in touch with our tax specialists at info@winnindo.com.

INDONESIA TAX AMNESTY OBJECTIVE



Attract Offshore Wealth



Expand Tax Base



Boost Tax Revenues

Regulation Update: Income Tax Allowance Facility for Investment in Certain Business Fields and/or Regions (PP No. 18 / 2015)

By Winnindo Business Consult
Editor: Mourme Taruna Halim

On April 2015, Indonesia government releases a revised regulation of income tax allowance facility by Government Regulation (PP) No. 18 / 2015 about Income Tax Allowance Facility for Investment in Certain Business Fields and/or Regions and effectively applied on May 2015. This regulation revised the previous Government Regulation No. 52 / 2011 about the similar subjects.

By this regulation, Indonesia government shows its commitment to accelerate investment for economic growth and equitable development. This article provides a summary of that regulation and full regulation file that can be downloaded if you need to learn it more.

Regarding purpose of this regulation for investment acceleration, this tax allowance can be applied by Corporate Taxpayer who establishing new investment or expanding the current business in Indonesia. Certain business fields those are covered in this regulation include of the following business fields:

1. Food and beverage
2. Petrochemical (such as crude palm oil and crude palm kernel oil processing)
3. Textile
4. Coal mining and natural oil processing
5. Basic mining industry
6. Renewal energy power plant
7. Pharmaceutical (modern and traditional) industry
8. Agriculture
9. Marine and fishing industry
10. Livestock
11. Forestry and Tourism

Specifically for marine sector, certain supporting business fields for marine industries also included in this regulation, such as shipyard and seaport industry; consist of shipping manufacturing, shipping equipment, shipping supplies and spare parts, and cargo loading and handling services.

Taxpayer can afford the tax allowance facilities in form of :

1. Taxable income deduction for 6 years since production started commercially
2. Accelerated depreciation and amortization
3. Income tax rate for dividend paid to Foreign Taxpayer is 10%, or lower rate if there is a tax treaty between Indonesia and the taxpayer country, and
4. Fiscal loss can be compensated more than 5 years, and maximum is 10 years.

Full text of PP No. 18 / 2015 and related regulations from Indonesia Investment Coordinating Board (BKPM) and Ministry of Finance can be downloaded at <http://www.winnindo.com/detail/66-INCOME-TAX-ALLOWANCE-FACILITY-FOR-CERTAIN-INVESTORS>.



Visit our website at winnindo.com to find out the latest Regulation and Business Insight.

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Establishing a Representative Office in Indonesia

By Mourme Taruna Halim

As a country with 250 million people lives in, Indonesia is a great market for foreign companies to promote and sell their products and services. Regarding most of people are middle class majority at productive ages, entering the market comprehensively by establishing the production base in Indonesia is strongly suggested if the foreign companies would take the opportunity to enlarge their market.

In other case, some potential investors, for example a start-up business with limited resources, need to explore the market first. They want to conduct limited activities, for example market research and testing, negotiating with local companies, distributing products or services through local distributors, and promoting products or services without doing direct business activities and profit generation. For conducting those limited activities, instead of establishing a foreign investment company that require certain minimum capital to be invested directly, foreign investors can establish a representative office (RO) in Indonesia first as an alternative way.

Type of Representative Office in Indonesia

Indonesia has two main types of representative office, those are:

1. Trade Representative Office

It is the most common type of representative office. It is controlled under Ministry of Trade. However, the range of activities that may be conducted by such a representative office is quite narrow. In particular, it may not undertake trading activities, own production facilities or undertake operational business activities and, therefore, cannot accept orders, participate in tenders, sign contracts or engage in the import, export or distribution of goods. The types of activities that may be conducted by such a representative office include marketing, promotional activities and information gathering for the foreign company.

2. Construction Representative Office

It is established for specific purposes of entering into a joint operation agreement with an Indonesian entity to engage in construction and/or construction consulting services. It is controlled under Ministry of Public Works.

This article explains about trade representative office, and it will be mentioned simply as “representative office”.

The Guide to Establish a Representative Office

□ Step 1 – Registration

To successfully register as an RO in Indonesia, the following information and documentation must be prepared.

1. RO application form, Letter of Intent, and Letter of Statement.
2. Letter of Appointment from principal company.
3. Letter of Reference from Indonesia Embassy Representative in the principal country.
4. RO work plan
5. Statement letter of labor companion from Ministry of Manpower.
6. Foreign Worker Employment License, if RO employ a foreign employee.

□ Step 2- Staffing

RO require employing at least one employee as RO head. The RO head must submit curriculum vitae, education certificate, and valid ID card when submitting RO registration. If RO Head is a foreign employee, the minimum education is bachelor with three years working experiences in the similar field.

Please also remind if RO hire a foreign employee, RO also must hire minimum three local employees as experts or administration staffs; proven by employment contract, copy of identification card, and salary slip.

3. Compliance

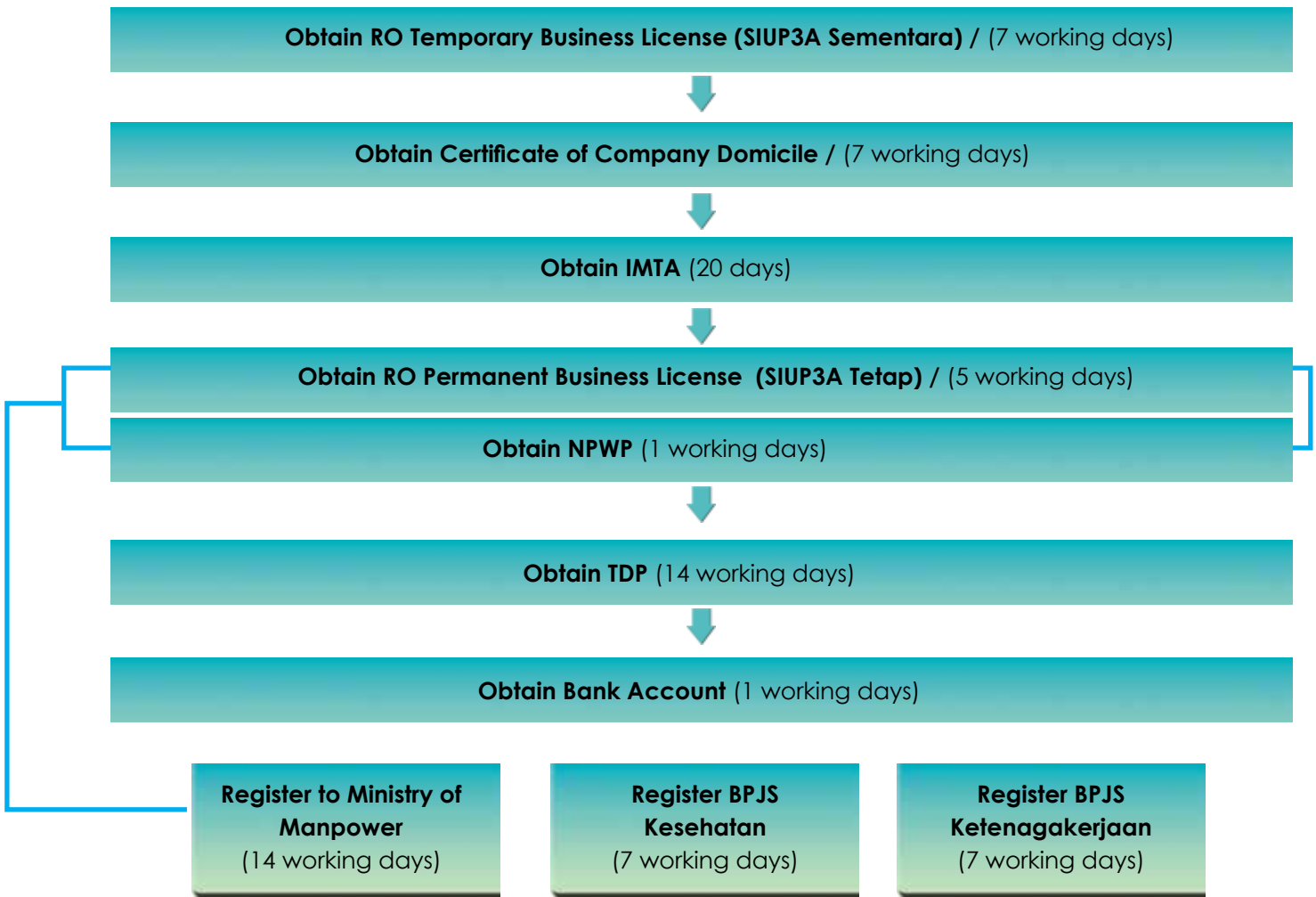
Similar to limited liability Company, RO is also subject to compliance requirements, even though it is assumed not engaged in any direct business activity that would generate profit. The RO compliance includes:

- Submit RO activities report (if it propose RO license extension)
- Submit monthly tax filing
- Submit monthly social security report

Successful investment strategy in Indonesia continues to require careful procedures. All firms considering investment within this country should be sure to conduct a careful review of their opportunities and maintain clear a understanding of regulatory responsibilities. In the event that questions arise, relevant government officials or professional services should be contacted to ensure compliance. RO establishment can prove a complex and challenging procedure, even Indonesia nowadays is modernizing its economy policies to be investor friendly. With experience of helping companies set up business operations in the region, the specialists at Winnindo Business Consult are well placed to help companies overcome these challenges.



Flowchart or RO establishment timeframe is follow .



Simultaneous with previous procedure after RO Permanent Business License is Obtained

Understanding Tax Treatment of Representative Offices in Indonesia

By: Ronald Leonardy and Mourme Taruna Halim

On early April 2016, Indonesia Tax Authority indicates several prominent internet and social media companies are avoiding tax in Indonesia.

Among those four companies, two internet companies are foreign investment companies in form of limited liability Company (Perusahaan Terbatas / PT). Meanwhile, two social media companies are established in Indonesia in form of Representative Office (RO). This article will not involve on pros and cons about the corporate income tax avoidance indication, but we would focus on application insight of tax regulation for representative office; a regulation that cause Tax Authority determine those social media representative offices should pay corporate income tax from the tax regulation view.

Representative office limited activities by regulation

Looking back to the purpose of representative office establishment purpose, it is common for overseas company to start their business in Indonesia by establishing a Representative Office (RO). Potential investors, and particularly those with limited resources, such as startups, may therefore need to explore the market to ensure operations are conducted in a seamless manner.

While full incorporation within Indonesia comes with costly capital requirements, many of the preliminary activities a company may wish to carry out are readily accomplished through a Representative Office (RO). Prospective investors that wish to limit due diligence to any of the following activities should strongly consider the establishment of RO over investment such as limited liability companies: market research and testing, negotiating with local companies, distributing products or services through local distributors, promoting products or services without doing direct business activities and profit generation.

ROs tax treatment from taxation view

According to ROs limited activities by regulation, actually we will assume that RO activities are not allowed to

generate profit; therefore RO should not pay corporate income tax from the profit that is generated. That's why ROs in Indonesia probably think that their tax compliance mostly just in form of withholding and paying their employee income tax, not for the corporate income tax. But from taxation view, Indonesia Tax Authority has a specific regulation for ROs tax treatment, to anticipate if the ROs are indicated to generate profit in their actual activities from Indonesia, or from their customers in Indonesia, even though the revenues are paid directly to the parent companies in other countries.

In this case, Indonesia Tax Authority indicates those ROs generate profit from doing business in Indonesia, primarily from advertising revenues. Those companies did not receive payment in Indonesia, because all Indonesian customers paid the service fees directly to the parent companies in Singapore, and the ROs did not pay corporate income tax and value added tax of service delivery in Indonesia.

According to special tax regulation for representative office, ROs are categorized as certain taxpayers that have to use special calculation norm to calculate its corporate income tax liability, and the income tax characteristic is final tax. The tax rate is 0.44% from Gross Export Values. Gross Export Values are overall replacement values or revenues of foreign company that have a representative office in Indonesia, and the revenues come from goods or services delivery to persons or corporate which are located in Indonesia. For the RO of foreign company which come from a country that has Tax Treaty with Indonesia, the corporate income tax rate should follow Branch Profit Tax Rate according to the tax treaty.

We strongly suggest each RO in Indonesia; especially for technology based Startup Company, require prudent procedures to comply with related tax regulation. All firms considering investment within this country should be sure to conduct a careful review of their opportunities and maintain clear a understanding of regulatory responsibilities. In the event that questions arise, relevant government officials or professional services should be contacted to ensure compliance.

Accounting Update: Final Corporate Income Tax and Accounting Standard for Corporate Income Tax – PSAK 46 (2014 Revision)

By Nancy Ra

Editor: Mourme Taruna Halim

PSAK 46 has fully adopted IAS 12 about Income Taxes. In Conclusion, PSAK 46 eliminates Corporate Income Tax arrangement and arrangement for special cases. This is applied to harmonize arrangement between PSAK 46 and IAS 12.

PSAK 46 scopes do not cover all kind of taxes

PSAK 46 is applied to corporate income tax which is calculated based on taxable profit. Even though there are several types of corporate income tax in tax regulation, Financial Accounting Standard Board – Institute of Indonesia Chartered Accountants (DSAK) emphasizes that corporate income tax in PSAK 46 is in accordance of taxable profit concept, or base on net profit (revenue – expenses), not calculated from gross revenues.

Reading through PSAK 46 (2010) in detail, we found that tax of gross revenues which are charged of final tax rate, is included as part of corporate income tax, therefore, in scope of PSAK 46 (2010).

According to the definitions:

- Corporate income tax is tax which is calculated in accordance to tax regulation and the tax base is taxable profit.
- Final income tax in accordance to Indonesia tax regulation is calculated from gross revenues (amount of cash received). This tax will always be charged even though the Company suffers loss. Therefore, final income tax is not included as PSAK 46 scope.

Corporate income tax can be assumed as certain tax rate is multiplied to taxable profit (revenues – expenses). It differs from tax in basis of gross revenues, for example: Income Tax article 4(2) for building rent. Tax rate 10% will be calculated directly to building rent fees (gross revenues from building owner).

How is final income tax standard applied?

Income tax of gross revenues is out of PSAK 46 scope and will be applied according to PSAK 57 about Provision,

Liabilities, Contingencies, and Contingency Assets.

How about the impact to deferred tax?

Corporate income tax in PSAK 46 scope is the only tax that will impact to deferred tax. It means there are no deferred tax assets or liabilities which rise from related transaction of final tax.

How to present in financial statement?

According to PSAK 46, Corporate Income Tax account will be provided only for posting of corporate income tax from net taxable income. Other taxes can be presented with other expenses as part of income before tax. According to PSAK 1, entities are encouraged to present material posts separately in order to disclose more relevant and reliable information. Entity management should consider the income statement presentation properly, specifically related to corporate income tax, in order to present expenses fairly to the financial statement users.

Insight

Institute of Indonesia Chartered Accountants or Ikatan Akuntan Indonesia (IAI) is the national organization of professional accountants in Indonesia. IAI is a founding member of the International Federation of Accountants (IFAC) and the ASEAN Federation of Accountants (AFA).

Financial Services Update: Registration and Supervision of Actuaries, Public Accountants, and Appraisers to Provide Services for Non-Banking Financial Industry (OJK Regulation No. 38/POJK.05/2015)

By **Agustinus Sugiharto**

Editor: **Mourme Taruna Halim**

On December 21, 2015, Board of Commissioner of Indonesia Financial Service Authority (Otoritas Jasa Keuangan / OJK) released OJK Regulation No. 38/POJK.05/2015 about “Registration and Supervision of Actuary, Certified Public Accountant, and Appraiser to Provide Services for Non-Banking Financial Industry in Indonesia”. According to this regulation, actuaries, public accountants, and appraisers must be registered to OJK as Non-Banking Financial Industry (IKNB) services providers first before conducting services for Non-Banking Financial Institutions (LJKNB). Non-Banking Financial Institutions include insurance companies, pension funds, leasing companies and other non-banking financial institutions (include financial institutions in Sharia basis).

Non-Banking Financial Institutions are prohibited to accept services from actuaries, public accountants and appraisers which are not registered to OJK. Common services for Non-Banking Financial Institutions which are conducted by actuaries, public accountants, and appraisers are, but not limited to:

- Actuary conducts valuation service of insurance company technical reserve fund.
- Public accountant conducts assurance service of leasing company financial statement.
- Public appraiser conducts valuation service of land or building as investment valuation base for pension fund financial statement and investment report.

This regulation also arrange the service provision period. Each profession is limited to provide services to the same institution for certain times or years consecutively, which are actuaries are limited to provide services to the same institution for 3 times consecutively, public accountants for 5 years consecutively, and appraisers for 3 years consecutively.

However, actuaries will be allowed to provide services to the same institution after 1 time, public accountants after 2 years and appraisers after 3 years it does not provide

services for the same institution. Once registered as Non-Banking Financial Industry (IKNB) services providers in OJK, each actuary, public accountant and appraiser has obligation to disclose information if any violation of financial service regulation occurred at Non-Banking Financial Institutions, and also if there is a condition or pre-condition which has negative impacts to the company going concern or stakeholders.

This regulation will be applied 9 months after release date. Existing service engagement of actuaries, public accountants or appraisers, which has been signed before this regulation released, still can be applied up to the service engagements are ended.

Insight

Financial Service Authority

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Industrial Estate In Banten

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One of the government strategy to draw investment is developing industrial estate. Industrial estate is interesting because it offers a few incentives to investors. In addition, usually its location close to other infrastructure which is needed to smoothen business, like highway road, airport and port.

Banten province, one of Indonesia province in west of Java island as neighbor of Jakarta region, is worthy to be your reference as developing industrial estate. Banten industrial estate is worthy to be reference of industrial estate development outside Java Island, because there is integration between the estates and the infrastructure existence. Industrial estate like this grows production and logistic efficiency. At the end, national manufacture product for export market will be more competitive.

Nowadays, there are 20 industrial estates spread across Banten covering Tangerang city, and Tangerang, Serang and Cilegon municipality. This wide coverage automatically pushes investment and alleviate unemployment around those areas. According to Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal / BKPM) data, year 2015 investment realization in Banten has reached IDR 42,5 Trillion and absorb 100,032 manpower. Let us refer to these descriptions of prominent Banten industrial estates as follow.

1. Modern Cikande Industrial Estate (MCIE)

Located at Cikande, Serang, Banten province. The location is approximately around 68 km from Jakarta, 75 km form Tanjung Priok Seaport and 50 km from Soekarno Hatta International Airport. MCIE can be accessed through Jakarta – Merak highway road. Bojonegara port closely located with this estate and will be the biggest center for goods transport for export and import in Indonesia is in the planning process. MCIE has 3,175 hectares area which is equipped with quality infrastructure and supporting facilities. Many type of industries exist in MCIE like chemical, food processing, automotive components, shoe components. Beside providing a well organized infrastructure, MCIE also provide one step integrated services to help investors in processing business establishment in Indonesia. This service covering permit submission process to BKPM.

2. Krakatau Industrial Estate Cilegon (KIEC)

Located at Cilegon, Banten. The location is approximately around 100 km from Jakarta, 5 km from Cigading seaport and 80 km from Soekarno Hatta International airport. KIEC is the subsidiary of PT Krakatau Steel Tbk and established on 16 June 1982. Its mission is to become the center location for upstream and downstream steel, chemical and petrochemical industries.

KIEC flat land contour measuring 550 hectares. About 245 hectares from that area are used by 70 companies, national and multinational. KIEC is designed and developed based on the regulation from Master Plan Industry Area in Banten. KIEC is ascertained has the land condition suitable for building and factory. Overall land area in KIEC reached 625 hectares consist of industrial estate I 550 hectares and industrial estate II 75 hectares.

3. Millenium Industrial Estate Cikupa (MIEC)

In year 2000, PT Bumi Citra Permai Tbk started to establish an industrial estate and warehouse covering area of 210 hectares named Millenium Industrial Estate Cikupa. It is located at Cikupa - Tigaraksa, Tangerang, Banten. Distance from MIEC to the Jakarta Capital is about 36 km, Soekarno Hatta airport 40 km, and Tanjung Priok port 55 km. MIEC area now has covered 1,800 hectares.

Since the establishment period until 2003, the company activities are started from the application process, land acquisition, land maturation and infrastructure development in the industrial estate. Marketing and sales activities of warehouse and land started in 2004. Other than selling ready-to-build industry land, the company also sell the land with building in the form of factory/warehouse on top of it with predetermined design and specifications.

Winnindo present in Banten province as foreign investment service as its specialty to assist foreign company in permit, accounting, tax, legal and other business administration field. Beside that, Winnindo helps foreign investor to do pre-study establishment, land acquisition process for factory up to factory and office development consultation.



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