

# taxBlitz

Tax & Customs Update

## Deadline Approaches, Title Transfer and Asset Declaration Procedure Are Simplified

The Government revised Minister of Finance (MoF) Regulation Number 118 Year 2017 on the Implementation of Law Number 11 Year 2016 on Tax Amnesty, by issuing MoF Regulation Number 165 Year 2017.

At least, there are two significant points of amendment to the MoF issued and effective on November 17, 2017. The first is the simplification of title transfer process for assets in the form of land and/or building disclosed in Asset Declaration Letter, from the nominee to the actual owner, in this case is the tax amnesty applicant.

The second is the last chance for taxpayers to declare their undisclosed assets through tax amnesty or Annual Income Tax Return without being subject to administrative sanction.

### Tax Amnesty Certificate Is Enough

In regards to the transfer of rights on assets, the Government renders an Income Tax exemption facility for tax amnesty applicants conducting title transfer upon land and/or building reported in Asset Declaration Letter. The requirement is that the title transfer process shall be applied to the Official Certifier/Registrar of Title Deeds (*Pejabat Pembuat Akta Tanah/PPAT*) no longer than December 31, 2017.

In the previous regulations (MoF Regulation Number 118 Year 2017), the application of title transfer upon land and/or building to PPAT should be enclosed with Exemption Certificate of Income Tax. In other words, taxpayers should own Exemption Certificate from the Directorate General of Taxes (DGT), with a set of requirements to be met.

As the due date for the title transfer application is getting closer and the fulfilment of Exemption Certificate requirement is not quick, the Government through MoF Regulation Number 165 Year 2017 provides easier alternative for the taxpayers to obtain Income Tax exemption facility by merely attaching copy of Tax Amnesty Certificate in the title transfer application documents to PPAT, as regulated under Article 24 paragraph 4.

Other regulations added on the new MoF Regulations concern the assets that may and may not obtain Income Tax exemption facility. Title transfer upon land and/or building that may obtain Income Tax exemption covers the assets whose legal documents are still under the name of agent or nominee; grantor; heir, and/or one of the heirs if the land and building legacy has been bequeathed.

In contrast, Income Tax exemption facility is forbidden for land and/or building whose ownership is a result of buy-and-sell transaction between taxpayers and developers and/or whose title is not yet transferred from the developers to the taxpayers.

### **Penalty-Free Declaration**

Meanwhile, for the second point, i.e. the declaration of unreported net assets in Asset Declaration Letter and/or Tax Return, the Government promises an exemption from administrative sanction for taxpayers declaring their assets by submitting Periodic Final Income Tax Return.

The point is that the taxpayers declaring assets that have not been fully disclosed in the Tax Return or the Asset Declaration Certificate for tax amnesty program will not be imposed by any penalty. It is under a circumstance that the DGT has not conducted any audit on the assets.

The assets will then be considered as income for FY 2016 and subject to Income Tax with final rate as regulated under Government Regulation Number 36 Year 2017 as follows:

<b>Taxpayer</b>	<b>Income Tax Rate</b>
<b>Corporation</b>	<b>25%</b>
<b>Individual</b>	<b>30%</b>
<b>Certain Taxpayers</b>	<b>12.5%</b>

Calculation formula for Income Tax that shall be paid is by multiplying net assets that will be declared with the final rate in accordance with the types of taxpayers. Furthermore, the determination of asset value will be expressed based on the types of assets that will be declared.

There are several asset categories determined by this MoF Regulation, namely: cash and cash equivalent, land and building, vehicle, and shares traded in Indonesia Stock Exchange, as well as other assets. Meanwhile, the determination of the value is conducted by public appraiser or the DGT.

In the event of Periodic Final Income Tax Return submission, the taxpayers shall attach several supporting documents, as follows:

- a. Payment slip of Final Income Tax on net assets; and
- b. List of Net Asset Details considered as income that becomes the calculation base.

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