

# taxBlitz

Tax & Customs Update

## Tax Amnesty Asset Reporting Procedure is Changed, MSME and Foreign Asset *Declarers* are Excluded

Directorate General of Taxes (DGT) changes the procedure for reporting and the supervision of assets disclosed in tax amnesty program. The change is stated in Director General of Taxes Regulation Number PER-07/PJ/2018 on Amendment to Minister of Finance Regulation (PMK) Number PER-03/PJ/2017 on Procedure for Reporting and Supervision of Additional Assets Regarding Tax Amnesty.

The regulation arises as a follow up to tax amnesty program, which gives option to taxpayers to move their additional assets earned abroad to the territory of Republic of Indonesia (NKRI). The assets must be settled in Indonesian territory as long as three years.

Upon the provision, Taxpayer shall prepare two reports. *The first* is a repatriation realization report. Upon the provision, Taxpayer is required to prepare two reports periodically every year for three years. The first is repatriation and investment realization report. The second is domestic asset declaration report. Both of the reports can be submitted to DGT along with the Annual Income Tax Return through the Tax Office where the Taxpayer is registered, as stipulated in Law Number 11 year 2016 on Tax Amnesty.

### Report Exclusion

Previously, all Taxpayers participating in tax amnesty are obligated to report the assets disclosed in the tax amnesty program, without exception. As PER-03/PJ/2017 is revised, the reporting obligations of repatriation and investment realization of additional assets are excluded for Taxpayers who only declare the foreign assets and Taxpayers with revenue of IDR4.8 billion and below (Micro, Small, and Medium Enterprises/MSME).

Thus, the obligation of tax amnesty additional asset reporting is only for the participants who conduct asset repatriation and domestic asset declaration. In the previous regulation, the obligation was not explicitly disclosed.

PER-07/PJ/2018 also asserts four ways on submitting tax amnesty asset report, as follows:

1. By coming directly to Tax Office;
2. Via mail (postal service) using closed envelope, accompanied with mail delivery receipt to Tax Office where the Taxpayer is registered;
3. Via expedition/courier service using closed envelope;
4. Through specific channel determined by DGT as the development of information technology.

The mechanism was previously not stated in the former regulation. In the past rules, the tax authority only mentioned the form of the document reported, among others;

1. Paper-form (*hardcopy*) and digital copy (*softcopy*)
2. Electronic document

DGT also reminds that secrecy of the document submitted via mail and courier service is of the taxpayer's responsibility. Unless, the report document is already received by the DGT. Once the document is received, the document delivery receipt can be treated as the report receipt.

### Warning Letter

Upon the report submission obligation, DGT has prepared further action in the form of sanction if the obligation is not fulfilled by the taxpayer. Before imposing the sanction, DGT will first give warning letter, and then conduct an audit.

The warning letter will be issued if the taxpayer does not meet the provisions requiring a statement of their willingness to repatriate their additional assets to Indonesian territory and a statement of their willingness not to move the assets out of Indonesian territory for three years.

The warning letter will also be issued if the taxpayer does not make any report of asset repatriation and investment realization periodically within three years. Other than that, the taxpayer has to make the report correctly and completely.

If the Taxpayer does not follow-up this provision within 14 days after the warning letter is sent, DGT can conduct an audit.

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