

# taxBlitz

Tax & Customs Update

## Tax Supervision Post-Tax Amnesty Are Strengthened

Directorate General of Taxes (DGT) emphasizes the supervision mechanism of Taxpayer's compliance after the period of tax amnesty. The supervision still targets all Taxpayers both those who joined tax amnesty program and those who did not.

The affirmation is stipulated in DGT Circular Number SE-14/PJ/2018 on Taxpayer Supervision after Tax Amnesty Period, which is effective as the work guidelines of internal DGT as per 19 July 2018. By the issuance of this Circular, SE-20/PJ/2017 that contains the same matter is revoked and declared invalid.

These two regulations principally do not change a lot. Only one thing that is added to this latest Circular, which is about supervision as well as monitoring mechanism of the implementation of the supervision conducted.

The supervision process of the implementation of Taxpayer's compliance after the tax amnesty will be structurally performed by DGT starting from Head Office, Regional Office to Tax Office.

The DGT Head Office will collect the external and internal data of DGT as comparable material to the implementation of Taxpayer's compliance, both related to tax amnesty and tax compliance in general.

The supervision activity in DGT Head Office will involve a number of directorates, which are Directorate of Taxation Information Technology; Directorate of Potential, Compliance and Acceptance; Directorate of Extensification and Assessment; Directorate of Taxation Intelligence.

Furthermore, DGT Head Office will supply the data to each Regional Office and Tax Office as the basis for conducting the supervision. However, Regional Office and Tax Office may also use internal and external data that have not been provided by the Head Office.

Director General of Taxes Robert Pakpahan emphasizes in SE-14/PJ/2018 that the implementation of compliance supervision after the period of tax amnesty shall be based on the clear and accurate data. Meanwhile, the monitoring of the implementation of the Taxpayer supervision is performed monthly and annually.

In his opinion, monitoring on such supervision implementation is conducted in order to ensure that the process is in accordance with the predetermined procedures including in terms of the use of data and the follow-up.

## Supervision Objects

Especially for Taxpayers who did not join the tax amnesty program, the supervision will focus on the incompatibility of data or asset ownership information until fiscal year 2015, both those who have been and have not been reported in the Annual Tax Return.

Supervision Priority of the Compliance of Tax Amnesty Participant-Taxpayers	
1	Supervision of compensation to tax overpayment on Periodic Tax Return for the end of 2015's tax period
2	Supervision of compensation to fiscal loss in Annual Tax Return until 2015
3	Supervision of assets reported in Asset Declaration Letter that are potential for becoming the Taxpayer's source of income
4	Supervision of amortization cost for assets becoming additional assets in Asset Declaration Letter
5	Supervision of depreciation cost for assets becoming additional assets in Asset Declaration Letter
6	Supervision of transfer of rights on: movable assets, shares, assets directly owned through special purpose vehicle

Meanwhile, for the Taxpayers who are tax amnesty participants, the supervision does not only focus on the implementation of taxation obligation after the tax amnesty program. The supervision can also be performed on incompatibility of data or information related to the assets disclosed in Asset Declaration Letter or participated in tax amnesty program—other than the incompatibility due to value difference, the settlement of ransom and Taxpayer's report.

Supervision of the Incompatibility of Data and Information in Asset Declaration Letter		
No	Supervision Objects	Comparable Data
a	Supervision of Taxpayer's assets that were transferred (repatriation)	Asset Declaration Letter, Taxpayer's Report, and Gateway data
b	Supervision of assets in the latest Income Tax Return submitted after the application of Tax Amnesty Law	The latest Income Tax Return (2015), the attachment of assets on the latest Annual Income Tax Return, asset data in Asset Declaration Letter
c	Supervision of assets that have not been or were underreported as a result of the adjustment of Asset Declaration Letter change	Assets data in Asset Declaration Letter is compared to the assets reported in the revised Asset Declaration Letter
d	Supervision of Taxpayer's assets that have not been or were underreported in Asset Declaration Letter	Data of additional assets are compared to the external or internal data
e	Supervision of Taxpayer's report on the placement of assets that have been repatriated periodically	Comparing the data of Taxpayer's report with Asset Declaration Letter

## Potential of Audit

This regulation stipulates that the direct supervision process will be performed by each Taxpayer's Account Representative (AR), supported by data supply from Head Office, Regional Office, and Tax Office. The types of data or information that will be used as comparable to the Taxpayer's compliance in the supervision process includes:

- A. External Data
  - 1. Taxpayer's Tax Return;
  - 2. Information Devices;
  - 3. Visit Results;
  - 4. Data from Institution, Organization, Association or other Party;
  - 5. The result of development and analysis of Information, Data, Report, and Complaint;
  - 6. Internet;
  - 7. Other data or information.
- B. Internal data including Annual Income Tax Return or Periodic Final Income Tax Return of net asset disclosure if submitted by Taxpayer.

In following-up the result of the supervision, AR will give different treatments for each supervision object. For instance, for the supervision conducted to Taxpayers who are tax amnesty participants related to the obligation of repatriation assets reporting (supervision objects point a and e), AR will issue warning letter if discovering any incompatibility between Gateway report and Taxpayer's Report in Asset Declaration Letter, Statement Letter, and Tax Return.

In terms that the warning letter is not responded by the Taxpayer, AR may recommend an audit. Such recommendation may also be issued by AR—even though the Taxpayer has responded the letter—if it is found that the Taxpayer did not repatriate the additional assets reported, or transferred the repatriated asset to overseas before three years. However, if the Taxpayer can clarify it and is proven having fulfilled its obligation, AR does not need to propose the audit.

Meanwhile for the supervision objects poin b, c, and d, AR may directly give the supervision result sheet without making clarification to the Taxpayer. In the supervision sheet, AR may recommend the follow-up with an audit or not.

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