

# taxBlitz

Tax & Customs Update

## Account Holders of IDR1 Billion or above Targeted by Tax Authority

Government Regulation in Lieu of Law Number 1 Year 2017 on Financial Information Access for Taxation Purpose has been regulated further in Regulation of Minister of Finance (MoF) Number 70 Year 2017 on Technical Guidelines of Financial Information Access for Taxation Purpose.

The MoF Regulation stipulates in detail about the mechanism and the provision of financial information reporting by Financial Service Institution, other Financial Service Institutions and investment entity. The first access of financial data by Directorate General of Taxes (DGT) has begun since April 2018 for financial information that will end on 31 December 2017.

There are 2 points stipulated in the MoF Regulation Number 70 Year 2017, namely procedure of financial information reporting for Automatic Exchange of Information (Aeol) purpose and financial information reporting for domestic tax purpose.

### Account Identification

Prior to financial information reporting, every Financial Service Institution, other Financial Service Institutions and investment entity shall conduct identification on registered accounts. Identification is conducted to discover account holder domicile, whether they are from foreign jurisdiction or not.

The identification process shall be conducted on 1 July 2017. The identification is conducted on:

- Old financial account of individual
- New financial account of individual
- Old financial account of entity, and
- New financial account of entity.

In identification process, financial institution shall convert every account into US dollar. Then, the financial institution groups each account based on high value and low value account.

### Deadline for Report

All Financial Service Institutions shall report financial information of account holder to DGT at the latest on 30 April every year. If the report deadline coincides with public holiday or national leave, the report submission is conducted on the next day. If the submission has been conducted, DGT shall give receipt on report submission.

There are 2 (two) mechanisms of information submission stipulated in the MoF Regulation. First, automatic reporting through electronic or online mechanism uses application developed by DGT or jointly with financial institution of the party conducting the reporting.

Second, the reporting is based on special request of DGT. The second mechanism is not something new because this mechanism has prevailed in Law of General Tax Provisions and Procedure.

The financial information reported is the ending balance recorded in the financial institution per 31 December of prior month. In other words, the financial information that shall be reported on 30 April 2018 is financial account recorded per 31 December 2017.

### **The Account Value of the Holder**

Not all accounts shall be reported by financial institution to DGT. Only accounts at minimum balance stipulated by government that shall be reported.

Referring to the MoF Regulation Number 70 Year 2017, minimum limit of balance that shall be reported to DGT is of IDR200 million. However, in the implementation, Minister of Finance Sri Mulyani revises the limit into IDR1 billion and above. The amount is allocated for account of individual or entity domiciled in Indonesia.

While, the limit of financial account balance shall be reported by entity or foreign individual is of USD250,000.

The balance of account for every financial institution as stated is:

- For financial service institution in banking sector, it is seen based on financial account;
- For financial service institution in insurance sector, it is categorized based on value of insurance policy or insurance value;
- For financial service institution in capital market sector, as well as other entity in perpetual commodities trading sector, it is based on balance or value of account.

### **Prohibited to Open New Account**

Individual or entity shall obey and agree the account identification process conducted by financial institution. If they refuse, the financial institution is forbidden to handle financial transaction as well as request of new account opening.

Except for transaction that has been binded with agreement made before between the account holder and the financial institution, closing account or fulfillment of obligation regulated in Law. If there is financial institution breaking the law, it shall be imposed a sanction.

### **Sanction**

If the financial service institution disobeys the reporting procedure, DGT shall issue clarification request letter. Clarification request is performed if there are assumptions as follows:

1. Violation of fulfillment of obligation meeting the identification procedure;

2. Violation of fulfillment obligation of implementation, storage, and maintenance of documents;
3. Violation of making false statement or withholding and diminishing the actual statement.

If the clarification request letter is not met at maximum 14 (fourteen) days after the issuance, DGT shall give warning. This warning is also given to the financial institution if they do not submit the financial information report.

Moreover, if the warning in 14 (fourteen) days is not followed up by the financial institution, DGT shall conduct the preliminary evidence audit. If the result of preliminary evidence audit shows the violation performed by the financial service institution, an investigation shall follow, to be imposed of sanction in accordance with Article 7 of Government Regulation in Lieu of Law Number 1 Year 2017 such as imprisonment of 1 (one) year or fine at maximum IDR1 billion.

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