

June 2017 Edition

TAXGuide

Enrich your Knowledge

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Consulting Group

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Tax Guide is a monthly publication of MUC Consulting Group covering latest information on tax and accounting world. Editorial team is open for contributions in the form of photo and opinion related to tax and accounting issue. Any opinion published in Tax Guide is not a representative of MUC Consulting Group's view. Any inaccuracy of statement, opinion, or suggestion in the contents is not Editorial team's responsibility.

Assalamualaikum Wr. Wb. May peace and prosperity befall upon all of us. Eid Mubarak, especially to all Muslims who celebrated Eid al-Fitr, the day marking the return of every Muslim into their fitra and their true selves as the servants of Allah SWT.

This Tax Guide edition is intentionally written for readers by bringing up main issue about tax hunt in booming digital economy era. This is not only a focus of Indonesian, but also international tax people. To follow up the issue, we had interview section with **Heru Marhanto Utomo, Head of Sub-directorate of Transformation Management of Directorate General of Taxes.**

Speaking from legal perspective, the issuance of Law Number 2 Year 2017 on Construction Service is also an intriguing issue to be discussed. The explanation of the regulation is expected to be the guidance for investment in related sectors.

Another issue highlighted is the allegation for football superstars in regards to tax scandal in Spain. This phenomenon at least could be a lesson learnt for Indonesian people that the championship euphoria could fade suddenly because of tax problem.

Further, we also provide an info-graphic on the tax dispute process scheme in a court which can be taken as a learning material for all parties.

We, editorial team and management of MUC Consulting Group, wish all readers a blessed Eid al-Fitr 1438H. May us be among those who have happy return. We hope that the issues covered in this Tax Guide will enlighten us and are beneficial for the readers. Enjoy reading.

Wassalamualaikum, Wr. Wb

Jakarta, June 2017

Wahyu Nuryanto

EXCLUSIVE INTERVIEW

Tax Hunt in DIGITAL ERA



Heru Marhanto Utomo
Head of Sub-directorate of Transformation Management of
Directorate General of Taxes (DGT)

The development in global economy has been growing more rapidly in line with the evolution of business transaction, from previously manual into digital platform. It is such a breakthrough in technology that makes it easy for economic subjects to transact without necessity to meet in person. Although it may be troublesome for the side of Tax Authorities throughout the world in taxing the digital economy.

Therefore, a breakthrough in policy is needed to track down taxes in the sector of digital economy that is notably innovative and unique. The Tax Authorities in several countries are even forced to think hard about this in order to create a new kind of tax to entrap business actors of e-commerce or internet service providers (over the top/OTT).

The Tax Authority in Indonesia is also faced with the same challenge. To know the direction of taxation policy of digital economy in Indonesia, Tax Guide interviewed **Heru Marhanto Utomo, Head of Sub-directorate of Transformation Management of Directorate General of Taxes (DGT)**. Below is the interview excerpt:

What is the background behind many countries—including Indonesia—immediately taking action to tax the digital business activities?

Actually the digital economy is a common business activity, but it is only the digital platform that differs. Taxation system embraces the justice principle, so that anyone earning income, if already meeting the requirements, shall pay tax, including in the economic activities with digital platform. In any country, not only in Indonesia, even overseas, it applies the same. It has been a basic principle.

Tax in e-commerce industry is very important, considering the big amount of transaction. And speaking of facts, the OTTs have earned income from its activities in Indonesia. It means tax object arises.

To tax a company or a transaction, there are two things that shall be met: the tax object exists and the subject as taxpayer also exists. However, there are some difficulties. Firstly, the OTTs have no branch or representative office. Secondly, the OTTs have no Permanent Establishment (PE) in Indonesia. That is the very important issue. Thirdly, the OTTs' tax is underpaid or even unpaid.

What are the taxation basis or tools?.

Digital technology is a disruptive technology, that is a technology that really stirs the normal business life. It is something whom we have not regulated in detail yet. It is also something new in our society. The economic business process is changing, from the regular into the digital economy. In the regular economy, the control is already established. Yet, in the digital economy the control should be organized as the physical form is not visible.

Will the taxation system of digital economy is performed through Income Tax or Value Added Tax (VAT)?

With the available legal frame, we can still make taxation regulation on the e-commerce. The Income Tax object is the income and the VAT objects are the transfer of Taxable Goods or Taxable Services.

Nevertheless, to tax the OTTs' transaction fairly, the study is still ongoing. This stage of study involves many parties, either internal or external. The digital economy is something with a very high capitalization value, it can be in thousands trillion. Thus, it is not something that is easy to be taxed immediately.

What are the alternative options, sir?

As I have stated, the option is like Diverted Profit Tax (DPT). This scheme has been used by the Tax Authority of England and Australia.

In addition, there is also another country that has issued the regulation related to the OTT taxation, namely India. Yet we won't simulate the regulation in India because it is withholding tax, which taxes the e-commerce actors but the burden will be moved to the costumers. It is not even applicable in India. Thus, it is neither possible for us to use it.

Meanwhile in Japan, they're entering through VAT. There, the e-commerce actors are requested to collect the VAT by the Japan Government. These are new things, that are still under study. Thus, we will now use the existing regulations. If we think they are sufficient, we will issue them.

Has any simulation been done in case the DPT is used?

Not yet, it is still a very early stage. In fact this study should involve many parties, including the Fiscal Policy Agency (Badan Kebijakan Fiskal/BKF).

What is the recommendation of OECD?

OECD has issued the recommendation via BEPS Action 1. It may be our material to learn too. But the point is, we learn from many sources, not only from one country. It can also be from OECD and World Bank. But in the end, we will take the most suitable one for us.

Speaking of the OTTs, what are the difficulties of DGT in taxing it?

Here we'll try to draw the business scheme performed by the OTT actors. So this global OTT sets up a company in Indonesia, a domestic company. Yet, this domestic company's function is only marketing agent, searching for consumer to the overseas OTTs. Therefore, when we apply the PE (scheme) for the company, they refuse, under the reason that they are only conducting marketing and no more function. Almost all or most of the main functions of their business is conducted by the OTTs located overseas.

So the scheme is, the company in Indonesia only searches for the costumers or becomes a marketing agent. The company will get fee from the OTT overseas. But when we put advertisement in the OTT, the payment is directly made to the OTT overseas. Thus, there is an issue, whether the income sent from our costumers in Indonesia to the OTT overseas will be the income of PE? This will always be an issue, which is fought for not only by the DGT but directly by the Minister of Finance.

What are the followups?

We try to handle this OTT, the action that has been done is deem the company in Indonesia as PE of the OTT overseas ex officio, so that it becomes a foreign tax subject.

Furthermore, we have also issued Circular of DGT Number 04 Year 2017, that becomes our basis to deem every PE in Indonesia ex officio. We also conducted investigation into the PE, which in the end the OTTs will make tax payment.

Based on the DGT's study, which part will be taxable from the OTT?

In terms of this OTT, we speak about content. To use the internet we should buy credits, let's say we do the top up of IDR100 thousand, it has been subject to 10% VAT. Now let's talk about something larger, talk about content like advertisement or





promotion. The income from advertisement should be taxed. How the taxing will be? Since this is digital and the actors are world, cross border players, there come the complexities.

If the party making advertisement is a local player, it doesn't really matter. But this one is a global player and the marketing activities are physically from overseas, but we (Indonesian citizens) enjoy it from here. This is completely different from the existing business process.

Is the preexisting tax regulation strong enough to trap the OTTs?

If we look at the tax laws prevailing, in Income Tax Law, there is actually the definition of PE, but the definition tends to the explicitness of physical presence of a foreign company, the existence of representative office, the presence of the assigned personnel. Meanwhile in the digital economy the physical presence does not exist, (and) is only through the internet network. Thus, it is quite difficult for us to determine the PE status.

Furthermore, (the definition of PE) in the Tax Treaty is similar with that in the provisions of Income Tax Law, it is more about physical presence. Meanwhile, the non-core activities are not covered. For example, in Indonesia the PE only conducts a marketing function and all transactions are not conducted by the representative office in Indonesia. However, with several available regulations, we try to issue Circular of DGT Number 04 Year 2017, which reinforces the position of PE. With this status, we try to approach the players to pay tax.

We also performed study to apply anti-avoidance rules in the Income Tax Law. This is because Income Tax Law article 18 is still considered incomplete. We also study the preparation of special laws. This will copy the policy applied by other countries. Because, if it is penetrated into the income tax scheme, based on the study, it will not be appropriate.

From the perspective of DGT institution, what are prepared to tax the OTTs or e-commerce?

DGT since 2016 has actually made e-commerce team across directorates, involving several Regional Offices having Taxpayers in the field of digital economy. We also made cooperation with third party.

From the perspective of supervision, since the transaction traffic tends to intangible goods—the goods are not visible—that makes the supervision is more difficult, mainly the payment traffic. Thus, we encourage banking party in this case Bank Indonesia to accelerate National Payment Gateway. More importantly, there is Government Regulation in lieu of Law (Peraturan Pemerintah Pengganti Undang-Undang/Perppu) of Automatic Exchange of Information (AEoI) that requires the banking party to submit the data to us.

When will the proposal of digital economy tax be submitted to Parliament (Dewan Perwakilan Rakyat/DPR)?

All of the bills are actually in DPR now: the bills of Tax General Provisions and Procedure, Income Tax, VAT. But the bills submitted are the bills conceptualized in the emerging years of digital economy, unlike now. At that time maybe it is only about the globalization of economy, not addressing the digital economy.

Does it mean that there will be revision or new RUU to be submitted to the DPR?

Usually during the discussion in the DPR, there will be new input and opinions. Usually the DPR in the List of Problem Inventory (DIM/Daftar Inventarisasi Masalah) will make queries and input. The business actors will also give input during the discussion there.

In short term, what (we) can do is issuing Circular of DGT Number 04 Year 2017. This is a short term plan to anticipate the development (of the digital economy). In fact, Circular is not something new, it only reinforces the provisions in Indonesian laws, but we combine it with the digital business process. There we mention that for business process of digital economy, the transaction model is paired with the available regulations, and the result is the Circular. So the Circular does not make a new regulation, but it reinforces (the regulation), that if the transaction is like this, the steps to be taken are like this, as regulated in the Indonesian laws.

Is it forceful enough if it's only in the form of Circular?

Circular of DGT number 04 Year 2017 is not part of the laws, but it can be the guidelines since it cites the laws.

Foreign Investment Potential, Regulation, and Requirements in Construction Service Sector



Contributor:
Reni Fazilah
(Legal Consultant)

Construction service industry has been experiencing such a fast growth in Indonesia along with the spirit of this country to conduct its development. Infrastructure projects such as schools, business centers, government buildings, bridges, and road facilities are intertwined creating growth in economy as well as being supporting element of social-culture life of a country. As a result, construction sector becomes one of the main pillar of national economy development.

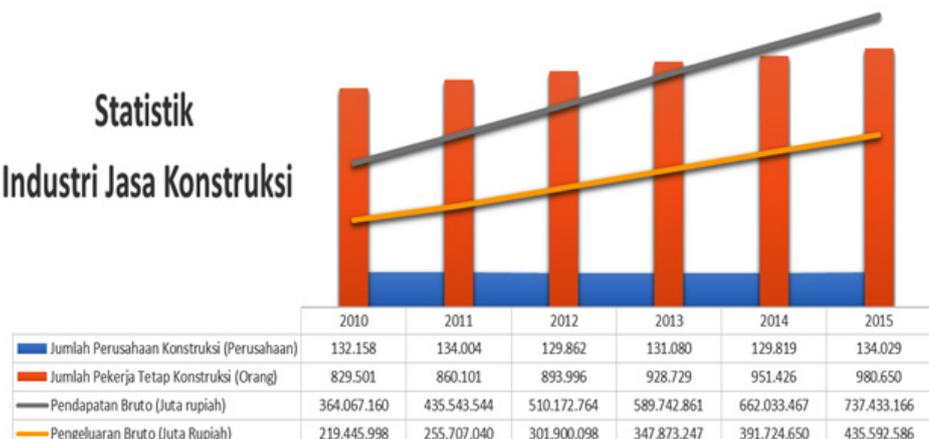
Statistics Indonesia (BPS) records that construction sector contribution on Gross Domestic Product (GDP) has been increasing gradually from 3.9% in 1973 to 8% in 1997 and the latest data shows 10.21% in 2015. More than 134,000 companies are recorded engaging in construction sector in 2015 and employing nearly 1 million workers.

It is obvious that the construction business potential in Indonesia is high. In 2005, total of gross revenue in construction sector reached IDR737.43 trillion, increasing more than 100% in 5 (five) years. Meanwhile from the gross expenditure, the growth reached nearly 100% or IDR435.59 trillion in 2015. The number has surely increased year to year along with various development projects sped up to stabilize the economy.

It is reasonable that construction service sector becomes the attraction of investment and one of superstars of capital investment. However, there is particular provision in Indonesia regulating licensing and investment procedure in construction service sector. Therefore, investor candidate especially Foreign Construction Service Enterprise (*Badan Usaha Jasa Konstruksi Asing/BUJKA*) shall learn the provision before investing the capital.

As mandated in Law Number 25 Year 2007 on Capital Investment, foreign investor willing to invest in Indonesia shall establish company or legal entity in Indonesia in the form of limited liability company (*Perseroan Terbatas/PT*) and shall be located in Indonesia, or otherwise stipulated by the Law.

Statistik Industri Jasa Konstruksi



Especially for Foreign Capital Investor who will invest in construction service sector, supplementary provision is regulated in Law Number 2 Year 2017 on Construction Service. PMA is obliged to create:

- a. BUJKA Representative Office
- b. Indonesian legal entity through investment cooperation with national construction service enterprise (*Badan Usaha Jasa Konstruksi/BUJK PMA*).

However, market segments that may be conducted by BUJKA Representative Office as well as BUJK are restricted to projects possessing qualification as follows:

- High risk;
- High technology; and/or
- High cost.

BUJKA Representative Office

BUJKA is enterprise established under the law and domiciled in foreign country. To perform construction business service activity, BUJKA shall possess representative office in Indonesia and its position is treated equal to legal entity of PT engaging in construction service business field. The BUJKA representative office is given the BUJKA representative permit (representative permit) as license to conduct business granted by the Government to perform construction service activity in Indonesia.

As mandated by Law Number 2 Year 2017 Article 32, BUJKA representative office is obliged to assign Indonesian citizen as the highest leader in the representative office. In other words, Chief of Representative of BUJKA Representative Office shall be Indonesian citizen.

Furthermore, BUJKA representative office is also obliged to:

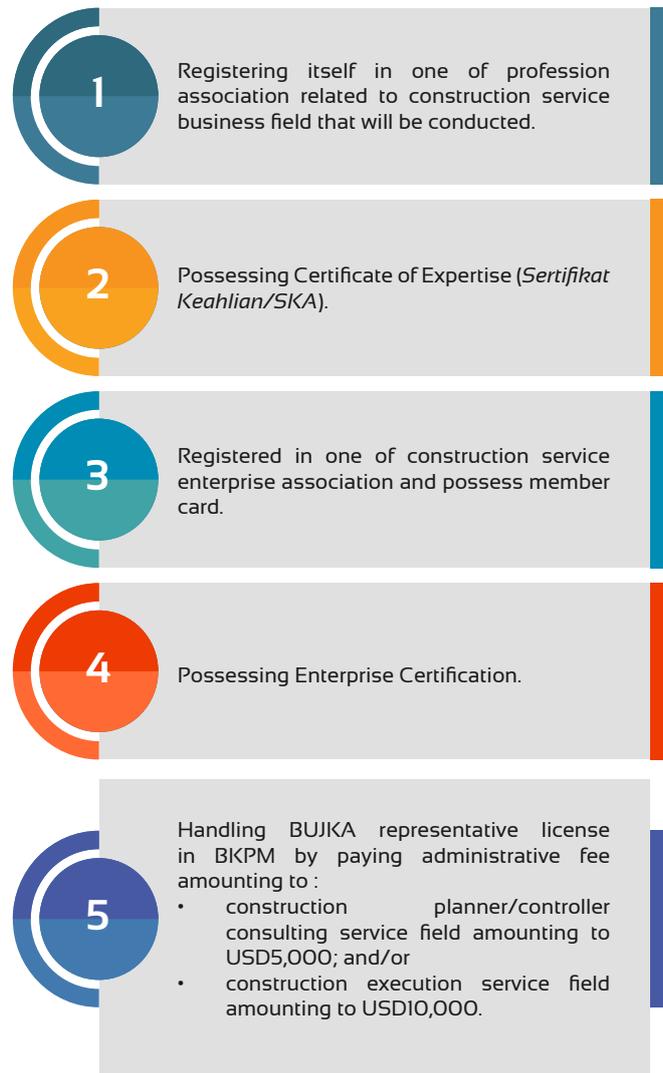
- establish a joint operation with large-qualified national construction service enterprise possessing large qualification business license in each construction service business activity in Indonesia;
- employ more Indonesian workers than foreign workers;
- prioritize the utilization of domestic material and construction technology;
- possess high, sophisticated, efficient, environmental-friendly technology, as well as regard the local wisdom;
- perform technology transfer process; and
- perform other obligation pursuant to law provisions.

The requirements that shall be fulfilled to register BUJKA Representative Office Permit in Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*) may refer to Appendix 1 of Primary Regulation (*Peraturan Kepala/Perka*) of BKPM Number 15 Year 2015. The BUJKA representative office permit shall be issued within 2 (two) working days at the latest since the request is received completely and correctly. The permit prevails for 3 (three) years and may be renewed.

The requirements of workers for construction service business with business subqualification in planner/controller construction consulting service field and construction execution service field is as follows:

- 1 (one) person of permanent expert certified Regional Expertise Certificate (*Sertifikat Keahlian/SKA Madya*) at minimum,
- 1 (one) person of person in charge of technical matters (*Penanggung Jawab Teknik/PJT*) certified SKA Madya at minimum,

Procedure of Acquiring BUJKA Representative License:



- 1 (one) person of person in charge of qualification (*Penanggung Jawab Kualifikasi/PJK*) certified SKA Madya at minimum,
- 1 (one) person of person in charge of enterprise (*Penanggung Jawab Badan Usaha/PJBU*) or Chief of Representative. PJT, PJK, and PJBU may not occupy double position.

The net property requirements for consulting service business field of construction planner/controller is IDR500 million at minimum and possesses experience of performing work with total experience cumulatively in 10 (ten) years of IDR2.5 billion at minimum.

The net property requirements for construction executor service business field is IDR50 billion at minimum and possesses experience of performing construction work with total work cumulatively IDR250 billion in 10 (ten) years.

Foreign Investment Construction Service Enterprise (BUJK PMA)

BUJK PMA is a joint venture between BUJKA and National BUJK in the form of PT with provision of foreign share ownership at maximum 67% or 70% for ASEAN countries.

To perform construction service business activity in Indonesia, each BUJK PMA is obliged to possess Foreign Investment Construction Service Business License (IUJK PMA) issued by BKPM.

Because the BUJK PMA is in the form of PT, the establishment of BUJK

PMA is similar with the establishment of PT which is generally obliged to possess Deed of Establishment and Article of Association of company, validation by Ministry of Law and Human Rights and other basic documents.

After BUJK PMA acquires status as legal entity from Ministry of Law and Human Rights Republic of Indonesia, there are several requirements and scheme of process obliged to be fulfilled by

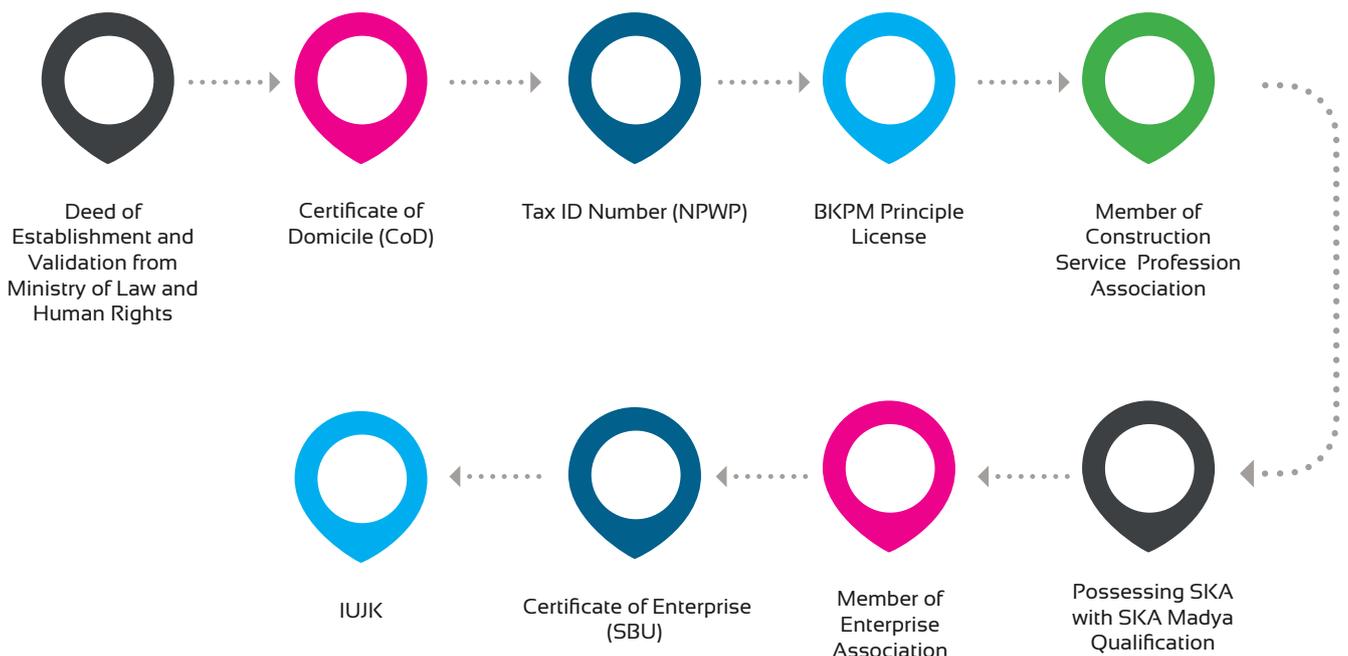
BUJK PMA to obtain IUJK.

The IUJK BUJK PMA processing is conducted in Central One-Door Integrated Service in BKPM because IUJK is issued by the Head of BKPM on behalf of Minister of Public Works and Housing. The permit shall be issued by BKPM at maximum 6 (six) working days after the permit request is completed by BKPM. IUJK BUJK PMA prevails for 3 (three) years and may be renewed. Happy investing! (AGS)

BUJKA PMA Requirement

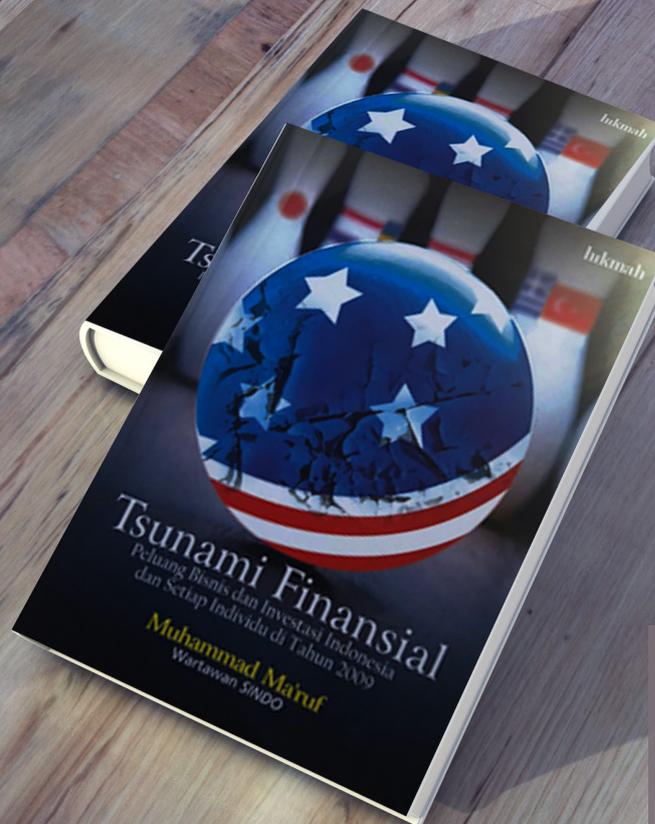
- 1 Principle License of BKPM;
- 2 Deed of Establishment of BUJK PMA and its amendment approved by Minister of Law and Human Rights;
- 3 Article of Association of Company and its amendment approved by Minister of Law and Human Rights;
- 4 Corporate Tax ID Number;
- 5 PJBW Tax ID Number;
- 6 General data of BUJK PMA or company profile;
- 7 Temporary Stay Permit Card (KITAS), Issuance of Expatriate Employment Permit (IMTA), and passport or national identity card of PJBW;
- 8 KITAS, IMTA, and passport or national identity card of PJT;
- 9 Document of Environmental Management;
- 10 Legality of company address; and
- 11 Statement Letter stating that PJBW and director of BUJK PMA are not director or commissioner in other BUJK operated in Indonesia.

Scheme of Process of Construction Service Business Licensing



Book Review

Learning from Tsunami Finansial



Title	: Tsunami Finansial
Author	: Muhammad Ma'ruf
Publisher	: Hikmah
Pages	: 176 pages
Published	: January 2009

World economy has experienced an advanced development—perhaps, an evolution—from time to time. The correlation of inter-individual, inter-group, as well as inter-country are even tighter through the economy network that expands, and goes beyond the jurisdiction limit and border. Innovation covered by economy liberalization becomes an inevitability in globalization era.

Free market seems to blur the problem of economy inequality and wrap it into a golden opportunity for interest hunters. Capitalization of market creates profit sources for the speculators. However, on the other hand, it becomes a time bomb that is ready to explode and ravage the economy growth.

Economy growth is a pleasant dream and making us sometimes forget about the crisis cycle that usually follows. The history has proven that the high economy growth always ends up with recession and keeps continue like a never-ending curve. The greed, the egoism, the negligence, and the failure of policy may be a boomerang for the economy glory.

Muhammad Ma'ruf (Journalist of SINDO) in his book titled "*Tsunami Finansial*" reconstructs economy recession that has rampaged global economy respectively and in detail. Farmer's group story—hunting a dream land in California, United States in the midst 1929—becomes the interesting opening story from the biggest economy tragedy throughout Uncle Sam Country's history (The Great Depression). The euphoria of housing and land quest that was full of massive property credit aids ended up with bad credit problem and the collapse of Wall Street stock exchange on Tuesday, 29 October 1929 or known as Black Tuesday.

The dark history repeated almost 8 (eight) decades and once again knocked down the United States (US)'s economy in 2008. A *deja vu* lulled by monetary expansion policy recreated an explosion of economic bubble as a result of uncontrolled subprime mortgage closeout. This time the negative effects

spread widely to some countries and created a great panic in the world. The stock exchange fell; the fourth biggest investing bank in USA, Lehman Brothers collapsed; 6,5 million of new homeless built city of tents; some countries went critical and was brought to "emergency" of International Monetary Fund (IMF).

In Indonesia, the Indonesian rupiah exchange rate fell until reaching up to IDR12,000 per US dollar. Furthermore, the shares of 15 (fifteen) main issuers were corrected intensely until could not be traded as it had reached auto rejection limit. The authority of Lapangan Benteng (Ministry of Finance) and of Jl. Thamrin (Bank Indonesia) were frightened and forced to find solution to push back the spreading effect of US economy crisis. Policy by policy were made by the green thumb of Sri Mulyani Indrawati (Minister of Finance) and Boediono (Deputy of Bank Indonesia). And it was not entirely effective, yet, some policies had worked to squeeze the crisis and maintain the economy growth despite being corrected.

In the book of 176 (one hundred seventy six) pages, Ma'ruf reminds the market players not to rage in investment and to stay alert with global dynamics. Unfortunately, the crisis story is closed before discussing political issues that can add ingredient to the crisis in Indonesia. In the book published by PT Mizan Publika (January 2009), the author presents the writing with spoken narrative style and changes the image of heavy economy writing into simple and easy one. Though, it is impressed in such a hurry because the advice and suggestion given still lack sharpness and depth. (AGS)

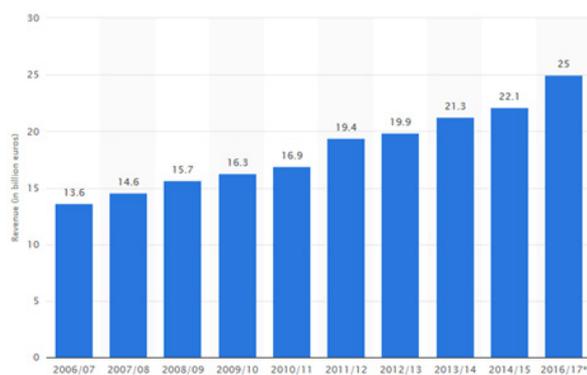
“Victory” is a dream of all people, especially for athletes as they are born to show their self-existence through a competition. “Losing” becomes a taboo word for them before competing.

Football superstars like Cristiano Ronaldo and Lionel Messi are no exception. They are the global rivalry icons in football nowadays. They lead their teams (Real Madrid and Barcelona) to win championship in turn, in domestic (Spain), regional (Europe), and global level. As a matter of fact, no one can stop them at the football pitch.

However, there is one power that can actually lead the footballers to be in a cleft stick. Spanish tax regulation has brought them to their knee before the court for accusation of tax evasion.

Messi has even been sentenced for 21 month imprisonment, which was converted into €255 thousand of fine. Messi was accused of tax evasion amounting to €4.1 million in Spain during 2007-2009 related to his income from image rights, i.e. pictures and posters.

Development of European Football Market Share



(Source: www.statista.com)

The same penalty awaits Ronaldo who was accused of tax avoidance during his play in Real Madrid of €14.7 million for 2011-2014. His proceeding in Spanish court has still been ongoing until now.

Forbes reported that Ronaldo is the footballer with the highest earnings in 2016, amounting to £70.5 million. Meanwhile, Messi follows in the second position with £65.2 million of earnings. Their earnings are in line with the number of trophies they won with their clubs.

Messi and Ronaldo are only a few of many football superstars that are faced with tax case. And, Barcelona becomes the most spotlighted club for tax scandal alleged to its top players, i.e. Javier Mascherano; Neymar; and even its former President, Sandro Rossell.

Recently, a Portuguese football manager, Jose Mourinho is also alleged to have caused loss for the Matador Country to €3.3 million in the mid 2011-2012. The Judge accuses Mourinho of taking self-benefits upon image rights he got during his role as Real Madrid's manager.

Beckham Law and Football Commercialization

Football nowadays is not merely a game to play with the ball, but it has transformed into a great industry. It is a magnet,

not only for millions of attentions but also for commercialization by capital owners, not to mention the tax hunters.

Football contributes big number of business transactions, not only from ticket sales, but also from advertisement and broadcasting rights. The higher the competitiveness among clubs and the popularity level of the league are, the bigger income will be earned by the clubs and the players. It is especially when the supported club or country makes it to the major football tournament in continent or global level.

Europe as the centre of world football industry has booked market value amounting to €25 billion in 2016/2017 (Statistica.com). Within the last five years, the market value in European football has increased by approximately 8% per annum. Five big European leagues recording the highest income in football are England, Spain, Germany, Italy, and France.

Each of those countries applies different regulations, depending on the focus and the priority: whether in industry or tax income.



Those choices may share mutual interest for each or may harm each other. Some countries opt to be tax-friendly in gaining the league competitiveness and in encouraging their domestic economy.

For instance, in 2005 Spain provided tax incentives for rich athletes and expatriates with special expertise. The facility given was in the form of flat income tax rate of 24%, unlike the previous progressive tax rate ranging between 24% and 43%.

The Spanish Tax Authority's policy was then known as Beckham Law, after an English football star, David Beckham became one of expatriate figures signing up the tax facility. Beckham was transferred from Manchester United (Premier League) to Real Madrid (La Liga) in 2003, under the title of most expensive player with tag of €37.5 million.

The La Liga was getting more competitive following the transfer of some football top players such as Fabio Cannavaro (Italy), Ruud van Nistelrooy (the Netherlands), Kaka (Brazil), Karim Benzema (France), Zlatan Ibrahimovic (Sweden), and Cristiano Ronaldo.

Spanish virtue as a tax-friendly country for expatriate was gradually fading away after they scrapped the Beckham Law in 2010. Several big names in football world started to get discontented as their financial records are disputed by the Tax Authority. Recently, Ronaldo has expressed his intention to leave Spain though without explicitly mentioning the tax case as the cause.

This phenomenon is interesting when correlated with the global attempt to fight tax avoidance. The era of information openness through the implementation of Automatic Exchange of Information (AEOI) is a strong indication that there will be no place to hide property from tax in the future.

than 65% into USD168.3 million for total transfer amount, in which USD90.6 million of which was for transfer of European players.

This phenomenon has recently spread to Indonesian football industry following the Indonesian Super League I. For instance, Persib Bandung which just brought in ex player of Chelsea and Real Madrid, Michael Essien. Also, Madura United has recently brought in ex striker of England Premier League from Nigeria, Peter Osaze Odemwingie.

The presence of marquee players in some leagues not only signifies the movement of football industry, but also becomes an investment field—which is commonly surrounded by tax avoidance tactics.

This indicates that investment and tax potential is quite high in football industry. It comes not only from players' and clubs' income, but also from other related business activities, i.e. sport apparel industry, advertisement, or even gambling.

Shackles of Tax for Football Superstars

Cristiano Ronaldo
REAL MADRID CF



Cultivating Tax in Football Field

Tax Authorities around the world are getting serious in cultivating tax income sources, particularly in potential industrial sectors. One of which is football industry that has exponential growth in last decades around the world.

In Asia, China and India are two countries which aggressively attract investment for developing its football industry. China and India Super Leagues in some recent years have brought in football stars with expensive cost.

Based on transfer market system of FIFA, the transfer value of football players in China Super League reached up to USD101.8 million in 2014, in which almost half of it was used for buying European football stars. In 2015, the amount increased by more

Speaking of high potential in investment and tax, ideally it will be beneficial for all parties, particularly for the country. It shall be supported with tax compliance from taxpayer, as well as optimal tax service and system. However, reality sometimes is not as what is expected.

Tax cases that entrapped top global football players in European leagues can be, at least, taken as a lesson learnt. Especially for Indonesian football players who has just been relieved from a long-chaotic domestic league management. The point is, the football game should be brought back into its nature: a fair and entertaining game. Therefore, the football actors should hold onto fairness, including in fulfilling their tax obligation. Thus, in every championship and celebration, there come tax obligations that follow the top players as well as the clubs. (ASP/AGS)

TAX DISPUTE RESOLUTION SCHEME



Taxation General Provision and Procedure Law (KUP) has regulated tax dispute resolution scheme. In the resolution process, Taxpayers are entitled to apply for objection, appeal, and judicial review against a tax assessment.



1

1 OBJECTION

- Written in Indonesian Language
- Submitted to Directorate General of Taxes 3 months at the latest after the issuance of Tax Assessment Notice (SKP)
- Taxpayers shall settle their tax payable of the amount agreed in the closing conference of audit result at minimum
- In case that the objection is rejected and the Taxpayers do not apply for appeal, they are subject to sanction of 50% of tax amount deducted by paid tax
- Objection not fulfilling the requirements shall not be considered



Objection Letter



Summons



Clarification



Decision on Objection

2



Appeal Letter

2 APPEAL

Appeal Application Letter shall be submitted to Tax Court 3 months at the latest after the issuance of Decision Letter for Objection

Directorate General of Taxes shall issue a verdict 12 months at the latest after the Objection Letter is received

JUDICIAL REVIEW

3



Appeal Verdict



Hearing

3

Tax Court issues a verdict 12 months after the Appeal Letter is received

- Judicial review can only be applied for 1 (once) to the Supreme Court
- Judicial review is applied 3 months at the latest after the issuance of Court verdict

Judicial Review



4

The Supreme Court issues a verdict within 6 months after the Judicial Review Application is received.

4



IN KRACHT