SPECIAL EDITION

MUC
Consulting Group

July - August 2017

TAXGuide

Enrich your Knowledge

MUC Consulting Group

ADDRESS

MUC Building 4th floor
Jl. TB Simatupang 15, Tanjung Barat
Jakarta (12530)
Phone: +6221 788 37111
Fax: +6221 788 37 666
Email: publishing@mucglobal.com

EDITORIAL NOTES

Assalamualaikum, Wr. Wb. May peace and prosperity befall upon all of us. Alhamdulillah, we are in the seventh edition of Tax Guide. This edition is a special edition because it coincides with MUC Consulting Group's 18th anniversary. The short journey of MUC in pioneering the business for the last 18 (eighteen) years will become the sweet opening of this Tax Guide.

Furthermore, there are some analysis and opinions related to tax policy that always become main content of our publication. Among others related to the reinforcement of stipulation of acquisition time of dividend (Deemed Dividend) by Resident Taxpayers upon Capital Investment in non-listed Overseas Business Enterprise. The regulation known as Controlled Foreign Company (CFC) Rules is Indonesia's commitment in supporting global effort to fight Base Erotion Profit Shifting (BEPS).

This edition also offers our contributors' opinion on the achievement of tax ratio target and the change of formula of non-taxable income using province division system.

It does not only present about the tax issue, the special edition of Tax Guide also provides guide for business person related to the obligation from employment's side related to the structure and wage scale arrangement.

As always, the infographic is also presented, providing the visual form of fiscal incentive in the upstream oil and gas sector.

As the closing, we'd like to share the happiness of MUC Consulting Group's anniversary celebration from Singapore. At the end, we hope all presented in this MUC Tax Guide is useful and may become business and tax reference for all of you. Thank you and good luck for all of us.

Jakarta, August 2017

Imam Subekti

MUC's Success Story, Started from A Garage

In a small garage at Batu Ampar area, Condet, East Jakarta, four young men graduated from STAN started their own business in the mid 1999. Embolden by accounting insight and experience in serving the Directorate General of Taxations (DGT), they offered tax consultant services which emphasize ethic and urge tax compliance.

Garage

After two years, the story went on and the four young men moved to a small office in PP Plaza Building, Jl. TB Simatupang, South Jakarta. Waving MUC Consulting Group's flag, more clients came to and put their trust in MUC. The rising number of clients led to increasing number of MUC's employees, making them occupied almost all spaces in the third floor of the state-owned housing enterprise.

After one decade, the growth of business and increment in MUC's employees urged MUC to have a new office with more spaces. MUC Building became the new home for the consultants and it signified the success of the young tax consultants in realizing their dreams. It was a movement that brought positive change and passion to grow together and to regenerate.

This is not a story about Steve Job (Apple), Bill Gates (Microsoft), Larry Page (Google), nor Bill Hewlett nor even Dave Packard (Hewlett Packard). This story tells how persistence and ethic could be brought to lead MUC into its success by its founder: Razikun, Sugianto, Afdhal Zikri, dan Taridi.

Time goes fast and MUC has reached its 18th birthday this year. It is the productive age for a human being. MUC's founders may no longer be young, but the spirit of youth remains in them because of the presence of young tax generation in Indonesia. Such spirit is always kept by immensely great consultants like Ika Fithriyadi, Karsino, Imam Subekti, Meydawati, and Wahyu Nuryanto.

Happy anniversary for MUC Consulting Group. May MUC be more successful and be the leadings tax consulting firm in Indonesia.

PP Plaza

MUC Building

TESTIMONIES

Sugianto, Ak. M.S

MUC turns to 18 years old today, and this achievement is not an easy journey. When starting this business, we [the founders] agreed to put forward ethic and compliance to regulation since it is a frame that will guide us to be within the border.

We hope MUC will keep growing to be the foremost [tax consulting firm in Indonesia], as well as giving big contribution to stakeholders, either the government, the DGT, or the clients. Hopefully, MUC could bring more prosperity to its employees, who are also the owners of this company."

DR. Muhammad Razikun Ak. M.Si

I wish MUC, with passion and supported by young professionals, can grow bigger and give more significant contributions to taxation field, particularly in helping its clients to meet their taxation obligation as well as helping the government in inviting taxpayers to comply with the tax regulation.

For MUC internally, all consultants or employees have to be able to adapt with dynamic condition of business, politic, environment and regulation that change very rapidly, by enhancing quality and competency of its consultants.

Karsino Ak. M.Si

The most pleasant thing for me as long as working in MUC for 17 years is the "balance" culture that is developed continuously by its founders and its stakeholders. Such culture is a harmony in working to achieve secular dreams and to reach a true happiness after life. Hopefully, MUC's big family members are also able to be istiqamah in living this life. Aamiin."

Meydawati S.la

I feel thankful to Allah for any achievement that MUC has reached till today. Hopefully, MUC will always be professional that emphasize an ethic while conducting its business. MUC will keep moving forward.

Ika Fithriyadi, Ak.

I feel so thankful that MUC Consulting Group can survive for 18 years. No words can be expressed but being grateful to Allah SWT upon our achievement that we have reached so far. For certain, the obstacles awaiting ahead will not be easy but MUC should be able to face them optimistically. I'm sure that with the experience and the support from its competent young consultants, MUC can grow and thrive for a very long time.

Wahyu Nuryanto Ak. M.Pa

I feel grateful to be a part of such an incredible journey of MUC, a reputable and reliable consulting firm. We realized that more difficult obstacles are awaiting ahead yet I believe that with professionalism and great work ethic combined with prayers, together we will be able to encounter any obstacles. Hopefully MUC can keep growing in the future.

Prof. Dr. Gunadi, Ak, M.Sc.

MUC has been taking part for as long as 18 years in tax consulting business. And for such a long time, MUC has rendered its contributions to raise awareness to the society regarding the tax regulations. I wish by using self-assessment method, MUC's role will be bigger in helping the society to be more aware and understand about the tax regulation. And since today's business has been moving into digital era, MUC also has to reinforce itself and improve its quality by serving digital-based services .

Seeking the Best Formula for CFC Rules

Death and taxes are two words that are often quoted to describe the exact conditions that no one in the world can avoid. Before Benjamin Franklin popularized it (1978), a British actor Christopher Bullock first wrote it through The Cobler of Preston (1716). "*Tis impossible to be sure of any thing but Death and Taxes*".

The matter of death, certainly anyone can't avoid. But speaking of taxes, Franklin's and Bullock's opinion is not entirely true. In fact, there are still many legal loopholes that provide a comfortable space for tax evaders. Tax avoidance modes and practices have actually begun to stagnate, but to crack down on it is still limited to polemics and discourse among the tax authorities.

Low taxpayer compliance rates are often blamed by tax authorities on tax avoidance. In fact, as an illustration, rats will not be able to get out or enter a house if there is no hole that gives him access to steal and hide. Even so with the taxpayers, they will not freely hide their income from the tax officers' hunt if there is no legal loophole that gives it a chance.

Tax avoidance practice is not only happening in Indonesia, but also in various parts of the world. Tax evaders typically make use of the difference in rates and loopholes of the inter-country Double Tax Avoidance Agreement (Tax Treaty). This phenomenon that makes Base Erosion and Profit Shifting (BEPS) become a global issue that should be fought together because it erodes the potential of state revenue.

Many ways that taxpayers do to avoid or evade tax obligations. Starting from inflating transactions to hiding assets in tax haven. The mode can be through transfer pricing, thin capitalization, treaty shopping and Controlled Foreign Company (CFC).

The connection with CFCs, the stance commonly used by taxpayers to avoid domestic taxes is usually by setting up companies or moving company centres to other countries that provide lower tax rates or even tax free, as well as confidentiality guarantee (tax havens). Then, the taxpayer intentionally defers passive income from the foreign company in order to avoid tax obligations.

The state did not certainly remain silent with the action. Tax authorities should be more tactical than the tax evaders. To counter this, the United States spearheaded a tax avoidance regulation in the form of Controlled Foreign Corporation (CFC) rules in 1962. The objective was to eliminate deferment of passive income from overseas companies controlled by domestic taxpayers as shareholders. The concept of CFC Rules was then adopted by many countries, including Indonesia since 1995.

Over time, CFC regulation is not strong enough to close the tax avoidance slit. In accordance with the OECD recommendation in Base Erosion and Profit Shifting (BEPS) Action 3, on July 27, 2017 the Government of Indonesia re-strengthens the CFC Rules by issuing the Minister of Finance Regulation (PMK) Number 107/PMK.03/2017 concerning Deemed Dividend by Resident Taxpayers on Ownership in Overseas Enterprises other than Business Entities listed in the Stock Exchange, which also replaces PMK No.256/PMK.03/2008.

There are six things that the government points out in the new regulation. First, is to widen tax calculation base on dividend paid by non-listed overseas business entities. Previously, the criterion for CFC is mainly direct control in non-listed business entities. Now, the latest regulation also includes non-listed CFC with indirect control/ownership.

Indonesian taxpayers will be deemed as having direct control on overseas companies if they have at least 50% of ownership, whether they own these shares by themselves or through collective ownership with other taxpayers.

In addition, the Indonesian taxpayer is considered as having indirect control of a company if the CFC that is more than 50% owned by the taxpayer also has 50% or more ownership in other non-listed overseas companies. The regulation also applies to collective ownership, in which a group of taxpayers has 50% or more ownership at a non-listed foreign business entities.

The second one is calculation formula on deemed dividend. Wider criteria for CFC have led to additional formula to calculate deemed dividend for Indonesian taxpayers who have direct or indirect control in non-listed overseas business entities. The calculation is by multiplying the percentage of equity participation with the profit after tax from both overseas companies with direct and indirect control.

Third, is the calculation of deemed dividend through distributed dividend. Before, there has been no regulation regarding this. Starting this year, deemed dividend over the past consecutive 5 (five) years since it was received can be considered as received dividend from direct-controlled foreign business entities.

The fourth, is tightening requirements on crediting income tax on dividend from direct-controlled foreign business entities. Previous requirements include attachment of financial statements, copy of annual income tax return, and proof of income tax payments on dividend. Now, Indonesian taxpayers are also required to attach calculation or details on profit after tax over the past 5 (five) years from direct-controlled foreign business entities.

Fifth, if equity participation through Trusts or other similar entities abroad is not regulated previously, now it is considered as a form of equity interest by Indonesian taxpayers. The policy may result in a more complex problem for both taxpayers and tax administration, particularly in finding out collective control on foreign business entities by several Indonesian shareholders.

Sixth, is that the regulation on distribution exemption will no longer be stipulated in CFC Rules. In other words, deemed dividend will still be calculated even though these overseas business entities have paid dividend before the implementation deadline. Previously, the tax calculation on deemed dividend did not apply if the dividend is paid before the implementation deadline

Special Relationship

Every country comes out with different tax capacity and regime. Many said that CFC Rules in Indonesia is outdated since it is only targeted dividend income from overseas business entities. Meanwhile, many other countries have a wider scope for the CFC Rules by targeting both passive income (interests, royalties, and dividend) and active income coming from foreign entities.

Unlike most view, the writer sees that CFC Rules implementation in Indonesia is more realistic since it adjusts to the capacity and ability of local tax authority, herein Directorate General of Taxes (DGT). However, the implementation of Indonesian CFC rules still needs further improvement.

One of the examples is the clause on 50% equity participation threshold in non-listed foreign business entities, which according to CFC Rules, considered as having direct or indirect control in the entity. It is in line with OECD recommendation, yet it will be inconsistent with Article 18 paragraph 4 of Indonesian Income Tax Law. The law stipulates that 25% ownership in a company means having special relationship, in which the owner will have power to control the company. To make identification process easier for Indonesian taxpayers and tax administration, we can make the 50% threshold in CFC Rules align with the limit of capital participation that is considered to have special relationship (minimum 25%) in the Income Tax Law.

The Level of Equity Participation

The PMK No. 107/PMK.03/2017 stipulates indirect control over non-listed foreign business entities, whether 50% or more of its shares owned solely by Indonesian taxpayers or joint ownership with other taxpayers. However, there are still no details on the number of taxpayers in a collective ownership that will be targeted by the CFC Rules.

If we look at CFC Rules best practices in several countries, the amount of collective equity participation is limited only for a number of shareholders, whose coordination among them deemed as having significant control over the company (concentrate ownership approach), such as maximum five shareholders.

If there is no limitation on the number of people, there will be a case where the number of shareholders in a foreign business entity reaches ten Indonesian taxpayers. In fact, there will be a case where 100% ownership in a foreign business entity is owned by 100 Indonesian taxpayers. If this happens, all of them will be considered as having control over the company and subjected to CFC Rules.

Thus, it will be much easier if the threshold on equity participation in foreign companies is lowered to 25% and the number of collective shareholders is limited to a maximum five taxpayers. This notion should be pronounced in CFC Rules.

Being Selective

In terms of coverage, the implementation of CFC Rules in Indonesia uses global approach, which applies to equity participation in non-listed foreign business entities in countries all over the world. This approach could lead to several problems in the future for both taxpayers and tax administration as there will be risk of double taxation. This problem could arise particularly in countries that already have tax treaty or in countries with higher or lower tax rates compared to Indonesia. The adoption of CFC Rules with global approach also has the potential to cause friction with other countries' CFC Rules due to double deemed dividend. The risk can be mitigated by having tax credit, but it will require a long time and the procedure is not easy.

It would be better for Indonesia to limit the coverage of CFC Rules to certain countries that are uncooperative or impose lower tax rates, or to jurisdictions that do not adopt CFC Rules. This will be like implementing CFC Rules through designated jurisdiction approach, like the one used by Argentina, Italy, Korea, Peru, Portugal, Chili, and Venezuela.

Compliance Cost

One thing that taxpayers must take into account on the implementation of CFC Rules is the risk of increasing compliance cost. For taxpayers who have business entities overseas, the problem will be more complicated due to different tax regime among countries.

For DGT, the biggest challenge will be on how to detect Indonesian taxpayers' direct or indirect ownership in non-listed foreign business entities. Therefore, valid and reliable data and information is urgently needed in order to set dividend properly.

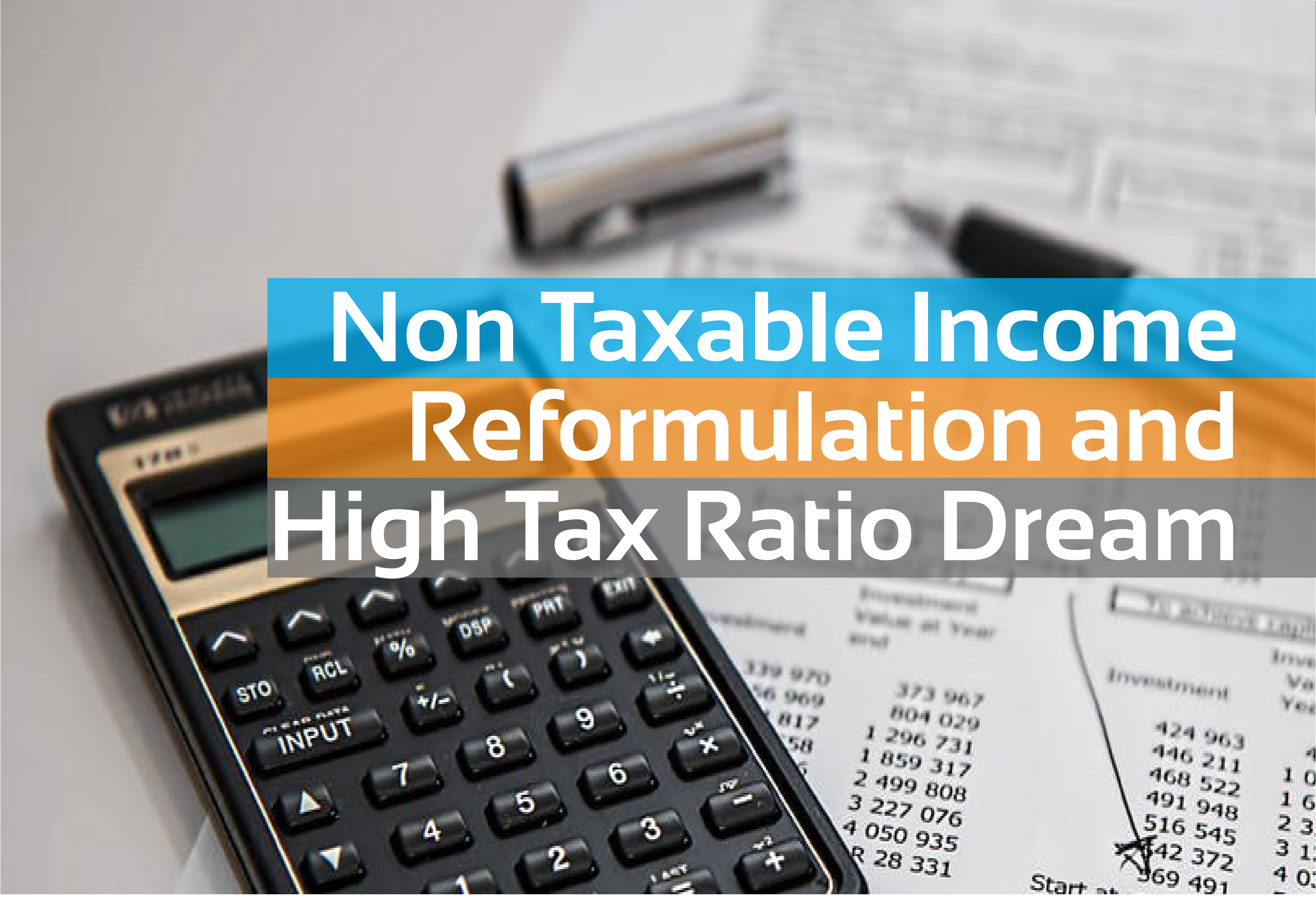
On one hand, tighter CFC Rules policy in various countries can indirectly encourage companies, whose shares owned by foreign investors, to list on the domestic stock exchange. On the other hand, the stipulation of a more aggressive deemed dividend will be counterproductive with the spirit of expanding local business entities to become multinational companies. A careful act is needed as there will be management's rights regarding dividend policies that could be overlooked. Companies can just decide not to pay dividend in order to increase capital expenditure. The point is, instead of increasing tax compliance, CFC Rules can be a disincentive for obedient taxpayers.

*Brief Version of this article is published in Jakarta Post daily, Monday, September 18th 2017

Implementation CFC Rules in The World

Countries	Object	Ownership Requirements	Profit Qualification	Coverage
Australia	Foreign Company	≥ 40%	All Revenue	*All countries*
United States	Subsidiary and Foreign Company	≥ 50%	Subpart of Income	*All countries*
Brazil	Subsidiary, associate company and foreign company	≥ 20%	Passive & Active Income	*All countries*
China	Subsidiary and Foreign Company	• 10% (owned more than one person) • 50% (collectively)	All Revenue (passive or active income)	*All non-white list countries*
Denmark	Domestic and Foreign Entity	≥ 50%	Passive income	*All except treaty countries*
Finland	Foreign entity	≥ 50% or more	Dividend	*All except treaty countries*
United kingdom	Subsidiary Company, representative office and foreign company	≥ 25%	Artificially diverted profits	*All except treaty countries*
Indonesia	Non-listed foreign company	50% or more (controller)	Dividend	*All countries*
Iceland	Foreign entity	50% or more	Financial earnings	*Low tax jurisdictions*
Germany	Subsidiary company and foreign company	50 % or more	Passive Income	*All except treaty countries*
Norway	Foreign entity	25% or more	Passive Income	*Low tax jurisdictions*
France	Subsidiary company, representative office, profit or non-profit organization, trust, part-nership, consortium, etc.	50% (controller)	All profits	*All except treaty countries*
Russia	Subsidiary company, foreign company, for-eign organization, and non-related entities	10% or more	Passive income	*All except treaty countries*
Sweden	Foreign company	25% or more	• 51% tax rate • Passive Income	*All except treaty countries*

Sources: The Canadian Center of Science and Education (CCSE), Copenhagen Business School, Freedomsurfer.com



Non Taxable Income Reformulation and High Tax Ratio Dream

"In terms of quantity, we need more employees. In terms of quality... How qualified are we?"

That statement was declared by ex-Director General of Taxation (DGT), Fuad Rahmany, in the mid of 2012, as a response to the tax revenue achievement trend that is still far from the expectation. Fuad's statement that is also a question has portrayed the capacity of Directorate General of Taxes (DGT) that seems still insufficient to reach the high revenue target.

In the last 10 (ten) years, the Indonesian Government has just once succeeded in reaching the tax revenue target. And, it was because of sunset policy program that has successfully contributed 15.2% of tax revenue surplus in fiscal year 2008. A few years later, the realization of tax revenue has been always lower compared to the target. It has made the tax ratio over gross domestic product (tax ratio) shrink from 13.3% in year 2008 to 10.3% by the end of 2016.

This year's fiscal performance–even though it has been supported by tax amnesty program–is not free from the risk of missing tax revenue target (shortfall). The problem is that based on the data released by DGT, tax contribution to the state treasury until the end of July 2017 has only reached IDR601.1 trillion or 46.8% from the targeted amount at IDR1,283.57 trilion. It is surely not an easy case for DGT to collect taxes of IDR682.47 trillion within the remaining five months.

The issues is now shifting. It is no longer about the limited capacity of DGT in collecting taxes, but it is more about the erosion of tax base that is getting worse and has dragged down the Indonesian tax ratio even deeper.

Miscalculation

In some occasions, the government considered that the low tax ratio in Indonesia when compared to the neighboring countries is only due to difference in the calculation. All this time, Indonesia has been calculating the tax ratio only from the tax revenue obtained by the central government. In some countries, the tax ratio calculation considers all of the contributories paid by public, from royalty, social security, to regional taxes.

The result will surely be different if the calculation of tax ratio in Indonesia uses the international best practice. This may be the reason behind the Finance Minister Sri Mulyani Indrawati's promising a tax ratio that will reach 16% in 2019. Many assume that the tax target is too ambitious and may give rise to serious impacts to Indonesian economic stability if being urged.

We can conclude that it is actually just a matter of wrong calculation formula that was used. A mistake that was long ignored and is just disputed or recognized in these recent years.

If it is that simple, the solution is supposed to be easy. The government, the parliament, and other interested parties only have to sit together to refine the tax ratio calculation formula.

In reality, it is not that simple. Things are just too complicated when speaking of Indonesian taxes. Not to mention political seasonings which is too caustic and mostly raises complication to the solution. Too many interests that make many things are mostly neglected instead.

Purchasing Power Dilemma

Then, the government comes with the idea to adjust the amount of Non Taxable Income (PTKP) using the Province Minimum Wage (Upah Minimum Provinsi/UMP) as a reference. The agenda of the implementation of PTKP with provincial zoning arises after PTKP, which has increased twice in the last two years, is considered grinding the tax base significantly.

In 2015, the government increased the limit of PTKP, from IDR24.3 million per annum to IDR36 million per annum. The amount of PTKP then increased again in 2016 to IDR54 million per annum. Based on the assessment of DGT, as a result of these increasing PTKPs within the last two years, the number of Individual Taxpayers whose income under PTKP has increased to 3.6 million people. Consequently, Income Tax contribution decreased substantially.

To note, there was no public demand to increase the amount of PTKP when the policy was issued. The Government's reason at that time is purely to increase people purchasing power in which the positive effect gives way to the increase of revenue from Value Added Tax (VAT). In other words, the potential loss of Income Tax should be compensated by the increasing VAT contribution.

Like money, which is supposed to come from the right side pocket but it comes from the left side instead. This is only about government's preference, whether to maximize the source of income from Income Tax or from VAT. Ideally, any tax collection can surely be maximized.

Say that the PTKP policy with zoning system may get back the 3.6 million of Taxpayers, which have once been eliminated, to pay the Income Tax again. As well as, increase the tax base as the effects from the number of new Taxpayers that raise.

At glance, the argumentation seems a big and fair deal, since the PTKP is determined by considering the living cost of different Taxpayers in each region. However, it is ideal as well if only using UMP, which is lower than PTKP, as the base.

It is important to take into account that historically the PTKP has never been reduced in Indonesia. Once it will, it should consider the negative impacts of the decreasing people purchasing power as well as the risks of decreasing revenue from VAT, not including political and social effects that will certainly drain the energy.

The determination of PTKP under family condition (continuing exemption) applied so far in Indonesia has been adequate. It will surely be better if the taxpayer's living cost is calculated in the determination of PTKP. However, it seems less accurate if using the UMP as reference, since the administration will be very burdensome for the tax withholders as well as the tax officers if the taxpayers shall move into another domicile.

To Keep the Consistency

Basically, PTKP is a manifestation of equality and equity principle, where tax applies equally for every Taxpayer and fairly for a certain case. It is a mandate of Article 6 paragraph (3) of Income Tax Law that states: "the Individual Resident Taxpayer is given deduction in the form of Non Taxable Income..."

It is legitimate for the government if intending to reformulate the tax ratio and PTKP, as long as not forgetting the most essentials—Starting from the low compliance level of taxpayer, the high level tax avoidance acts, the outdated tax system and administration, to the DJP resources that is limited.

Further, it is not about being optimistic or pessimistic, by considering the current state, what more precise is that the government acts realistically. Especially amidst the economic uncertainty that demands a consistent policy.***

*Short version of this article has been published in Daily Bisnis Indonesia, Thursday, August 24, 2017.

Entrepreneurs Are Obliged to Create Wage Structure and Scale

Contributor:
Kiki Amaruly Utami
(Legal Manager)

The structure and scale of wages are commonly set up by companies in many countries, especially by multinational companies. The main objective is to provide protection for workers regarding wage standards that will be received.

Through this policy, the government can also monitor which companies are compliant in making Company Regulations and which are not. This is because there is a force from the government, which is usually followed by a sudden inspection to ensure the conformity of wage standards based on the results of evaluation of Company Regulations.

In Indonesia, the obligation of employers to develop and socialize the structure and scale of wages just commenced this year. This instruction is contained in the Regulation of the Minister of Manpower (Permenaker) No. 1 Year 2017 on Wage Structure and Scale, effective since March 21, 2017. This policy affirms that entrepreneurs are obliged to formulate the structure and scale of wages by taking into account class, position, tenure, education and competence.

Government gives time limit until October 23, 2017 for all entrepreneurs operating in Indonesia to create and socialize the wage structure and scale to all the employees.

Wage structure and scale constitute wage level composition from the lowest to the highest level or vice versa, containing wage nominal ranging from the lowest to the highest based on the value or the level of position. In creating wage structure and scale, the entrepreneurs shall refer to basic wage.

The entrepreneur criteria determined in Permenaker Number 1 Year 2017 cover individual, partnership or legal entity running the company, both self-owned or owned by other party, employing at least 10 (ten) people or labors. This entrepreneur criteria refer to Article 108 Law Number 13 Year 2003 on Manpower.

Wage structure and scale are determined by the head of company in the form of Decision Letter. Wage structure and scale shall be attached during the registration, extension or renewal of Contractual Bargaining Agreement (CBA) or Company Regulation by presenting it to the related official.

This Permenaker is also equipped with wage structure and scale attachment by using 3 (three) methods such as Simple Ranking, Two Points and Factor Point Method.

For entrepreneurs who fail creating the wage structure and scale as well as do not inform its employees shall be subject to administrative sanction regulated in Permenaker Number 20 Year 2016 on Procedure of Administrative Sanction Imposition and Government Regulation Number 78 Year 2015 on Wages. Administrative sanctions are as follows:

1. Written warning;
2. Restriction of business activity;
3. Temporary termination of production tools partially or entirely; and
4. Suspension of business activity.

The positive side that can be seen from this policy, among others, is that workers will get the certainty of promotion and wage increase based on its performance.

While the benefits for the entrepreneurs, they can see the position of companies in the market, which in the future will directly affect the competitiveness of enterprises and employee welfare.

However, it must be acknowledged that there will be an additional operational burden for employers to create wage structures and scales. It is also related to the professionalism of entrepreneurs in preparing the performance appraisal system and promotion, as well as efforts to improve employee capability.

MUC Consulting Group Went to *Singapore*

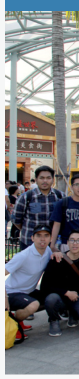
MUC Consulting Group held its employee gathering coinciding with the celebration of its 18th birthday. This event became more special than the previous years since it involved nearly all the employees and their families, and this event took place in Singapore on July 28-30, 2017.

Visits to Haji Land, Garden by the Bay, Marina Bay Sand, Universal Studio Singapore (USS), Orchard Road, and watching big match between the European top football clubs had become the trip series that foster togetherness and bond among MUC's employees the Merlion Country. Here are some sweet memories that mark the celebration of MUC's 18th birthday , captured with our camera lenses. (Photo credits: Alan, Asep, Taufik)

Haji Lane was the first destination visited by MUC Consulting Group's big family in Singapore. It is a store area consists of various old buildings and alley full of colourful mural.

Enjoying fresh air while sheltering in Garden by the Bay was a good choice in the mid of a very blazing day in Singapore. This giant artificial garden gives the visitors the experience of an adventure in a tropical rainforest with its waterfall and various floras.

The first day in Lee Kwan Yeuw's country was closed with the celebration of MUC's 18th birthday and Kantor Akuntan Publik (KAP) Razikun-Tarkosunaryo's 7th birthday. The cake-cutting was done by all Partners of MUC and KAP Razikun-Tarkosunaryo, witnessed by whole MUC's family members.



The sec
Singapo
several

The joy went on at night in National Stadium, Singapore. Some of the tour participants had their leisure time to watch football match in International Champions Cup between Chelsea FC VS Inter Milan FC.

The trip would not be complete without visiting Marina Bay Sand, an integrated entertainment centre facing the Marina Bay. Taking picture with the back drop of two Singaporean icons—the enormous ship-shaped building and the merlion statue—seems to be a must for the visitors.

cond day adventure was in Universal Studio
re (USS), a tourism icon of Singapore providing
exciting rides.

Tax Incentive of Oil and Gas Industry

Government offers various fiscal facilities for oil and gas Partnership Contracts (Kontraktor Kontrak Kerjasama/KKKS) either in exploration stage or in exploitation stage. This incentive policy is guaranteed by Government Regulation Number 27 Year 2017, which is the amendment of Government Regulation Number 79 Year 2010 on operating cost that may be refunded and the tax income treatment in the upstream oil and gas business field.

Tax Incentives:

1. **Exemption from customs duty on good import for oil activities**

2. **Value-added Tax (VAT) and Sales Tax on Luxury Goods are not collected upon:**
   - Acquisition of certain taxable goods and or service(s)
   - Import of certain taxable goods
   - The utilization of certain intangible taxable goods and or service(s) from the outside of customs area to customs area that are used in terms of oil operation

3. **Exemption from Income Tax Article (ITA) 22 on import of goods that have obtained facility of customs duty exemption**

4. **Land & Building Tax deduction of 100% as stated in Notification of Tax Due (L&B Tax)**

The contractors are obliged to have capital and technology as well as to bear the risks in terms of the implementation of oil operation based on Cooperation Contract within a work area.

All goods and equipment purchased from the contractors of oil operation become state-owned goods developed by the government and managed by Special Task Force for Upstream Oil and Gas Business Activities.

The Minister may determine the amount of dynamic profit sharing (sliding scale split) in Cooperation Contract.

In encouraging the development of work area, the Minister may stipulate the form and the amount of incentives of upstream business activity.

Operating Cost

Non-refundable Operating Cost

The cost of environment & society development as well as transaction infilicting a financial loss for country does not become non-refundable operating cost

Refundable Operating Cost

It is not only the cost incurred in the exploration stage, but also the cost incurred in the exploitation stage that is refundable in the calculation of profit sharing and tax income.

• Incentives and Refundable Operating Cost, may be converted into:

1. Oil pursuant to the value of Indonesian Crude Price (ICP)
2. Gas with the price agreed in the agreement