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DFDL POCKET TAX GUIDE INDONESIA

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DFDL POCKET TAX GUIDE INDONESIA

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The information provided in this guide is based on our understanding of publicly known Indonesian laws, regulations and official practices as of 1 July 2017 and may be affected by laws that are subsequently adopted by Parliament or notifications that are adopted by various ministries. There may also be instances where the unofficial practices applied by the Government authorities (including the tax authorities) are not in accordance with or even contradictory to law. More importantly, as the decisions of the courts and tax authorities are not made publicly available, it is possible that the tax authorities or the courts will adopt an interpretation of Indonesia laws which is not in accordance with our interpretation.

We are relying upon the relevant tax provisions applicable to Indonesia, including Tax Laws 1983 as amended, the regulations thereunder, the administrative guidance published by the Indonesian tax authorities. These provisions and interpretation may be subject to changes in interpretation, retroactively and or prospectively and any such changes could affect the validity of the information in this guide.

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1. Overview

Indonesia has a hierarchical layered taxation system including Income Tax, Local Tax and Central Government Tax which is legislated by the following Indonesian tax laws:

- General Provisions and Taxation Procedures Law No. 6/1983 as amended by Law no.16/2000;
- Income Tax Law: Law No.7/1983, amended by Law No. 17/2000;ameded by law No 36/2008
- Value Added Tax VAT termed 'Goods and Services and Sales Tax on Luxury Goods: Law No. 8/1983, amended by Law No. 18/2000;
- Land Tax and Building Tax: Law No. 12/1985 amended by Law No. 12/1994;
- Warrant for Tax Collection Law No. 19/1997, amended by Law No. 19/2000;
- Fees for Acquisition of Rights to Lands and Buildings Law No. 21/1997 amended by Law No. 20/2000;
- Tax Court Law : Law No. 14/2002;
- Stamp Duty in short, Law Number 13 of 1985.

The fundamental tax laws are supplemented by the respective government regulations, implementing regulations to the relevant tax laws and circular letters issued by relevant government ministries such as the Ministry of Finance and the Ministry of Trade.

2. Corporate Income Tax

a. Tax Residency

A company will be considered as a tax resident in Indonesia when it is incorporated in Indonesia.

Under current Indonesian Tax Laws and Regulations, a resident taxpayer is required to register for Corporate Income Tax ('CIT') in order to obtain a taxpayer identification number ('TIN'), maintain accurate financial records, prepare and submit monthly and annual tax returns, and fulfill other administrative tax obligations. Indonesia taxes its residents on their 'worldwide income' whereby all tax resident taxpayers are required to report income from within Indonesia and abroad, which will be evaluated and taxed accordingly.

Any foreign company carrying out business activities in Indonesia via a Permanent Establishment[1] ('PE') are required to register for Indonesian tax purposes. Such a company is required to generally assume the same tax compliance and submission obligations as an Indonesian tax resident entity.

Representative Offices of foreign companies are required to register as taxpayers regardless of whether its activities have led to the formation of a taxable presence (PE) in Indonesia. Representative Offices are required to withhold tax on payments to employees and third parties, in addition to complying with more routine tax submission obligations such as monthly or annual tax returns.

b. CIT Rate

For Indonesian tax resident entities, a standard flat CIT rate of 25% is generally applied on taxable income.

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[1] Under Indonesian Tax Law, a permanent establishment is created where an establishment is used by an individual who does not reside in Indonesia, an individual who has been present in Indonesia for not more than 183 days within any 12 month period, and an entity which is established outside Indonesia and not domiciled in Indonesia conducting business or carrying out activities which includes a place of management, branch, a construction, installation or assembly project, or any kind of services provided by employees or any other persons, provided the services were done in more than 60 days within any twelve month period.

Public companies that satisfy certain listing conditions and other requirements are eligible for a 5% reduction, resulting in an effective CIT rate of 20%.

Small corporate resident taxpayers with annual gross turnover of less than IDR 50 billion (approximately USD 3,758,555) qualify for a 50% reduction in the standard CIT rate (i.e. an effective CIT rate of 12.5%). This is based on the percentage of its taxable income which results when a statutory IDR 4.8 billion threshold is divided by its annual gross turnover. If turnover is less than IDR 4.8 billion, the 50% reduction is applied to its full taxable income (Article 31 E Income Tax Law 36/2008).

The Indonesian tax system is a self-assessment regime whereby taxpayers are required to calculate their own liabilities and lodge annual CIT returns. This must be lodged with the relevant Tax Office within four months from the fiscal year-end, although this deadline may be extended by another two months subject to approval from the Director General of Taxation.

To ensure that the taxpayer's calculation is in keeping with the tax regulations, the ITL confers the tax office with the authority to conduct audits and issue assessments within a five year limitation period ('statutes of limitations). Nonetheless, an assessment can still be issued upon the expiry of this limitation period if the taxpayer has committed a criminal act in tax matters.

c. Taxable Income

Taxable income is defined as any economic benefit received or accrued by a taxpayer, whether originating from within or outside of Indonesia, which is used for consumption, or which increases the wealth of the taxpayer, in any nature and form.

For a tax resident company or Permanent Establishment, income includes:

- Gross profits from business;
- Gains upon the sale or transfer of property (realized capital gains);
- Interest, dividends, and royalties (with certain exceptions);
- Gains from debt forgiveness; and
- Surpluses on the revaluation of assets (favorable tax rate may apply).

Taxable income is generally calculated on the basis of accounting profits as determined by the Indonesian accounting standards (‘PSAK’) in accordance with the Indonesian Tax Law

d. Exempt Income

The following income will be excluded from an entity’s gross income:

i. Aid support or donations, including zakat[2] received by the Amil zakat board or other Amil zakat institutions established or approved by the Government with certain conditions;
ii. Gifts received by close relatives within one degree of direct lineage, or by a religious body, educational or other entity including foundations or cooperatives subject to certain conditions;
iii. Inheritances;
iv. Assets received including cash received by a company in exchange for shares or as a capital contribution;
v. Dividends received by or accrued to an Indonesian Limited Liability Company from another Indonesian Limited Liability Company provided that the dividends are declared out of retained earnings and the receiving Indonesian Limited Liability Company owns at least 25% equity capital in the other Indonesian company;
vi. Income received by or accrued to a venture-capital company established and conducting business activities in Indonesia subject to certain conditions; and
vii. A surplus received or accrued by an institution or a non-profit organization engaged in education and/or research and development based on the Minister of Finance Regulation.

[2] Payment made typically annually under Islamic law on certain kinds of property and used for charitable and religious purposes, one of the Five Pillars of Islam

e. Non-deductible Expenses

Under Indonesian Income Tax Law, the following expenditure will not be tax deductible:

i. Distribution of profits such as; dividends, including dividends paid by an insurance company to policy holders, and distributions of any surplus by a cooperative;
ii. Expenses charged or incurred for the personal benefit of shareholders, partners or members;
iii. Creation or transfers to reserves except for certain provisions such as that for doubtful debts in the banking sector;
iv. Benefits in kind to employees (e.g. free housing, 50% of the acquisition and maintenance costs of mobile phones) except subsistence provisions such as meals and beverages;
v. Excessive compensation paid to shareholders or other associated parties as consideration for work performed;
vi. Donations, inheritances and certain promotional gifts;
vii. Income tax payments and administrative penalties such as; interest, fines, and surcharges; and
viii. Expenditure incurred related to the production of exempt or non-taxable income (i.e. interest on loans incurred for the purposes of securing tax exempt dividends).

Additionally, expenditures incurred for the purposes of earning, collecting, and securing income where such expenditure has a regulated useful life of more than one year, other than land, are not permitted to be claimed immediately as a corporate income tax deduction, but are charged as a tax deductible expense via depreciation or amortization.

f. Tax Depreciation

Tax depreciation may be claimed under Article 11 of the Indonesian Income Tax Law according to the table below:

No.	Tangible Asset Category	Prescribed useful life (years)	Depreciation rate	
			Straight Line	Declining Balance Method
i.	**Non Building**			
A.	Category I, such as tools, vehicles, equipment made from wood such as furniture, computer and computer peripherals, photocopy machine, dies, jigs, etc.	4 years	25%	50%
B.	Category II, such as heavy equipment, machinery, trucks, containers, equipment made from steel, etc.	8 years	12.5%	25%
C.	Category III: All equipment other than Category I and category II that is used specifically for the industry/business. Capital goods (equipment) for Power Plants are included in this category/group.	16 years	6.25%	12.5%
D.	Category IV: Only related to the construction and transportation industries.	20 years	5%	10%
ii.	**Buildings**			
A.	Permanent, such as office buildings, factories, etc.	20 years	5%	Not permitted
B.	Non-permanent, defined as temporary buildings that can be moved around such as barracks for employees, etc.	10 years	10%	Not permitted

Classification is determined on the basis of the useful life (i.e. a tangible asset with a useful life of six years may fall under category I or category II, while a tangible asset with a useful life of five years should fall within category I).

g. Tax Amortization

The straight line method (i.e. multiplying the asset cost by the depreciation rate) will be used to calculate amortization costs regarding intangible assets and other costs such as extending the right to build, right to cultivate, right to use etc., that have a useful life of over one year. The applicable amortization rates for each category are:

Category 1: 4 years
Category 2: 8 years
Category 3: 16 years
Category 4: 20 years

h. Prepaid Corporate Income Tax

Monthly tax installments remitted by Indonesian tax resident entities or permanent establishments serve as prepayments of their annual CIT liability. Generally, the monthly CIT installment payable for the current fiscal year is determined on the basis of the previous year's CIT returns, reduced by prepaid withholding tax (i.e. Article 21, 22 and 23), any foreign tax credits, and divided by twelve.

In the event that total advance tax paid during the year (Article 22, 23 and Article 25) and tax paid abroad (Article 24) is less than the CIT due, the taxpayer is required to settle the shortfall before submitting the CIT return (Article 29).

i. Tax Losses

Tax losses can be carried forward for a period of five years, starting from the first year that the loss was incurred. In certain circumstances, this may be extended to ten years under special facilities available to certain regional or industry specific considerations.

Changes in shareholders do not affect the validity of the losses carried forward. No loss carry back provisions exist in Indonesian tax law.

j. Tax Consolidation/Group Relief

No provision exists for consolidation or group relief under Indonesian law.

3. Personal Income Tax

a. Tax Residency

Where a foreign individual resides (or intends to reside) in Indonesia for more than 183 days during a twelve month period, remuneration paid will be subject to employee withholding tax at progressive tax rates from 5% to 30% depending on the level of income received. As a result foreign nationals will be treated as resident tax payers thus requiring a tax identification number (‘NPWP’) and who must submit individual Indonesian PIT returns. A resident tax payer must report all income received in Indonesia and from overseas (‘world-wide income concept’).

Note that in practice, when a foreign national applies for an Indonesian work permit of more than six months duration, the ITO will regard such an application as an ‘intention to reside in Indonesia.’ This will therefore render the foreign national as an Indonesian tax resident, irrespective of the number of days actually spent by the employee in the country.

However, if an expatriate employee resides in Indonesia for less than 183 days (and does not intend on residing within Indonesia for the foreseeable future), gross income received should be subject to 20% PIT. The expatriate will be treated as a non-resident tax payer, not obliged to obtain a NPWP or to submit an Indonesian individual PIT return.

b. Individual Income Tax Registration, Submission and Reporting

Indonesian tax resident individuals earning income in excess of the annual non-taxable income (‘PTKP’) threshold indicated above must register with the ITO in order to submit PIT tax returns (form 1770). The tax resident is required to disclose income earned from Indonesia and abroad on the return. This includes; employment income, investment income, capital gains, offshore income, annuities and other income along with a summary of assets and liabilities.

Unlike corporations, individuals have no other option but to accept 31 December 2017 as the final day of the fiscal year. As the Indonesian income tax system is a self-assessment regime, the individual must settle any underpaid tax on annual

income before submitting the PIT return no later than 31 March 2017 to avoid any late payment penalties.

It is possible to request an extension of the submission deadline for a maximum of two months. Important to note however is that this approval does *not* extend the *payment* deadline which would be before 31 March 2017. Any underpayment will still be subject to a 2% interest penalty per month for a maximum of 24 months under a tax audit.

Lastly, the tax resident individual is required to make monthly income tax PIT payments and submit monthly income tax returns. The monthly tax installment is calculated as one twelfth of the prior year's tax liability after deducting employer taxes and those applicable to any irregular items of income (these monthly income tax installments should generally equate to the regular non-employment income declared in the previous year's tax return).

c. Normal PIT Rates

PIT is levied at the following progressive rates on an individual's resident's worldwide income after deduction of exemptions and relief:

Taxable income	Progressive tax rate (%)	Incremental Tax (Rp)
Rp 0 – Rp 50 million	5%	2.5 million
Rp 50 million – Rp 250 million	15%	30 million
Rp 250 million – Rp 500 million	25%	62 million
Rp 500 million and above	30%	30% above Rp 500 million

d. Concessional Tax Rates

The final tax rates for severance payments (if paid within two years) are as follows:

Gross income	Final tax rates	Incremental Tax (Rp)
Rp 0 – Rp 50 million	Nil	Nil
Rp 50 million – Rp 100 million	5%	2 million
Rp 100 million – Rp 500 million	15%	60 million
Rp 500 million and above		30% above Rp 500 million

Severance payments made in year three and onwards are taxed at the normal PIT rates as indicated in Section c above.

The final tax rates for lump sum pension payments from a governmental approved pension fund, old-age security savings from the BPJS in social security (if paid within two years) are as follows:

Gross income	Final tax rates	Incremental Tax (Rp)
Rp 0 – Rp 50 million	Nil	Nil
Rp 50 million and above	5%	5% above Rp 50 million

Similarly to the severance payments made in year three and onwards, the gross income is taxed at the normal PIT rates as indicated in Section c above.

e. Personal Allowances

The following are the personal tax allowances available to individuals as deductions to resident individual taxpayers in calculating his/her taxable income.

Category	Incremental Tax (Rp)
Occupational expenses (5% of gross income with a maximum Rp. 500,000 per month)	Maximum Rp. 500,000
Employee contribution to BPJS for old age security savings (2% of gross income)	Full amount contributed (No maximum)
Pension maintenance expenses (5% of gross income with a maximum of Rp. 200,000 per month)	Maximum Rp. 2.4 million

f. Exempted Income

The following are excluded from an individual's personal gross income:

i. Aid support and donations;
ii. Inheritances;
iii. Payments by an insurance company to an individual taxpayer in connection with health, accident, life or education insurance;
iv. Benefits in kind received from employers with certain conditions attached; and
v. Scholarships that meet the criteria set by the Ministry of Finance.

g. Individual Personal Income Relief

The annual non-taxable income ('PTKP') for resident individuals depends on the taxpayer's marital status and number of dependents.

Category	Incremental Tax (Rp)
Taxpayer	54 million
Spouse	4.5 million
Each dependent (maximum three)	4.5 million

An individual's marital and dependent status for each year is determined by his or her status as on the first day of January each year. A family is generally regarded as a single tax reporting unit with a single tax identity number ('NPWP') in the name of the head of the family (typically the husband/father). Accordingly, the PIT return would encompass the family's (including wife and dependent children) income with their assets and liabilities.

h. Employer's Compliance and Filing Obligations

An employer is obliged to withhold, remit and report tax on income received by an employee in connection with employment. Furthermore, the income tax must be remitted on a monthly basis by the employer no later than the tenth day of the following month. Subsequently, the monthly tax return should be submitted no later than the 20th day of the following month outlining total compensation and taxes withheld.

i. Social Security System

Indonesia has two employee social security agencies, namely a social security agency for health insurance ('BPJS in '*Kesahatan'*) and a social security agency for workers social security ('BPJS in '*Ketenagakerjaan')* which provides a universal social security program, consisting of a pension scheme, old age benefits, workplace injury benefits and death benefits.

The current premium contributions are as follows:

Program	As a percentage of regular salaries/wages	
	Borne by employers	Borne by employees
Working accident protection	0.24 – 1.74%	-
Death insurance	0.3%	-
Old age savings	3.7%	2%
Health care*	4%	1%
Pension**	2%	1%

* Maximum salary base: Rp 8 million per month

** Maximum salary base: Rp 7,335,300 per month

The national social security scheme (BPJS) applies to all employees, including expatriates, who have resided for at least six months in Indonesia.

4. Withholding Tax

As mentioned under Section 2 (b), the Indonesian tax system is self-assessment based coupled with a withholding tax (“WHT”) regime. Under the WHT system, on the basis the income is subject to withholding, the payer is required to generally withhold and remit the applicable tax to the relevant tax office on a monthly basis. WHT is imposed on certain payments to residents and non-residents which may be a final or non-final/creditable tax, depending on the nature of the WHT.

The Indonesian withholding tax is commonly referred to using the relevant article of the ITL (‘*Pph*’) as follows:

a. Article 21 Withholding Tax (‘*Pph 21*’)

Employers are required to withhold Article 21 WHT due on any remuneration received or accrued to its employees, including compensation for employment, services rendered or any similar activities to either permanent or non-permanent employees including fees to independent consultants (e.g. doctors, nurses).

The employer is required to remit and file the Article 21 WHT by the 10th and 20th of the month following the date in which the WHT becomes due. As the Article 21 WHT is non-final in nature, the tax withheld by the employer may be claimed as a tax credit in the employee’s annual PIT return. A tax resident individual without a NPWP is subject to a surcharge of 20% on the standard WHT.

A decree was issued by the Indonesian tax authority stipulating the standard salary guidelines for expatriates. These are based on the type of business, expatriate nationality and employment descriptions. However, the standard salary guidelines should only be applied in the following situations:

i. Indications that the taxpayers’ books are not correct;
ii. Sufficient evidence that the full remuneration earned by the employee has not been fully subject to PIT; or
iii. Insufficient information/documentation to support the salary received by the expatriate.

b. Article 22 Withholding Tax

Article 22 WHT is triggered upon a company importing goods, receiving income from the State Treasurer/State-owned enterprises, purchasing certain specified products, or purchasing extravagant luxury products.

b1. Imports

Upon a company importing goods, 2.5% WHT is triggered on the import rate. Additionally, Article 22 Income tax is charged at 2.5% for registered importers, and 7.5% for unregistered importers on the sum of the CIF value and customs duty. Article 22 Income Tax may then be claimed as a tax credit in calculating the importer's final CIT liability (or possible refund).

Companies operating in a Free Trade Zone or a bonded zone area are exempted from the Article 22 WHT on the importation of capital goods and raw materials with certain conditions. Companies that have obtained the Indonesian Investment Coordinating Boards master list[3] facility (explained in further detail later), may obtain the exemption subject to approval from the relevant tax office.

b2. Payments from State Treasurer/State Owned Enterprises

The government has appointed the following bodies to withhold Article 22 income tax at 1.5% upon making payments for the purchase of goods or services from any private companies:

- Sale of goods to the government requiring payment from the State Treasury with the tax base being the selling price; and
- Sale of goods to state owned enterprises ('BUMN') and some of their subsidiaries with the tax base being the selling price.

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[3] The term 'Master List' is commonly referred to as a list of capital goods or raw materials that a production or manufacturing process may require for one year. Items listed in the Master List may obtain favorable import duty reduction subject to approval from the Indonesian Investment Coordinating Board.

Article 22 WHT is withheld by the above bodies from the amount payable to the relevant vendor. The 1.5% WHT is treated as non-final and may be claimed as a tax credit in the seller's annual CIT return provided that the WHT tax slips are valid.

b3. Local Purchase of Specific Products

Certain local transactions, as discussed below, are subject to Article 22 WHT:

i. The purchase of oil fuel by state-owned gas stations or private gas stations is subject to 0.25% WHT or 0.30% WHT respectively on the selling prices;
ii. The purchase of oil fuel by parties other than state-owned gas stations or private gas stations is subject to 0.30% WHT on the selling price;
iii. The purchase of gas fuel is subject to 0.30% WHT on the selling price;
iv. The purchase of lubricants is subject to 0.30% WHT on the selling price; and
v. Manufacturers of cement, steel, automotive goods, cigarettes and paper are required to withhold Article 22 WHT when selling to their agents or distributors (the WHT rates range from 0.25% to 0.45%).

With regard to point 1 to point 3 above, Article 22 WHT is treated as a non-final tax which constitutes a prepayment of the buyer's CIT liability. However, the purchase of oil and gas fuel by distributors and/or agents is treated as a final settlement of the buyer's CIT liability.

b4. Purchase of Extravagant Luxury Goods

The Ministry of Finance has issued a regulation stipulating the WHT requirements on selling goods which are classified as ‘very luxurious’. Under the regulation, the following goods are subject to 5% WHT based on their selling prices, excluding VAT and Sales Tax on Luxury Goods.

Very Luxurious Goods	Threshold
Cruisers, yachts and	None
Private aircraft and helicopters	None
Houses and land	Transfer price exceeds IDR 5 billion or building area exceeds 400 m^2
Apartments or condominiums	Transfer price exceeds IDR 5 billion or total unit area exceeds 150 m^2
Four wheel automobiles carrying less than ten persons, i.e. sedans, jeeps, sport utility vehicles (‘SUV’), multi-purpose vehicles (‘MPV’s’) and mini-buses.	Selling price exceeds IDR 2 billion or cylinder capacity exceeds 3000 cc
Two or three wheel motorcycles	Selling price exceeds IDR 300 million or cylinder capacity exceeds 250 cc

The abovementioned Article 22 WHT serves as a prepaid tax amount for both corporate and individual buyers where, unlike the general concept of withholding (i.e. the withholding tax agent being the buyer) the withholding tax agent is the seller.

Given that the Article 22 WHT is treated as a non-final tax which may be claimed as a refund, any refund request will automatically trigger a tax audit. Accordingly, instead of requesting a tax refund, it is recommended that the buyer instead requests an exemption from the Article 22 WHT from the relevant tax office, upon the following qualifications being met:

i. The buyer is in a tax loss position;
ii. The buyer has sufficient tax loss carry forward credit;
iii. Has or will make CIT prepayments which would exceed its year-end CIT liability;
iv. The buyer's income is subject only to final tax; and
v. In the case of an individual buyer, the person's income is solely from employment with PIT withheld by the employer.

c. Article 23 Withholding Tax ('Pph 23')

Article 23 WHT is applied on income received by or accrued to a resident Indonesian taxpayer or a permanent establishment from another resident Indonesian taxpayer or permanent establishment respectively. Either 2% or 15% WHT will apply depending on the object of the WHT.

Specifically, 2% non-final WHT must be withheld on the gross amounts with respect to the following types of income:

- Rental or use of movable property other than land and buildings; and
- Compensation with respect to technical services, management, consulting and certain other services (i.e. installation services and/or repairs and maintenance services other than those performed by a licensed construction company, packaging service, accounting service, manpower supply service etc.)

It should be noted that interest income earned from a bank, the rental of land and buildings and construction income, is subject to final WHT. Such income will be subject to Article 4(2) as a final tax settlement of the recipient's CIT liability in terms of earned income.

Additionally, the following income types are subject to 15% non-final WHT to be withheld on the respective gross amounts:

- Dividends;
- Interest; and
- Royalties.

The following income, *amongst others*, is exempted from Pph 23:

- Interest income received by or accrued to banks or financial institutions;
- Dividends, provided that the Indonesian income recipient owns at least 25% equity capital in the Indonesian investee company with the condition that dividends are paid from accumulated profits; and
- Income earned under a financial lease.

d. Article 26 Withholding Tax ('Pph 26')

Income received by a non-resident (other than a permanent establishment) from a resident Indonesian taxpayer or permanent establishment is subject to 20% final WHT to be withheld and remitted by the Indonesian tax resident taxpayer or permanent establishment as a final settlement of the non-resident's Indonesian CIT liability.

Specifically, Pph 26 is applied on gross amounts for the following income types:

- Dividends;
- Interest including discounts, premiums and compensation for loan repayment guarantees;
- Royalties, rent and other income in connection with the use of property;
- Compensation in connection with services and activities;
- Prizes and awards;
- Pension and other periodic payments;
- Swap premiums and derivative transactions; and
- Gains from the discharge of indebtedness.

However, this 20% WHT may be reduced or exempted under the applicable Article of a Double Taxation Agreement ('DTA') with Indonesia provided that the income recipient does not have a permanent establishment in Indonesia.

A duly completed DGT-1/DGT-2 is provided by the income recipient as proof of its tax residency. For dividends, interest, and royalties, the income recipient is the beneficial owner of the income.

Pph 26 is also applied on a permanent establishment referred to as 'Branch Profits tax' ('BPT'). This may be reduced under an applicable DTA, although this may not apply to certain oil and natural gas production sharing contracts negotiated with the Government of Indonesia.

An exemption from BPT under Indonesia's domestic tax law may be availed of in the event that the after-tax profits of the permanent establishment are reinvested within Indonesia. This must occur within the same year or by no later than the following fiscal year. In order to qualify for the BPT exemption, the reinvestment may only take the following forms:

- Equity participation in a newly founded Indonesian company where the shares will not be transferred for a minimum of two years from the start of operations.
- Capital contribution in an existing Indonesian company where the capital investment will not be transferred for a minimum of three years from the date of investment; and
- Acquisition of tangible fixed assets or intangible assets used by the permanent establishment to conduct its business activities in Indonesia where the investment will not be transferred for a minimum of three years from the date of investment.

e. Article 4(2) Final WHT [Pph 4(2)]

Certain types of income are treated differently from general non-final WHT principles, in that such income is subject to a final tax. Tax withheld by the payer from certain payments to the income recipient would represent the final settlement of the CIT liability on the income earned.

While an income recipient would still be required to submit a CIT return in Indonesia, it will be a 'Nil' return and must include an income statement, WHT information, and the withholding tax slips. Expenses incurred in earning the final taxed income may not be claimed as a CIT deduction.

Specifically, resident companies, permanent establishments or representative offices must withhold final WHT on gross amounts paid to resident Indonesian taxpayers and permanent establishments as follows:

Description	Final WHT rate
Rental of land and/or buildings	10%
Proceeds on the transfer of land and building rights	2.5%
Construction Services	2% - 6% (dependent on type of services and qualification)
Sale of listed shares on gross proceeds	0.10%
Additional tax on sale of 'Founder shares' at IPO price	0.50%
Interest on time or savings deposits and on Bank Indonesia certificates ('SBI')	20%
Interest on bonds (other than payable to Indonesian banks and government approved pension funds)	15%
Income from lottery prizes	25%
Dividends paid to individuals	10%

5. International Tax

a. Double Taxation Agreements

Currently, Indonesia has 67 Double Tax Agreements ("**DTAs**") in force. Most of Indonesia's DTAs tend to follow the UN Model Treaty with some elements from the OECD Model Convention where they do not conflict with existing Indonesian Tax Law ("**ITL**") provisions.

Under the Indonesian Tax Law, WHT at 20% applies on various amounts payable to non-residents (e.g. dividends, interest and royalties), unless the non-resident has a permanent establishment in Indonesia, whereby the WHT rates applicable under payments to Indonesian resident entities apply.

Certain WHT payments to non-residents may be reduced or exempted under a DTA between Indonesia and the country in which the payment recipient is tax resident.

Under many of Indonesia's DTAs, services provided by the resident of a treaty jurisdiction may be exempt from Indonesian WHT under the Business Profits Article of the DTA. This assumes that the foreign service-provider does not have a PE in Indonesia.

Indonesian Tax Regulations require that to avail of DTA benefits, a non-resident must provide a Certificate of Domicile ('COD'). The regulations allow for the acceptance of a COD issued by the Competent Tax Authority in the income recipient's jurisdiction provided that it is in English. In practice however, the ITO requires that the COD be issued using the ITO's format (Form DGT-1) completed by the income recipient and validated by the Competent Tax Authority of that income recipient's jurisdiction. The Form DGT-1 specifies several questions that reflect the nature of the entity seeking to apply DTA rates in its transactions.

The following six questions ('the DGT-1 Substance Conditions') must be answered in the affirmative to qualify for DTA relief:

i. The creation of the entity and/or the transaction structure is not motivated solely by taking advantage of DTA benefits;
ii. The company has its own management to conduct its operations, and the management has independent discretion;
iii. The company employs sufficient qualified personnel;
iv. The company engages in an active trade or business;
v. The earned income is subject to tax in the company's country; and
vi. No more than 50% of the company's income is used to satisfy claims by other persons (e.g. interest, royalties)

The relevant DGT-1 Form must be dated before the taxable payment is made or accrued, whichever is earlier, and provided to the ITO together with the WHT return, by the 20th of the following month in which the taxable payment is paid or accrued. The DGT-1 has two pages, the first being valid for one year after validation, and needs to be renewed annually. The second page must be issued monthly for similar transactions within the same month.

b. Holding Rules (Dividends and Capital gains)

Dividends paid from an Indonesian resident subsidiary to a non-resident parent will be subject to 20% WHT. This rate will be reduced if the non-resident parent resides in a tax treaty country and can meet the DGT-1 form requirements under Indonesia's unilateral anti-avoidance measures.

Certain tax treaties provide an exemption on capital gains on the sale of unlisted shares by the non-resident shareholders, provided that the Form DGT-1 is available. In the case that no exemption is available, the sale of unlisted shares is subject to 5% WHT on the total transaction value (gross proceeds) and in this case, an independent appraisal report is generally required to demonstrate that the transaction value is at market rates (arms-length principle).

6. VAT

a. In General

VAT is typically due on the transfer of taxable goods or the provision of services in the Indonesian customs area. These include:

- Delivery of taxable goods and/or services in the Customs area by a VAT-able entrepreneur;
- Import of taxable goods;
- Use or consumption of taxable services/intangible goods originating from outside the Customs area within the customs area;
- Export of taxable goods (tangible or intangible) and/or taxable services by a VAT-able entrepreneur;
- Self-construction activities[4]; and
- The disposal of fixed assets, including transfers in the course of a merger.

b. Taxable Goods

Goods which are not subject to VAT:

- Goods produced by mining or drilling that are taken directly from their source, i.e., crude oil, natural gas, geothermal energy, sand and gravel, coal (before processing into briquettes) and hard rock ores (iron, gold, copper, nickel, silver and bauxite);
- Basic necessities required by the populace as a whole (i.e., rice, corn, wheat, soybeans and salt);
- Food and beverages sold at hotels, restaurants, food-stalls, whether dine-in or take-away including food and beverages delivered by catering services (other local taxes may apply); and
- Money, gold ingots and negotiable instruments.

[4] VAT is due on building construction activities performed outside the ordinary course of business by an individual or company with final result for its own use or use by a related party.

Services not subject to VAT:

- Medical and health services, including general practitioners, specialists and dentists, veterinarian services, health expert services (acupuncturists, dental experts, nutritionists, physiotherapists), midwifing services, paramedic and nurse services, hospitals, maternity clinics, health clinics, health laboratories, sanatoria, psychologists and psychiatrists; and alternative medical treatments;
- Social services, including orphanages, fire departments, rehabilitative institutions, burial services and non-commercial sport services;
- Letter delivery services with postage stamps;
- Financial services, including lending, borrowing, leasing, factoring, credit card businesses, consumer financing and underwriting. (Note that all services offered by a financial institution do not automatically qualify as financial services. For example, bank selling insurance products are considered to be agency services, rather than financial, which is subject to VAT;
- Insurance services that cover loss, life and reinsurance, provided by insurance companies to holders of insurance policies, excluding insurance support services, such as agent, loss appraisal and consultancy;
- Religious services;
- Educational services, including schools and informal education services;
- Arts and entertainment services;
- Non-commercial broadcast services;
- Public transportation services over roads and on water, as well as domestic air transportation services (becoming inseparable from foreign air transportation services);
- Manpower services, including labor and outsourcing services and Training organizers;
- Hotel services, including rooms and facilities offered at a hotel (other local taxes may apply);
- Services provided by the government in the context of running government administration in general;
- Parking services;
- Public payphone services;
- Money remittance services with money orders; and
- Catering services.

c. VAT Registration Threshold

Enterprises who deliver and/or export taxable goods or services exceeding IDR 4.8 billion (approximately USD 359,227) taxable turnover per annum are required to register for Indonesian VAT. Non-residents are not permitted to register for Indonesian VAT, only Indonesian tax residents and permanent establishments may register as VAT-able entrepreneurs.

Under the Indonesian VAT Law, VAT liabilities are settled via an input-output mechanism. To credit input VAT incurred, an entity is required to be VAT registered as a Taxable Entrepreneur.

d. VAT Rates and Tax Base

VAT is generally 10% which may be decreased or increased between the 5% to 15% range depending on Government Regulations. VAT is calculated by applying the rate to the applicable tax base.

Special rules apply to certain industries in determining the tax base, e.g. tour or billing agency services whose deliveries are not based on commissions, the tax base is 10% of the actual billing.

e. Zero Rated Supplies

The export of taxable goods and/or services are zero-rated. Additionally, the export of certain taxable services are zero-rated. The Minister of Finance issued a regulation clarifying the following services that qualify for the 0% VAT rate provided that the following requirements are met:

- Toll manufacturing services, provided that the customer is a foreign taxpayer resident outside the Indonesian customs territory and does not have a permanent establishment in Indonesia; the specifications and materials are provided by the customer; the materials include raw materials, goods in process and/or auxiliary materials that will be processed to become taxable finished goods; the finished goods belong to the customer; and the toll manufacturing company exports the final goods based on orders from the customer;

- Repair and maintenance services related to movable goods utilized outside the Indonesian customs territory; and
- Construction services related to immovable property located outside the Indonesian customs territory.

As opposed to exempt supplies, VAT incurred on expenditure regarding the provision of zero-rated supplies may be claimed as input VAT credits provided that documentary requirements are satisfied.

f. Input VAT Not-Claimable

Input VAT is not claimable against the output VAT for the following:

- Taxable goods or services, or utilization of taxable services and intangible goods from outside Indonesia, before an entity is deemed a Taxable Entrepreneur;
- Taxable goods or services with no direct relationship to the business activities;
- Taxable goods or services related to non-VAT business activities;
- Taxable goods, taxable services, intangible taxable goods and taxable services from outside Indonesia with invalid tax invoices;
- Taxable goods or taxable services if the input tax results from a tax assessment;
- Taxable goods or services if the input tax is not reported in the monthly VAT returns as discovered by a tax audit;
- Taxable goods (other than capital goods or taxable services) with such expenditure being incurred prior to commercial production; and
- Taxable goods or services where the input VAT on the invoices has not been claimed for at least three months after the applicable reporting deadline or, if the input VAT has been claimed within three months of the applicable reporting deadline, the expenditure has neither been claimed as a corporate income deduction or a VAT tax audit has not yet started.

7. Other Taxes

a. Custom Duty

Customs duties are imposed on items imported into Indonesia, generally on an ad valorem basis.

Duties are payable based on the Harmonized System (HS) classifications. Duties are based on the cost, insurance and freight (CIF) value of the imported items and are generally imposed at rates of 0% - 20% for most goods, 25% - 80% for cars, and 170% for alcoholic drinks. Indonesian customs procedures are based upon General Agreement on Tariffs and Trade (GATT) principles.

Indonesia imposes import restrictions on certain products including alcoholic drinks, ammunition, and hazardous waste. A Special Importer Identification Number ('NPIK') also needs to be obtained to import certain items, including textiles, shoes, and electronic goods.

a1. ASEAN Duty Rates

Limited relief is provided to the Association for South East Asian Nations (ASEAN) on the importation of goods with at least 40% ASEAN content that has been directly shipped between these counties.

a2. Free Trade Area (FTA) Agreement Duty Rates

Indonesia has implemented the following FTA duty rates with other countries:

- ASEAN – China FTA (ACFTA)
- ASEAN – Korea FTA (AKFTA)
- ASEAN – India FTA (AIFTA)
- ASEAN – Australia - New Zealand FTA (AANZFTA)
- Indonesia – Pakistan Preferential Trade Agreement (IPPTA)
- Indonesia – Japan Economic Partnership Agreement (IJEPA)

a3. Customs Duty Exemption Facilities

An Indonesian Investment Coordinating Board ('BKPM') concession (known as a

‘master list’) is available in a general sense to all BKPM licensed investments and provides an exemption from the Import Duty otherwise applicable to imports of ‘*machines, goods and materials for the establishment or development’* of a facility to produce goods and limited services.

Specifically, certain initial requirements must be met in order to qualify for the exemption (e.g. machinery, goods and materials are not produced locally or already produced but do not meet specifications).

In order to obtain the import duty exemption facility on the import of Machines and/or Goods and Materials for the Expansion or development of industries, the importer on record is required to submit an application signed by the director of the Company to the Head of Capital Investment Coordinating Board.

However, in the event that the master list application is rejected for whatever reason, the importer of record should apply the provisions under the relevant FTA (as discussed above in a2). This will reduce or exempt the import duty on the capital goods not currently approved under the master list facility. The importer should also obtain a certificate of origin issued by the relevant customs authority abroad.

Certain other facilities are available to reduce or exempt the import duty including:

- Import facility for export purposed (known as KITE/’Kemudahan Impor Tujuan Ekspor’) that provides import duty exemptions on materials used for the production of goods for export; and
- Bonded Zones, Bonded Warehouses and Free Trade Zones that generally provide import duty and import tax exemptions subject to certain conditions.

b. Export Duty

Taxable goods are subject to export duty calculated on the basis of the export reference price (‘harga patokan eksport/HPE’). This is set by the Minister of Trade in the form of a Decree by the Minister of Trade and valid for a certain period of time by taking recommendations from Technical Ministers into account along with other related associations. HPE refers to the average international

prices or average Free on Board ('FOB') price in some ports in Indonesia. Commodities generally subject to export duty include rattan, wood, palm oil (including derivative products) and skin (i.e. hide, tanned skin, suede and goat skin) with export tax rates ranging from 0% to 60%.

c. Excise Duty

Excise duty is levied on specific products whose consumption is restricted or controlled, namely alcoholic beverages and tobacco products with the duty rates fixed per quantity.

d. Stamp Duty

Stamp duty of either IDR 3,000 or IDR 6,000 (i.e. less than 1 USD) is charged on certain documents such as receipts, agreements, powers of attorney and other legal documents (e.g. share sales and purchase agreement) where these documents are executed within Indonesia, or are intended to be enforceable before the Indonesian courts. These stamps are easily obtained and at nominal rates.

e. Tax on Land and Buildings

A tax administered by the Indonesia regional government, is an annual property tax levied on land and buildings situated in Indonesia. The rate is 0.5% of the assessment value ('referred to as the Nilai Jual Kena Pajak ('NJKP'). In this regard, the assessment value of the taxable property is determined as a percentage of the deemed fair market value ('NJOP') as stipulated every three years by the Ministry of Finance.

The NJKP varies depending on the tax object as follows:

- For tax objects with a value of IDR 1 billion or more, the NJKP is 40%;
- For tax objects with a value of less than IDR 1 billion, the NJKP is 20%.

f. Property Title Transfer Tax

Transfer of title to land and buildings is subject to 2.5% non-recoverable final title transfer tax for the seller. It will be calculated on the consideration that should

have been received or earned with reference to the fair market value of the property.

Additionally, a separate 5% final tax (commonly referred to as Duty on the Acquisition of Land and Building Rights ‘BPHTB’) applies to the buyer (i.e. a PT PMA Company) on the transfer of real estate which is regulated by the local government.

g. Regional and Local Taxes

Regional and local taxes include: entertainment tax, advertisement tax, motor vehicle taxes, hotel and restaurant tax, street lighting tax, and tax on the use of underground and surface water.

8. Tax Compliance, Administration and Bookkeeping

a. Tax Compliance and Filing Obligations Table

No	Items	Descriptions	Rates (%)	Due dates of payment (reporting)
i.	Article 4(2) WHT	Land/building rentals	10 Final	10 (20) of the following month
ii.	Article 21 WHT*	Employee income tax and income tax on individual	5 – 30	10 (20) of the following month
iii.	Article 23 WHT**	Certain services/rentals (non-land/building)	2	10 (20) of the following month
iv.	Article 23 WHT**	Interest, royalties, domestic dividends (if ownership is less than 25%) and service fee	15	10 (20) of the following month
v.	Article 26 WHT***	Offshore payments	20% or treaty rate	10 (20) of the following month
vi.	Article 25 CIT	Monthly installment of corporate income tax	25	15 (20) of the following month
vii.	Article 29 CIT	Annual corporate income tax	25	The end of the fourth month after fiscal year end
viii.	VAT (domestic)	Value-added tax for taxable goods/services	10	End of the following month
ix.	VAT (offshore)	Self-assessed VAT on offshore services/intangible goods	10	15 of the following month

* tax rate is 20% higher if income recipients (Indonesian taxpayers) do not have a tax ID number
** tax rate is 100% higher if income recipients (Indonesian taxpayers) do not have a tax ID number
*** treaty application requires valid certificates of residency of the income recipients in the format required by the ITA (DGT form)

b. Tax Penalties and Sanctions

The following table provides the interest penalties and administrative sanctions imposed on a taxpayer:

Contravention	Penalties
Late reporting	IDR 500,000 per monthly VAT return
	IDR 100,000 per any other monthly tax return and annual individual tax return
	IDR 1 million for annual CIT return
Late payments in general	2% interest penalties per month
Tax underpayments resulting from issuance of tax assessments	2% interest penalties per month for a maximum of 24 months or 50%/100% surcharge of the tax underpayment, depending on the case
Voluntary amendments of the return	2% interest penalties per month or 50%/150% surcharge of the tax underpayment, depending on the case
Issuing incomplete VAT returns, or not issuing or issuing a late VAT return or reporting a VAT invoice in the incorrect VAT period	2% of the taxable base

c. Bookkeeping and Tax Records

Business entities generally adopt the calendar year from 1 January to 31 December as its accounting year. The tax year in most cases runs concurrently with the

calendar year. However, companies are permitted to adopt a fiscal year which does not commence on 1 January.

Generally, accounting books and records, including those held on computer, should be maintained in Rupiah and in the official language, Bahasa Indonesia. By law, all accounting books and records must be kept for at least ten years after the end of the company's reporting period.

For Indonesian tax purposes, the prevailing tax regulations in Indonesia only permit a foreign investment company ('PT PMA'), permanent establishments, certain entities with foreign affiliations or taxpayers that prepare their financial statements in USD dollars as their functional currency in accordance with Indonesian financial accounting standards, which may maintain English language and USD Dollar accounting records subject to approval from the Ministry of Finance.

For Indonesian accounting purposes, a statutory audit by a qualified registered auditor is compulsory for the following types of entities, which must submit their annual financial statements to the Ministry of Trade:

- Publicly-listed companies;
- Companies involved in accumulating funds from the public (such as banks and insurance companies);
- Companies issuing debt instruments;
- Companies with assets of 25 billion Rupiah or more;
- Bank debtors whose financial statements are required by the bank to be audited;
- Certain types of foreign entities engaged in business in Indonesia that are authorized to enter into agreements; and
- Certain types of state-owned enterprises.

For Indonesian tax purposes, there is no statutory requirement for an audit of a taxpayer's accounts by a public accountant. However, if such accounts must be audited for accounting purposes as for the entities above, the Indonesian Tax Office will require the same to be submitted with the annual CIT return.

There is no statutory financial reporting obligations for a Foreign Trading Representative Office (‘KP3A’), where such a head office is engaged in exporting goods into Indonesia nor a Foreign Representative office (‘KPPA’) where such a foreign company is engaged in activities other than the trading of goods (e.g. the provision of business services). However, the tax accounts of KPPA or KP3A must comply with Indonesian regulations and tax law. KPPA and KP3A must, among others, submit periodic reports on their activities to the Capital Investment Coordinating Board (‘BKPM’) and certain monthly and potentially annual CIT returns to the relevant tax office.

9. Tax Audits

As discussed in the CIT section earlier, the Indonesian tax system is a self-assessment regime where taxpayers themselves must assess, pay, and report tax to the ITO.

a. Tax Audit Conditions

A tax refund request will automatically trigger a tax audit. A CIT refund will generally trigger a full tax audit while a refund request covering any other tax will generally only trigger a tax audit for that specific tax.

Other events likely to result in a tax audit include:

i. A tax return in an overpayment position (not necessarily resulting in an overpayment position);
ii. The annual income tax return showing a tax loss position;
iii. A taxpayer has changed its fiscal year end; bookkeeping method and/or performed a fixed asset revaluation for Indonesian tax purposes;
iv. A tax return not submitted within the prescribed time or after the deadline where the ITO has issued a warning letter in response to the late filing (where such taxpayer has most likely been selected for a tax audit on a risk based analysis); and
v. A tax return meeting certain ITO internal criteria.

b. Tax Audit Methodology

The tax authority predominantly adopts a risk based approach to the selection of returns for audit purposes, this includes selecting taxpayers for a tax audit by random selection.

A typical tax audit commences with a site visit followed by the submission of all required information. The tax auditor will pose questions and require additional documents in response to the taxpayer’s evidence, including reconciliations between the tax returns and the financial statements. Taxpayers must provide

the requested documents within one month from the request date. Failure to do so will likely result in the tax office issuing a tax assessment with the tax liabilities determined on a deemed profit basis. Additionally, where documents and requested information are not supplied within the one month period, such documents may not be used at a later stage by the taxpayer to dispute the tax assessed.

The tax authority's approach to tax audits is largely a manual approach, including detailed consideration of invoices and key documents.

Key focus areas for the tax authority in recent years have included:

- Transfer pricing;
- Deductibility of expenses and taxability of income;
- Compliance with withholding tax obligations; and
- Compliance with VAT obligations.

If there is any dispute with the tax assessment issued by the relevant tax office, a taxpayer may lodge an objection. Should the objection prove unsuccessful, a taxpayer may subsequently lodge an appeal to the Tax Court on the disputed tax audit results. Each process can take 12 to 16 months to complete, but the appeal process can be extended further depending on the complexity of the issue.

c. Appeal Process

A taxpayer may appeal to the tax court within three months of receiving the tax authority's decision. The taxpayer by law must pay at least 50% of the tax due prior to lodging the appeal.

The tax court will conduct hearings on the appeal which must conclude within 12 months from receiving the objection. This deadline can be extended by another three months in certain special cases.

In the event that the appeal is rejected or approved in part, the taxpayer is required to pay the underpaid tax, as assessed, along with a 100% penalty of the underpaid tax at the time when the objection was lodged.

d. Judicial Review

Either the taxpayer or the Tax Authority may further contest the tax court's decision by submitting a request for a judicial review to the Supreme Court if any of the following conditions are met:

i. The decision was based on perjury, deception, or false evidence on the part of the contesting party;
ii. Further written evidence is discovered which if considered previously would have most likely resulted in a different outcome;
iii. A part of the claim was ignored without reason;
iv. A claim was granted which was not requested; or
v. The decision clearly contradicts prevailing tax laws and regulations.

Submitting a request for a judicial review to the Supreme Court does not postpone the execution of the tax court's decision however, this includes interest penalties due by the taxpayer.

10. Anti-avoidance Measures

a. Transfer Pricing

Indonesia has transfer pricing provisions.

Where the tax authority deems that transactions have not been conducted at arm's length due to the existence of a 'special relationship' between the parties, the price paid may be adjusted. The tax authority's power extends to all domestic and cross border transactions.

The limited regulations/guidelines which have been issued with regard to transfer pricing are now largely in line with the 2010 OECD Transfer Pricing Guidelines. Nonetheless, one must bear in mind that the limited nature of the OECD Guidelines allows for broad interpretations.

The ITO may enter into Advance Pricing Agreements (APA) on prices with companies and other tax jurisdictions under certain cases and requirements.

Mutual Agreement Procedure (MAP) applications can be processed simultaneously with a taxpayer's submission of an objection, appeal, or application for the reduction or cancellation of a tax assessment.

b. Thin Capitalization

The Ministry of Finance has issued a regulation setting a 4:1 Debt to Equity Ratio ('DER') in determining the finance expenses, as defined below, which may be deductible in determining the CIT payable, with any interest incurred on debt exceeding this 4:1 DER treated as non-deductible.

The regulation provide definitions of debt which is determined as the average of the month-end outstanding debt balances in a fiscal year, including short-term, long-term, and interest bearing trade payables.

Where a 'special relationship' is deemed to exist between the parties, interest may be disallowed as a deduction where such charges are considered excessive.

These could be interest rates in excess of commercial interest rates. Additionally, interest-free loans from shareholders may, in certain cases, create a risk of deemed interest being imposed, giving rise to withholding tax obligations for the borrower.

c. General Anti-avoidance

No general anti-avoidance rules apply other than those mentioned above.

d. Anti-treaty Shopping

To utilize the tax treaty provisions, a non-resident must confirm in the Form DGT-1 (the Form DGT-2 is used for non-resident banks and financial institutions) that the transaction has economic substance and is not solely designed to take advantage of tax treaty benefits.

e. Controlled Foreign Corporation Rules

Indonesia has a controlled foreign corporation ("CFC") regime whereby the general purpose is to limit the erosion of the tax base by discouraging Indonesian residents from shifting income to low tax jurisdictions.

Under the ITL, a CFC is defined as a foreign unlisted corporation in which Indonesian resident individual or corporate shareholders, either individually or collectively, hold 50% or more of the total paid in capital. Under the current regime, Indonesian shareholders are deemed to receive dividends within four months after submitting the CFC's tax return; or seven months from the end of the fiscal year where there is no obligation to file an annual return, or where there is no specific submission deadline in the CFC's country of residence.

Dividends deemed to have been received are based on the CFC's after tax profits and determined proportionately according to the Indonesia resident's shareholding percentage.

f. Other Specific Anti-avoidance Rules

No other specific anti-avoidance regimes rules apply.

g. Rulings

Indonesia has a ruling system in place. However, tax rulings are not generally published, and are only applicable to the relevant tax payer requesting such a ruling.

11. About DFDL

DFDL was established in 1994 and built on a unique vision: to create an integrated legal, tax and investment advisory firm, with in-depth knowledge of the jurisdictions we work in, providing technical excellence across our core areas of expertise.

With a team of over 140 local and foreign lawyers and advisers With a team of over 140 local and foreign lawyers and advisers in 11 offices in Asia and three collaborating firms in Cambodia, Indonesia and the Philippines, we provide personalized and cost-effective legal, tax and consulting services with particular expertise in:

- Banking and Finance
- Corporate, Mergers and Acquisitions
- Employment
- Energy, Mining and Infrastructure
- Real Estate and Construction
- Taxation

12. DFDL Tax Services

Tax Advisory

- International tax planning and structuring services
- Tax treaty planning and tax treaty relief assistance
- Market entry tax advisory
- Domestic tax optimization advisory
- Tax due diligence, M&A, and restructuring services
- Transfer pricing advisory and compliance
- Tax review of contracts and transactions
- Assistance in obtaining tax rulings

Tax Compliance

- Corporate tax compliance review
- Preparation and review of tax returns
- Personal income tax compliance, review and related expatriate tax services

Customs and Free Trade Agreements

- Assistance in obtaining advance rulings from customs authorities on valuation, tariff and exemption
- Customs duty valuation advisory
- Strategic Free Trade Agreement planning, advice on rules of origin (ROO)
- Advice and government liaison services on market access, barriers to trade and protection of investors

Tax Controversy

- Assistance in tax audits
- Litigation on tax and customs

Public sector advocacy

- Government consultancy
- Tax policy advocacy

13. Our People

At DFDL, our most valuable assets are our people. We are dedicated to hiring, developing and retaining experienced and efficient advisers. Key people who comprise our Indonesian tax team are:

Jack Sheehan

Partner, Head of Regional Tax Practice

Jack is a Partner and the Head of the Regional Tax Practice. Jack specializes in advising on international tax planning, mergers and acquisitions, general tax matters, transfer pricing and inbound and outbound tax planning across multiple jurisdictions. Jack has authored a number of tax guides, books and publications on tax in Asia. Jack is regularly a featured speaker, panelist or chairperson at seminars in Asia and is ranked as a leading tax adviser by top legal directories, including International Tax Review, Legal 500, and Asia Law.

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Craig Hawkins

Regional Tax Adviser

Craig has significant international tax experience at Big Four firms spread across Indonesia, South Africa and Saudi Arabia. Craig obtained an Honor's degree in accountancy from the University of Stellenbosch, South Africa, and an Honor's Bachelor of Commerce specializing in taxation from the University of Cape Town, South Africa followed by an Advanced Diploma in International Tax from the Thomas Jefferson School of Law, San Diego, California, USA in 2015. Craig is a qualified Chartered Accountant and registered at the South African Institute of Chartered Accountants (SAICA).

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Tax Adviser (Registered)

Imran is a member of Indonesian Tax Consultants Association and registered at Directorate General of Taxation. He has experience in advising on Indonesian tax, including Value Added Tax, general tax issues and international tax planning. Imran has experience in dealing with the tax authorities in Indonesia. He has advised clients in many sectors on Indonesia tax issues.

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