

Global Mobility Services Bulletin

November 2017

I. Tax Amnesty Participants Must Eliminate “Nominee” Arrangements by 31 December 2017

On 14 August 2017, the Minister of Agrarian Affairs and Spatial Layout/Head of National Land Agency of the Republic of Indonesia issued Regulation No. 15 Year 2017 regarding Registration of Transfer of Title of Land in relation to the Tax Amnesty Program (TA).

In accordance with Article 15 of TA Law No. 11 Year 2016, land and buildings declared under a ‘nominee’ arrangement in a Tax Amnesty Declaration must be transferred to the real owner of the property. The transfer will be exempt from the 2.5% income tax, as long as the following are completed before 31 December 2017:

- **Transfer of Rights of Ownership**

Both the Nominee and Owner must sign a Declaration of Ownership in front of a Notary to legalize the Transfer of Rights. This document is then used to obtain a Tax Exempt Notification Letter from the Tax Office.

- **Submit Request to Register the Transfer of Rights to the local Land Office**

There are a number of documents to be attached to this request, including the above Declaration of Ownership and proof of payment of Duty on the Acquisition of Land and Building Rights (Bea Pengalihan Hak atas Tanah dan Bangunan/BPHTB).

KPMG Notes:

Failure to complete these transfers by 31 December could be very expensive.

Relevant TA participants must finalize the transfer of rights of their property by year-end to avoid any income tax exposures.

The Minister of Agrarian Affairs has issued internal guidelines regarding the necessary procedures. Therefore, we suggest contacting your legal counsel/notary to ensure the proper procedures are followed.

It is important to note that when obtaining the Tax Exempt Notification Letter and submitting the Request to Register the Transfer of Rights, each Tax Office and/or Land Office may have their own set of additional requirements, which may result in additional time required to process the necessary documents.

Failure to process the documents timely may result in cancellation of your TA, which would mean that the value of the property would be considered as taxable income for you.

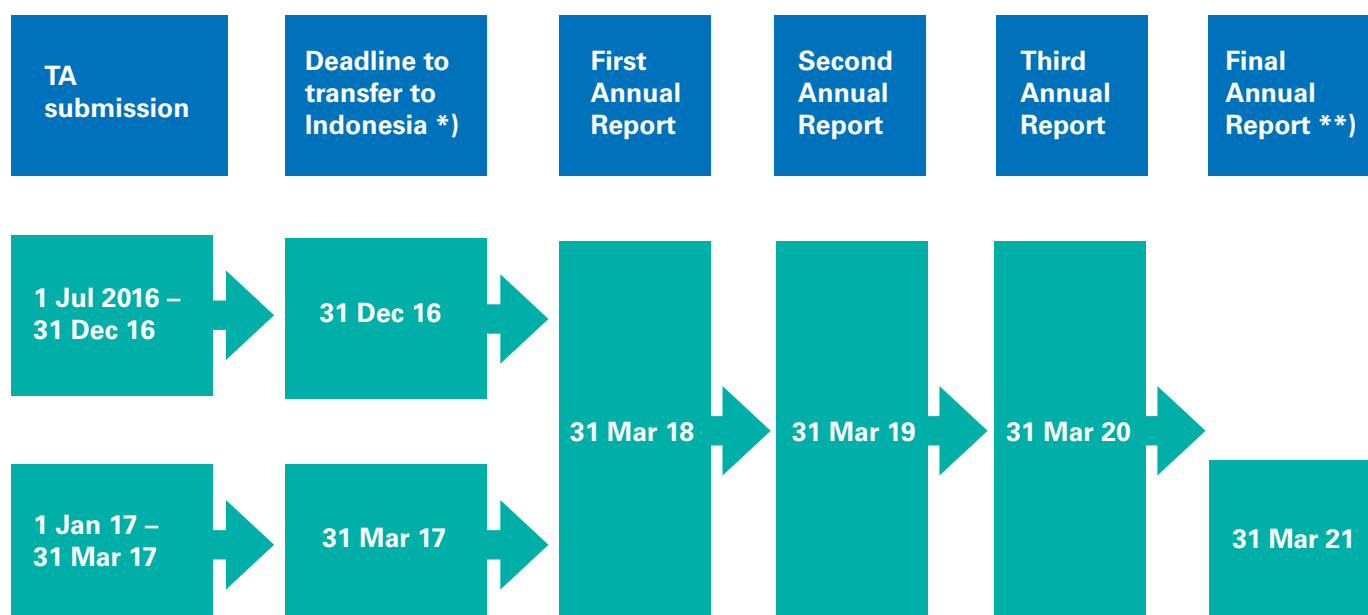
II. Tax Amnesty Participants' Reporting Requirements

Government Regulation No. PER-03/PJ/2017 (PER-03), in the framework of 'Reporting and Supervision of Additional Tax Amnesty Assets', acts as a reminder to TA participating taxpayers who have declared onshore assets and/or are repatriating offshore assets back to Indonesia under the TA Program regarding their future reporting requirements.

Taxpayers who are TA participants are required to submit the following reports by 31 March of the following year, for three consecutive years:

1. **Annual Realization of Additional Assets Report** for offshore assets repatriated and must be invested in Indonesia for at least three years; and/or
2. **Annual Assets Placement Report** for domestic assets which are not allowed to be transferred overseas for at least three years after the TA Notification Letter was issued by the Indonesian Tax Authorities (ITA).

The reporting requirements are as follows:



*) Only applicable to TA participants with repatriated assets.

**) There is a Fourth Annual Report for TA submission between 1 January to 31 March 2017. This final reporting period covers 1 January 2020 up to:

- For repatriated assets: 3 years following the date of asset repatriation.
- For domestic assets: 3 years from the date of the TA Notification Letter issuance by the ITA.

The annual reports, in both hard and soft copy, must be submitted to the Tax Office where the participating taxpayer is registered.

The ITA will issue a warning letter to each taxpayer who does not submit the required report(s) timely. The taxpayer must respond within 14 days from the date of the warning letter. If the report is still not submitted after 14 days, then the ITA may conduct an audit of the taxpayer. The audit may lead to an annulment of the Tax Amnesty application, in which case the TA assets would be considered taxable income.

KPMG Notes:

Failure to meet these filing requirements could be very expensive.

We caution the relevant TA participants to comply with PER-03 steadfastly; otherwise the ITA may annul the TA application and deem the full TA assets as additional income, which would be subject to income tax at 30%.

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