

Tax News Flash

December 2021



Voluntary Disclosure Program – a Second Tax Amnesty Scheme?

One of the notable highlights of the recently issued Harmonization of Tax Regulations Law (*Undang-undang Harmonisasi Peraturan Perpajakan*/"the HPP Law") is the introduction of the Voluntary Disclosure Program ("VDP"). This program is similar to the Tax Amnesty Program rolled out in 2016 as taxpayers may voluntarily disclose assets which were previously not listed in their income tax returns. The value of these assets will be considered as taxable income subject to certain final tax rates.

The program will be open from 1 January 2022 until 30 June 2022 and there are two VDPs which taxpayers can participate in:

	VDP I	VDP II
Participants	For individuals and corporations who participated in the Tax Amnesty Program	For individuals not being audited; and/or investigated for tax years 2016-2020, are not on trial nor serving a criminal sentence in relation to taxation
Assets	For additional assets acquired between 1 January 1985 and 31 December 2015 which are still missing from the list of assets	For assets acquired between 1 January 2016 and 31 December 2020 which are not yet listed in their 2020 income tax returns
Value	Based on the value of the assets at 31 December 2020	Based on their nominal value at 31 December 2020 or acquisition value

The applicable final tax rates are as follows:

	VDP I	VDP II
Domestic assets and repatriated foreign assets which are re-invested in Indonesia in: - processing of natural resources - renewable energy - Government marketable securities	6%	12%
Domestic assets and repatriated foreign assets which are not re-invested as per above criteria	8%	14%
Assets kept overseas	11%	18%



Foreign assets must be repatriated by 30 September 2022 and reinvested by 30 September 2023. The reinvestment period is required to be at least 5-years. If any of these requirements are not fulfilled, a penalty in the form of an additional final tax will apply in the range of 3% to 7.5%.

Any amendments of personal 2016-2020 tax returns to include additional assets after the HPP law was issued (29 October 2021) will be disregarded if the taxpayer opts to participate in the VDP II. If the 2020 tax return is not yet submitted, the taxpayer may only declare assets listed in their 2019 tax return plus assets obtained during 2020 in the 2020 tax return. Any undeclared asset obtained between 2016-2019 must be declared in VDP II.

After the VDP report is submitted, the Directorate General of Tax will issue a Notification Letter. However, this letter may be amended and/or canceled if the VDP data is found to be inaccurate.

KPMG Notes:

- By participating in this VDP, taxpayers are expected to disclose accurately any unreported assets. Any future information obtained by the Indonesian Tax Authority regarding other undeclared assets for these tax years will be regarded as additional income in fiscal year 2022 which may be subject to a 35% tax rate (the highest individual tax rate) plus additional penalties.
- Any information included in the VDP report may not be utilized for tax investigations or criminal prosecutions.

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