



KPMG business talk: 2024 Corporate reporting & regulatory updates

Recent tax updates

KPMG Advisory Indonesia

28 August 2024

01

New ratified multilateral instrument

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Document Classification: KPMG Public

New ratified MLI

- The newly ratified multi lateral instrument (MLI) under PR-63/2024 issued in June 2024
- 13 CTAs are added, previously only 47 jurisdictions:
 1. Austria
 2. Belarus
 3. Germany
 4. Jordan
 5. Kuwait
 6. Mongolia
 7. Morocco
 8. Papua New Guinea
 9. Singapore (2021)
 10. Sri Lanka
 11. Tunisia
 12. Ukraine
 13. United Arab Emirates (2021)
- Consequently, the notifications under several article are also updated with new additional jurisdictions
- Updates on the reservation list and notification related to articles 4, 8, 11 and 16.

Summary of notifications from additional 13 CTAs

No	Listed agreement number	Other contracting jurisdiction	Article in MLI											
			4	6	7	8	9	11	12 (5)	12 (6)	13	16 (6) (b) (i)	16 (6) (b) (ii)	16 (6) (c) (ii)
1	48	Austria	✓	✓		✓			✓	✓	✓	✓		✓
2	49	Belarus	✓	✓					✓	✓	✓		✓	✓
3	50	Germany	✓	✓		✓			✓	✓	✓	✓		
4	51	Jordan	✓	✓					✓	✓	✓	✓		✓
5	52	Kuwait	✓	✓					✓	✓	✓		✓	✓
6	53	Mongolia	✓	✓					✓	✓	✓		✓	✓
7	54	Morocco	✓	✓			✓		✓	✓	✓		✓	✓
8	55	Papua New Guinea	✓	✓	✓				✓	✓	✓		✓	✓
9	56	Singapore (new)	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓
10	57	Sri Lanka	✓	✓					✓	✓	✓	✓		✓
11	58	Tunisia	✓	✓					✓	✓	✓		✓	✓
12	59	Ukraine	✓	✓		✓	✓		✓	✓	✓		✓	✓
13	60	United Arab Emirates (new)	✓	✓	✓			✓	✓	✓	✓		✓	✓

Source: PR-63/2024

✓ : The Republic of Indonesia considers that the following agreements contain a provision described in MLI.

Updates on Articles in MLI

Article 4 Dual resident entities

- Update on reservation list, now only Mexico (previously : Turkey, USA, Armenia and Mexico).
- Indonesia requires not to apply Article 4(3) of the double tax agreement (DTA), but instead to replace it with Article 4(3)(c) of the MLI.
- Impact: in dual resident situations (for private individuals) the benefits of the DTA cannot be granted without reaching a mutual agreement.

Article 8 Dividend transfer transactions

- **Update on additional notification subsequent to ratification under-covered tax agreement (CTA) with Philippines.**
- **Article 10(2)(a) of the DTA applies if the conditions of Article 8(1) of the MLI are met, as the notification was made in November 2023.**
- **Impact: A 15% rate on dividends (if the beneficial owner is a company that directly holds at least 25% of the capital of the paying company) applies if the following conditions are met for a continuous period of 365 days (including the dividend payment date) (underlined text is new):**
 - **the beneficial owner or the recipient is a company which is a resident of the other contracting jurisdiction; and**
 - **the beneficial owner or the recipient owns, holds or controls more than a certain amount of the capital, shares, stock, voting power, voting rights or similar ownership interests of the company paying the dividends.**

Article 11 Application of tax agreements to restrict a party's right to tax its own residents

- Update on notification of existing provisions in listed agreements with United Kingdom.
- Article 22 of the DTA is replaced by Article 11(1) of the MLI, as the notification was made in November 2023.
- Article 11(1) of the MLI: CTA shall not affect the taxation by a contracting jurisdiction of its residents, except with respect to the benefits granted under provisions of the CTA.(Example: Branch profit tax (BPT) that is given reciprocally)

Article 16 Mutual agreement procedure

- Update on additional notification subsequent to ratification under CTA with South Africa.
- Article 24 of the DTA is replaced by Article 16(6)(c)(ii) of the MLI (except Article 16(4)(b)(ii)), as the notification was made in November 2023.
- Impact: the mutual agreement procedure (MAP) must be processed not more than 10 years from the end of the taxable year according to DTA.

02

Draft deductible provision regulation

Draft deductible provision regulation - What's new?

Direct vs indirect

Bad debt expense provision can be accounted for using:

- ✓ Direct method: Regulated under MoF regulation No. 105/PMK.03/2009 ("PMK105")=>Art 6 ITL
- ✓ Allowance method: for loan and financing receivables => regulated currently under MOF No. 81/PMK03/2009 ("PMK81")
(will be replaced by new RPMK) => Art. 9 ITL



Allowance method

Allowance method will be divided by two categories:

- ✓ PSAK 109 (IFRS 9) users => using staging method
- ✓ Non PSAK 109(IFRS 9) users => using collectability method



New eligible entities

- ✓ Additional entities eligible for deductible allowance expense are: **venture capital companies, pawnshop companies, microfinance institutions, and housing secondary financing companies.**



Draft deductible provision regulation -What's new?

Deductible allowance Formula PSAK 109 (IFRS 9) users:

Old regulation



*) 1%,5%,15%,50%,100% depending on collectability level (1 to 5 : current to default)

New regulation:

Follow PSAK 109 (IFRS 9) with cap as follows:

Max rate % *)

1,4% Stage 1 performing

23% Stage 2 under performing

71% Stage 3 non performing

Collateral data not required

*) Based on FY22 FSA data

*) can be periodically changed by MOF regulation

Draft deductible provision regulation -What's new?

For non-PSAK 109 users: i.e. sharia financing, SMEs

- ✓ Still using % and collectability(1-5) grouping based on FSA or OJK regulation
- ✓ Liquid collateral = $100\% \times$ collateral value
- ✓ Non-liquid collateral = $75\% \times$ collateral appraised value (reported value)

Bridging (BDE vs BS movement)

Define additional bad debt expense (BDE) and relationship with bad debt provision movement (including write-off and recoveries presentation depending on the accounting treatment).

BDE attachment requirement

There is additional requirement to prepare write-off nominative list. Incomplete nominative list can trigger non-deductible BDE.

First year implementation

Will be implemented for FY2024 period. Beginning bad debt provision = PMK 81, ending bad debt provision = new MOF regulation

Implication

- ✓ It is estimated that for FY 2024 corporate income tax will be in overpayment (subject to a tax audit).
- ✓ Standardized approach among financial institution entities (i.e. multi-finance and banks)

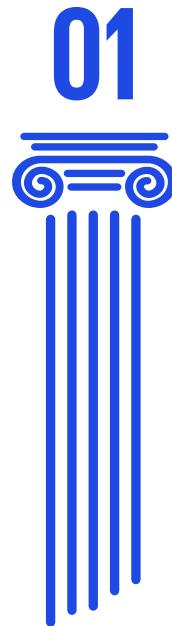


03

BEPS 2.0

BEPS2.0 Pillars

The OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) in October 2021 reached an agreement on a reform of international tax rules. This was endorsed by 137 out of 141 IF members and by G20 finance ministers.



01

Pillar One

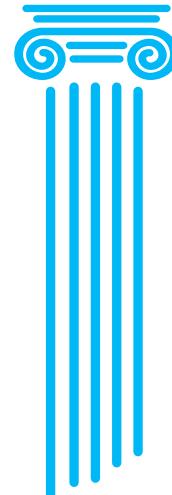
moves away from the idea that taxation requires a physical presence in a country before that country has a right to tax.

This applies to multinational groups that have more than EUR 20 billion of global turnover, and a return on sales above 10 percent. Over 100 global groups are likely in scope.

The Amount A profit allocation to markets is 25 percent of profits above a 10 percent profit margin.

Efforts are also ongoing for a simplified approach to determining TP returns for routine marketing and distribution activities (Amount B).

02



Pillar Two

rules subject thousands of multinational groups around the world to a global minimum tax of 15 percent.

Every jurisdiction in which the group has operations is looked at separately to see if their effective tax rate falls under 15 percent. If so, then a top-up tax will need to be calculated and paid.

Pillar Two will apply to multinational groups if they have revenues over EUR750 million.

In a separate set of rules, it is intended that specified intra-group payments made to related parties and taxed below 9 percent may be subject to a top up tax.

Substantial work has been done to implement the GloBE rules

01

GloBE Model Rules and Commentary

- A set of core rules in scoping, charging, and calculating formulae
- Commentary on the policy intent and examples

02

Administrative Guidance and Safe Harbour

- Clarifications on the remaining technical ambiguities
- Agreed to terms for a set of transitional safe harbors
- Common understanding of transitional penalty relief

Published

03

GloBE Information Return

- Identification of a comprehensive set of data points for calculating top-up tax liability
- Development of centralized filing requirements and an information exchange framework

Public consultation

04

Domestic Minimum Top-up Tax

- Country's call in designing a Qualified DMTT
- Subject to peer review
- Doesn't necessarily mirror the GloBE Rules so long as the outcome is consistent

To be released

05

Further implementation framework

- Dispute prevention mechanisms
- Peer review process, coordinated risk assessment,
- Interaction with domestic law provisions (e.g., GAAR)

One was released in June 2024

Implementation Framework - June 2024



1. Computation of Deferred Tax Liabilities ('DTL')

Simplification of taking into account deferred tax liabilities in for the purpose of GloBE by removing tracking one by one DTL items instead calculating it on aggregate basis



2. DTA/DTL GloBE vs Accounting Entry

In the case there is a difference between calculating DTA/DTL between GloBE vs accounting entry, then DTA/DTL for GloBE will be utilized on the top of accounting



3. Allocation of Cross Border Tax

Breaking down the allocation model rules of current taxes included cross-crediting of main entity into its PE



4. Allocation of Cross Border DTA

Formulating five allocation steps in order to allocate DTA cross border between constituent entities



5. Allocation of Profit and Tax for flow-through entities

Provide guidance on the situation where the ultimate parent is a 'flow-through' entity (transparent or hybrid entity) where the allocation profit and tax will be imposed to the closest constituent entity that is not a flow-through entity



6. Securitization Vehicle

Exclusion of special purpose company in relation of financing activity from Quality Domestic Minimum Top-up Tax ('QDMTT'). Further OECD inclusive framework will issue additional guidance related to this issue

New Indonesian Transfer Pricing Regulations ("PMK 172")





Read more...

The KPMG Tax News Flash (TNF) addresses three areas:

- **Formal requirements**
- **New guidance on TP documentation contents**
- **Guidance for MAPs/APAs**



05

AE0I, SP2DK & NIK as NPWP

Automatic Exchange of Information (AEOI)

Indonesian Tax Authority (ITA) has signed an agreement in June 2015 with 120 countries (as per 16 May 2023) to join the Automatic Exchange of Information (AEOI)



Other countries will share the financial information owned by Indonesian tax resident in that countries to Indonesia and vice versa



The financial information is containing the following:

- 1. The account's holder identity**
- 2. Account number**
- 3. Identity of the financial institution**
- 4. Financial account balance**
- 5. Income related to the financial account**



Legislation

Primary legislation

*Peraturan Pemerintah Pengganti
Undang-Undang Nomor 1 Tahun 2017*

Second legislation

**MoF Regulation PMK 70/2017 stdtd
PMK 19/2018**

Common reporting standard (CRS)

1. AEOI
2. Exchange information based on request if there is any evidence

What is the impact of AEOI?

1

ITA will seek the taxpayer confirmation/clarification on any “potential unreported income”



2

ITA will issue “*Surat Permintaan Penjelasan atas Data dan/atau Keterangan (SP2DK)*”



What should the taxpayer do after receiving the SP2DK?

The data from ITA is correct and
the taxpayer doesn't have to
declare the income in tax return

Amend the related year tax return
and submit a response letter

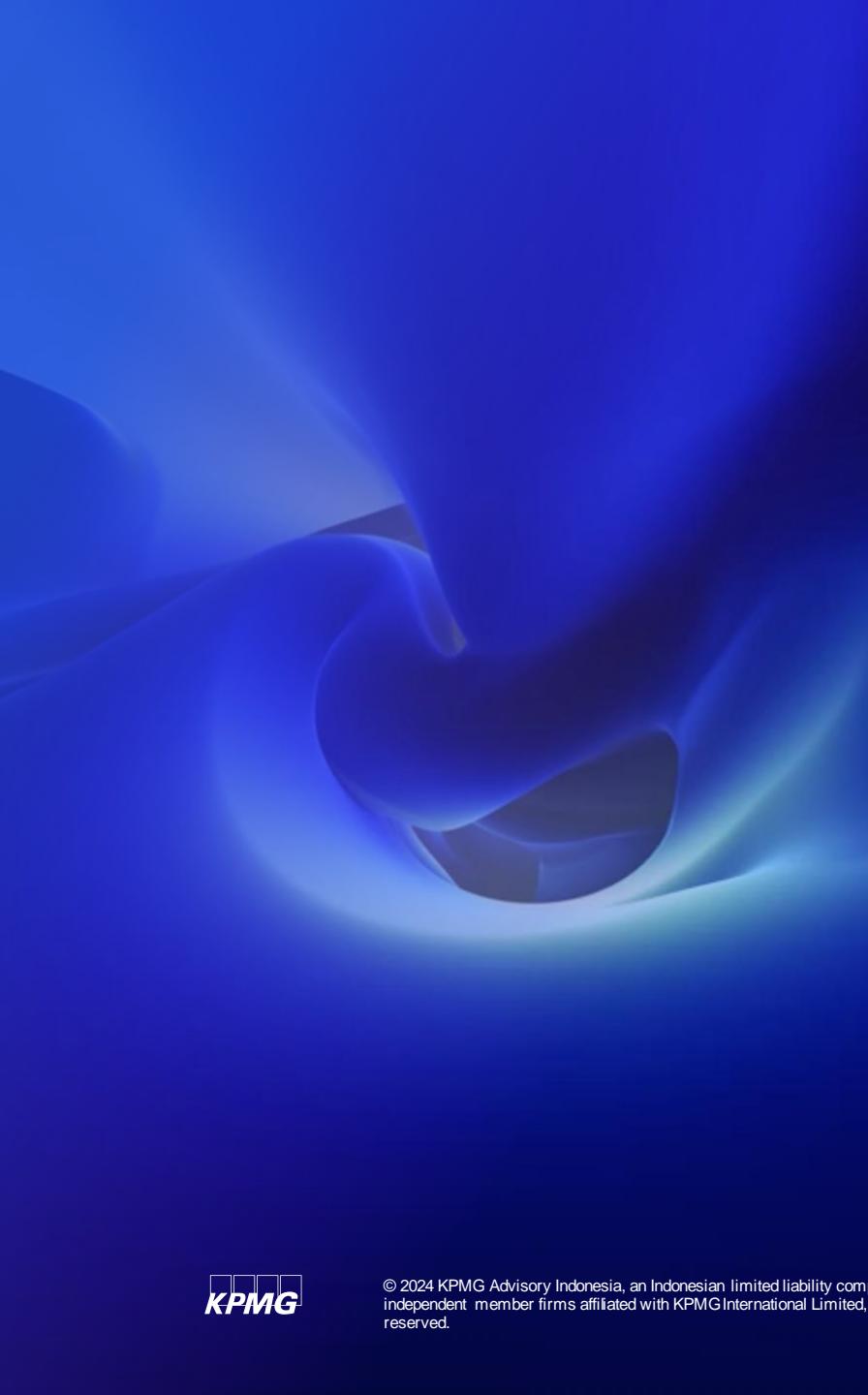
Reconcile the data provided by
the ITA with the actual financial
statement

The data from ITA is incorrect

Submit a response letter with
the supporting document

No response from the taxpayer

Audited by the tax office



PER - 6 Year 2024

**Usage of NIK as NPWP, 16
digits NPWP in Tax
Administration Services**

NIK as NPWP, 16 digits NPWP in Tax Administration Services

PMK-112/2022

- NIK as NPWP
- NPWP 16
- Until 31 Des 2023
- 1 Jan 2024 full implementation
- NPWP 15 only valid until 31 Des 2023

PMK-136/2023

- NIK as NPWP
- NPWP 16
- Until 30 Jun 2024
- 1 Jul 2024 full implementation
- NPWP 15 only valid until 30 Jun 2024

PER-6/PJ/2024

• Starting July 1 2024

- e-Registration
- Taxpayer profile account at DJP Online
 - Info KSWP
 - e-Bupot 21/26
 - e-Bupot Unifikasi
 - e-Bupot Instansi Pemerintah
 - e-Objection

NIK as NPWP, 16 digits NPWP in Tax Administration Services

Taxpayers still can access administrative services not listed using a 15-digit Taxpayer Identification Number.

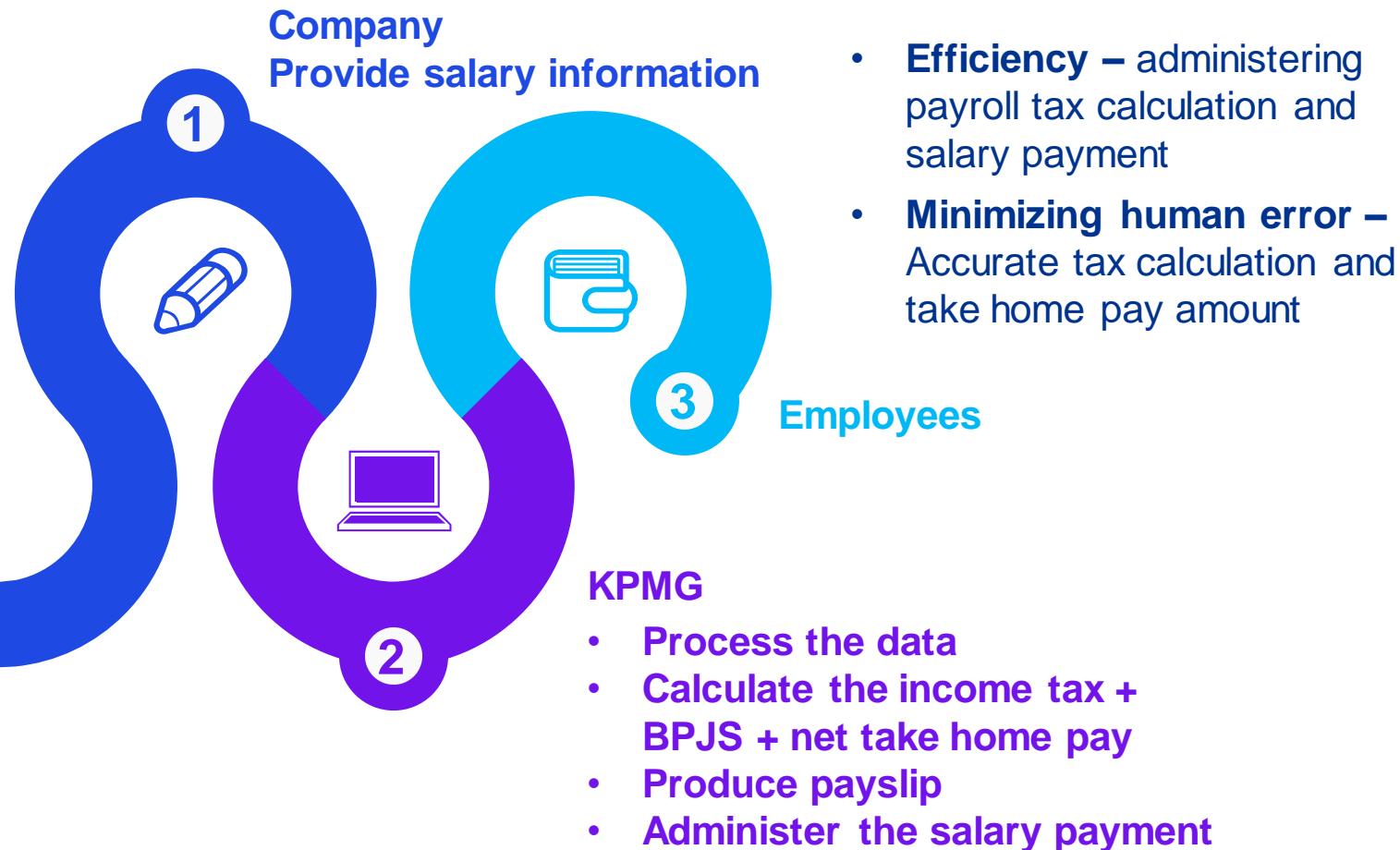
- ID Billing
- eFaktur
- Electronic Receipt

If the administrative system of the Other Party (excluding DGT's system) is not ready?

will use the 15-digit NPWP format until 31 December 2024

Payroll services – Why KPMG ?

Keeping abreast with tax law/regulation





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