

January 4, 2012
2012-004

flash International Executive Alert

A Publication for Global Mobility and Tax Professionals by KPMG's International Executive Services Practice

INDONESIA LAUNCHES NATIONAL TAX CENSUS, HOPES TO BROADEN TAXPAYER BASE

by PT KPMG Hadibroto,
Jakarta (PT KPMG Hadibroto in
Indonesia is a KPMG
International member firm)

The Indonesian Tax Authority (Direktorat Jenderal Pajak) has recently escalated its efforts to increase taxpayer compliance by launching the National Tax Census which is part of a concerted drive to broaden Indonesia's taxpayer base and reduce tax evasion.¹ Based on the official press statement, the Director General Of Tax (DGT) intends to recruit 3,000 personnel for the National Tax Census, which will prioritize economic centers, business districts, high-rise buildings, and housing complexes. The Census will be made by tax officers, together with community authorities, personally visiting taxpayers to collect taxation data, including the taxpayer's personal information, electricity customer account numbers, the number of family members, the date of the last Personal Annual Income Tax Return filed, the level of annual income, and number of employees, including personal drivers and domestic helpers. The Census will be conducted throughout Indonesia up to December 2012.

The technical guidelines for the National Tax Census categorize the census results as follows:

Category	Respondent Condition
1	The tax officers met with the respondent and the respondent agreed to provide responses to the officer's queries and sign the Census Form.
2	The tax officers met with the respondent, but the respondent refused to provide responses to the officer's queries and refused to sign the Census Form.
3	The tax officer failed to meet with the respondent, but managed to meet with other parties related to the respondent.

KPMG Note

Although the above is primarily aimed at individuals, this development (and the content of this newsletter) is relevant to all persons (corporate and individual) considered to be Indonesian tax residents. It may be of particular interest to small businesses and entities operating through a virtual office.

It is not surprising that the government has stepped up the effort to increase data collection and management.

KPMG Note (cont'd)

According to statistics from the DGT, registered individual taxpayers account for less than 8 percent of the country's working population. As for corporate taxpayers, only 466,000 corporations (less than 4 percent of the total) filed 2010 tax returns. The main objective of the National Tax Census is to increase the number of taxpayers given that many taxpayers are still considered ignorant of their tax obligations and/or non-compliant with tax regulations.

Taxpayers are also required to provide requested information regarding their property holdings during the Tax Census. The tax authority will take different approaches for follow-up actions. Respondents may receive additional requests at a later time requiring further actions (i.e., registering at the Indonesian tax office, reporting a tax return, etc.) or may receive audit notification letters.

Tax audits in Indonesia are normally time-consuming and administratively burdensome.

There is no mention of sanctions for not completing the Census. It is unclear if the DGT is authorized to impose penalties, though based on Article 25 of Law No. 12/1985, imprisonment of up to two years, or a maximum fine of five times the tax due, are stipulated for intentionally failing to show or provide information required for taxation.

When visited by tax authority personnel, individuals should request to see the agent's identity cards to ensure they are legitimate personnel assigned to this Census. If in doubt about the questions asked, it may be prudent to delay the response and seek professional advice.

Footnote:

1 For more information, see the announcement on the Web page of the Indonesian tax authority (Direktorat Jenderal Pajak) at: <http://www.pajak.go.id/content/launching-sensus-pajak-nasional>.

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For further information or assistance, contact your local IES professional or Esther Kwok (tel. +62 21 570 4888 or e-mail: Esther.Kwok@kpmg.co.id), a tax professional with KPMG Hadibroto, the KPMG International member firm in Indonesia.

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The information contained in this newsletter was submitted by the KPMG International member firm in Indonesia. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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