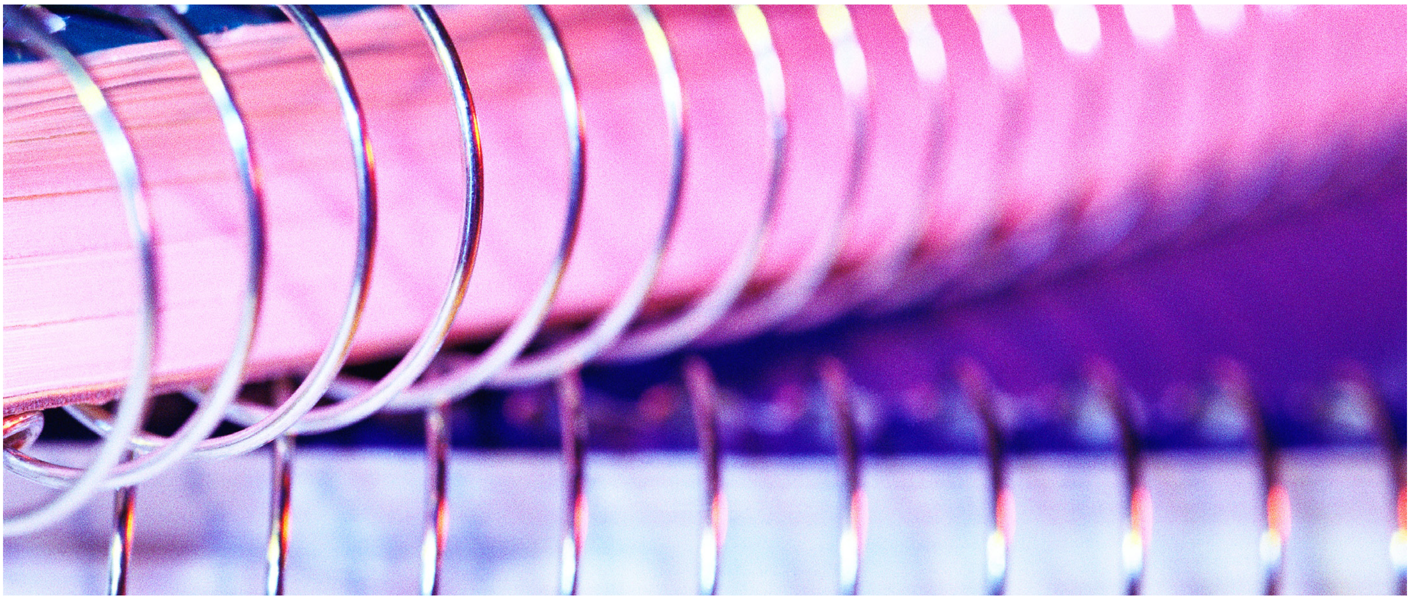
2015 Government Tax Revenue Budget

Upon Parliament approval of the Government Budget for fiscal year 2015, the Director General of Taxes ("DGT") issued Decision No. KEP-07/PJ/2015, confirming that, for fiscal year 2015, the DGT must be able to achieve a revenue budget of IDR1,193 trillion (equivalent to approximately USD 91billion).

Tax revenue budget allocation to Regional Tax Offices

The tax revenue budget of IDR 1,193 trillion has been allocated to the Regional Tax Offices (known as "Kanwil") as follows:

	Kanwil	Oil & Gas Tax	Income Tax	VAT & STLG	Land and building tax	Other taxes	Total (in billion)
1	Large Tax Office		187,327	165,958		28,949	382,234
2	Special Jakarta	88,708	67,782	72,665	21,494	44	250,693
3	Central Jakarta		34,554	30,766		50	65,370
4	South Jakarta		33,158	30,305		38	63,501
5	West Java II		22,285	18,641	139	345	41,410
6	East Java I		15,693	18,238		139	34,070
7	Banten		16,940	14,074	17	190	31,221
8	West Jakarta		12,627	18,460		10	31,097
9	North Jakarta		9,361	16,349			25,710
10	Central Java I		11,353	13,484	80	205	25,122
11	West Java I		13,090	9,277	172	262	22,801
12	Riau and Riau Island		13,663	6,112	218	142	20,135
13	East Kalimantan		13,319	5,799	724	98	19,940
14	East Java III		7,166	12,000	75	176	19,417
15	East Jakarta		7,488	11,750		2	19,240
16	North Sumatera I		9,358	5,481	97	98	15,034
17	East Java II		7,557	7,248	71	153	15,029
18	South Sumatera & Babel Island		6,757	4,936	946	123	12,762
19	South and Central Kalimantan		7,911	4,021	346	96	12,374
20	North, West and Southeast Sulawesi		6,515	4,670	116	126	11,427
21	Papua and Maluku		5,969	4,587	210	56	10,822
22	Other Regional Offices		37,763	23,687	949	855	63,254
	Total	88,708	547,638	498,507	25,654	32,154	1,192,661



DGT Audit Plan and Strategy

In order to meet its budget, the DGT issued Circular No. SE-09/PJ/2015 which states that one of its strategies is to collect IDR73,5 trillion from conducting tax audits in 2015. This tax revenue budget from audit activities has been significantly increased compared to 2014's budget, which was IDR24 trillion.

The Circular further states that there will be two types of tax audits conducted: Special Audits and Joint Audits:

Special Audits :
- Each Tax Office, Account Representative and Audit Team must propose taxpayers to be subject to audit;
- The Director of Tax Audit and Collection will issue instructions to each Regional Tax Office to conduct audits of three companies; and
- The DGT will conduct audits of:
  - 50 coal mining and oil and gas companies;
  - 30 companies which have related party transactions; and
  - 10 Group companies.

Joint Audits :
The DGT will conduct joint audits with:
- The Director General of Customs and Excise (DGCE);
- The Government Auditor (BPKP);
- The Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas);
- The State Revenue Optimization Team (TOPN); and
- The Financial Services Authority (OJK).

Unlike in prior years, the DGT has not published any information regarding the type of business activities registered in each Regional Tax Office that will be subject to audit.

KPMG Comments

Companies can expect much more aggressive tax audit assessments this year as the DGT revenue budget from tax audits has tripled. The join tax audit activities with DGCE and SKK Migas will significantly increase.

The need to have adequate supporting documentation available for the tax auditors must be given top priority to reduce assessment exposures.

This includes:
- Reconciliations between amounts reported in all tax returns and amounts recorded in general ledger accounts;
- Robust transfer pricing analyses, including an independent transfer pricing assessment report and supporting documents to substantiate the transfer pricing transactions;
- Complete documentary support for use of double taxation treaties, etc.

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