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## Taxpayer Benchmark Ratios – Latest Development

Recently the Indonesian Director General of Taxation (DGT) has again expanded the range of industries for which it has collated and published benchmark ratios. As mentioned in our Tax Flash No.02/2010 and 06/10, the DGT has adopted a more sophisticated approach to the selection of tax audit cases. This involves using benchmark ratios to assess whether a taxpayer's affairs require further examination, which in turn may lead to a formal tax audit. The benchmarking is done on the following ratios:

1. Gross Profit Margin 2. Operating Profit Margin 3. Pretax Profit Margin 4. Corporate Tax to Turn Over Ratio 5. Net Profit Margin 6. Dividend Payout Ratio 7. Input VAT to Sales Ratio 8. Salary Expense to Sales Ratio 9. Interest Expense to Sales Ratio 10. Rent Expense to Sales Ratio 11. Depreciation Expense to Sales Ratio 12. Other Variance to Sales Ratio 13. Other Income to Sales Ratio 14. Other Expense to Sales Ratio

Up to now the DGT has released benchmarking guidelines of 100 industries with the following details:

No.	Circular Letter		Industry Groups Covered
	Number	Date of Issue	
1.	SE-96/PJ/2009	5 October 2009	20 groups
2.	SE-11/PJ/2010	1 February 2010	30 groups
3.	SE-68/PJ/2010	27 May 2010	30 groups
4.	SE-105/PJ/2010	20 October 2010	20 groups

The DGT relies on the submitted monthly VAT returns, corporate income tax returns and the associated transcript of financial statements to obtain financial position to be benchmarked with DGT's standard ratio.

The benchmark information is to be used only as a supporting tool in assessing the tax compliance level of a taxpayer and a discrepancy in respect of any particular ratio does not in itself prove non-compliance by a taxpayer. The discrepancy may prompt a follow up from the account representative for a further explanation. If the review of the discrepancy reveals non compliance with the tax law, the account representative may request an amendment of the tax return or recommend that the taxpayer be subject to a tax audit.

The 100 industries are as follows:

No	KLU	Industry	No	KLU	Industry
1	15141	Food oil from plant and animal sources	24	15423	Other sugar
2	15144	Cooking oil from palm oil	25	15540	Soft drink
3	15410	Bread and its equivalents	26	19201	Manufacture of footwear for daily use
4	15432	Food made from chocolate and candy	27	20211/20212	Manufacture of plywood/ laminated plywood, including decorative plywood
5	16002	Clove cigarette	28	20213	Other wood panel manufacture
6	16003	White cigarette	29	20294	Kitchenware from wood, rattan, and bamboo
7	21010	Pulp and paper	30	22210	Printing
8	22120	Newspaper, journal, and magazine publishing	31	24131	Artificial resins and plastic raw material
9	24232	Pharmaceutical	32	24221	Paint
10	25205	Plastic packaging	33	24241	Soap and household purifier, including toothpaste
11	32300	Radio, television, voice and picture recording tools, and its equivalent	34	24242	Cosmetics
12	34100	Manufacture of four-wheel (or greater) vehicles	35	25111	Tire manufacture (including tire tube)
13	35911	Manufacture of motorcycle and its equivalent	36	25201	Pipe and plastic intervals
14	45000	Construction	37	26411	Cement
15	50101	Car wholesale	38	29302	Household electrical appliance manufacture
16	51391	Household tools and equipment wholesale	39	31300	Phone and electrical cable
17	51430	Construction material wholesale	40	35912	Motorcycle (and equivalent) components
18	52111	Retail trading of various items mainly food, beverages, or tobacco in a supermarket	41	50401	Wholesale of motorcycles along with spare-parts and accessories
19	70101	Owned or rented real estate	42	51220	Wholesale of food, beverages, and tobacco
20	85113	Private hospital service	43	55210	Restaurants
21	15211	Dairy	44	55260	Catering
22	15331/15332	Fish/animal ratios or animal feed ratios	45	65121	Foreign exchange bank
23	15421	Sugar	46	65910	Leasing

No	KLU	Industry	No	KLU	Industry
47	66020	Pension fund	74	51100	Fee or contract based wholesaler
48	66030	Non-life insurance	75	51399	Household tools and equipment wholesaler
49	74210	Architectural consultancy and engineering services	76	52191	Retailer of assorted goods not including stuffs/food, beverages, or tobacco in department stores
50	92132	Private radio broadcasting and national private television broadcasting	77	54220	Tobacco, food and beverage import trade
51	2020	Exploitation of natural forest	78	54392	Pharmaceutical and chemical import trade for household
52	13201	Tin ore mining	79	54500	Machines, spare-parts and equipments import trade
53	15491	Tea and coffee processing	80	65922	Customer credit
54	15497	Seasoning and food flavoring	81	16001	Tobacco drying and processing
55	17112	Spinning yarn	82	16009	Tobacco and cigarette seasoning
56	24110	Basic chemical except fertilizer	83	17113	Thread spinning
57	24115	Basic organic chemical based on agriculture result	84	24293	Ink
58	24122	Single primary macro artificial fertilizer	85	28993	Nail, adjusting-nut and bolt
59	25202	Plastic sheet goods	86	29211	Agriculture and forestry machinery
60	25206	Plastic based technical/industrial goods and tools	87	29263	Textile machinery
61	26413	Gypsum	88	31402	Electricity accumulator (secondary battery)
62	26423	Cement and lime based goods for construction	89	31501	Fluorescent lamp, centralised lamp and UV lamp
63	27101	Iron and steel making	90	31509	Electric lamp component
64	27102	Steel rolling	91	33201	Eye glasses
65	27103	Steel and iron made pipe and pipe connection	92	35111	Ship/boat
66	28992	Metal based office equipment, except furniture	93	35112	Ship supplies and equipments
67	29112	Combustion motor	94	35921	Bicycle and pedicab
68	29130	Mechanic transmission	95	36101	Furniture made from wood
69	29150	Lifting and handling equipment tools	96	36930	Sport equipments
70	34300	Component and equipment for four-wheel (or greater) vehicles	97	50200	Car maintenance and repairs
71	40101	Electrical power generator	98	50302	Retail trading of car accessories and spare-parts
72	41000	Procurer and distributor of clean water	99	50402	Retail trading of motorcycles along with spare-parts and accessories
73	50301	Car accessories and spare-part wholesaler	100	52332	Retail trading of electronic wares inside building

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