

TaxFlash



Asset revaluation rules for 2015 and 2016

As part of the fifth economic package, the Minister of Finance (MoF) issued Regulation No.191/PMK.010/2015 (PMK-191) regarding fixed asset revaluation for tax purposes for 2015 and 2016 submission, effective from 20 October 2015.

This regulation serves as a temporary special treatment for 2015 and 2016 only and therefore, the existing MoF Regulation No.79/PMK.03/2008 (PMK-79) will practically be frozen during these periods and will continue to prevail from 2017 onwards.

Key points of the temporary facilities are as set out below.

Additional eligible taxpayers

PMK-191 adds several eligible parties who were not eligible for this facility under PMK-79. These are:

- Taxpayers who maintain English bookkeeping and USD currency
- Taxpayers who have not passed five years since their asset revaluation under PMK-79
- Individual taxpayers who maintain bookkeeping

Scope of fixed assets

Under this regulation, eligible taxpayers can now choose which tangible fixed assets they want to revalue and conduct a partial asset revaluation of these. Under PMK-79, assets revaluation must be conducted to all tangible fixed assets (including or excluding land).

Payment of the final tax

PMK-191 requires payment of the final tax prior to the application, while under PMK-79 the payment of final tax is within 15 days after the decision regarding the asset revaluation is issued by the Director General of Tax (DGT).

Additional circumstances, the relevant requirements and the final tax rate

Under PMK-79, taxpayers can only apply for this facility if the asset revaluation has been carried out by a licensed appraiser (but not yet used for tax purposes). PMK-191 allows eligible taxpayers who have not carried out the asset revaluation by a licensed appraiser to apply for this facility with a certain grace period to fulfil all the requirements.

The rules under these two circumstances are as follows:

1. *Fixed assets have been revaluated by a licensed appraiser*

The requirements under PMK-191 is similar to PMK-79, as follows:

- a) Tax payment slip (*Surat Setoran Pajak/SSP*)
- b) The list of revalued FA
- c) Photocopy of the business license of the licensed appraiser
- d) Fixed Asset revaluation report
- e) Latest Financial Statement before the asset revaluation

The difference is with regard to the tax payment slip requirement, which resulted from a different procedure as mentioned in the preceding section.

The applicable final tax rate varies depending on the period in which the taxpayer submits the application, as follows:

- 3% - if the submission is in 2015
- 4% - if the submission is from January to June 2016
- 6% - if the submission is from July to December 2016

2. *Fixed assets have not been revaluated by a licensed appraiser*

Even though the fixed assets have not been revaluated by a licensed appraiser, a taxpayer can apply for this facility using the estimate value of the fixed assets. The initial application only requires the following documents to be submitted:

- a) SSP (final tax is paid based on the estimated value)
- b) The list of fixed assets along with their estimated value

The applicable final tax rate in the initial application is the same as in circumstances outlined in point 1 above, which varies depending on the period in which the taxpayer submits the application.

After the initial application, a revaluation by a licensed appraiser must be carried out, additional final tax (if any) must be paid and additional requirements must be submitted within certain period of time, as follows:

- 31 December 2016 - if the initial application is in 2015
- 30 June 2017 - if the initial application is from January to June 2016
- 31 December 2017 - if the initial application is from July to December 2016

If the revaluation value is higher than the estimate, additional final tax must be paid. The rate depends on when the payment of additional final tax is paid. The applicable rate is as follows:

- 3% - if the revaluation is carried out and final tax is paid in 2015
- 4% - if the revaluation is carried out and final tax is paid from January to June 2016
- 6% - if the revaluation is carried out and final tax is paid from July to December 2016
- 10% - if the revaluation is carried out and final tax is paid in 2017

After the revaluation is carried out and the additional final tax is paid, the taxpayer must submit additional requirements with the deadline as mentioned above, as follows:

- SSP (if the revaluation value is higher than the estimate)
- Same requirements (b) to (e) as in outlined point 1 above

If the revaluation value is less than the estimate, the excess is treated as tax that should have not been due.

If the revaluation by a licensed appraiser is not carried out within the deadline, the application will be considered cancelled and the final tax that has been paid during initial application is treated as tax that should have not been due.

Similar provisions

1. *Depreciation rules*

The depreciation will be based on new revaluation value, the useful life will be restarted in accordance with the assets' category and the fiscal depreciation will be started on:

- 1 January 2016 - if the revaluation is carried out in 2015
- The month when the revaluation is carried out - if the revaluation is carried out in 2016 or 2017

2. *Restriction periods*

Restriction period to sell the revaluated assets is the same as in PMK-79, i.e.:

- Fixed assets under category 1 and 2 – cannot be sold prior to the end of the new useful life.
- Fixed assets under category 3, 4, land and building – cannot be sold for 10 years.

3. *Penalty for failure to fulfil the restriction periods*

Failure to fulfil the restriction period will trigger an additional final tax at 25% minus the paid final tax.

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