

TaxFlash



Tax amnesty - Asset repatriation rules and Tax ID registration and reactivation through certain places

The government has issued more implementing regulation on the Tax Amnesty program pertaining to the asset repatriation. Below are the key highlights of the regulations.

Investment of repatriated funds in financial market

Minister of Finance Decree (MoF) No. 123/PMK.08/2016 (PMK-123) serves as an amendment of MoF Decree No. 119/PMK.08/2016 (PMK-119). Below are the key changes/clarifications in PMK-123.

Procedures

PMK-123 confirms that the repatriated funds must first be transferred to the gateway banks. Afterwards, the funds can be invested through other gateways (i.e. Investment Managers and Brokers) by placing the funds into Special Accounts in the form of Bank Accounts/*Rekening Dana* (for banks), Securities Accounts/*Rekening Efek* (for brokers), or Customer Fund Accounts/*Rekening Dana Nasabah* (for investment managers).

Investment

The regulation adds Futures traded on the Indonesia Futures Exchange as an allowable type of investment for repatriated funds. It also specifies that the allowable insurance product is the investment link product (commonly known as Unit Link product).

Investment gains can be withdrawn every first trimester of the following year or at the end of the three year period. Gains are calculated based on the investment margin after taking into account all investment costs.

Gateways

PMK-123 provides the procedures for changing gateways within the three year period. The taxpayer must inform the new gateway of their intention to invest through the new gateway and provide a reference letter from the old gateway, which contains:

- a. Name of Taxpayer
- b. Tax Identification Number (Tax ID)
- c. Special Account number in the perception bank
- d. Repatriation date and nominal amount that was repatriated into the Special Account in the perception bank
- e. Ending balance of investment in the old gateway
- f. New gateway; and
- g. Investment amount transferred to the new gateway.

The investment agreement with the gateway requires a clause which contains the taxpayer's consent for the gateway to fulfil the obligation under data and information transparency to the relevant authority or any parties related to the taxpayer's investment.

The list of appointed gateways to date can be found in the following MoF press release <http://www.djppr.kemenkeu.go.id/page/load/1632>.

Investment of repatriated funds in non-financial market

The investment of repatriated funds to be used in the non-financial market is governed under MoF Decree No. 122/PMK.08/2016 (PMK-122).

Procedures and gateway

The repatriation process up to transferring the funds to the Special Account (Rekening Khusus) at the gateway banks is the same as for the investment in financial market. Change of gateway banks within the three year period is also allowable with similar procedures as in financial market investment.

Investment

PMK-122 outlines the allowable investment forms for the non-financial market, as follows:

- a. Infrastructure investment through a PPP (Public Private Partnership) scheme
- b. Government priority sector (in accordance to National Medium Term Development Plan / *Rencana Pembangunan Jangka Menengah Nasional*) - through capital participation mechanism
- c. Land & building (other than government-subsidized property)
- d. Direct investment in a company in Indonesia - through capital participation mechanism
- e. Gold bars/bullion (with 99.99% purity, produced in Indonesia, and accredited and certified by Indonesia National Standard/*Standar Nasional Indonesia* or London Bullion Market Association)
- f. Other legitimate investment forms (non-financial market).

The above investments can only be carried out through gateway banks, with the following mechanism:

- Taxpayer must give a proxy to gateway banks, which contains taxpayer's consent for the bank to:
 - ✓ carry out the settlement of the investment transaction
 - ✓ keep the investment document/evidence; and
 - ✓ receive any proceeds from the sale of the investment
- For investment (buy) activity, the bank will debit the Special Account to settle the investment amount due to the respective counterpart and keep the investment document
- For divestment (sell) activity, the bank will receive the proceeds in the Special Account of the taxpayer
- Gateway banks must report the status and movement of the investment to the Directorate General of Tax (DGT) on a monthly basis or whenever there is a divestment, sale, or transfer of investment to another gateway.

The investment can only be transferred within Indonesia through sale transactions or commercial activity.

Registration and reactivation of Tax ID through certain places

The DGT issued Regulation No. PER-08/PJ/2016 (PER-08) regarding registration and reactivation of taxpayers' tax ID through certain places for Tax Amnesty purposes outside Indonesia.

PER-08 stipulates that:

- a. Individual taxpayer who does not have a Tax ID number or whose Tax ID has been deleted (Hapus) can apply for Tax ID registration at certain places
- b. Individual taxpayer whose status is Non-Effective can apply for Tax ID reactivation at certain places.

The scope of certain places are the Consulate General of the Republic of Indonesia in Hong Kong, Embassy of Republic of Indonesia in Singapore and London and other MoF-appointed places.

Registration

The document required for Tax ID registration as in point a above is a valid Citizenship Card (*Kartu Tanda Penduduk*), or if this is not available, a valid driving licence, passport, or other identification document that is issued by the Indonesian government.

The taxpayer will be registered to the Tax Service Office (TSO) in accordance with their Indonesian domicile. If the domicile is not clear from the available document, the taxpayer will be registered to the Jakarta Kebayoran Baru Satu TSO. The taxpayer must provide the actual domicile to the Jakarta Kebayoran Baru Satu TSO within 30 days since the registration, then the Jakarta Kebayoran Baru Satu TSO will process the transfer within five working days. If the taxpayer did not provide actual domicile within the 30 days, the Jakarta Kebayoran Baru Satu TSO will put the taxpayer under Non-Effective status.

Reactivation

The reactivation of Non-Effective taxpayers as in point b above is carried out in accordance with the normal procedures under the prevailing regulations for tax ID reactivation for Non-Effective taxpayers.

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