

NOT MERELY A TAX AMNESTY, VDP IS AN OPPORTUNITY

Jakarta, 27 December 2021 – On 22 December 2021, the Government of the Republic of Indonesia has enacted Minister of Finance Regulation Number 196/PMK.03/2021 concerning the Implementation Procedures of the Voluntary Disclosure Programme for Taxpayers (PMK-196/PMK.03/2021). This Regulation came into force on the date of promulgation on 23 December 2021. The Regulation governs the ordinance of the Voluntary Disclosure Programme (VDP). As stipulated in the Law on Harmonization of Tax Regulations, the VDP will be effectively implemented from 1 January 2022 to 30 June 2022.

The Director of Tax Dissemination, Services, and Public Relations, Neilmadrin Noor, wishes that taxpayers will participate in the VDP since it offers a number of benefits for them.

“The VDP is an opportunity given to taxpayers to voluntarily disclose their undeclared tax obligations by means of income tax payments based upon assets disclosure. Several benefits can be obtained by participating in this programme, among which includes the waiver of administrative sanctions as well as data protection by which the assets declared under this programme shall not be subject to tax inquiry, investigation, and/or criminal prosecution against taxpayers. The VDP is carried out based on the principles of simplicity, legal certainty, and expediency, in order to enhance taxpayers’ voluntary compliance before any law enforcement actions are taken, by utilizing database gathered from the automatic exchange of information (AEOI) and other DGT’s external sources.” Neilmadrin explained.

Policy Scope

Description	Policy I	Policy II
Participants	Individual and corporate taxpayers who have participated in the Tax Amnesty Programme (TAP)	Individual taxpayers
Basis of Asset Disclosure	Assets as of 31 December 2015 that have not been disclosed during the TAP	Assets acquired during the period of 2016 to 2020 that have not been reported on the annual income tax return for the fiscal year of 2020
Final Income Tax Rates	<ul style="list-style-type: none"> • 11% for foreign assets declaration • 8% for foreign assets repatriation and domestic declaration • 6% for foreign assets repatriation and domestic declaration invested in government securities/natural resources processing/renewable energy 	<ul style="list-style-type: none"> • 18% for foreign assets declaration • 14% for foreign assets repatriation and domestic declaration • 12% for foreign assets repatriation and domestic declaration invested in government securities/natural resources processing/renewable energy



- The programme will be held for 6 months (1 January 2022 until 30 June 2022)
- To be eligible for Policy II, the following criteria should be met:
 - i. not under tax audit and/or preliminary investigation for the fiscal year(s) of 2016, 2017, 2018, 2019, and/or 2020; and
 - ii. not undergoing tax crime investigation, court proceedings for tax crimes, nor currently serving sentences for tax crimes.

Disclosure Procedures

- The assets disclosure is carried out by means of electronic filing of a Notice of Assets Disclosure (NAD) through <https://pajak.go.id/ppp>. The submission of NAD shall enclose the following documents:
 - i. NAD master file;
 - ii. Final income tax payment slip;
 - iii. Detailed list of assets and ownership information of reported assets;
 - iv. List of liabilities;
 - v. Statement of repatriation and/or investment.

Supplementary documents for Policy II participants comprise of:

 - i. Statement of application withdrawal for tax overpayment refund and other legal actions in accordance with Indonesian tax laws;
 - ii. Revocation request letter for tax appeal, tax lawsuit, and judicial review.
- The VDP participants are allowed to submit NAD twice, thrice, or more, provided that there appears to be (a) change(s) in their net assets, and/or there are any typographical errors, miscalculations, or (a) change(s) in tax rates.
- The VDP participants may withdraw from the programme by filing a zero-valued NAD in the ensuing submission. The VDP participants who have revoked the NAD are deemed as not participating in the programme and they shall not be able to file any NAD subsequent to the revocation.
- Payments must be made using final income tax account code 411128 along with deposit type code 427 for Policy I and 428 for Policy II. Payments cannot be made through overbooking procedure.
- Final income tax to be paid is calculated by multiplying tax rate with net assets (the value of assets minus corresponding liabilities).
- With regard to Policy I, the guidelines used to determine the value of assets as of 31 December 2015 are as follows:
 - a. Nominal value, for assets in the form of cash or cash equivalents.
 - b. The value determined by the government, which is the sales value of taxable object, for land and/or building tax base, and motor vehicle sales value for motor vehicles.
 - c. The value published by PT Aneka Tambang Tbk., for gold and silver.
 - d. The value published by the Indonesia Stock Exchange, for shares and warrants traded on the Indonesia Stock Exchange.
 - e. The value published by PT Penilai Harga Efek Indonesia, for government securities, government bonds, and debt securities/sukuk issued by companies.

- f. In the event that there is no value that can be used as a guideline, the value of assets shall be determined based on the appraisal results from public appraisal firms.
- In respect of Policy II, the guidelines used to determine the value of assets as of 31 December 2020 are as follows:
 - a. Nominal value, for assets in the form of cash or cash equivalents.
 - b. Cost, for assets other than cash and cash equivalents.
 - c. In the event that the above-mentioned value is unknown, the value of assets shall be determined at the fair value of similar or equivalent assets according to taxpayers' valuation.

Repatriation Terms

- Repatriation or transfer of assets to Indonesian territory should be carried out no later than 30 September 2022 through banking institutions.
- Net assets transferred to Indonesia cannot be transferred out of Indonesian territory for a minimum period of 5 years from the issuance date of the acknowledgement letter on the submission of NAD. The 5 years holding period is also applied to the declaration of domestic assets.

Investment Terms

- Investment shall be made in natural resources processing or renewable energy sector or in government securities and bonds (SBN). Investment in natural resources processing or renewable energy sector can be done by establishing a new business or equity participation. SBN investments are made in the primary market with a private placement mechanism through the main dealer by showing the acknowledgement letter on the submission of NAD.
- Investment should be made no later than 30 September 2023.
- Investment should be held for a minimum period of 5 years (holding period) from the time they are being invested.
- Investment can be transferred to another form of investment after a minimum of 2 years. Transfers between investments can be done twice with a maximum of 1 transfer per annum. The transferred investment is retained for 2 years before it can be transferred again. The 2 years gap between transfers of investment suspends the holding period of 5 years.
- The VDP participants with repatriation and/or investment commitments are required to submit a report on investment realization through the DGT website no later than the deadline for submitting the Annual Income Tax Return.

Other Terms

- Participants of the VDP Policy I who have not fully disclosed their asset as required in the 2016 Tax Amnesty until the end of the VDP period are subject to final income tax on additional net assets at the rate of 25% for corporate taxpayers, 30% for individual taxpayers, and 12.5% for classified taxpayers, in addition to 200% sanctions under the Article 18 paragraph (3) of the Tax Amnesty Law.

- Participants of the VDP Policy II who have not fully disclosed their asset as required in the 2016 Tax Amnesty until the end of the VDP period, are subject to final income tax on additional net assets at the rate of 30% under the Article 11 paragraph (2) of the Law on Harmonisation of Tax Regulations and sanctions as imposed by Article 13 paragraph (2) of the Law on General Provisions and Tax Procedures.
- Participants of the VDP Policy I who fail in performing repatriation/investment until the specified repatriation/investment deadline, are subject to additional final income tax as follows:

Policy I	Final Income Tax Rate		Additional Final Income Tax					
	Disclosure Statement		Failure to invest, repatriation and domestic declaration only		Failure to invest and to repatriate, overseas declaration only		Failure to repatriate, overseas declaration only	
	Overseas Assets	Domestic Assets	Voluntary	Notice of Tax Underpayment Assessment	Voluntary	Notice of Tax Underpayment Assessment	Voluntary	Notice of Tax Underpayment Assessment
Repatriation and domestic declaration, invested in government securities/natural resources processing/renewable energy	6%	6%	3%	4.5%	6%	7.5%		
Repatriation and domestic declaration	8%	8%					4%	5.5%
Repatriation	11%							

- Participants of the VDP Policy II who fail in performing repatriation/investment until the specified repatriation/investment deadline, will be subject to additional final income tax as follows:

Policy II	Final Income Tax Rate		Additional Final Income Tax					
	Disclosure Statement		Failure to invest, repatriation and domestic declaration only		Failure to invest and to repatriate, overseas declaration only		Failure to repatriate, overseas declaration only	
	Overseas Assets	Domestic Assets	Voluntary	Notice of Tax Underpayment Assessment	Voluntary	Notice of Tax Underpayment Assessment	Voluntary	Notice of Tax Underpayment Assessment
Repatriation and domestic declaration, invested in government	12%	12%	3%	4.5%	7%	8.5%		

securities/ natural resources processing/renewable energy								
Repatriation and domestic declaration	14%	14%					5%	6.5%
Repatriation	18%							

Further information regarding the VDP, including a copy of PMK-196/PMK.03/2021 concerning the Implementation Procedures of the Voluntary Disclosure Programme for Taxpayers can be accessed on <https://www.pajak.go.id/pps>.

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