

Indonesian Tax Facts

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Indonesian Tax Facts

This publication is a general review of Indonesian taxation in respect of concepts, implementation and administration. The information is provided as a guide only. It is believed that the information is up to date as at 12 June, 2009. You should contact your tax adviser before taking specific action.

Taxable Subjects

Tax subjects or taxable entities according to Indonesian tax law are:

- Individuals;
- Companies;
- Partnerships, Firms, Co-operatives, Foundations, other organizations ("badan"); or
- Permanent Establishments.

Note that a joint operation is not considered subject to corporate tax, but rather the parties to the joint operation are taxable on their share of the revenue and expense. The joint operation, however, is subject to withholding tax and VAT obligations.

Taxable subjects can be either Indonesian tax residents or non-residents: Tax residents are subject to tax on world wide income, whilst non residents are only subject to tax on Indonesia-source income.

Taxpayers are individuals or entities that have tax obligations under the Law. Taxpayers are required to register and obtain a tax registration number (NPWP) at the Tax Office.

Tax Residents

The following are considered tax residents:

- Indonesian citizens;
- Individuals residing in Indonesia for more than 183 days within any 12 month period or present in Indonesia during the tax year and intending to reside;
- Corporate bodies or other organizations incorporated or domiciled in Indonesia, including Permanent Establishments (PE); and
- Any undivided estate as a unit in lieu of individual heirs.

Non-Residents

Non-residents are defined as any individual not residing in Indonesia for more than 183 days within a 12 month period, or an entity not incorporated or domiciled in Indonesia, which earns income from or in Indonesia from activities.

Permanent Establishments

By definition:

A place of business that is used by a non-resident organization or individual to carry out business or to operate in Indonesia, which can be in the form of a management office; branch; representative office; office building; factory; workshop; warehouse; place for promotion and sales; mine or quarry; agricultural area; construction, assembly or installation project; a computer, electronic agent or automated equipment which is owned, leased or used by an electronic transaction organizer for undertaking business activities via the internet; the provision of services through an employee or other individual in whatever form for more than 60 days within a 12 month period; or the use of a dependent agent or subcontractor operating on behalf of the offshore entity who breaches the time test.

Types of Taxes

- Income Tax

- Value Added Tax (PPN)
- Tax on Land and Buildings (PBB)
- Stamp Duty and Levies

Income Tax

Indonesian income tax law applies to resident and non-resident tax subjects.

For resident taxpayers, the Indonesian income tax rate is applied progressively to the income of both individuals and corporate bodies.

The following rates are applicable for resident individuals:

| Annual Taxable Income | Tax Rate |
|---------------------------------|----------|
| Up to Rp.50,000,000 | 5% |
| Rp. 50,000,000 - Rp.250,000,000 | 15% |
| Rp.250,000,000 - Rp.500,000,000 | 25% |
| Over Rp.500,000,000 | 30% |

The rates applicable for resident companies, other "badan" and Permanent Establishments are a single rate of 28% for 2009 and 25% for 2010.

Non-resident individuals or companies are subject to Article 26 withholding tax at 20% (subject to tax treaty provisions) on Indonesian source income. Residents of tax treaty countries generally can obtain a lower rate of withholding tax.

Income Tax Objects

For resident taxpayers, income tax will be assessed on any increase or economic benefit received either from Indonesia or abroad, in whatever form including:

- salaries, bonuses, commissions
- prizes and rewards
- business profits (calculated on the basis of normal accounting principles as modified by certain tax adjustments)
- gains from the sale of assets
- refunds of tax which have been previously recognized as a deductible expense
- interest, dividends and royalties
- rents and compensation received in connection with the use of assets
- cancellation of indebtedness
- foreign exchange gains
- insurance and reinsurance premiums
- gains from asset revaluations
- income from Syariah business
- gains from the sale or transfer of part or all of mining rights

Non-taxable Objects

Non-taxable objects include:

- gifts received by a direct family member not in connection with business activities
- estate or inheritance
- assets including cash received as subscriptions for share capital (land and buildings have special rulings)
- compensation relating to fringe benefits, provided the benefit is paid direct to the vendor. Fringe benefits paid to the employee in cash will be deemed as salary.
- health, accident and life insurance claims
- dividends received by a resident company from an Indonesian company (provided the dividends are paid from retained earnings and the shareholder holds at least 25 % of that company)
- pension contributions received by an approved pension fund
- income gained by venture capital companies from venture partners; as long as the partner is a medium or small-scale company
- donations by social safety institution to certain taxpayers

Permanent Establishments (“PE”)

Taxable income for PE includes:

- income (in whatever form) derived from business activities or assets (i.e. similar to other taxpayers)
- income earned by the head office from Indonesia from activities that are similar with the PE's activities
- head office's income that is subject to Article 26 withholding tax, which is derived from Indonesia and is effectively connected with the PE.

Allowable Deductions

Individuals

Except for entrepreneurs, personal tax deductions are limited to non-taxable income (PTKP), occupational deductions, and pension contributions. The PTKP deduction varies depending on the marital status and dependent situation as detailed below:

| PTKP Deductions | |
|------------------------|--------------------|
| Status | Non-Taxable Income |
| Self | Rp. 15,840,000 |
| If Married | + Rp. 1,320,000 |
| Per Dependent (Note 1) | + Rp. 1,320,000 |

Note 1: maximum of 3 persons related by blood or marriage

Married women are normally only allowed the “Self” allowance.

An occupational deduction is also allowed for an individual taxpayer equaling 5% of the gross income (to a maximum of Rp.500,000 per-month).

For pensioners there is an additional deduction of Rp.2,400,000 per-year.

Contributions to a pension fund approved by the Minister of Finance, together with the employee's

payment to the Jamsostek social security system, are also deductible.

Corporate Bodies

Allowable deductions include the following items:

- expenses to earn, recover and secure the income derived by the taxpayer
- depreciation and amortization of assets used in connection with business activities
- mobile phone expenses and sedan expenses (including depreciation) to a maximum of 50% (non-sedan expenses are 100% deductible provided the vehicle is not for use by a designated individual)
- pension contributions to approved pension funds
- book losses incurred relating to asset disposals associated with business activities
- foreign exchange losses
- research and development costs incurred in Indonesia
- training and development expenses
- bad debts provided the following conditions are met:
 - has been recognized as an expense in the commercial financial statements.
 - the case has been reported to the District Court or State Debt Settlement Board (BUPLN)
 - has been publicized in a general or special publication
 - the company should provide a list of the uncollectable receivables to the Tax Office
- effective from 1 January, 2009, there are additional categories of allowable deductions, particularly in relation to philanthropic activities and/or infrastructure development (as further regulated by Government Decree):
 - donations in relation to national disasters
 - expenses to develop social infrastructure
 - donations for education
 - donations for development of sports facilities

Fiscal losses can be carried forward for five consecutive years.

Permanent Establishments

Allowable deductions relating to a PE include the following:

- expenses incurred in connection with the income derived from Indonesia; and
- a portion of head office's administrative overheads, calculated as a percentage of the income derived in Indonesia as compared to total worldwide income.

Non-deductible Expenses

Individuals

Unless the individual is undertaking business there are no deductible expenses other than those previously mentioned.

Corporate Bodies

Non-deductible items include:

- dividends and other forms of profit distribution

- expenses incurred for the benefit of shareholders or partners
- provisions — except for: bad debts of a bank or a finance leasing business; provisions in an insurance business; provisions for reclamation costs for a mining business; reserve for re-afforestation, reserves and reserves for closure/maintenance of industrial waste locations by companies operating in this sector; the terms and conditions of which shall be determined by decrees of the Minister of Finance.
- premiums for health, accident and life insurance unless the premium is also reported as income of the related employee
- benefits in kind — except for those incurred in remote areas
- income tax penalties
- gifts and donations (except as otherwise regulated)
- excessive compensation given to shareholders in connection with work performed
- expenses of a private or personal nature.

Benefits - In - Kind

Benefits-in-kind e.g. schooling, housing, etc., provided by the company are not taxable in the hands of an employee and not deductible for the company. Car and mobile phone expenses are subject to specific rules as previously described.

Permanent Establishments

The following payments to the head office are not deductible:

- royalties, patents, etc.
- management fees
- interest — except for banks

Tax Refunds

If Corporate Tax or Value Added Tax are overpaid then a taxpayer can request a refund (via the annual Corporate Tax Return if Corporate Tax) or monthly Value Added Tax Return (if Value Added Tax). A tax refund shall be given not later than 1 year after the date of filing the tax return with the request for refund. Before the refund is given, the taxpayer will be subject to a tax audit for that year/period. The tax audit process usually takes approximately one to three months depending on data availability. Under recent regulations to accelerate the tax audit process the Tax Office require that all data is provided within 1 month of notification of the request for information – data provided after this date will not be considered for the purposes of the tax auditors reaching their conclusions.

Withholding Taxes – Article 23/26

Within the framework of income tax, withholding taxes are imposed on certain payments to residents and non-resident taxpayers.

Domestic withholding tax (Article 23) operates on the basis that the payer of the fee withholds the appropriate tax and forwards this to the State Treasury on behalf of the party providing the services or receiving the payment. This is regarded as a prepayment of/credit against the provider's year end tax obligation.

With regard to non-resident withholding tax (Article 26), the tax is regarded as a final payment of any Indonesian tax liability.

With the exception of construction services and catering services, the base for calculation is the fee, excluding expenses (provided the contract clearly separates the two). In the case of construction services and catering the entire invoice is subject to withholding tax.

The table below indicates the rates of withholding taxes that are applicable to certain types of income:

| Withholding Taxes | | |
|--|------------------|----------------|
| Type of Income | Withholding Rate | |
| | Resident | Non resident * |
| Royalties, Interest | 15% | 20% |
| Prizes | 25% | 25% |
| Dividends (paid to companies) | 15% ¹ | 20% |
| Dividend (paid to individuals) | 10% | 20% |
| Brokerage Services (primary market) | 2% | 20% |
| Technical, management services, design services, installation and assembly services, repair & maintenance services, intermediaries, dubbing/film mixing, custodial, storage & deposit services, information services in technology sector, agency fees and forest felling. | 2% | 20% |
| Professional services, including legal consulting, tax consulting, accounting & bookkeeping services, appraisal services, actuarial & translation services. | 2% | 20% |
| Pest control & Cleaning services | 2% | 20% |
| Insurance Premium paid to offshore: | | |
| - by insured party | N/a | 10% |
| - by insurance co. | N/a | 2% |
| - by reinsurance co. | N/a | 1% |
| Drilling, mining & supporting services for mining, oil & gas sector | 2% | 20% |
| Mining and supporting services in the non-oil & gas sector | 2% | 20% |
| Equipment rental | 2% | 20% |
| Land transport vehicle rental | 2% | 20% |
| Recruitment services & provision of manpower | 2% | 20% |
| Air charter, passenger or cargo | 2% | 2.64% |
| After-tax income of | n/a | 20% |

| Withholding Taxes | | |
|--|------------------|----------------|
| Type of Income | Withholding Rate | |
| | Resident | Non resident * |
| a PE | | |
| Media Services | 2% | 20% |
| Toll manufacturing services, investigation and security services, event organizer services, packing services | 2% | 20% |
| Construction services ⁽²⁾ | 2% | 20% |
| Construction planning or supervision services ⁽³⁾ | 2% | 20% |

* unless otherwise specified by a Double Tax Agreement.

¹ The rate is 0% for corporate shareholders holding at least 25% of the paid up capital provided that the dividends are paid from retained earnings..

² Dividends paid to individuals who are tax residents are subject to a Final Tax of 10% rather than the tax being a prepayment of the individual's year-end tax liability.

³ These rates assume the company has the appropriate licence for the line of business; the activities subject to these rates of withholding tax may also include installation and repair/maintenance services.

Effective for contracts signed from 1 August, 2008 (and for any payments after 31 December, 2008), construction services provided by resident individuals, companies, PE and other organizations ("badan") are subject to Final Tax. Refer below.

If tax resident recipients do not have an NPWP (Taxpayer Identification Number), the rate of withholding tax will be increased by 100% (i.e. double the standard rate).

Withholding Taxes – Article 22

Purchases of goods defined as very luxurious are subject to 5% withholding tax under Article 22. The types of goods include: private aircraft valued at more than Rp 20 billion; vessels valued at more than Rp 10 billion; house and land valued at more than Rp 10 billion where the house size exceeds 500sqm; apartments valued at more than Rp 10 billion and/or the size is more than 400sqm; 4-wheel motor vehicle valued at more than Rp 5 billion with a cylinder capacity exceeding 3,000cc..

In these cases, if the seller is a corporate taxpayer then they are required to withhold/collect the tax from the buyer and forward this to the State Treasury on behalf of the buyer. This is regarded as a prepayment of/credit against the buyer's year end tax obligation.

Final Taxes

Final withholding tax is levied on certain classes of income. The taxes are calculated as a defined percentage of the gross payment. This tax is not a

prepayment of income tax and can not be credited against tax payable on other sources or income. The income subject to final tax is not subject to further tax at year end. Taxpayers will need to lodge a "split" tax return if they earn both income subject to final tax and income subject to normal income tax.

"Final tax" has been regulated as follows:

- *Transfer of title over land and/or building*

Rate : 5% of gross value (normal)
1% (low cost housing)

Object : Any kind of transfer of title over land / building

Subject : Individuals receiving the income
Note 1

Mechanism : Paid by the recipient of income upon payment. The Public Notary will only sign the transfer deed on presentation of the tax payment slip
- *Rent of land and/or building*

Rate : 10% for payments to individuals, companies or other badan.

Object : Any kind of lease / rent and other associated income, maintenance, service charge, etc.

Subject : Any recipient of such income

Mechanism : Withholding on payment in the case of corporate lessee.
Payment direct to the State Treasury by the landlord in the case of individual lessee
- *Income from Construction, Construction Planning or Supervision Services is subject to Final Tax (for payments after 31 December, 2008 relating to contracts signed before 1 August, 2008, or for payments against contracts signed from 1 August, 2008).*

The Final Tax rates are as follows:

 - Construction Contracting: 2% of gross income, if the service provider is a qualified small scale business
 - Construction Contracting: 3% of gross income, if the service provider is a qualified business
 - Construction Contracting: 4% of gross income, if the service provider is not a qualified business
 - Construction Planning & Supervision: 4% of gross income if the service provider is a qualified business
 - Construction Planning & Supervision: 6% of gross income if the service provider is not a qualified business
- *Income from shipping business*

Rate : 1.2% of gross income (resident taxpayers)
2.64% of gross income (foreign)

Object : All kinds of income, including charter, from freight or passenger

Subject : Tax residents in shipping business, local or international

Mechanism : Withholding if the payment is made by a deemed tax collector.
Paid by the taxpayer on any other payments.

- *Securities traded on the Indonesian stock exchange*

Rate : 0.1% of gross transaction
 : Additional 0.5% for founder shareholders (unless wish to be subject to normal taxation on the profit on subsequent sale of the shares)

Object : Securities already traded on the stock exchange, not including IPO (Initial Public Offering) transaction

Subject : Parties involved in the transaction including securities brokers.

Mechanism : Through withholding by the stock exchange authority.

Prepaid Monthly Income Tax Installment

A taxpayer also has an obligation to calculate and pay a monthly installment of income tax, known as Article 25. This is a prepayment of year end income tax. The monthly installment is calculated based on the prior year's tax payable (net of third party withholding tax credits), divided by 12.

For a company in the first year of operation, the monthly installment is calculated by annualising monthly net income, multiplying this by the normal corporate tax rates, and then divided by 12.

Fixed Assets

Tangible assets having a useful life of more than one year must be capitalized and depreciated using a choice of depreciation methods on a consistent basis. The depreciation rates are determined by the asset's useful life, which is stipulated by tax regulation.

Category 1

Useful life : 4 years
 Depreciation : 25% straight line, or
 : 50% declining balance

This category includes office equipment; furniture constructed of wood / rattan; computers; printers; scanners; motorcycles; special tools; and manual equipment for agriculture, farming, fishery or forestry; moveable light machines in food or drink industry; motor vehicles in the transportation, and warehousing industries.

Category 2

Useful life : 8 years
 Depreciation : 12.5% straight line, or
 : 25% declining balance

This category includes furniture and equipment constructed of metal; air conditioners; car; buses; trucks; speedboats; and containers; machines for the agriculture, plantation, forestry and fisheries industries; processing and production machines in the food and drink industry; production machines for the machinery industry; timber felling machines; heavy equipment in the construction industry; work trucks for loading/unloading and vessels for the transportation, and warehousing industries; telephone sets and telegraphic equipment in the telecommunications industry; auto frame loader, full

automatic handler, etc in the semi conductor industry.

Sedans are included in Category 2, but are only 50% deductible.

Hand phones are included in Category 2, but are only 50% deductible.

Category 3

Useful life : 16 years
 Depreciation : 6.25% straight line, or
 : 12.5% declining balance

This category includes mining and mineral processing machines in the general mining industry; wood products processing machines related to the timber industry; processing machines in the chemicals industry; vessels up to 1,000 DWT in the transport industry; navigation radio, radar and long-distance controllers.

Category 4

Useful life : 20 years
 Depreciation : 5% straight line, or
 : 10% declining balance

This category includes heavy-duty construction machines, locomotives and other railcars and vessels above 1,000 DWT in the transport industry.

Category 5

Permanent and non-permanent buildings
 Depreciation : 5% straight line for permanent building, with a useful life of 20 years
 : 10% straight line for non-permanent building, with a useful life of 10 years

Intangible Assets

Intangible assets that have a useful life of more than one year should be capitalized and amortized based on their useful life. Included in this regulation are:

1. Cost of renewal of ownership rights over land
2. Cost of incorporation and expansion
3. Cost of acquiring oil and gas concession rights
4. Cost of acquiring mining and forestry concession rights.
5. Costs before commercial operation.

| Table 4 – Depreciation | | |
|------------------------|---------------|------------------|
| | Straight Line | Double Declining |
| 4 years | 25% | 50% |
| 8 years | 12.5% | 25% |
| 16 years | 6.25% | 12.5% |
| 20 years | 5% | 10% |

The rate applies in general except for point (3), which has to use the production-unit method, and point (4), which shall use the production-unit method but not exceeding 20% per annum.

Acquisition of specific purpose software rather than general applications software is regarded as an intangible asset with a depreciable life of 4 years.

Tax Treaties

Indonesia has negotiated double tax treaties (DTA) with a broad range of countries and continues to expand this network.

The DTA cover royalties, interest, dividends, and branch profits, as well as avoiding double taxation with countries that are party to the treaties.

It should be noted that Indonesia requires the overseas party to obtain a Certificate of Tax Residence/Domicile from the overseas tax authorities and forward this to the Indonesian taxpayer that will be making the payment. This must then be lodged with that taxpayer's local Indonesian Tax Office before claiming the benefit of the DTA (i.e. before accrual or the expense, or payment, whichever occurs sooner).

The Tax Office has the right to initiate a verification of the treaty implementation.

The Certificate must confirm that the corresponding party is a resident taxpayer of the treaty country, and be signed and dated by a "competent authority", presumably the tax authority. The document is valid for one year from date of issue.

Value Added Tax

VAT (or PPN) is applicable to every "VAT-able" transaction, with a general rate of 10% of the value of the transaction (base of taxation). In essence all transactions relating to goods and services are VAT-able.

VAT Objects

The VAT law stipulates that most deliverable goods and services are taxable. This includes goods and services delivered based on the following:

- an agreement
- leasing agreement
- transfer to an intermediary / auctioneer
- own usage or free of charge transfer
- transfer of assets not originally for sale, which are left on company liquidation: as long as the VAT paid when the asset was acquired was creditable.
- inter-branch / head office delivery
- consignment delivery

Non VAT- able

Non-VATable goods, includes :

- mining / drilling products extracted directly from the source e.g. crude oil
- basic necessities e.g. rice, iodised salt
- drink and food supplied by hotels and restaurants⁽¹⁾
- money, gold bars, commercial papers

Non-VATable services, includes :

- medical services
- social services e.g. orphanage
- postal services such as public telephone, coin box and telegram services
- banking, insurance, financial lease services
- religious, educational and broadcasting services
- public transportation (land/sea)

- manpower services (i.e. wages, salaries paid to employees)
- hotel services ⁽¹⁾

¹ These are subject to Development Tax (PB1), which, confusingly, is also levied at 10%.

VAT Registration

Any taxpayer with sales activities involving VAT-able goods or services exceeding Rp.600,000,000 per annum has to be registered as a Taxable Entrepreneur. This is in addition to the general tax registration (NPWP).

VAT Mechanism

VAT works on the basis that a seller of a VAT-able good or service has an obligation to charge the buyer VAT, usually 10%, which must be then forwarded to the State Treasury each month on an accrual basis.

The actual amount remitted will be the net VAT (VAT invoiced or Output VAT less VAT paid, or Input VAT) in the particular month. VAT is evidenced by tax invoices or Faktur Pajak.

It should be noted that overpayments of VAT (i.e. where Input VAT exceeds Output VAT) can be carried forward to the next month without limitation. Alternately, the taxpayer can apply for a refund.

A refund request will require a tax audit by the Tax Office.

There are certain situations where the mechanism is different from the above:

- Offshore VAT

When a VAT-able accrual or payment (whichever occurs first) to an offshore party occurs the Indonesian tax resident is required to pay the VAT directly to the State Treasury. The payment slip used will be regarded as a Faktur Pajak and can be credited as Input VAT for the month the payment of Offshore VAT is made.

This is applicable for payments to overseas providers of services and intangible goods.

- VAT on Imports

Similar to offshore services, the import of VAT-able goods requires VAT to be paid on port clearance. The VAT payment procedure is also similar.

VAT Collector Regime

Most Oil and Gas Production Sharing Contractors, Joint Operation Contractors, State Owned Companies (BUMN and BUMD), and state banks are required to collect and remit VAT directly to the State Treasury rather than pay VAT to their vendors.

This may result in the vendors having excess Input VAT credits (because the Output VAT is directly settled by the VAT Collector), which must be claimed through refund.

VAT Payable Recognition and Faktur Pajak

VAT is recognized on an accrual basis i.e. VAT is payable on delivery, or payment, or importation of goods, whichever occurs first.

The evidence of VAT is the Faktur Pajak (VAT Invoice) which must be issued by the seller to the buyer on the sale of VAT-able goods or services.

A Faktur Pajak can only be issued by a "Taxable Entrepreneur". The Faktur Pajak is required to list specific information regarding the Taxable Entrepreneur and the transaction.

There are two types of Faktur Pajak :

- Standard Faktur Pajak, which are commonly known as a "Faktur Pajak".
- Simple Faktur Pajak, for taxpayers having VAT-able deliveries to buyers with no or unknown name, or no tax registration number (usually for end consumers).

Input VAT will not be creditable under the following conditions:

- Acquisition of VAT-able goods / services before the taxpayer is registered as a Taxable Entrepreneur.
- Acquisition of VAT-able goods / services with no direct connection to taxpayer's business. (e.g. benefits in kind)
- Acquisition of sedans, jeeps, station wagons, vans.
- Simple Faktur Pajak
- Defective Faktur Pajak (not complete/not correct)
- VAT paid due to a tax assessment letter from the Tax Office
- Input VAT not claimed but found during a tax audit
- Where the Input VAT relates to goods or services that are exempt from VAT.

Input VAT not claimed / or credited in the current month can be credited in a subsequent month's VAT Return up to 3 months later.

Non-creditable VAT may be claimed as a tax deduction provided it meets the normal deductibility rules.

Tax Base and Special Rates

The tax base for VAT is the acquisition value or compensation value, relating to the applicable transaction. With respect to inter branch transactions it relates to the transfer price excluding profit margin.

It should be noted that if the tax authorities consider that a particular transaction is not performed at "arms length" the acquisition price will be ignored and the market price will be used as the tax base.

The VAT rate is 10% of the tax base, and 0% for exports of goods. However, the tax base is not always 100% of the acquisition value as detailed below:

| | Base of Taxation |
|------------------|------------------|
| Clove cigarettes | 75% |
| Courier services | 10% |

For Retail Sales, where total sales are less than Rp 1.8 billion per annum there are two options for the VAT rate; either using the usual tax rate of 10% or otherwise 2% as a special rate. Under the second alternative the Input VAT is not creditable.

Tax Compliance Timetable

Employee Income Tax (Article 21)

- Periodic Tax Return

Payment : 10th of the following month
Report : 20th of the following month.

- Annual Tax Return

The annual employee income tax return is a recalculation and full reporting of the salary and the tax payable for each employee during the year.

Payment : 31 March
Report : 31 March

Corporate Income Tax

- Periodic Installment (Article 25)

Payment : 15th of the following month
Report : 20th of the following month

- Annual Tax Return

Payment : 30th of the fourth month after the end of the tax year
Report : 30th of the fourth month after the end of the tax year.

Value Added Tax

Payment : 15th of the following month
Report : 20th of the following month

Withholding Taxes (Article 23/26)

Payment : 10th of the following month
Report : 20th of the following month

Final Taxes

Payment : 10th of the following month, except for final tax relating to the transfer of titles of land / building which must be paid before the transfer deeds are notarised
Report : 20th of the following month

Tax Penalties

There are different kinds of penalties for omissions, errors, or tax evasion. In general they are:

- Unpaid / underpayment of taxes payable

| | Penalty | Interest |
|------------|---------|----------|
| Income Tax | 50% | 2% / mth |
| VAT | 50% | 2% / mth |

- Not lodging a tax return

| | Penalty | Interest |
|-----------------|---------|----------|
| Own Income Tax | 50% | n/a |
| Withholding Tax | 100% | n/a |
| VAT | 100% | n/a |

- *Late reporting penalties are due if monthly or annual tax return are lodged after the due date :*

| | |
|-----------------------------|---------------------|
| Monthly (other than VAT) | Rp 100,000/return |
| Annual Corporate Tax Return | |
| | Rp 1,000,000/return |
| Annual Personal Tax Return | Rp 100,000/return |
| Monthly VAT | Rp 500,000/return |

- *Incorrect claiming of VAT credits, or incorrect use of 0 % rate*

Penalty
100%

- *No established bookkeeping or substantive information to support financial information*

| | |
|-------------------|---------|
| | Penalty |
| Own Income Tax | 50% |
| Withholding Taxes | 100% |
| VAT | 100% |

It is possible that in certain cases more than one of the above penalties can be applied. Criminal sanctions may also occur

This information is provided as a guide only. It is believed that the information is up to date as at 12 June, 2009. You should contact your tax consultant before taking specific action.

For further information contact:

RSM AAJ Associates
Plaza ABDA, Floor 10
Jl. Jend. Sudirman Kav. 59
Jakarta 12190

Contacts:
Irwan B. Afiff
Nick Graham

Telephone : +62 21 5140 1340
Facsimile : +62 21 5140 1350
Email : aj@aj.co.id
Website: www.rsm.ajassociates.com