



Voluntary Disclosure Program

The Effects on Indonesian Tax

Monthly Newsletter
June 2022

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Voluntary Disclosure Program 2022: One last chance?

by Ellicia Emerliawati and Hillary Abigail

The Voluntary Disclosure Program 2022 aims to grant relief to Indonesian Taxpayers by reporting their non-reported assets voluntarily, while benefitting the general economy and increasing tax compliance rate. Does this program deliver the intended effects to the country?

What is Voluntary Disclosure Program?

Voluntary Disclosure Program (“VDP”), also known as Program Pengungkapan Sukarela (“PPS”), is a program that grants Taxpayers with an opportunity to file their unfulfilled taxation responsibilities voluntarily. The act shall be done through payment of their income tax by disclosing their assets. VDP can be done virtually through the Directorate General of Taxes (“DGT”) [website](#) by logging in. The site is accessible for 24 hours every day.

Fundamentally, VDP is an appreciative scheme initiated by the DGT for Taxpayers that would like to disclose their assets but missed their chances during the 2016 Tax Amnesty. The main purpose of VDP is to increase the tax ratio and the taxpayers’ compliance with tax regulations. Suahasil Nazara, the Vice Minister of Finance, emphasized this purpose through his statement that the purpose of the VDP is also to increase the voluntary compliance of taxpayers. In addition to that, the government hopes that the VDP is able to push capital flow domestically and strengthen the investment in the natural resources and sustainable energy sector. For these reasons, the government does not target a certain number of income amounts.

When is it due?

The program is held from 1 January to 30 June 2022. The Ministry of Finance Regulation (“PMK”) Number 196/PMK.03/2021 about the Procedure and Implementation of Voluntary Disclosure Program for Taxpayers is the regulation which bases the enactment of the program.

Voluntary Disclosure Program v. Tax Amnesty: What's the difference?

	Voluntary Disclosure Program	Tax Amnesty
Governing Regulation	Tax Harmonization Regulation ("Undang-Undang Harmonisasi Perpajakan/UU HPP")	One of the government's facilities that increases the tax revenue and the compliance of taxpayers. Not only in Indonesia, but the program is also common in other parts of the world, such as Argentina, the United States of America, India, Australia, Panama, Belgia, and many others.
Main Purpose	To grant opportunities for taxpayers to report their assets involuntarily and to optimize the voluntariness of the taxpayers' compliance.	To collect assets from taxpayers that are 'hidden' in Tax Haven countries.
Structure and Form	Built upon the foundation of accessibility, benefits, and the certainty of law. VDP is an opportunity given by the government for disobedient taxpayers to act on their tax responsibilities by following regulations.	Built to regulate assets that are hidden in other countries, it means that the country will be losing a potential tax revenue object. Tax Amnesty became one of the ways for taxpayers with assets in Tax Haven countries to switch the assets from said countries to their own countries. If a Tax Amnesty is successful, the effect will be in the form of optimized nation's revenue from tax and contribution in developing the nation's economic sector.
Time Period	One Time VDP is only held for one period, which starts from 1 January until 30 June 2022 with a variety of rates, depending on which regulation (see below).	Three Periods Tax Amnesty was held for three different periods with three different sets of rates. <ul style="list-style-type: none"> • Period I: 28 June to 30 September 2016 • Period II: 1 October to 31 December 2016 • Period III: 1 January to 31 March 2017
Subject	VDP is only applicable for tax amnesty participants or individual taxpayers.	Tax Amnesty is applicable for all taxpayers, individuals or corporates.
Rates	See next page (p. 5)	See next page (p. 5)

Rates

Voluntary Disclosure Program			Tax Amnesty		
First Regulation	Second Regulation	Description	Period	Rate	Description
6%* <small>*Applicable for assets invested in business activities regarding natural resources and renewable energy or in the form of Government Securities.</small>	12%*	Net assets in the territory of the Republic of Indonesia	I	2%	Repatriated or Domestically Declared Assets
		Net assets outside the territory of the Republic of Indonesia which are transferred to the territory of the Republic of Indonesia		4%	Foreign Declared Assets
8%** <small>**Applicable for assets <u>not</u> invested in business activities regarding natural resources and renewable energy or in the form of Government Securities.</small>	14%**	Net assets in the territory of the Republic of Indonesia	II	3%	Repatriated or Domestically Declared Assets
		Net assets outside the territory of the Republic of Indonesia which are transferred to the territory of the Republic of Indonesia		6%	Foreign Declared Assets
11%	18%	Net assets outside the territory of the Republic of Indonesia and are not transferred to the territory of the Republic of Indonesia	III	5%	Repatriated or Domestically Declared Assets
				10%	Foreign Declared Assets

Understanding the Indonesian Government's Perspective: Why should Taxpayers participate in the VDP?

There are several reasons why the government encourages taxpayers to participate in the Voluntary Disclosure Program.

First Regulation	Second Regulation
Taxpayers will not be sanctioned with increased penalty within Article 18 Section 3 of the Tax Amnesty Law, which is an increase of 200% from unpaid or underpaid income tax.	Taxpayers will not have an issuance for tax obligations year 2016-2020, unless there are undisclosed assets that are found
Taxpayer is freed from criminal charges because all information sourced from asset disclosure certificates and its appendices are not legal to be used as an investigation or prosecution proof.	

What happens when Taxpayers do not participate in Voluntary Disclosure Program?

Fundamentally, the DGT is only capable of urging the Taxpayers to participate in the Voluntary Disclosure Program, and not coercing or obligating them to participate.

However, there are potential risks that could happen to Taxpayers that do not participate in the Voluntary Disclosure Program.

- 1 There will be higher tax payment risks for tax amnesty participants with undisclosed assets who did not report them through the first regulation of the Voluntary Disclosure Program.

In regards to the Tax Amnesty Law Number 11 Year 2016, the penalties that will be imposed on income tax follow the rate as mentioned in Income Tax Law. These rates are as follows, with a final income tax rate of 25% for corporates, 30% for individuals, and 12,5% for selected taxpayers. The aforementioned rate will be summed with an administrative penalty in the form of an increase of 200% from the unpaid or underpaid income tax.

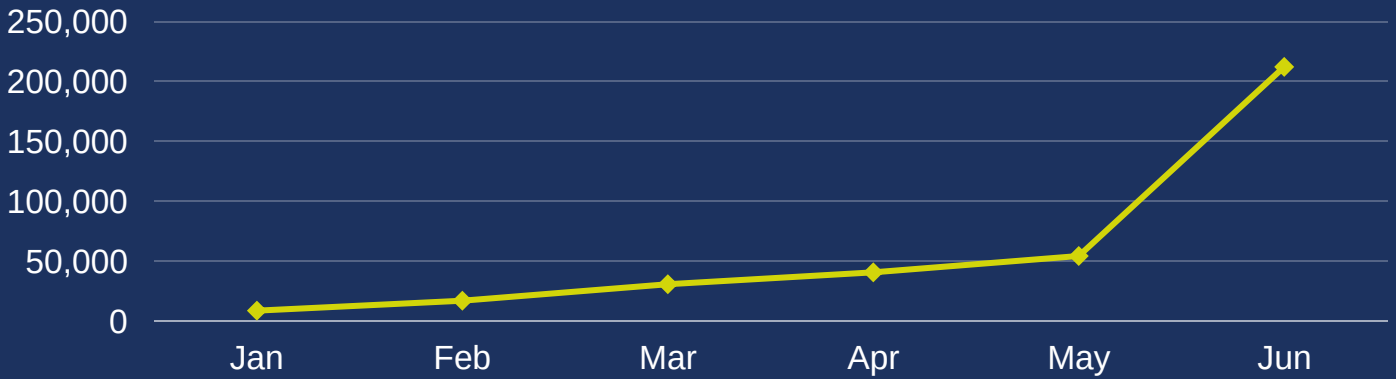
- 2 For individual taxpayers that do not participate through the second regulation in the Voluntary Disclosure Program, then if the DGT finds undisclosed assets, these assets will be inserted as an inspection material for criminal charges.

If the assets are non-taxable income, then the DGT will issue an Underpayment Tax Assessment Letter. Based on the General Provisions and Tax Procedures Law Number 8, there are several penalties in relation to the correction of the annual tax return due to the issuance of the Underpayment Tax Assessment Letter.

One of the penalties is sanctioned when taxpayers are unable to independently correct their annual tax return, resulting in even bigger tax debt, then they will be sanctioned with the administrative sanction in the form of interest with a rate of interest based on underpaid tax, as established by the Minister of Finance.

State's Revenue Based on Voluntary Disclosure Program

Voluntary Disclosure Program Participants

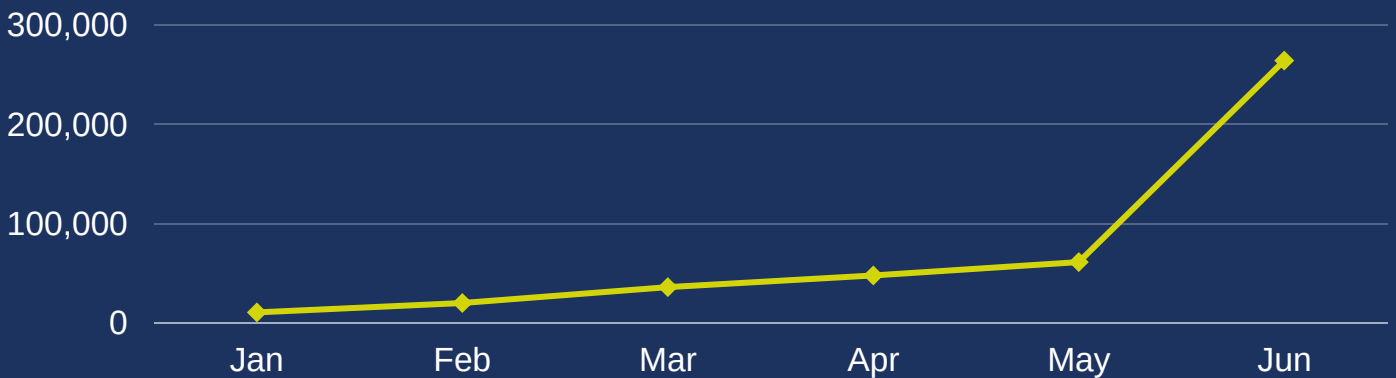


Data cut off dates: 31 January 2022; 28 February 2022; 31 March 2022; 30 April 2022; 31 May 2022; 30 June 2022 at 08.00 (GMT+7)

The number of participants grew overall throughout the VDP. The highest number of participants is accumulated in June with a number of 212,240. For the starting point, in January the number of participants is 9,545; and ending in June with 212,240 participants.

From January to February, the number of participants grew by 8,276; resulting in 17,821 participants in February. The number nearly doubled the amount in March, with participants reaching the number of 31,518. In April, the number of participants grew by 9,887; totaling 41,405 participants. As many as 54,991 participants have accumulated in May, and in June, the participants' number grew by 157,249; resulting in 212,240 participants ending the program.

Voluntary Disclosure Program Tax Certificates



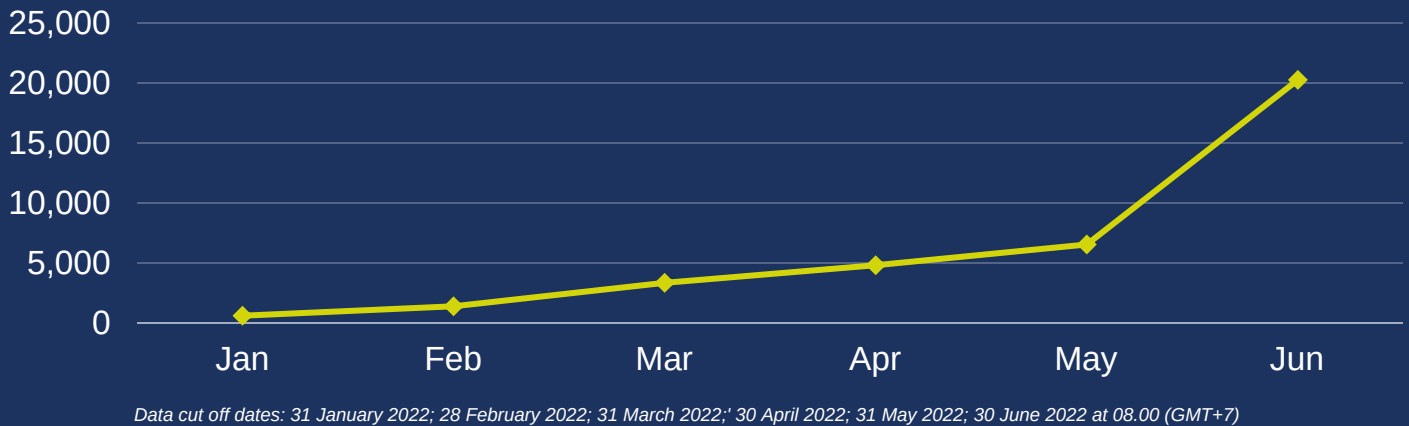
Data cut off dates: 31 January 2022; 28 February 2022; 31 March 2022; 30 April 2022; 31 May 2022; 30 June 2022 at 08.00 (GMT+7)

The tax certificates issued during the VDP period grew each month. The highest number of tax certificates are accumulated in June with a number of 264,242. For the starting point, in January the number of certificates made is 10,472 and ending in June with 264,242 tax certificates.

The growth rate from January to May overall did not exceed 15,000 tax certificates, with growth from May to June facing a rapid increase. The lowest number of growth recorded is from January to February, with 9,467 tax certificates issued. The highest number of tax certificates issued is in June with 264,242 tax certificates. From February to March, the growth of tax certificates amounts to 16,001; setting new high for January-May period. In March, the certificates issued reached 35,940. In April, the certificates reach a number of 47,707 with a growth of 11,767 in comparison to March. In May, the DGT issued a total of 61,180 tax certificates.

State's Revenue Based on Voluntary Disclosure Program

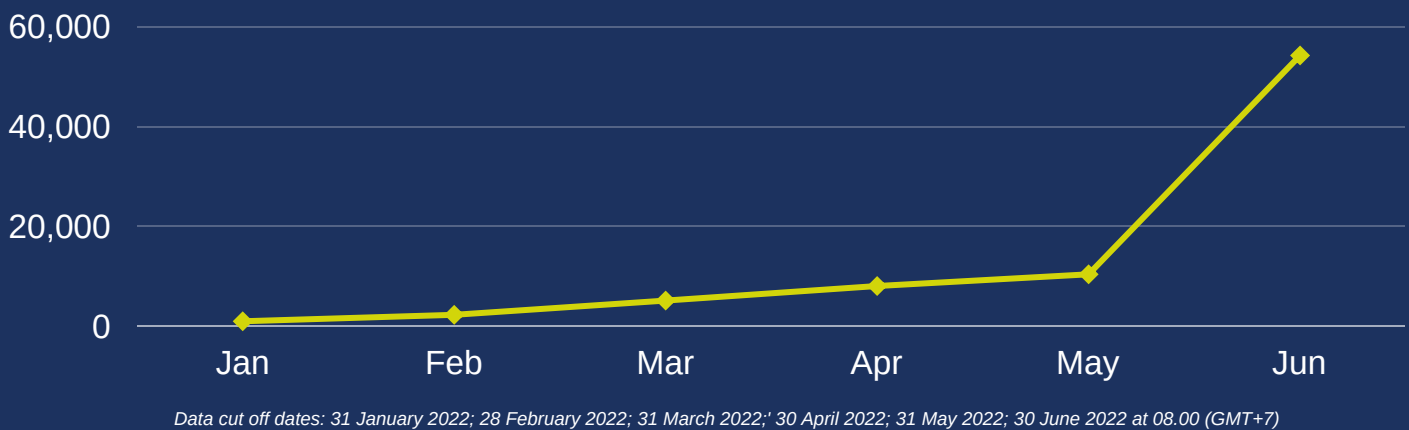
Voluntary Disclosure Program Investment Amount (in Billions)



The number of investments in VDP increased overall. The highest amount of investment is accumulated in June with a number of IDR20,244 bil. For the starting point, in January the amount of investment is IDR545.51 bil and ending in June with IDR20,244 bil.

The highest recorded growth number occurred from May to June with the amount of IDR13,749 mil. The growth from January to February reached IDR786.89 bil. The amount continued to double during the next month, with February recording investment numbers at IDR1,332.40 bil. From February to March, the number grew by IDR1,959.60 bil, resulting in IDR3,292 bil in March. In April, the investment amounted to IDR4,763.40 bil, which meant it grew by IDR1,471.40 bil from March to April. The investment numbers in May reached IDR6,495 bil, a result of a growth of IDR1,731.60 bil from April to May. In June, the investment totals to IDR20,244 bil.

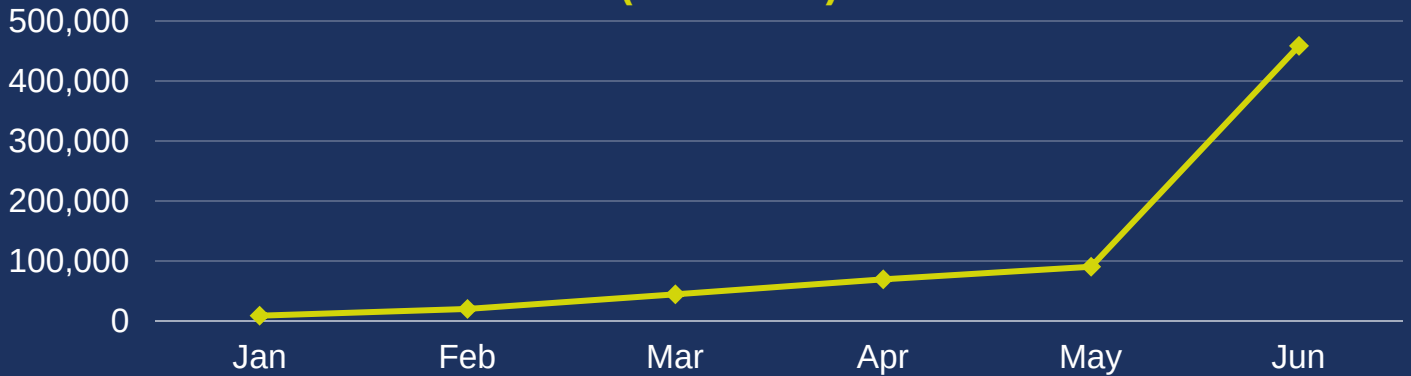
Voluntary Disclosure Program Income Tax Amount (in Billions)



The income tax growth in VDP is considered a positive growth since it always inclines. In January, the amount of income tax collected is IDR931.18 bil while in June, the income tax reached IDR54,230.95 bil. During the next months, the growth of income tax collection doubled in comparison to the month before. From January to May, the income tax amount averages IDR2,918.06 bil. In each month, the amount of income tax can be considered nearly doubling the previous month's income tax amount. In February, the amount of income tax collected is IDR2,226.71 bil. In March, the number reached IDR5,082 bil. This meant that the income grew by IDR2,855.29 bil from February to March. The income tax in April reached IDR8,000.06 bil. In May, the number reached IDR10,348 bil; recording a growth from April to May of IDR2,347.94 bil. The income tax in June amounts to IDR54,230.95 bil; which grew by IDR43,882.95 bil in comparison to May.

State's Revenue Based on Voluntary Disclosure Program

Voluntary Disclosure Program Domestic Tax Declaration Amount (in Billions)



Data cut off dates: 31 January 2022; 28 February 2022; 31 March 2022; 30 April 2022; 31 May 2022; 30 June 2022 at 08.00 (GMT+7)

In comparison to other sectors, Domestically Declared Assets are the second sector that has a high average growth rate, with a rate of around IDR20,000 bil. In January, the assets recorded an amount of IDR7,483.44 bil and in June, the number amounted to IDR458,114.72 bil.

The highest growth number occurred from May to June with a number of IDR368,871.72 bil. From January to February, the growth is recorded at IDR11,270.06 bil, which puts February's domestically declared assets at IDR18,753.50 bil. From March to May, the growth of domestically declared assets is always above IDR20,000 bil. In March, the number reached IDR43,161 bil, and in April, the number amounted to IDR68,193.58 bil. The domestically declared assets in May amounted to IDR89,243 bil, the highest before being topped by June at IDR458,114.72 bil.

Voluntary Disclosure Program Foreign Tax Declaration Amount (in Billions)

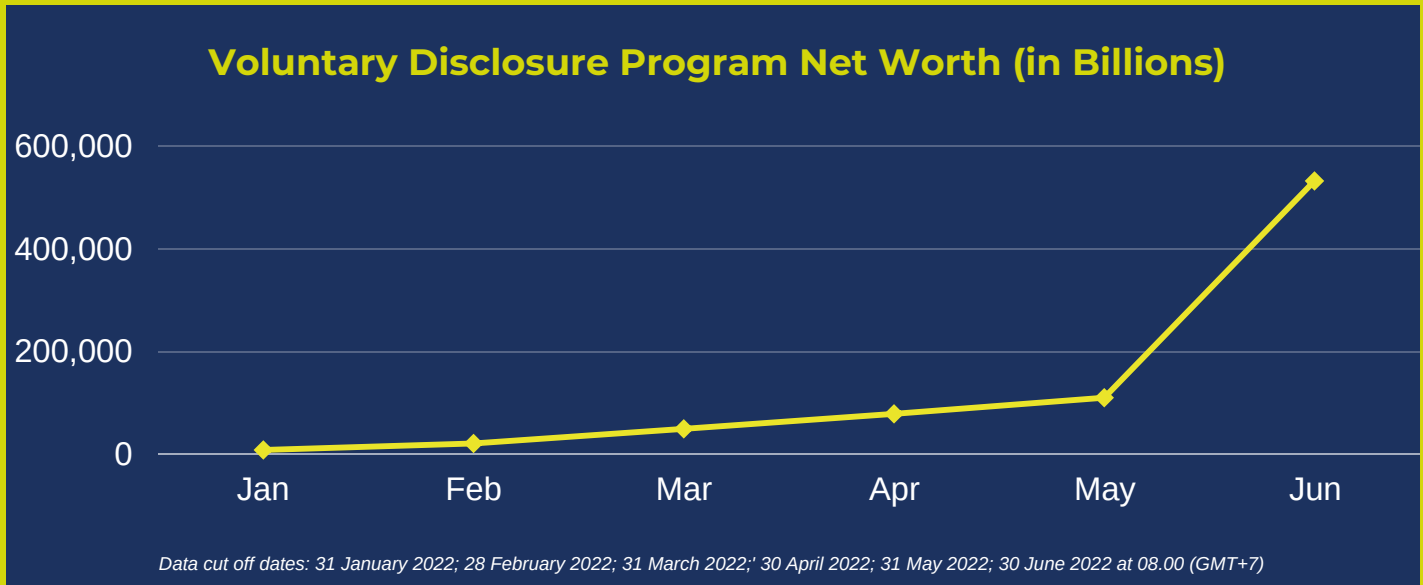


Data cut off dates: 31 January 2022; 28 February 2022; 31 March 2022; 30 April 2022; 31 May 2022; 30 June 2022 at 08.00 (GMT+7)

In comparison to Domestically Declared Assets, the Foreign Declared Assets are significantly lower, with the first recorded amount at IDR728.74 bil (\pm ten times less). However, it does not mean that this sector did not contribute a great amount to the VDP. In June, the amount itself is at IDR54,062.01 bil.

The amount of foreign declared assets grew by IDR633.72 bil from January to February. However, in March, the amount reached IDR3,427 bil, which meant that the amount grew by IDR2,064.54 bil from February to March, doubling the growth amount from last month. In April, the foreign declared assets are at IDR6,123.94 bil with growth from the previous month at IDR2,696.94 bil. From April to May, however, the growth decreases, putting it at IDR1,453.06 bil. In May, the number reached IDR7,577 bil, and in June, the number reached IDR54,062.01 bil, showing a growth of IDR46,485.01 bil, and putting June with the highest amount of foreign declared assets overall.

State's Revenue Based on Voluntary Disclosure Program



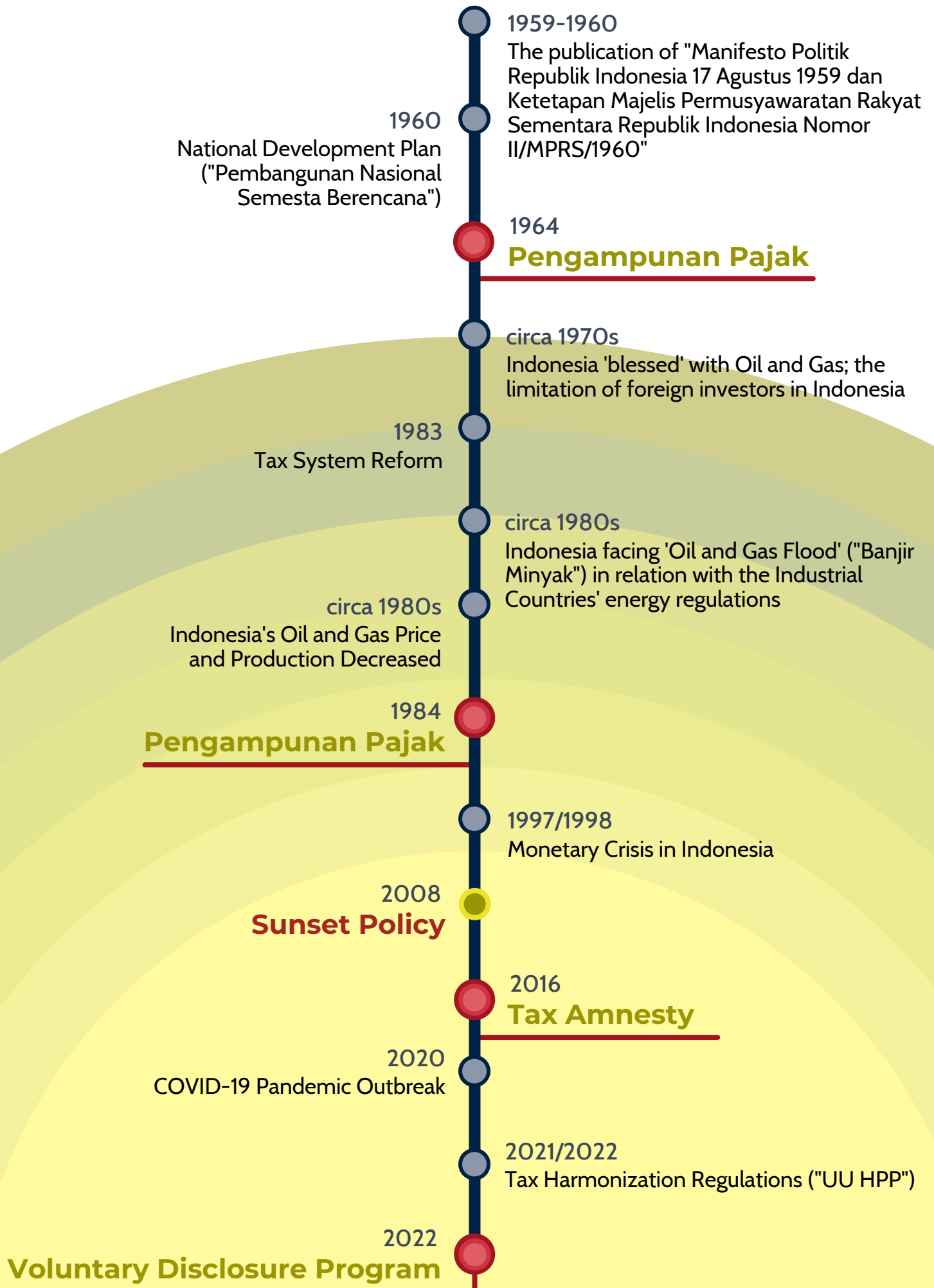
The VDP Net Worth holds the highest average growth rate, with around IDR25,431 bil per month. In January, the amount reached a number of IDR8,775.44 bil. In June, the amount reached IDR532,426.64 bil.

January to February holds the lowest growth rate in net worth, at IDR12,671.15 bil, putting February at IDR21,446.59 bil. However, February to March showed significant growth, more than double the amount. At IDR28,433.41 bil, the amount of net worth in March is accumulated to IDR49,880 bil. In contrast, the growth from March to May did not reach double the amount of February to March. From March to April, the numbers grew by IDR29,204.95 bil with a total of IDR79,084.95 bil in April. In May, the assets amounted to IDR110,500 bil. Lastly, in June, the number reached IDR532,426.64 bil, with a growth of IDR421,926.64 bil.

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The Timeline: Tax Amnesty Programs and Voluntary Disclosure Program



Pengampunan Pajak

1964 (– 17 August 1965; extended until 30 November (1965))

With the need to fund the Pembangunan Nasional Semesta Berencana program, President Soekarno, Indonesian President at that time, implements the first Tax Amnesty program known in Indonesia.

Through the Tax Amnesty program held until 30 November 1965, with the initial end date at 17 August 1965, the government managed to collect IDR 121,562,638,000, exceeding the IDR50 bil target.

The rate for the Tax Amnesty program was decided at 5-10% of the total capital which received the program's facilities.

Pengampunan Pajak

1984 (18 April 1984 - 25 June 1985)

The program was held a year after the Tax Reform that was done in 1983, during President Soeharto's era. The program was regulated in Keputusan Presiden No. 26/1984.

Throughout the 1980s, industrial countries policy to minimize oil and gas use affects the global economy, and Indonesia. The archipelago relies heavily on oil and gas use as their economy and revenue. This puts Indonesia's oil and gas production rate and prices lower in comparison to the oil and gas glory days. Such condition was the driving factor of the amnesty program.

By the end of the program, the Indonesian government collected IDR67.8 bil, which only contributes to about 1,02%to Indonesia's revenue at the time.

Sunset Policy

2008 (1 January - 31 December 2008; extended until 28 February 2009)

Often regarded as part of a tax amnesty program in Indonesia, the Sunset Policy is not considered as a tax amnesty program, since it only offers the abolishment of administrative sanctions.

The purpose of this program is to increase the number of Taxpayers and, hence, the tax revenue. The program ended with IDR7.46 tril of tax revenue and 5,635,128 taxpayers.

Tax Amnesty

2016 (I: 28 June - 30 September 2016; II: 1 October - 31 December 2016; III: 1 January - 31 March 2017)

Also known as 'Tax Amnesty Jilid I', this program is held to collect assets from Taxpayer that was reportedly stored away in Tax Haven countries. The purpose of this program is to increase domestic liquidity, decrease interest rate, investments, and increase the country's revenue through tax revenue. To adhere to both domestic and foreign assets, the government set two state, declaration of assets for domestic assets and repatriation of assets for foreign assets.

By the end of this program, it collected IDR4,854.63 tril tax revenue from 956,793 Taxpayers.

Voluntary Disclosure Program

2022 (1 January - 30 June 2022)

The latest amnesty program is called Voluntary Disclosure Program, with the purpose of increasing Taxpayers' reporting rate and granting opportunities to taxpayers to report their assets, given the assets have not been reported during the 2016 Tax Amnesty Program.

In overall, the program collected around 212,240 participants and IDR54,230.95 bil of income tax.

Monthly Highlights

Tax News Summary for June 2022

Monthly Highlights

Tax News Summary for June 2022



Photo by Chris Leboutillier on Unsplash

The long-planned Carbon Tax is postponed for the second time in 2022.

Postponement of the Carbon Tax that was Planned To Be Implemented in July 2022

Initially, the Indonesian government will be implementing a carbon tax starting from 1 July 2022. The starting rate for said tax will be at IDR 30 per kilogram of CO₂ (US\$2,1 per ton of CO₂) and will be focused on the coal industry due to the Nationally Determined Contribution (NDC).

However, the implementation will be postponed due to global factors. The government stated that although the regulation is currently postponed, the regulation will be implemented in 2022 nonetheless.



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Monthly Highlights

Tax News Summary for June 2022



Photo of the building of the People Representative Council from their website (dpr.go.id)

The People Representative Council is having a positive attitude towards the tax revenue growth and tax ratio for 2023.

The People Representative Council of Indonesia (DPR RI) Requests for an Increase of Tax Ratio Revenue of 10%

The Head of the Budget Committee from the People Representative Council, together with the Fiscal Policy Agency of Indonesia plans to raise the tax ratio towards the Indonesian Gross Domestic Product ("GDP") to reach a maximum of 10% in 2023.

The plan is to set a target range from 9,3% to 10% tops, relying on commodities prices and tax regulations that support an increase in the nation's revenue, such as Tax Harmonization Regulation ("UU HPP").



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Monthly Highlights

Tax News Summary for June 2022



Photo by Mat Napo on Unsplash

Tax incentives for health instruments are postponed and will be halted later towards the end of 2022.

Tax Incentives for Health Instruments to be Halted by the End of the Year

The import tax incentives for health instruments were planned to be halted by the end of June 2022. However, the incentive is planned to be prolonged until the end of the year with the note that COVID-19 cases in Indonesia do not face a rapid surge by the remaining months of 2022. For reference, the effect of the tax incentive produced a value of IDR4,94 T for health instruments, such as vaccines, oxygen tubes, and many other instruments.



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Monthly Highlights

Tax News Summary for June 2022



Photo by Tiara Mallorca on Unsplash

The government is currently working on in-natura tax regulations.

In-Natura Tax Regulation in the Works

Following the issuance of the Tax Regulation Harmonization Law (“UU HPP”), the incentive regarding in-natura income will be regulated further within a specific in-natura law. The regulation is currently in the enactment process and the government has no further comments on when the said regulation will be issued.



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Tax Calendar
July 2022

MON	TUE	WED	THU	FRI	SAT	SUN
27	28	29	30	1	2	3
4	5	6	7	8	9 Idul Adha 1443H	10
11	12	13	14 Tax Day	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30 Islamic New Year 1444H	31
1	2	3	4	5	6	7

Reminders

11 July 2022

Payment Deadline : June 2022 Article 4(2), 15, 21/26, 22, and 23/26 Income Tax

15 July 2022

Payment Deadline : June 2022 Article 25 Income Tax, SME Final Income Tax, and Self-Assessed Value Added Tax

20 July 2022

Filing Deadline : June 2022 Article 4(2), 15, 21/26, 22, 23/26, and 25 Income Tax

1 August 2022

Payment and Filing Deadline : June 2022 Value Added Tax

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