



MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA  
DIRECTORATE GENERAL OF TAXES



The 5<sup>th</sup> IMF-Japan High-Level Tax  
Conference for Asian Countries

April 23, 2014

High Wealth Individual Taxation  
in Indonesia

# Outline



Data and Statistics

DGT Modernization

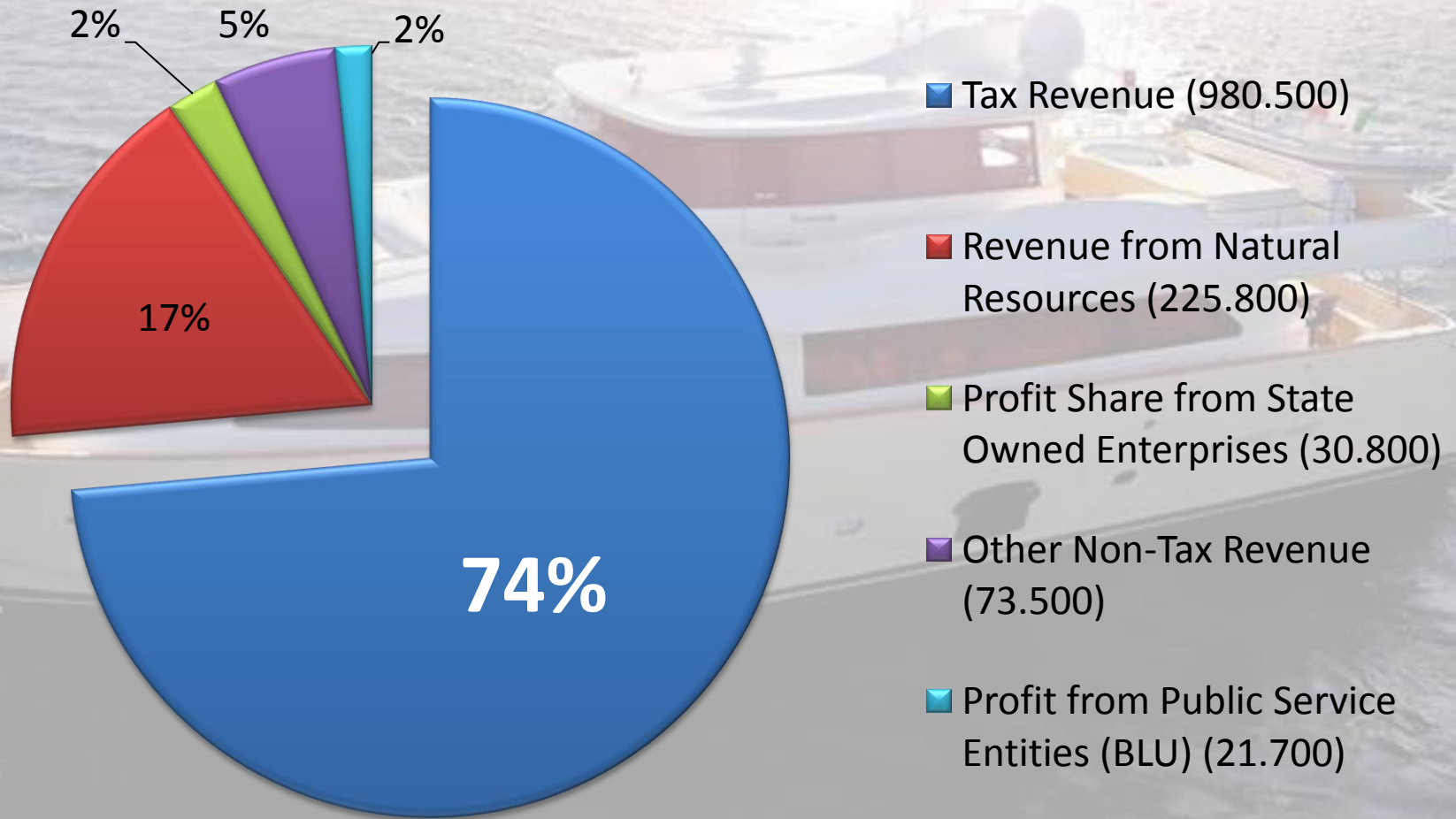
High Wealth Individual Tax Office

Problem, Challenges, and Proposed Solutions

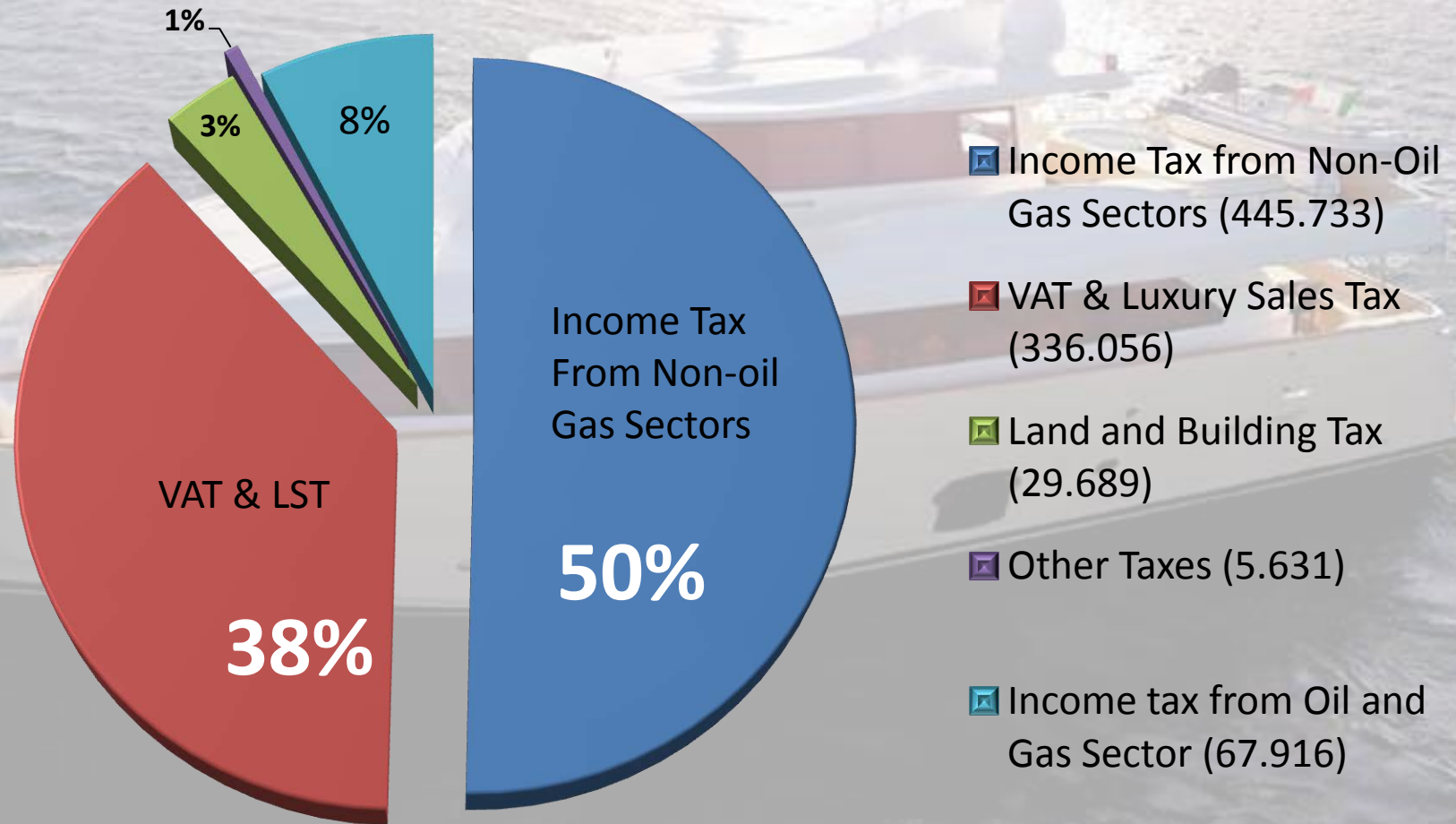


Data and Statistics

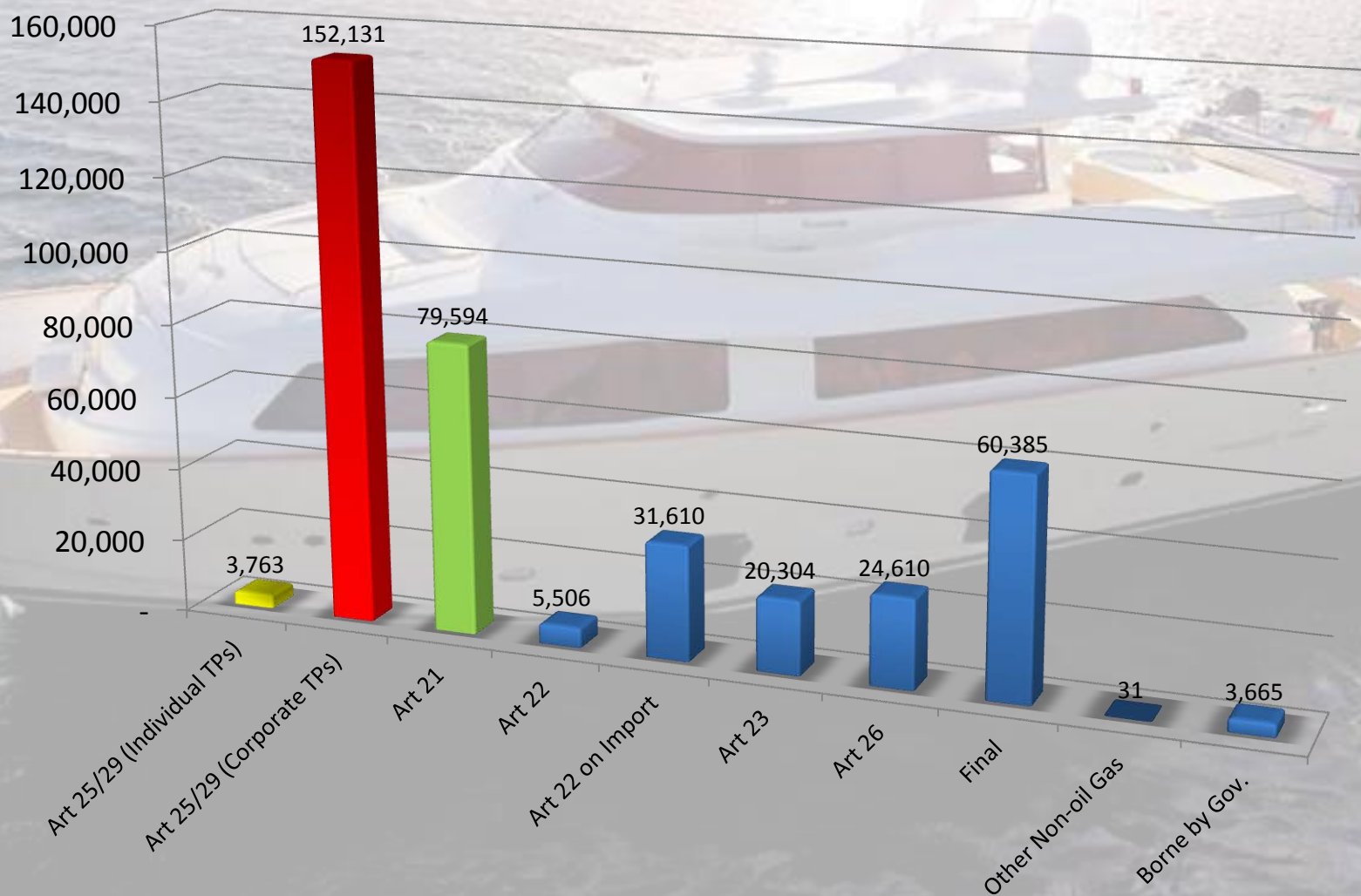
# Overview of State Budget



# Overview of National Tax Revenue



# Overview of Income Tax Revenue Generated from Non-oil and Gas sectors



in billion; 2012



DGT Modernization

# DGT Modernization - Objectives



Tax  
Compliance

High  
Productivity

Public Trust



# DGT Modernization - Milestones

**2002**

- Establishment of Regional Office for Large Taxpayers and Two LTO's

**2008**

- Final Phase of Tax Office Modernization
- Amendment of Law concerning Income Tax
- DGT Strategic Plan
- Sunset Policy
- Call Center

**2010**

- DJP Maju, PasTI program
- Blueprint of Communication and IT

**2012**

- National Fiscal Sensus (re-launching)

**2003-2007**

- Reorganization of DGT Headquarter
- Amendment of Law concerning General Provisions and Tax Procedures (KUP)
- E-Services (e-reg, e-filing, e-SPT)
- SIKKA

**2009**

- Dropbox
- Amendment of Law concerning VAT and Luxury Sales Tax
- HWI Tax Office

**2011**

- National Fiscal Sensus

# Milestones of HWI Tax Office Establishment

**July 2002**

- LTO I and LTO II established

**Jun-Oct2008**

- Identifying Taxpayer candidates

**Dec 2008**

- Comparative studies in several countries (e.g: HWI Task Force in Melbourne)

**Jul 2009**

- HWI Tax Office Established

**April 2008**

- Idea to Establish HWI Tax Office

**Nov 2008**

- DGT formed Steering Comitee for Preparation of HWI Tax Office Establishment

**Mar 2009**

- President announced HWI Tax Office Establishment

**Feb 2012**

- LTO IV Establish ed



**HWI Tax Office**

# HWI Tax Office Establishment Background

- To create a Tax Office specialized in administering HWI Taxpayers (which are usually more insistent), by giving special services for HWIs in fulfilling their tax rights and obligations
- To create a Tax Office which has unique capability (competitive advantage) in maximizing tax revenue from HWIs
- To increase the portion of Tax Revenue generated from Individual Taxpayers (currently Ratio of Tax Revenue generated from Corporate Taxpayers to Individual Taxpayers (tax withheld excluded) is approx. 50:1)
- To continue the first phase of tax administration reform which was focused on corporate TP (LTO 1 and LTO 2)

# HWI Tax Office Establishment Objectives

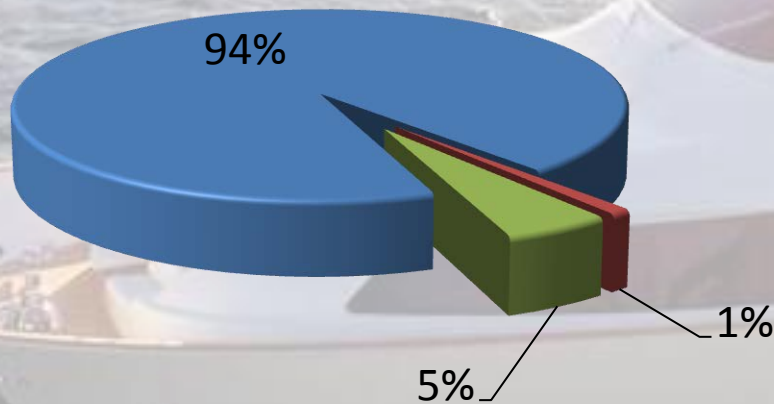
- To improve effectiveness and efficiency of the services delivered to the HWI TP's
- To improve HWI TP's comprehension about their tax rights and obligations
- To monitor HWI TP's compliance in line with good governance principles
- To improve HWI TP's voluntary compliance

# Benefit for Taxpayers registered in HWI Tax Office

- Every Taxpayer is served by professional and highly skilled staffs specialized in managing HWI Taxpayers, ensuring excellent, fast, and accurate services
- Every taxpayer is managed by an Account Representative (which handles relatively fewer Taxpayers compared to ARs in Small Tax Office)
- Every Taxpayer shall receive personalized services aimed for improving Taxpayers' knowledge and awareness of their rights and obligations
- Tax administration, issues, questions, and requests will be processed in shorter time
- Taxpayers will receive more advance treatment in e-services (e.g.: e-SPT, e-Filing)

# Individual (HWI) Taxpayer's Composition (2013)

## Taxpayers by Source of Income

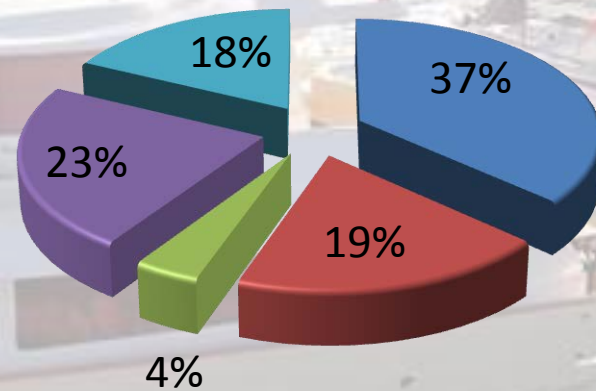


■ Employees/Executives

■ Entrepreneurs/Independent Workers

■ Act as both Entrepreneurs/Independent Workers and Employees/Executives

## Taxpayers by Residential



■ South Jakarta

■ West Jakarta

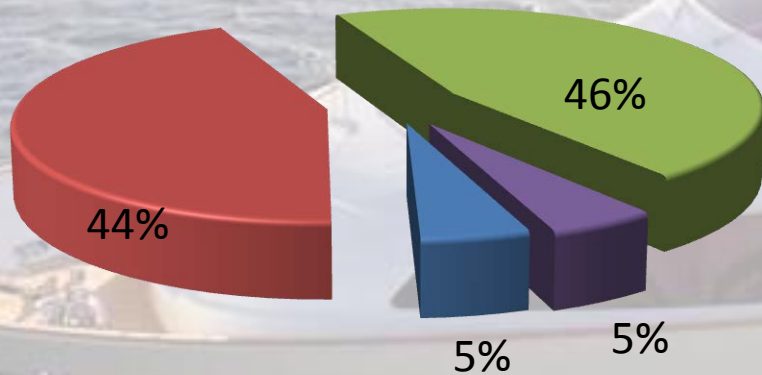
■ East Jakarta

■ Central Jakarta

■ North Jakarta

# High Wealth Individual Taxpayer's Composition (2009)

## Taxpayers by Age



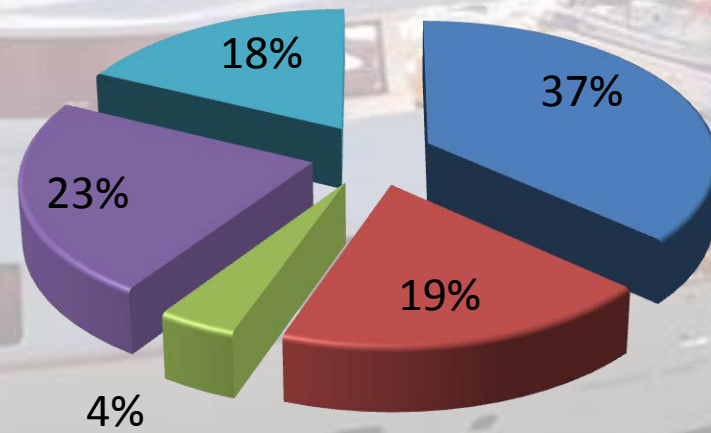
Below 35

36-55

56-75

Above 76

## Taxpayers by Residential



South Jakarta

West Jakarta

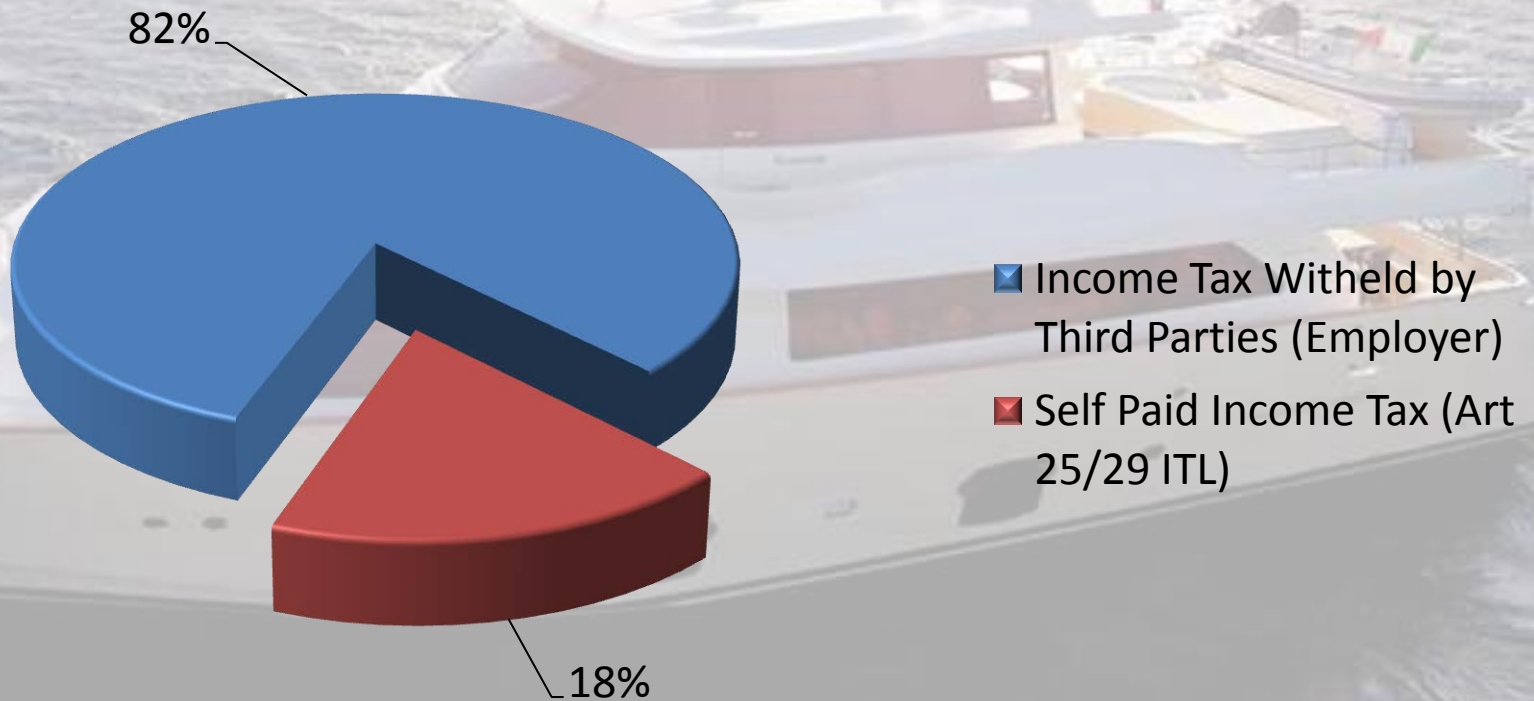
East Jakarta

Central Jakarta

North Jakarta



# Individual (HWI) Taxpayer's Tax Payable Composition (2013)





Problem, Challenges, and  
Proposed Solutions

# Problems and Challenges in Managing High Wealth Individual Taxpayers

## Tax withholding

- 82% of the total individual income tax payable is withheld by third parties (administered in Tax Offices in which the Tax withholders are registered). The remaining (18%) is self-paid by Taxpayers (administered by HWI Tax Office)

## Data Secrecy

- Data related to individual tax potential is not easily accessible (e.g due to regulations on Bank Secrecy), making it hard for DGT to do extensification / intensification from HWI sectors
- Taxpayers data on Bank may only be accessed in case of the taxpayers are audited/investigated (Account Representatives who provide counseling services may not access the data). On the other hand, extracting data from the bank may take approx. 6 to 10 months.

## Fringe Benefit & Cross-Border transaction

- Many HWIs receive income in form of non-cash compensation (e.g stock option) or other fringe benefits (e.g luxury cars, top-medical treatment, vacation, etc)
- Companies often use cross-border transactions so that such expenses may reduce tax payable in Indonesia

## Regional HWI

- There are many potential HWIs residing outside Jakarta who are not registered in HWI TO (which is located in Jakarta).

# Proposed Solutions



HWI TO as Information and Knowledge Center

Easiness to access Financial Data in Third parties, inc Bank (e.g. via M.O.U, Amendment on Banking Law)

Tax Information Exchange Agreement (TIEA)

Establishing HWI functions in Regional Level

Regrouping HWIs and Corporates (Employers)



Thank You