

taxBlitz

Tax & Customs Update

Tax Audit May Not Be Represented, CCTV Will Be the Witness

Directorate General of Taxes (DGT) has released a new regulation regarding the procedure of field audit in terms of Taxpayer's compliance. The regulation is DGT Circular [SE-10/PJ/2017](#) on Technical Guidelines of Field Audit that is the technical provision of DGT Regulation [07/PJ/2017](#) on Field Audit Guidelines in Terms of Audit upon Tax Compliance.

The Circular addressed to the tax auditors regulates several matters more specifically, starting from the audit preparation process to the process of conference on temporary findings.

Audit Preparation

The audit shall be conducted systematically in order to reach the intended goal. Therefore, a mature preparation is needed for an auditor, among others, by gathering information and studying the profile of Taxpayer that will be audited.

The information of the Taxpayer may be obtained either from DGT's internal or other parties. The procedure is conducted through Account Representative (AR) interview, field observation as well as research.

The preparation stage also includes arranging audit plan and audit program. In addition, the tax auditors shall ensure that all tools and infrastructure have been ready.

May Not Be Represented

Every Taxpayer that is subject to an audit will receive a summons and field audit notice. The summons will contain at least the information related to audit time, place and purpose.

If the Taxpayer has received the audit notice, the Taxpayer may not make correction to the Tax Return that has been submitted.

Meanwhile, once the summons is received, the Taxpayer must attend the audit according to the pre-determined schedule and may not be represented by other parties. However, the Taxpayer may be accompanied by other parties understanding the business activities or the independent job of the Taxpayer, such as tax consultant.

For Corporate Taxpayers, according to Article 32 paragraph (1) of General Tax Provisions and Procedures (KUP Law), the person who must attend the audit shall only be the person whose name is stated in the management structure of the Deed of Establishment or the person

authorized to make policies and decisions in running the company. Therefore, only the company's directors and management that are mandatory to attend the audit.

Meanwhile for Individual Taxpayers, it is only the related individual that must attend the audit. However, this does not apply for the underage or those being under guardianship in which they can be represented by the guardian or in this case by the related parents.

Moreover, in relation to the inheritance that has not been split, either the heirs, the executors, or those maintaining the inheritance shall be present in the audit.

Importantly, the tax audit shall be conducted in a special room in which a voice (audio) and video (visual) recorder or CCTV is installed. If the Taxpayer refuses to attend the audit, the tax auditor will issue a minute stating the absence that will be followed up by visiting the Taxpayer to conduct the field audit.

Audit Basis

Referring to Article 29 paragraph (3) of KUP Law, the Taxpayer being audited must show or lend the books or the notes, and other documents related to income, business activities, independent job of the Taxpayer, or tax payable object.

Other than rendering the required documents and explanations, the Taxpayer shall also allow the tax auditors to enter any place or room considerably necessary to check and give assistance for the going concern of the audit.

In addition, the Circular confirms that the principle of confidentiality of the Taxpayer's information and data is not applicable or nullified during the process of tax audit.

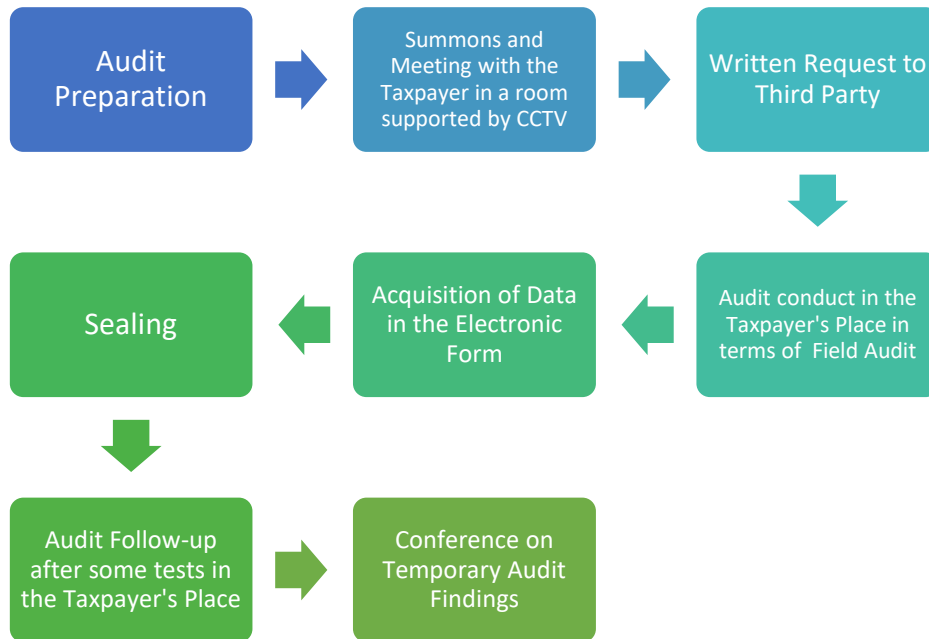
It is also important to realize that the tax authority reserve the right to seal certain places or rooms including the moveable and/or immovable assets, in case the Taxpayer does not fulfil the obligations above.

Furthermore, the DGT via the Ministry of Finance is also entitled to the right to request written explanation from any third party related to the Taxpayer's economic activities, such as bank (under the permission of Financial Services Authority), supplier, customer, public accountant, notary, tax consultant, and administrative office.

The aim is, among others, to obtain the bookkeeping or recording basis as well as the counterparty data as the supporting data of audit.

With all regulations above, the process of field audit is expected to be more effective and efficient as well as to maintain the integrity and professionalism of the field auditors. Thus, it will result in a tax assessment notice that can be accounted for.

Tax Audit Flow



TAX BLITZ is a publication of MUC Consulting Group to provide our clients, contact, and business relations with information of tax news and latest tax regulation. The materials within are limited to the purpose of providing information and should not be treated similarly as professional advice or basis in formulating strategic business decisions. For subscription of TAX BLITZ, please send your request by email to publishing@mucglobal.com. For more information about MUC Consulting Group, please click www.mucglobal.com

Contact:

For more detail information, please contact one of the partners of MUC Consulting Group below:



Imam Subekti

Tax Partner

Imam.subekti@mucglobal.com



Karsino

Tax Partner

karsino@mucglobal.com

MUC Consulting Group, MUC Building , Jl. TB. Simatupang No.15 , Tanjung Barat,
Jakarta, Indonesia (12530)
Tel: +6221 78837111, Fax: +6221 78837666