

# ENGLISH FOR TAX PROFESSIONALS



**Darussalam, Danny Septriadi  
and Seftyana Trisia Pardosi**

**June 2023**

# ENGLISH

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Authors:

Darussalam, Danny Septriadi and Seftyana Trisia Pardosi



## English for Tax Professionals

Darussalam, Danny Septriadi and Seftyana Trisia Pardosi

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Coordinator : Darussalam

Layout : Gallantino Farman

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Menara DDTC

Jl. Raya Boulevard Barat Blok XC 5-6 No B, Kelapa Gading Barat

Kelapa Gading, Jakarta Utara, DKI Jakarta, 14240 - Indonesia

Telp. : +62 21 2938 2700

Fax : +62 21 2938 2699

Website : <http://www.ddtc.co.id>

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Darussalam, Danny Septriadi and Seftyana Trisia Pardosi

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# Foreword

First and foremost, the authors would like to praise and thank God Almighty for the completion of the book entitled *English for Tax Professionals*. This book is designed specifically for people who work in the field of taxation and need basic English to communicate with colleagues and clients in varied situations. In this course, you will learn tax-related language and how to achieve your goals in small talks, meetings, presentations, consultations and email.

*English for Tax Professionals* covers five units, each dealing with a different aspect of taxation. Each unit begins with a **starter**, which can be an illustration, a brainstorming session or a quiz. In addition, you will be able to learn the important **vocabulary** and **useful expressions** using **dialogues**, **texts** and **authentic documents**. As part of the exercises, there are also role-plays in which you can practise the target language in a realistic situation. Throughout the book, there are **Did You Know?** boxes that give you extra information about taxation and general information about working in the field of taxation in Indonesia.

At the end of *English for Tax Professionals*, you will find the **Answer Key**, to which you can refer to check your answers and **Transcripts** of all the listening sections. All the Listening sections are provided on [DDTC YouTube](#), [DDTC Indonesia](#). These can be played for free on the YouTube platform.

The authors wish to thank all those who have supported the publication of this book. Special thanks go to the authors' beloved families and colleagues for their prayers and moral support in the process of completing this book. Finally, with the publication of this book, the authors hope to make a positive contribution to developing Indonesia' tax professionals.

Jakarta, 14 June 2023

Darussalam, Danny Septriadi and Seftyana Trisia Pardosi



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# Chapter 1

## Introduction to Taxation

### STARTER

What does a tax consultant do? Complete the diagram, then share with a partner.



### 1. Discuss the following questions.



1. What are the common issues in taxation?
2. How can tax consultants help taxpayers in solving the issues?
3. What other professionals are there who can give advice to taxpayers?

### 2. When explaining the common tax obligations to taxpayer, below are some essential verbs to use. Complete the table below with the nouns and the translation in Bahasa Indonesia.

No	VERB	NOUN	TRANSLATION (VERB)
1.	to calculate	<i>calculation</i>	.....
2.	to file	.....	Melaporkan
3.	.....	payment	Membayar
4.	to remit	remittance	.....
5.	to register	.....	Mendaftar



6.	to collect	collection	.....
7.	to withhold	.....	Memotong
8.	.....	compliance	Mematuhi
9.	to apply	application	.....
10.	to issue	.....	Merilis
11.	to fulfil	fulfilment	.....
12.	to require	.....	Mensyaratkan
13.	to qualify	.....	Memenuhi syarat
14.	.....	Attachment	Melampirkan
15.	to oblige	obligation	.....
16.	to notify	.....	Memberitahukan
17.	to instal	instalment	.....
18.	to defer	deferral	.....
19.	.....	preparation	Mempersiapkan
20.	to assess	.....	Menilai

**Useful Phrases**

**Meeting New People**

Below are the phrases for meeting new people. You can use formal or informal English to introduce yourself and greet colleagues or clients, depending on the situation and the people you are meeting. Mark the sentences that are correct:

- |                                 |                                     |                           |                          |
|---------------------------------|-------------------------------------|---------------------------|--------------------------|
| a. It's pleasure to meet you.   | <input type="checkbox"/>            | a. Good morning.          | <input type="checkbox"/> |
| b. It's a pleasure to meet you. | <input checked="" type="checkbox"/> | b. Great morning.         | <input type="checkbox"/> |
| a. It's good to see you.        | <input type="checkbox"/>            | a. Hi, I Andrew.          | <input type="checkbox"/> |
| b. It's a good to see you.      | <input type="checkbox"/>            | b. Hi, I am Andrew.       | <input type="checkbox"/> |
| a. Pleased to meet you.         | <input type="checkbox"/>            | a. My name's Claire.      | <input type="checkbox"/> |
| b. Please to meet you.          | <input type="checkbox"/>            | b. I'm is Claire.         | <input type="checkbox"/> |
| a. It's nice meeting you.       | <input type="checkbox"/>            | a. Nice to meet you, too. | <input type="checkbox"/> |
| b. It's nice meet you.          | <input type="checkbox"/>            | b. Nice meet you, too.    | <input type="checkbox"/> |

3.

**Read and listen to the following dialogue between Julia Norah, a new client and Robin James, a consultant in a tax consulting firm. What small things does Robin say that create a good impression on his client?**



- Robin : Good morning, Ms. Norah. It's a pleasure to meet you today. I am Robin James, the tax consultant who will be dedicated to assisting you.
- Julia : Hi, Mr. James. Pleasure to meet you too. I appreciate your help.
- Robin : Follow me this way, please. What do you think of the weather today, Miss Norah?
- Julia : Today is fine. The sky may look gloomy, but I don't think it will rain soon. Yet, I am always prepared with an umbrella inside my bag.
- Robin : I think so too. Hopefully it will rain just in the night so it's easier for everyone to finish the work during the day. Would you like to have a cup of tea?
- Julia : Sure, thank you.
- Robin : It's my pleasure. We are more than glad to have you visiting us at our firm. Well, I have learned your business reports in the past three months and they are so impressive. Now I wonder how I can assist you.
- Julia : As I informed you earlier, I am the one recording the business turnover. Now I'm planning to escalate the revenue and focus on the business growth. Therefore, I will hire an accountant to help me with the bookkeeping and tax matters.
- Robin : That's totally inspiring. Do you have any concern about this?
- Julia : Yes, basically I would like you to guide me in the tax planning for my newly established company. It will be great if I am fully aware of how my company will do the tax management so I can manage the expectation with the accountant I'll hire.
- Robin : Well, your concern is valid. But before we go to the tax planning, why don't we start with the four tax obligations that all taxpayers should fulfil, including companies?
- Julia : I'd love to listen to them.
- Robin : They are to register as a taxpayer, to calculate tax payable, to pay the tax and to file the tax return. These four are the basics in the fulfilling tax obligations.

**4. What are expressions found in the conversation above?**

1. Small-Talk:

---

2. Offering Hospitality:

---

3. Offering Help:

---

4. Giving Questions:

---

5. Empathetic Responses:

---

**5. Work with a partner and practice short conversation. Take turn to be the tax consultant and the client.**



- Welcome your client to your firm.
- Escort your client to the meeting room and make some small talk.
- Start to ask his/her intention coming to you and give empathetic responses.



## Useful Phrases

**Establishing Rapport**

Building rapport is primarily about establishing and maintaining a good relationship with clients. The skill is one that many consultants should overlook to build a great communication. Below are some expressions that you may use:

**Small Talk**

Did you find us alright?

How often do you come to this area?

What restaurant will you recommend us to visit around here?

*Good small-talk topics are weather, hobby, travelling, etc. Personal and potentially sensitive issues, such as politics and religions, should be avoided.*

**Offering Hospitality**

Follow me this way, please.

Would you like something to drink?

May I offer you a cup of coffee?

Please be seated, Miss/Sir.

*Avoid using the phrases 'Would you like to drink?' as the drink will refer to alcohol.*

**Giving Questions**

What has bothered you, ...?

What do you wish to know, ...?

May I know your major concern in this case, please?

*This will lead you to understand the issues that your client has been aware of. Avoid asking your client with phrases 'what is your problem?'*

**Empathetic Responses**

You must be worried about it.

I am sorry to hear that.

I understand your concern.

That makes sense.

*Giving empathetic response means you are able to understand the situation your clients whether it is good or full of concerns.*

**Offering Help**

How can I help you, ...?

How can I assist you, ...?

What can I do for you, ...?

*When offering help, you can know what services they need from you.*

6. All taxpayers are required to register themselves and obtain a Tax Identification Number (TIN). Match the elements below with the English words.

Address • Tax Identification Number (TIN) • Tax Office  
 Taxpayer’s Name • Identity Number

\_\_\_\_\_ (1) NPWP : XX.XXX.XXX.X-XXX.XXX  
 \_\_\_\_\_ (2) Nama :  
 \_\_\_\_\_ (3) NIK : XXXXXXXXXXXXXXXXXXXX  
 \_\_\_\_\_ (4) Alamat : Jl. No. RT. RW.  
 Kel. Kec. Kab.  
 Prop.  
 \_\_\_\_\_ (5) KPP : Pratama ABC

**Did You Know?**

**Tax Office in Indonesia**

Tax offices, known as *Kantor Pelayanan Pajak* in Indonesia, are categorised into several types. They perform various functions and responsibilities. The types of tax offices are as follows:

No.	<i>Kantor Pelayanan Pajak</i>	Tax Office
1.	<i>Kantor Wilayah Direktorat Jenderal Pajak Wajib Pajak Besar</i>	Tax Offices within Regional Large Taxpayer Office
2.	<i>Kantor Wilayah Direktorat Jenderal Pajak Jakarta Khusus</i>	Jakarta Special Regional Tax Office
3.	<i>Kantor Pelayanan Pajak Madya</i>	Medium Taxpayer Office
4.	<i>Kantor Pelayanan Pajak Pratama</i>	Small Taxpayer Office
5.	<i>Kantor Pelayanan, Penyuluhan, dan Konsultasi Perpajakan (KP2KP)</i>	Tax Service, Dissemination and Consultation Service Office

- 7. Taxpayers' rights and obligations are determined by their residency and source of income. Work in pair to translate the essential vocabulary below into your language.**

1. Individuals	: .....	12. Commission	: .....
2. Entities	: .....	13. Consideration	: .....
3. Inheritance	: .....	14. Remuneration	: .....
4. Domicile	: .....	15. Gains	: .....
5. Resident	: .....	16. Royalty	: .....
6. Non-Resident	: .....	17. Gratuity	: .....
7. Presence	: .....	18. Business Profits	: .....
8. Wealth	: .....	19. Beneficiaries	: .....
9. Salary	: .....	20. Heirs/Heiresses	: .....
10. Wage	: .....		
11. Allowance	: .....		

- 8. Complete the sentences with the vocabulary above.**

1. Before her father died, he left \_\_\_\_\_ for his daughter.
2. She becomes the only \_\_\_\_\_ in her family.
3. Joanna is qualified as \_\_\_\_\_ taxpayer as she has been residing in Indonesia since she was a child and she is now working for a local company at the country.
4. Claire has been staying and working in Indonesia in the past seven months. Her consecutive \_\_\_\_\_ makes her subject to resident taxpayer.
5. She intends to \_\_\_\_\_ in Indonesia for a long time.
6. The other income I earn is sourced from the \_\_\_\_\_ after my house was sold this year.

7. \_\_\_\_\_ is included as a taxable object to a company that runs a business.
8. All the \_\_\_\_\_ will be grossed-up to the employees' monthly income.

9.

**Match the words with the opposites and find the meaning from the list below.**

Mandatory • Resident • Register • Commence • Grant

Deregister - Reject - Cease - Non-resident - Optional

1. showing the status of taxpayers.
2. showing the period when something begins and stops.
3. to allow or not allow someone something, usually in an official way.
4. something that must be done or is demanded by law; if not, then it is optional.
5. to put some personal information, into an official list or record; and to delete them from the record.

10.



**Listen to the conversation between Caroline Gilmore, a foreigner who works for a company in Indonesia and the tax accountant in the company. According to the conversation, please identify the statement below whether they are true or false (T/F).**

1. Ms. Gilmore is a new hire in the company.
2. Other than salary, she will receive additional benefits from the company and the tax is subject to her.
3. Ms. Gilmore is a resident taxpayer with the tax obligations under Indonesian tax regulations.
4. If Ms. Gilmore is a non-resident taxpayer, she is entitled to apply the progressive tax rate.
5. Taxpayer's residency will impact on the amount of taxable income in relation to the applicable deductions.

**11. What is the applicable income tax law for a non-resident taxpayer in your country? Discuss and share the results with a partner.**



- Who is non-resident taxpayer?
- What is required to prove a non-resident taxpayer?
- What is the tax rate?



**12. What is the key vocabulary mentioned in the conversation?**



1. \_\_\_\_\_ on
2. \_\_\_\_\_ to
3. \_\_\_\_\_ with
4. \_\_\_\_\_ on
5. \_\_\_\_\_ from

### Grammar Corner

#### Collocations vs. Passive Voice

##### Collocations

Collocations are formed when two or more words are often used together in a way that sounds correct. For some verbs or adjectives, they can be formed only with a specific preposition (from, to, on, at, of, etc.) Depending on the situation, more than two words combined are occasionally conceivable. Here are the examples:

derived from	: <i>berasal dari</i>	on purpose	: <i>dengan sengaja</i>
sourced from	: <i>bersumber dari</i>	comply with	: <i>patuh dengan</i>
received from	: <i>diterima dari</i>	subject to	: <i>dikenai</i>
accrued from	: <i>diperoleh dari</i>	object to	: <i>menolak</i>
exempt from	: <i>dibebaskan dari</i>	in relation to	: <i>sehubungan dengan</i>
imposed on	: <i>dikenakan atas</i>	gross up	: <i>tambahan penghasilan</i>
impact on	: <i>berdampak pada</i>		: <i>atas kewajiban</i>
on behalf of	: <i>atas nama</i>		: <i>PPH</i>
respond to	: <i>menanggapi</i>		



### Passive Voice

If you find a word combination of a verb or adjective formed with a preposition 'by,' that is not necessarily a collocation. Another form of these sentences is called the **passive voice**. The passive voice is used to emphasise the verb (the action) and object of a sentence rather than the subject. In this case, either the subject is less important than the action itself or you can't really identify who or what the subject is. Here are the examples:

1. Income taxes are *borne by* employers.
2. The tax is *withheld, remitted and filed* (with no subject).
3. Income tax withholding receipt is *provided by* the employer.
4. Payment receipt documents are *issued by* the tax payment office.
5. The documents must be *submitted* as soon as possible.

**13.** Below are other expressions with the word of *tax*. Pair them with words that match the following definitions.

- |                    |  |
|--------------------|--|
| 1. tax year        | <b>a.</b> reimbursement made to taxpayer for overpayment                           |
| 2. tax liabilities | <b>b.</b> certain taxable objects are not subject to tax                           |
| 3. tax rate        | <b>c.</b> to evaluate the taxpayers' tax return                                    |
| 4. tax subject     | <b>d.</b> the subject of a tax assessment  |
| 5. taxable object  | <b>e.</b> an annual period for which tax is calculated                             |
| 6. tax return      | <b>f.</b> a percentage at which a taxpayer is taxed                                |
| 7. tax refund      | <b>g.</b> the status of a person before qualified as a taxpayer                    |
| 8. tax bracket     | <b>h.</b> an item which can lower your tax burden and encourage investments        |
| 9. tax incentive   | <b>i.</b> the amount of money a taxpayer owes to state                             |
| 10. tax deduction  | <b>j.</b> an amount of expenses to be deducted from gross income                   |
| 11. tax assessment | <b>k.</b> a means for filing and justifying the calculation of tax that is payable |
| 12. tax exempt     | <b>l.</b> a range of income taxed at the certain rates                             |

14.



Andrew works in a tax consulting company. His company has just hired a new employee who is an expert in accounting. Apparently, the recruit will join his team. Listen to the conversation and answer the questions.

1. What is Clare's certification?
2. What organisation administers the certification exam in Indonesia?
3. What are the professional requirements to obtain the certification that Clare has?
  - a. Obtain the valid certification of \_\_\_\_\_.
  - b. Work in a \_\_\_\_\_ for at least \_\_\_\_\_.
  - c. Experience as a professional auditor for at least \_\_\_\_\_.
  - d. Experience to provide \_\_\_\_\_ services for at least \_\_\_\_\_ in \_\_\_\_\_ different fields of \_\_\_\_\_; and
  - e. Perform as a \_\_\_\_\_ for 10 times in every assignment given.

15.

Match these words with their synonyms.

- |                 |                                   |
|-----------------|-----------------------------------|
| 1. prior to     | a. act, complete, execute         |
| 2. administered | b. join, follow, present          |
| 3. attended     | c. before, previously             |
| 4. render       | d. accomplish, achieve, meet      |
| 5. firm         | e. provide, deliver, give         |
| 6. fulfil       | f. hold, conduct, execute         |
| 7. perform      | g. business organisation, company |

16.



Mrs. Whites has just arrived at the office and will meet Clare for setting expectation session. She will also talk about Clare's expertise development. Listen to the conversation and answer the questions.

1. How many levels of tax consultant certification? What are they?  
\_\_\_\_\_
2. What distinguishes the levels?  
\_\_\_\_\_
3. Which level can serve all taxpayers for international taxation?  
\_\_\_\_\_
4. What does Mrs. Whites expect from Clare?  
\_\_\_\_\_
5. How will the company help Clare obtaining the licence?  
\_\_\_\_\_

### Did You Know?

#### Tax Consultant vs. Tax Advisor

When talking about tax professionals, the term use of tax consultant and tax advisor is quite interchangeable. They depend on what a country may regulate and license certified tax professionals. In additions, the words *adviser* and *advisor* are basically the same. They are the persons who give advice. However, the word *adviser* is older and the more preferred spelling.

In the UK, the term commonly used is tax adviser. This profession has a certification program to be a Chartered Tax Adviser (CTA) that is managed by an official tax association called the CIOT (Chartered Institution of Taxation). Retrieved from the CIOT's official website, tax advisers help businesses and individuals plan their affairs to take account of tax issues.<sup>1</sup> They also help their clients or the business in which they work, file tax returns and meet other legal requirements.

The professions in the taxation field are more varied in the US, such as Attorneys, Certified Public Accountants (CPA), Enrolled

---

<sup>1</sup> Chartered Institute of Taxation, "Careers in Tax," Internet, can be accessed via <https://www.tax.org.uk/careers-in-tax>.

Agents (EA), Enrolled Actuaries and Appraisers.<sup>2</sup> The words *tax advisor* or *tax consultants* are not referred to certified professions, instead are occupations/jobs. To be a tax advisor or tax consultant, a person should have advanced training and knowledge of tax accounting and tax law. Not often, tax advisors have more than one certification that are mentioned above. Their jobs include helping taxpayers in exercising their tax obligations from registering to filling tax returns. Besides, they provide advisory to companies from tax planning to tax risk management.

17.

**In-house tax practitioners refer to tax accountants who work in companies. Below are some responsibilities of tax accountants. Fill in the gaps with words from the box below to see the job descriptions.**

relationship - day-to-day - assessment - updated - vendor - building - income - return - errors - reconciliation

1. Reviewing \_\_\_\_\_ basic invoices from vendors and ensuring that the withholding tax is applied accurately.
2. Preparing monthly \_\_\_\_\_ tax and sales tax calculations.
3. Preparing land and \_\_\_\_\_ tax calculation.
4. Maintaining the company's \_\_\_\_\_ database.
5. Performing monthly and yearly tax \_\_\_\_\_ based on Income Statement.
6. Preparing and filing monthly tax \_\_\_\_\_ in a timely manner.
7. Verifying and rectifying \_\_\_\_\_ that cause incorrect tax filing.
8. Analysing tax penalties and preparing tax \_\_\_\_\_ yearly.
9. Building and maintaining a cooperative \_\_\_\_\_ with Tax Authorities.
10. Staying \_\_\_\_\_ on tax regulations which impact the company's business activity.

<sup>2</sup> Julia Kagan, "Tax Advisor," Internet, can be accessed via <https://www.investopedia.com/terms/t/taxadvisor.asp>.

18.



Mr. Joe, a Chief Finance Officer, is discussing Law No.7 of 2021 in Indonesia with the tax accounting team. Are there any jobs mentioned which are other responsibilities of a tax accountant? Listen and fill the gaps below.



mitigating • tax-related • planning • strategies • outsourced

1. Making tax \_\_\_\_\_.
2. Identifying and \_\_\_\_\_ tax risk.
3. Providing suggestions regarding the tax impact on business \_\_\_\_\_.
4. Preparing \_\_\_\_\_ documents for internal and external audit.
5. Coordinating \_\_\_\_\_ tax work if necessary.

19.


Match these words with the translations below. Then, check your answers at the Answer Key.

- |                 |                      |
|-----------------|----------------------|
| 1. Consecutive  | a. masa              |
| 2. Intermittent | b. tahunan/per tahun |
| 3. Periodic     | c. terputus-putus    |
| 4. Monthly      | d. berturut-turut    |
| 5. Yearly       | e. bulanan/per bulan |

20.

Below is the Special Power of Attorney form released by the Minister of Finance of the Republic of Indonesia.<sup>3</sup> Both parties, a taxpayer and a tax professional will state their information required in the form for the taxpayer granting the power of attorney.

### Form 1.1 Format Surat Kuasa Khusus



LAMPIRAN  
PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA  
NOMOR 229/PMK.03/2014  
TENTANG PERSYARATAN SURAT PELAKSANAAN HAK DAN  
IBRAHIMAN SEORANG KUASA

MENTERI KEUANGAN  
REPUBLIK INDONESIA

**A. Format Surat Kuasa Khusus**

**SURAT KUASA KHUSUS WAJIB PAJAK** ..... (1)  
Nomor : .....(2) tanggal ..... (3)

Yang bertanda tangan di bawah ini:

Nama Lengkap	: .....	(4)
Alamat	: .....	(5)
Jabatan	: .....	(6)
Nama Wajib Pajak	: .....	(7)
Alamat	: .....	(8)
Status	: <input type="checkbox"/> Pusat <input type="checkbox"/> Cabang : .....	(9)
NPWP	: .....	(10)

Dengan ini memberikan kuasa khusus kepada:

Nama Lengkap	: .....	(11)
Alamat	: .....	(12)
NPWP	: .....	(13)
No. Izin Praktik	: .....	(14)

Untuk melakukan hak dan/atau memenuhi kewajiban perpajakan berupa ..... (15) berkenaan dengan jenis pajak ..... (16)  
Masa Pajak/Bagian Tahun Pajak/Tahun Pajak ..... (17). Bersama ini kami lampirkan ..... (18)

Demikian surat kuasa khusus ini dibuat untuk dipergunakan sebagaimana mestinya.

Penerima Kuasa, Pemberi Kuasa,

Meterai

..... (19) ..... (20)

<sup>3</sup> The Republic of Indonesia. Minister of Finance of the Republic of Indonesia Regulation Number 229/PMK.03/2014 concerning Requirements and Exercise of Rights and Obligations of An Attorney.



# Chapter 2

## Advising Individual Taxpayers

### STARTER

When advising individuals, you need the information on what they do to earn income.



### 1. Discuss the following questions.



1. Is it important to distinguish non-employee from employee taxpayers?
2. Who are included as non-employee taxpayers? Name and explain some occupations that are typically freelance.
3. What happens if someone pursues multiple professions that fall into different categories?

### 2. Non-employee taxpayers receive or accrue income in connection with certain services as some mentioned below. Please complete the words and find the meaning in your language.

- |               |         |                 |         |
|---------------|---------|-----------------|---------|
| 1. L_wy_r     | : _____ | 6. A_th_r       | : _____ |
| 2. D_ct_r     | : _____ | 7. R_se_rch_r   | : _____ |
| 3. P_int_r    | : _____ | 8. Ph_t_gr_ph_r | : _____ |
| 4. Sp_rtsm_n  | : _____ | 9. Br_k_r       | : _____ |
| 5. C_ns_lt_nt | : _____ | 10. S_l_sp_rs_n | : _____ |



11. M_d_r_t_r	: _____	18. Ac_u_ry	: _____
12. Arch_t_ct	: _____	19. M_s_c_an	: _____
13. Acc_unt_nt	: _____	20. C_m_d_an	: _____
14. Ag_n_y	: _____	21. Pl_ywr_g_t	: _____
15. A_t_st	: _____	22. Tr_in_r	: _____
16. N_t_ry	: _____	23. Tr_nsl_t_r	: _____
17. A_pr_is_r	: _____	24. E_g_n_er	: _____

**3.** One individual can obtain the income from several jobs he/she performs, either from employer, business, or independent personal services. Listen to the officers explaining their new clients' jobs and answer the questions below.



**Client 1:** .....

The jobs/source(s) of income:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Client 2:** .....

The jobs/source(s) of income:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Client 3:** .....

The jobs/source(s) of income:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**According to the jobs/source(s) of income, please identify which category they belong to. You may circle more than one criterion.**

***Are they staff/ entrepreneur/ freelancer or employee/ non-employee?***

Staff/ Entrepreneur/  
Freelancer

Staff/ Entrepreneur/  
Freelancer

Staff/ Entrepreneur/  
Freelancer

Employee/  
non-Employee

Employee/  
non-Employee

Employee/  
non-Employee

## Grammar Corner

**How to use *Earn, Obtain and Gain***

These three words seem to have a similar meaning, i.e., doing something proactively to receive something. Knowing their most different uses, you will be able to use the words more appropriately. Based on the online Oxford Learner's Dictionaries, they differ as follows:

**Earn** is mostly used in relation with finance. From the dictionary, the word is defined as *to get money for work that you do*. This could be the money as profit or interest on money you lend, have in a bank, and etc.

Sentence Examples:

- We earned IDR4 trillion last year. (***Earn something***)
- Their excellent performance earned them IDR12 trillion this year. (***Earn somebody something***)
- He earned interest from the saving account. (***Earn something from something***)

**Obtain** is defined as *to get something, especially by making an effort*. It is mostly *to get information/data/results*.

Sentence Examples:

- The team has obtained all the taxpayer's information.
- They finally managed to obtain all the required documents.
- To obtain taxpayer ID number, taxpayers must register themselves to the official website.

**Gain** means *to obtain or win something, especially something that you need or want*. It includes advantages of doing or having something and gradually get more of something.

Sentence Examples:

- The company has gained the Pro Bono Award from their contribution to the tax society.
- Taxpayers have gained tax facilities over the last two years.
- Our professionals gained a lot of experiences when studying abroad.

**4. Use *earn, obtain, and gain* to complete the sentences below.**

1. Mr. Ricky ..... IDR500 million for his gross income during the tax year of 2021.
2. The number is ..... from the overall total of every column.
3. They ..... an exceptional reputation for being a leading tax consulting firm.
4. She ..... her first income when running the family business.
5. Some taxpayers are entitled to ..... over 50% lower tax rate.
6. They are creating comprehensive research from the data they .....
7. Tax consultants ..... incomes from various services they perform.
8. To ..... the amount of payable tax incomes during a fiscal year, a taxpayer should collect the information of where the incomes are coming from.

**5. Apart from the income that taxpayers earn from the jobs, they can also earn some from other sources as follows. Please translate them into Indonesian language and check your answers (Page of 73).**

- |   |   |
|---|---|
| 1. Deposit interests                          | : |
| 2. Savings interests                          | : |
| 3. Discount on Bank Indonesia<br>Certificates | : |
| 4. Lottery prizes                             | : |
| 5. Cooperative deposit interests              | : |
| 6. Bond interests                             | : |
| 7. Sale of shares on the stock exchange       | : |
| 8. Transfer of Land and/or Buildings          | : |
| 9. Lease of Land and/or Buildings             | : |
| 10. Construction services                     | : |
| 11. Dividends                                 | : |
| 12. Asset Revaluation                         | : |
| 13. Sale of Cryptocurrency                    | : |

14. MSME (Micro, Small, and Medium Enterprises) turnover :

### Did You Know?

#### Recording and Bookkeeping

All taxpayers are obliged to maintain bookkeeping as the basis to calculate the amount of tax payable. Bookkeeping is provided based on the applicable financial accounting standards and is maintained consistently. The information in bookkeeping includes assets, liabilities, equity, income and expenses and acquisition price and sales of goods or services. In the context of Indonesia, corporate and individual taxpayers conducting a business or independent personal services whose incomes are above 4.8 billion are required to maintain bookkeeping. Thereby, the amount of tax payable may be calculated.

In certain condition, taxpayer can also maintain recording. Recording means to collect data regularly which should be managed chronologically and systematically based on the order of the date of receipt of gross turnover and/or gross income. For example, in the context of Indonesia, if a taxpayer renders a service as freelancer and earns income with under 4.8 billion in a year, he/she may opt to maintain recording and bookkeeping. If choosing the recording, he/she should collect the fee payment slip and calculate all the income to be the basis in calculating his/her tax payable during a tax year.

Noting how these terms are different in English language principles, the terms of bookkeeping and recording seem to complete each other instead. Based on the online Oxford Learners Dictionaries, recording is known as a written account of something that is kept, so that it can be used in the future.<sup>4</sup> While bookkeeping focuses on the job or the activity of keeping an accurate record of the accounts of a business.<sup>5</sup> These facts are related in defining the position of bookkeeping and recording terms. While they both have different states, recording becomes an essential part of bookkeeping as well as accounting activities.

<sup>4</sup> Oxford Learner's Dictionaries, "Bookkeeping," Internet, can be accessed via <https://www.oxfordlearnersdictionaries.com/definition/english/bookkeeping>.

<sup>5</sup> \_\_\_\_\_. "Recording." Internet. Can be accessed via <https://www.oxfordlearnersdictionaries.com/definition/english/recording>

### **Making An Appointment**

When making an appointment, you are trying to set a meeting with others. Therefore, you will make an agreement of basic things, such as the time and place you will meet each other. In additions, a clear purpose and/or meeting agenda will help you prepared to face the meeting. Below are some phrases to use when you are making an appointment with others.

#### **1. Setting an Appointment's Purpose**

- We would like to arrange an appointment with you to...
- We would like to invite you to the next meeting.
- What if we schedule our next meeting discussing...

#### **2. Asking Someone's Availability**

- When would be a good time for you?
- Would you be available on [date] at [time]?
- Could we meet at...?

#### **3. Offering Alternatives**

- Would you prefer...?
- Would [date/time] suit you better?
- Could we instead meet at/on...?

#### **4. Agreeing to an Appointment**

- That works for me.
- That sounds good.
- [date/time] is fine.

#### **5. Pointing Meeting Agenda**

- The agenda for the meeting are...
- The objective of the meeting is to...
- In the meeting, we will talk about...

#### **6. Rescheduling or Cancelling an Appointment**

- Would it be possible to reschedule/move our appointment to a different time?
- Unfortunately, something has come up and I won't be able to...
- I'm afraid I won't be able to make it.

## Grammar Corner

**Use *Could*, *Would* and *Should* for Polite Speech**

To create the right tone, especially when you are offering something to someone, these words are very useful. Below are the examples:

No	Sentence	More Polite sentence	Remarks
1.	<ul style="list-style-type: none"> <li>▪ <i>Can</i> we meet at 4 p.m.?</li> <li>▪ <i>Can</i> you advise us your availability?</li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>Could</i> we meet at 4 p.m.?</li> <li>▪ <i>Could</i> you advise us your availability, please?</li> </ul>	<i>Can</i> is considered more direct. If you know the person quite well and have had some talks previously, <i>can</i> is still acceptable.
2.	<ul style="list-style-type: none"> <li>▪ I <i>want</i> to arrange a meeting with you discussing the project progress.</li> <li>▪ Do you <i>want</i> to talk with our consultant?</li> </ul>	<ul style="list-style-type: none"> <li>▪ I <i>would like to</i> arrange a meeting with you discussing the project progress.</li> <li>▪ <i>Would you like to</i> talk with our tax consultant?</li> </ul>	When making a request, use <i>would like</i> instead of <i>want</i> . This will help to make your request less demanding with a more polite language.
3.	<ul style="list-style-type: none"> <li>▪ 9 a.m. on Tuesday <i>is</i> fine.</li> <li>▪ Next Monday <i>is</i> okay.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 9 a.m. on Tuesday <i>should be</i> fine.</li> <li>▪ Next Monday <i>should be</i> okay.</li> </ul>	Adding <i>should</i> will give some flexibility to yourself when accepting an appointment. It means that if nothing out of the ordinary occurs, you will meet at the agreed time and place.

**Prepositions of Time and Place**

Using the right English prepositions is essential to avoid some miscommunications when making an appointment. There are three main prepositions used in stating a time of and a place for an appointment.

Stating the time of appointment:

**In:** Used for broad spaces of time, e.g., *in the morning*, *in July*, *in 2022*  
(one exception is *at night*)

**At:** Used for specific times, e.g., *at 2 p.m.*, *at noon*

**On:** Used for specific dates and days, e.g., *on Monday*, *on 30 March 2022*

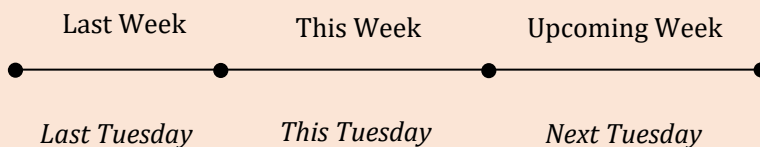
Choosing a place for the appointment:

**In:** For a general area or space, e.g., *in the capital city of Jakarta, in the lobby*

**At:** For a specific point of place, e.g., *at the office, at the courthouse*

**On:** Used for streets as well as space within building, e.g., *on Boulevard Street, on the balcony*

**When is *this, next, and last?***



- *Next Tuesday* – referring to the Tuesday after the upcoming week.
- *This Tuesday* – referring to the Tuesday of the same week.
- *Last Tuesday* – referring to the several days ago when the meeting happened. For example, today is Friday and you had a meeting the previous Tuesday (means three days ago), the meeting happened *last Tuesday*.

6.

**Listen to the conversation between a taxpayer and a client relation officer (CRO) of a tax consulting firm. Answer the questions below.**



1. What is the purpose of the meeting?

\_\_\_\_\_

2. When is Miss Chiang's available?

\_\_\_\_\_

3. How did the CRO respond to the time proposed?

\_\_\_\_\_

4. What are the meeting media proposed by the CRO?

\_\_\_\_\_

7. Are the following statements true or false? Thick one (✓).

	True	False
1. The appointment is arranged for a client to meet with the appointed tax consultant.	<input type="checkbox"/>	<input type="checkbox"/>
2. The tax consultant is the officer.	<input type="checkbox"/>	<input type="checkbox"/>
3. Ms. Chiang is an Indonesian.	<input type="checkbox"/>	<input type="checkbox"/>
4. Ibu Lidia is experienced in helping expatriates on tax.	<input type="checkbox"/>	<input type="checkbox"/>
5. Ms. Chiang proposed the meeting to be in the afternoon.	<input type="checkbox"/>	<input type="checkbox"/>
6. She is required to bring supporting documents.	<input type="checkbox"/>	<input type="checkbox"/>
7. She is encouraged to share the information on her sources of income.	<input type="checkbox"/>	<input type="checkbox"/>
8. Ms. Chiang refuses to show the documents.	<input type="checkbox"/>	<input type="checkbox"/>
9. Fringe benefits are not included in the discussion.	<input type="checkbox"/>	<input type="checkbox"/>
10. The meeting will take place at the taxpayer's office.	<input type="checkbox"/>	<input type="checkbox"/>

8. Work with a partner to practice making an appointment. Use phrases from previous Grammar Corner section.



**Scenario 1:** Before you finish a meeting with your manager, you plan to meet her again reporting the project progress. Please make an appointment to meet on next Wednesday!

**Scenario 2:** You are going to discuss your client's financial statements. Please make an appointment to meet and clarify the information on the documents!



## Asking and Giving Information

### Asking Information

When you are discussing something new, you are going to ask for some important information regarding the matter. You can ask in the form of 5W+1H (what, why, when, where, who, how) questions, Yes/No questions, auxiliaries' questions, or a statement.

- What kind of expenses I can deduct from my income?
- When should I file my tax return?
- How can I calculate my taxable income?
- Do you have any idea...?
- Do you happen to know...?
- Can/could you tell me...?
- Can you explain in a little more detail about it?
- Would you mind answering my questions, please?
- I would like to know about...
- I would like to know what you think about...
- I wonder if you could tell me about...
- I wonder if this is...

### Giving Information

The phrases below will help the person you are talking with to be aware that you are going to share an information. Sometimes, when giving information, you can also start with a question. It may sound like you are asking a permission before you give the information but it will be appropriately used when you are going to add more information with a more polite language.

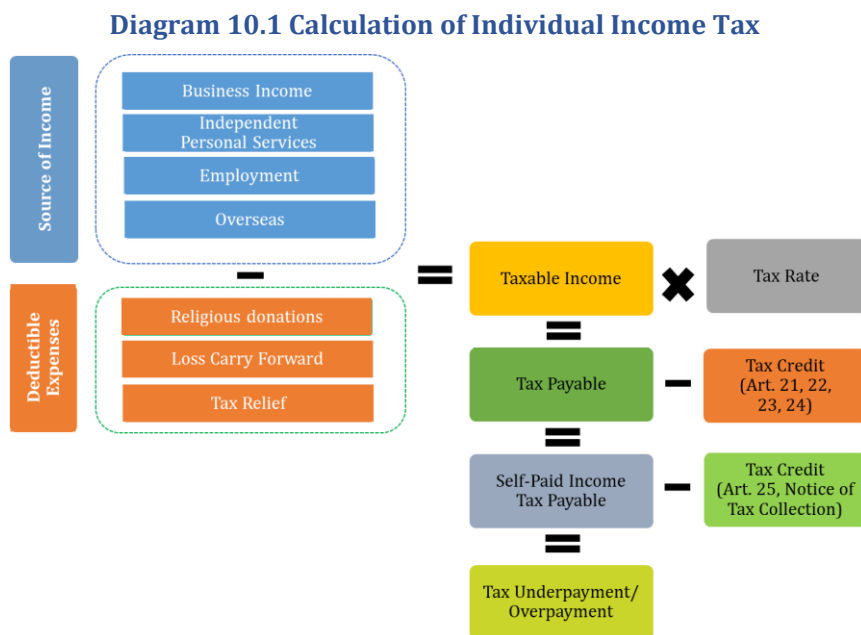
- I am pleased to inform you...
- I would like to inform you that...
- I would like to share with you...
- It might be interesting for you to know...
- You might also find it useful to know...
- I have three things to share with you.
- There are two major information I'm going to share with you.
- May I share with you about..., please?
- May I inform you about..., please?

9.

Read the conversation below and circle four (4) more phrases used in Asking and Giving Information as already explained previously.

- Tax Consultant : In your case, after you write all the information on the gross income you earned during a year in a form of bookkeeping, you will calculate the taxable income. You need to consider the types of income you've earned. Hence, you can determine whichever income you don't need to recalculate at the end of the year as tax payable.
- Taxpayer : I wonder if there is income that will not be calculated anymore at the end of the year.
- Tax Consultant : Some types of income are subject to final tax. Therefore, you will not include it in your end-year tax calculation. Next, I would like to share with you three things that are deductible from your gross income. They are tithes or religious donations, applicable remunerations and personal tax relief.
- Taxpayer : What are the applicable remunerations?
- Tax Consultant : They can be varied. Mostly, for employee taxpayers, position allowance and pension contributions or old age allowances are deductible. Once you deduct them to your gross income, you will get the amount of your taxable income.
- Taxpayer : Can you explain in a little more detail about the pension contributions?
- Tax Consultant : Pension contribution is a fund that you pay every month by 2% of your monthly salary to a pension fund whose establishment has been approved by the Minister of Finance. You can only withdraw the fund once you retire at the age of 56 years old. Also, it might be important for you to know that the fund will be taxed according to the tax regulations before you can receive the money.

10. The following is the diagram of Individual Income Tax calculation. Work in pairs and practice explaining the calculation using the appropriate phrases for equations/formulas as provided below.



### Grammar Corner

#### Saying Equations/ Formulas

Below are vocabulary to use when saying equations or formulas:

+ plus, and, add	$a \times b = c$ $a$ times (or multiplied by) $b$ equals $c$
- minus, less, subtract	$\frac{a - b}{c}$ $a$ minus $b$ divided by (for over) $c$
÷ divided by	
_ divided by, over	
x multiplied by, times	
= equals, is	

**Example:**  
 Taxable Income x Tax Rate = Tax Payable  
*read: Taxable income times tax rate equals tax payable.*

**11.** Based on the diagram 10.1, please identify the statements below whether they are true or false (T/F).

1. Taxable income is calculated by adding up all sources of income and subtracting deductible expenses.
2. Tax payable and tax credit equals self-paid income tax payable.
3. Taxable income multiplied by tax rate equals tax credit.
4. Self-Paid Income Tax Payable subtracted by the Tax Credit equals Tax Underpayment or Overpayment.
5. Deductible expenses include religious donations, loss carry forward and personal tax relief.

**12.** Below are the progressive tax rates for individual income tax in Indonesia. Explain them to a partner with the appropriate taxable income brackets.



Taxable Income (IDR)	Tax Rate (%)
taxable income $\leq$ IDR60 million	5%
IDR60 million $<$ taxable income $<$ IDR250 million	15%
IDR250 million $<$ taxable income $<$ IDR500 million	25%
IDR500 million $<$ taxable income $<$ IDR5 billion	30%
taxable income $>$ IDR5 billion	35%

**Essential math symbol vocabulary:**

$>$ $\square$ greater than; $\square$ above; $\square$ over $\square$ up to	$<$ $\square$ less than; $\square$ not exceeding; $\square$ below;	$\geq$ $\square$ greater than and/or equal; $\leq$ $\square$ less than and/or equal;
--	--	---

Example: *The tax rate for less than or equal to 60 million rupiah is 5%.*

13.



Below is some of taxpayers' taxable income in a fiscal year. Can you apply the progressive tax rates? How much is the tax payable for each person? Please see the following example.



Tiara earned her annual income with taxable income of IDR240 million in 2022. Referring to the individual tax rate in Indonesia, it means that she is in the 15% tax bracket.

She would calculate her tax payable as follows (in IDR):

The first 60 million from her taxable income **times** 5% **equals** 3 million;

The remainder of the taxable income is 180 million.

180 million **multiplied by** 15% **equals** 27 million.

Then, 3 million **plus** 27 million **equals** 30 million, that is the amount of her tax payable.

**The other taxpayers' taxable income are as follows. Please share with a partner of how much the tax payable of each taxpayer.**

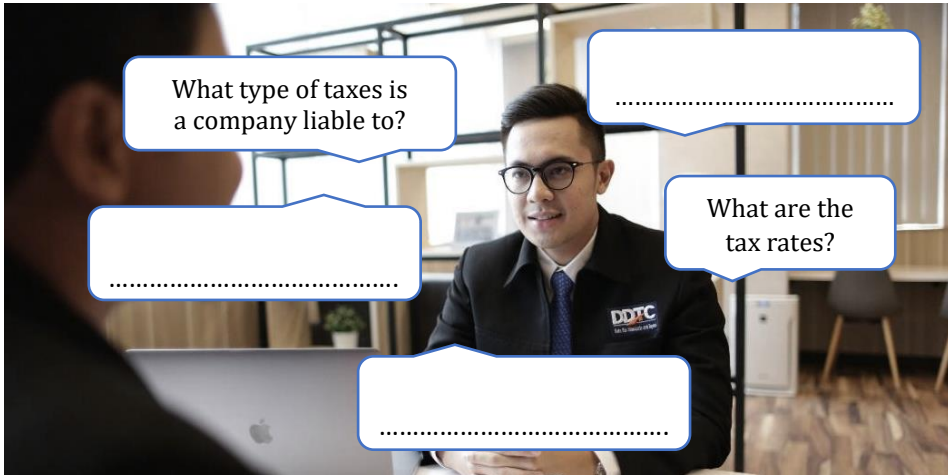
1. Mr. John has taxable income of IDR187 million in a year.
2. In a fiscal year, Budi's taxable income is IDR78 million.
3. Diana earned IDR200 million with IDR144 million of taxable income.
4. Emily has calculated her taxable income of IDR124 million in a year.
5. Regina's annual taxable income is IDR300 million.

# Chapter 3

## Corporate Income Tax

### STARTER

Mr. Irwan is thinking of starting a business. He has some questions to ask to Laura Jones, a tax consultant regarding the tax obligations. Can you think of three more questions to ask?



1.

Read and listen to their conversation and fill in the gaps.



Laura : When you are going to run a (1) \_\_\_\_\_ in Indonesia, you have an obligation to pay corporate (2) \_\_\_\_\_ tax (CIT) according to the Income Tax Law. It says that corporate income tax will be calculated from the net income you earn from the business as the tax (3) \_\_\_\_\_. Therefore, you are highly recommended to bookkeep all the (4) \_\_\_\_\_ within your business operations to prove that your tax calculation is accurate.

Irwan : That's great advice. But what if I have a lack of manpower and decide not to manage the bookkeeping until a certain period? Will it be a significant (5) \_\_\_\_\_?

Laura : It will. All corporate taxpayers are (6) \_\_\_\_\_ to maintain bookkeeping unless your turnover does not exceed 4.8 billion during a tax year. Even so, you still need to retain records as the (7) \_\_\_\_\_ documents for calculating your tax payable. In addition, there is a tax incentive, specifically, for those just starting a new business. If your company (8) \_\_\_\_\_ a turnover of under 4.8 billion during a tax year, you are allowed to implement Government Regulation Number 55 of 2022. It stipulates that your tax payable is 0.5% of your (9) \_\_\_\_\_. Nonetheless, this regulation has a limitation. You can only implement it to your business in the first three to four years.

Irwan : So, what will happen when the turnover rises to more than that amount?

Laura : If your turnover rises to more than 4.8 billion and/or it is already more than 3 years, you must refer back to the applicable statutory tax provisions that is stipulated in the Article 17 of Income Tax Law which (10) \_\_\_\_\_ the tax rates. In that case, you are only allowed to maintain bookkeeping according to your turnover.

Irwan : I would like to know about the tax rates and calculations. But before that, are there any other taxes that I will be liable to when running a business?

Laura : Exactly. While the taxes may vary according to what type of business you will be running and the scope of transactions you will be conducting, I can tell you that corporations usually owe four common taxes such as CIT, Withholding Tax (WHT), Final Tax, and Value Added Tax (VAT). Especially for the VAT, when you become a taxable person for VAT purposes, you are obliged to collect these taxes and remit them to the government.



## Useful Phrases

**How to Say Law****Saying the Name of a Regulation**

Whenever providing sources, in writing or formal speaking context, it is important to mention the appropriate name and number of regulations, such as:

- Law of the Republic of Indonesia **Number 6 of 1983 concerning** General Provisions and Tax Procedures Law **as amended several times, last amended by** Law Number 6 of 2023 concerning The Stipulation of Government Regulation in lieu of Law Number 2 of 2022 concerning Job Creation Into a Law.
- Law of the Republic of Indonesia **Number 7 of 1983 concerning** Income Taxes Law **as amended several times, last amended by** Law Number 7 of 2021 concerning the Harmonization of Tax Regulations.

Format: (Name of Regulation) **Number .... of .... concerning ... as amended by** (if any) ... (*other previous regulation*).

However, in casual conversations, you can mention the concerning topic regulated or the name of regulation only. For examples:



- General Provisions and Tax Procedures Law
- Income Tax Law
- VAT Law

**Referring to the Law**

The following expressions are useful when referring to a law/regulation or explaining its content. Below are the examples:

- **It says** in Article 2 **that...**
- The Article **states/ stipulates/ regulates that...**
- **Referring to** Article 2 paragraph (3), **it is mentioned that...**
- **According to** Article 2 paragraph (3), the employer must...
- **It says here...**
- **This simply means that...**

**Expressing Rights and Obligations**

When explaining the rights and obligation of taxpayers, you can use the expressions below, for example:

- You **are entitled to/ are allowed to/ have the right to/ can...**
- The company **is required to/ is obliged to/ must/ has a duty/ has to...**



2.

Referring to the previous conversation (Page of 31), have a partner and mention the sentences that are using the useful phrases above.



Person A: mention the phrases of referring to law.

Person B: mention the phrases of expressing rights and obligations.

3.

Match the words below with the correct translations:

- |  |   |
|--|---|
| 1. Peraturan Pemerintah                                  | a. Circular                             |
| 2. Peraturan Menteri Keuangan                            | b. Chapter                              |
| 3. Peraturan Dirjen Pajak                                | c. as amended by                        |
| 4. Surat Edaran  | d. Paragraph                            |
| 5. Bab   | e. Article                              |
| 6. Pasal   | f. as last amended by                   |
| 7. Ayat  | g. Government Regulation                |
| 8. s.t.d.d. (sebagaimana telah diubah dengan)            | h. Minister of Finance Regulation       |
| 9. s.t.d.t.d. (sebagaimana telah diubah terakhir dengan) | i. Law of the Republic of Indonesia     |
| 10. Undang-Undang Republik Indonesia                     | j. Director General of Taxes Regulation |

4.

Below is a part of General Provision and Tax Procedure as last amended by Law of the Republic of Indonesia Number 7 of 2021.<sup>6</sup> Read the regulation and have a partner to practice saying the law.



#### CHAPTER II

#### TAXPAYER IDENTIFICATION NUMBER, VAT REGISTRATION, TAX RETURNS AND TAX PAYMENT PROCEDURES

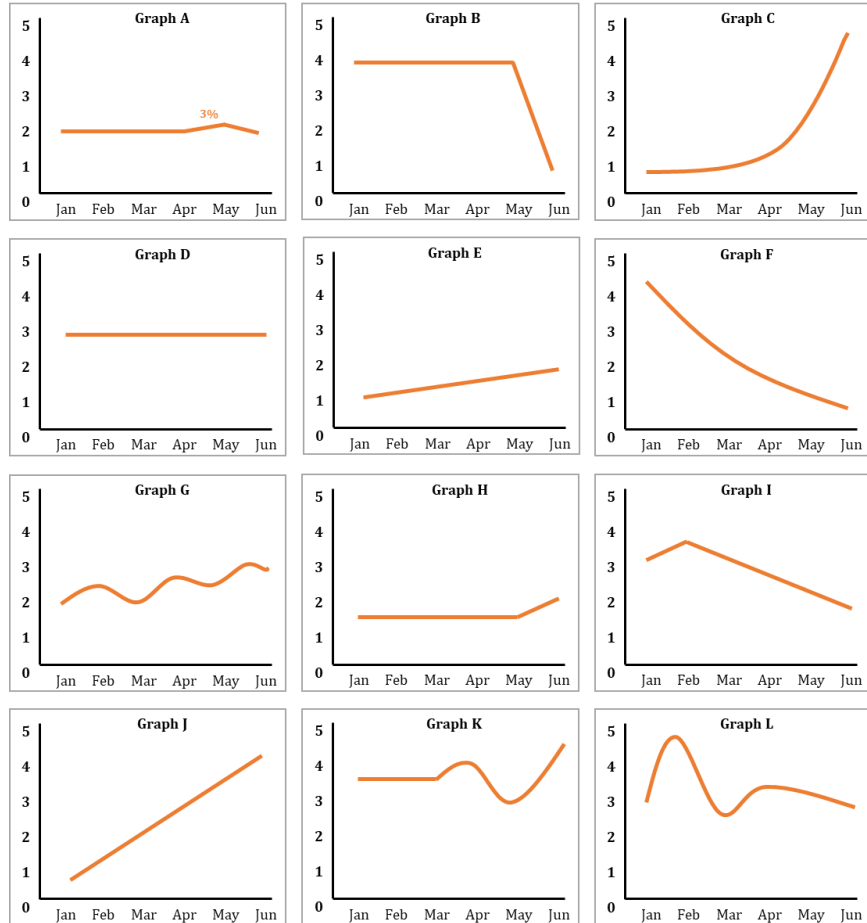
##### Article 2

- (1) Any Taxpayer that has fulfilled subjective and objective requirements as stipulated by statutory tax provisions shall be obliged to register at the office of the Directorate General of Taxes whose working area covers the Taxpayer's residence or domicile and be provided with a Taxpayer Identification Number. **\*\*\***)
- (1a) The Taxpayer Identification Number referred to in paragraph (1) for an individual Taxpayer constituting an Indonesian resident shall use a single identity number. **\*\*\*\*\***)
- (2) Taxpayers constituting Entrepreneurs that are liable to taxes under the Value Added Tax Law of 1984 and the amendments thereto shall be obliged to report their business to the office of the Directorate General of Taxes whose working area covers the Entrepreneurs' residence or domicile and the place of business to be registered as a Taxable Person for VAT Purposes. **\*\*\***)

<sup>6</sup> The Republic of Indonesia. Law of the Republic of Indonesia Number 7 of 2021 concerning The Harmonisation of Tax Regulations.

5.

Accountants often write and present reports on the financial information of the company they work for. Look at the following sentences and decide which graph goes best with the description.



Graph

1. Figures have increased sharply.
2. Figures have increased slightly.
3. This is a significant drop.
4. The first quarter levelled off.
5. This is a gradual drop.
6. The situation is stable.
7. There have been some fluctuations.

8. The situation was bad but is now improving slowly.
9. Profit have been falling since the lay-off in February.
10. Figures have increased steadily.
11. We're hovering at around 3% in May.
12. February reached the highest peak.

## Grammar Corner

### Tenses Used When Talking About Trend

#### 1. Present Progressive

Present Progressive (or known as Present Continuous) tense expresses what is happening right now which is anticipated to continue in the near future.

Form: Present continuous + adverb

Example: The sales *is rising dramatically* at the moment.

#### 2. Present Perfect Simple

The tense is used when talking about something that started in the past and stopped recently.

Form: Present perfect simple + adjective + noun

Example: There *has been a sharp rise* in the sales.

Form: Present perfect simple + adverb

Example: The sales has *risen sharply*.

#### 3. Present Perfect Progressive

This tense indicates that something began in the past and has continued to the present. It has an influence on the present and puts emphasis on the results such as changes and continuing situation.

Form: Present perfect continuous + adverb

Example: The sales *has been rising sharply* since last year.

#### 4. Past Simple

The tense expresses that a change began in the past and ended in the past.

Form: Past simple + adverb

Example: Last year the sales *fell sharply*.

Form: Past simple + adjective + noun

Example: There *was a sharp fall* of sales last year.

7.

**Read the passage and choose the option below which is the opposite word of the rest.**

“Have a look at this. Last year was good. Profits *climbed/ rose/ fell/ went up* dramatically after we launched the tote bag. Here you can see how it affected the rest of the market. The sling bag remained *peaked/ stable/ gradual/ consistent*, which was a bit surprise, but laptop bag was hit quite badly – sales *plunged/ soared/ dropped/ decreased* to almost non-existent. Now look here. This next graph shows what we think will happen next year. Good news again. Everything is going up *sharply/ gently/ a little/ slightly*.”



8.



**The following is an example of income statement<sup>7</sup> that is reconciled with tax provisions for tax return purposes. Referring to the Income Tax Law (ITL) of the Republic of Indonesia, explain to a partner the tax provisions regulating in the tax-reconciled income statement below.**

Description	Commercial (in IDR)	Fiscal Reconciliation		Fiscal (in IDR)	Remarks
		Positive	Negative		
Sales	1,250,000			1,250,000	
<b>Cost of Goods Sold:</b>					
Beginning Inventory	200,000			200,000	
Purchase	1,000,000			1,000,000	

<sup>7</sup> Redaksi DDTCNews, “Contoh Soal dan Jawaban Rekonsiliasi Fiskal,” Internet, can be accessed via <https://news.ddtc.co.id/contoh-soal-dan-jawaban-rekonsiliasi-fiskal-17680>.

Description	Commercial (in IDR)	Fiscal Reconciliation		Fiscal (in IDR)	Remarks
		Positive	Negative		
Ending Inventory	720,000		20,000	700,000	Art. 10 par. 6 ITL
	480,000			500,000	
Gross Income	770,000			750,000	
<b>Operating Expenses:</b>					
Salary expense	55,000			55,000	
Transportation allowance	45,000			45,000	
Meal allowance	6,000			6,000	
Medical allowance	20,000	20,000		0	Art. 9 par. 1 ITL
Training allowance	15,000			15,000	
Security uniform expense	12,000			12,000	
Tax administrative penalties expense	10,000	10,000		0	Art. 9 par. 1 ITL
Loan interest expense	7,000			7,000	
Receivable write-off reserves	5,000	5,000		0	Art. 9 par. 1 ITL
Guest meal without nominative list	10,000	10,000		0	SE-27/ PJ.22/ 1986
Electricity and Telephone expense	24,000			24,000	
Land and Building Tax and Stamp Duty	3,000			3,000	
Fixed-asset depreciation	40,000	5,000		35,000	Art. 11 par. 6 ITL
Insurance premium of firing factory	10,000			10,000	
Fund for Independence Day celebration	5,000	5,000		0	Art. 9 par. 1 ITL
Donation for orphanage of Amalia	8,000	8,000		0	Art. 9 par. 1 ITL
Total of Operational Expenses	275,000			212,000	
Net Income	495,000			538,000	
<b>Income from Outside Business:</b>					

Description	Commercial (in IDR)	Fiscal Reconciliation		Fiscal (in IDR)	Remarks
		Positive	Negative		
Renting vehicle of Fa Sejahtera	9,800	200		10,000	Art. 23 ITL
Foreign exchange gain	5,000			5,000	
Land & Building Tax refund	5,000			5,000	
Current account service from Bank Semesta	2,000		2,000	0	Art. 4 par. 2 ITL
Income from deposit interest	1,000		1,000	0	Art. 4 par. 2 ITL
<b>Total of Income from Outside Business</b>	22,800			20,000	
<b>Expenses from Outside Business:</b>					
Net income from residence	517,800			558.000	
Income from Malaysia	200,000			200.000	
Taxable income	717,800			758.000	

9.

Match the words with their partners and look at the income statement (Exercise 8) again to check.

Inventory	Income	List	Expense
Interest	Depreciation	Exchange	Premium

- |                    |                      |
|--------------------|----------------------|
| 1. Beginning ..... | 5. Fixed-Asset ..... |
| 2. Gross .....     | 6. Foreign .....     |
| 3. Operating ..... | 7. Nominative .....  |
| 4. Loan .....      | 8. Insurance .....   |

Now match the word partners to their definitions.

- All the goods or materials that a business has available carried over from the end of the preceding accounting period.
- Expenses related to carrying out company's business activities.
- The amount of money an individual or company pays for insurance policy.

- d. An accounting method of allocating the cost of a tangible asset over its useful life to account for declines in value over time.
- e. Total amount of income an individual or company received before any deductions or taxes.
- f. The value of one country's currency into another.
- g. The price you might pay for borrowing money from a lender.
- h. The list of transaction details which include the recipient data in the form of name, TIN, address, date, form and type of expenses, amount of expenses.

10.

**Choose the best way to say these numbers.**

IDR45,000

- a. forty-five thousand rupiah
- b. four five thousand rupiah
- c. four five triple oh rupiah
- d. forty and five thousand rupiah

11,500

- a. eleven five hundred
- b. one one five hundred
- c. eleven thousand and five hundred
- d. eleven thousand five hundreds

1998

- a. nineteen ninety-eight
- b. nineteen hundred nine eight
- c. nineteen thousand and ninety-eight
- d. one nine nine eight

2007

- a. two hundred seven
- b. two double oh seven
- c. twenty oh seven
- d. two thousand and seven

538,000

- a. five hundred thirty-eight thousand
- b. five three eight hundred thousand
- c. five hundred, three eight thousand
- d. five hundred thousand thirty-eight thousand

## Useful Phrases

**How to Say Number****In the Hundreds**

435 – four hundred thirty-five

250 – two hundred fifty

974 - nine hundred and seventy-four (British English)

*British English takes "and" following "hundred." American English omits "and".***In the Thousands**

16,680 – sixteen thousand and six hundred eighty

876,450 – eight hundred seventy-six thousand four hundred fifty

423,714 – four hundred twenty-three thousand seven hundred fourteen

**In the Millions**

3,540,000 – three million five hundred forty thousand

28,205,227 – twenty-eight million two hundred five thousand two hundred twenty-seven

913,700,000 – nine hundred thirteen million seven hundred thousand

When expressing large numbers, the order is as follows: billion, million, thousand, hundred. Notice that hundred, thousand, million, etc. is NOT followed by an "s:"

**Percentages**

15% - fifteen percent

89% - eighty-nine percent

2% - two percent

**Sums of Money**

IDR33,000 - thirty-three thousand rupiah

IDR150,000,000 - one hundred fifty million rupiah

\$23,35 – twenty-three dollars and thirty-five cents

\$110,50 - one hundred ten dollars and fifty cents

**Ordinal Numbers**

1st    first                    5th    fifth

2nd    second                    17th    seventeenth

3rd    third                        21st    twenty-first

**Years**

1993    nineteen ninety-three

2007    two thousand and seven

2018    two thousand and eighteen (or twenty eighteen)



**11. Now, listen to Laura Jones explaining the tax rates and the formulas.**



**Corporate Income Tax Rate in Indonesia for:**

2022 & 2023 = (1) .....

Public-listed company\* = (2) .....

**The Calculation formulas**

The formulas to calculate tax payable is based on the gross turnover accrued during a tax year. Below are the formulas for:

Under IDR4.8 billion = (3) .....

IDR4.8 – IDR50 billion = (4) .....

(entitled to facilities)

(5) .....

(not entitled to facilities)

Above IDR50 billion = (6) .....

**12. Read and practice explaining the tax calculation below of PT Smile to your partner with several guiding questions below.**



A resident company in Indonesia, PT Smile produces dental products. Based on the company's financial statements, in the 2022 tax year, PT Smile earned a gross turnover of IDR4.5 billion with taxable income of IDR500 million. How much is income tax payable for the 2022 tax year?

Income Tax Payable in the 2022 Tax Year =

Tax Rate x Taxable Income\*

(50% x 22%) x IDR500 million

= IDR55 million

*\*The calculation is done based on Indonesia Income Tax Law.*

1. Can you explain the tax provision used in the calculation?
2. What is the formula and the tax rate in the calculation?
3. Explain the calculation process to the result.

13.

**Some other common tax calculations are given below. Match the ratios with the formulas (1-5) and the definitions (a-e).**

Income Tax Payable • Taxable Income • Tax Instalment •  
Underpayment/Overpayment • Taxable Income with Facilities

- 1)  $\text{Income Tax Payable} - (\text{Tax Credit} + \text{Tax Instalments}) =$
- 2)  $\text{Taxable Income} \times \text{Tax Rate} =$
- 3)  $\text{Income} - \text{Deductible Expense} =$
- 4) Income Tax Payable =  
12
- 5)  $\text{Taxable income} \times (50\% \times 22\%) =$

**Now match them with the definitions.**

- a) an amount of income tax that must be paid in a certain tax period.
- b) a condition when a taxpayer is paying tax exceeding or less than what is due.
- c) known as Angsuran Pajak, the amount of money with certain tax calculation that is paid on monthly basis to the state.
- d) an amount of income tax that must be paid in a certain tax period with the applicable provisions under Article 31E ITL.
- e) The tax base in calculating the income tax you owe in a given tax year.

**14.** Listen to the conversation between a tax manager with his tax accountant. What are the deductible expenses mentioned?



Deductible:	Non-deductible:

**15.** Listen again and choose the synonyms to replace the words mentioned in in the conversation.

1. We have (*divided/ compiled/ separated*) all the payment receipts from all departments.
2. The HR department (*made/ missed/ lost*) some (*compulsory/ necessary/ added*) expenses.
3. It (*stays/ ceases/ discontinue*) the same to the previous months.
4. Can I see the number after the expenses are (*reduced/ expanded/ kept*)?

**16.** Are the following statements true or false?

1. Traveling expenses are deductible.
2. Only HR department has incurred expenses.
3. Cost of training are included in non-deductible expense.
4. Taxable income is obtained after deducting expenses.
5. There are no new non-deductible expenses in the month.

17.

A manager has asked his accountant to explain depreciation. Listen and answer the questions.



1. What happens with depreciation?

---

2. How do accountants do this?

---

3. What are the five methods of depreciation applicable in accounting?

a. s\_\_\_\_\_ l\_\_\_\_\_

b. d\_\_\_\_\_ -d\_\_\_\_\_ b\_\_\_\_\_

c. s\_\_\_\_\_ - of-the-y\_\_\_\_\_ -d\_\_\_\_\_

d. u\_\_\_\_\_ of p\_\_\_\_\_

e. h\_\_\_\_\_ of u\_\_\_\_\_

4. How is straight-line method applied?

---

---

18.



**Prepare a short presentation on Depreciation. First, read the questions below and note down your answers. Then, organise your notes and give your presentation to the class.**

1. What do you know about the five methods of depreciation?
2. What depreciation method does your company use on its assets?
3. Why has your company chosen the method?



# Chapter 4

## Value Added Tax

### STARTER

When purchasing goods and/or receiving services, a person might be burdened the value added tax. What do you understand about the note on the picture below? How much is the tax imposed?

**The total price is IDR7,770,000.**

*Note:*

**Taxable goods include the Value Added Tax (VAT) of 11%.**



1.

**Below are some characteristics of Value Added Tax in Indonesia. Please choose the appropriate word to complete the sentences.**

multi stage • destination • consumption • neutral • indirect

1. Value Added Tax is the tax on ..... expenditure.
2. The ..... principle imposes VAT on domestic consumption, regardless of where the goods and/or services originate.
3. Based on procedures for the tax collection, VAT is an ..... tax.

- 4. VAT is classified as ..... tax, which is carried out in stages from the manufacturer to the final consumer.
- 5. The tax collection is not influenced by the economic decisions of producers or consumers which makes VAT .....

**2. Please choose below the taxable objects as stipulated in the Indonesian VAT law. Circle three of them and check your answer.**

- a. Individual and Corporate Income
- b. Export of Taxable Services
- c. Hospitality and Catering Services
- d. Import and/or Export of Taxable Goods
- e. Sales Value of Taxable Object
- f. Supplies of Taxable Goods and/or Taxable Services within the Customs Area by Entrepreneurs

**3. Listen to the conversation below between a tax manager and the CEO of the company and choose the correct answer below.**



- 1. The new tax law stipulates some goods are now taxable.
- 2. Naturally, taxable goods are not subject to VAT.
- 3. The tax incentive mentioned allows the taxable goods to be subject to VAT non-collected.
- 4. The company should not register as a Taxable Person for VAT Purposes to issue and submit tax invoices.
- 5. VAT non-collected means the taxable goods which tax is not collected yet creditable.
- 6. Taxable persons for VAT purposes are responsible to submit all the tax invoices to the CEO.
- 7. VAT should be filed on a monthly and yearly basis.

8. The materials in the business production are acquired from one vendor.
9. The CEO rejects the proposal from the tax manager.
10. The tax manager should note the deadline of implementation of the new tax regulation.

4.

**What is the similar meaning of some expressions below?**

- |                               |                          |
|-------------------------------|--------------------------|
| 1. That is reasonable.        | a) The other way around. |
| 2. ... and vice versa.        | b) What do you think?    |
| 3. ... fully occupied with... | c) That is acceptable.   |
| 4. What would you say?        | d) Not a big deal.       |
| 5. Not a problem.             | e) engaged with          |

**Grammar Corner****Conjunctions in English**

A conjunction is a word or phrase that joins words, phrases, clauses, or sentences back to one another. Conjunctions such as “and” are commonly used and can be found in both simple and complex sentences:

- The VAT incentives are VAT Non-Collected *and* Exempt from VAT.  
(Connects two nouns)
- The goods are taxable, and they are subject to VAT.  
(Connects two sentences)

The use of conjunctions helps us make our sentences shorter, less repetitive and less confusing. According to the group of functions, there are three types of conjunctions. They are coordinating, correlative and subordinating conjunctions. Find them as follows.



**1. Coordinating conjunctions:** Connect two or more equal grammatical elements in a sentence. Coordinating Conjunctions include:

**for, and, nor, but, or, yet, and so**

**Examples:**

- The tax is collected *and* remitted by Taxable Person for VAT Purposes.
- Value Added tax is collected in a multi-stage *yet* non-cumulative system.

**2. Correlative conjunctions:** are pairs of conjunctions that work together. Each pair of correlative conjunctions has a different function. The pairs are:

**both/and, either/or, neither/nor, not only/but, whether/or**

**Examples:**

- *Both* goods *and* services are naturally taxable. (Two same things)
- *Whether* you have any transaction *or* not, you should file the periodic tax return with the status of nil.

**3. Subordinating conjunctions:** join independent and dependent clauses. Depending on how the clauses are related, a subordinating conjunction may indicate a cause-and-effect relationship, a comparison, or some other kind of relationship. The conjunctions are:

**after, although, as, as if, as long as, as much as, as soon as, as though, because, before, by the time, even if, even though, if, in order that, in case, in the event that, now that, once, only, only if, provided that, since, so, supposing, that, though, till, unless, until, when, whenever, where, whereas, wherever, whether or not, while**

**Examples:**

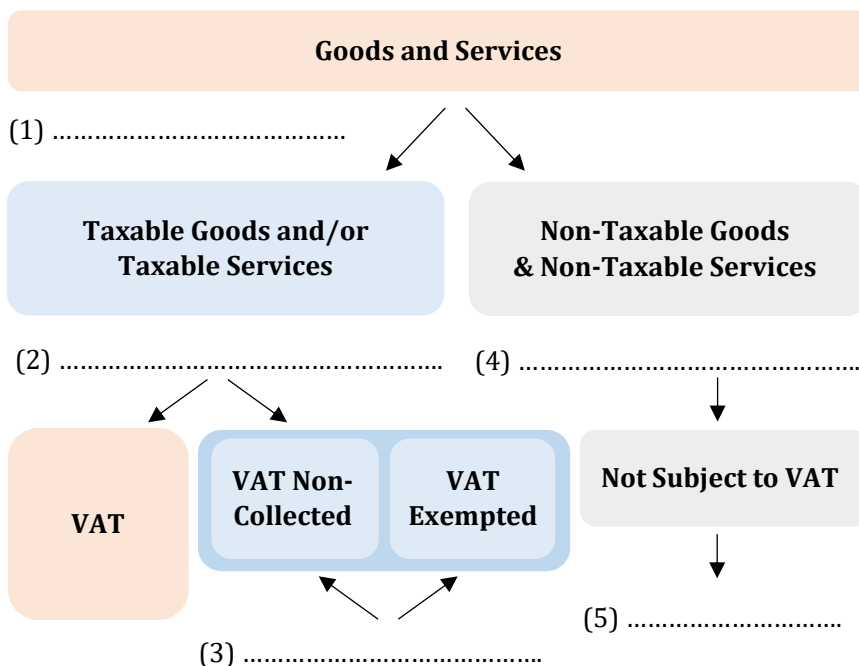
- *When* Sally bought a bag, she was subject to VAT at a rate of 11% of the price.
- Value added tax is imposed to any person, *so* it is objective.
- VAT is imposed to any goods and services, *unless* they are included in the negative list.

5. Listen to the conversation (Exercise 3) and write the conjunctions you heard in the conversation.



- |                    |         |
|--------------------|---------|
| 1. <i>as</i> ..... | 4. .... |
| 2. ....            | 5. .... |
| 3. ....            |         |

6. Complete the matrix with the phrases below.



- a) These two are called VAT incentives.
- b) are meant to be
- c) may be grouped into two as follows:
- d) means they are subject to
- e) The VAT Law adheres to the negative list.

**Did You Know?**

**Why Goods, not Products?**

According to Oxford Learner’s Dictionaries, the word ‘Goods’ refer to *things that are produced to be sold* and the word ‘Products’ refer to *a thing that is grown, produced or created, usually for sale*.

From the definition above, the word goods represent the things to be sold in general. While products are produced and created in a sequence of process to be a thing that is going to be sold.

7.

**Listen to the conversation between a new entrepreneur with a tax consultant. Complete the conversation below.**



- Tax Consultant : How can I help you, Sir?
- Entrepreneur : I have received some orders from the local (1) \_\_\_\_\_ here for a few times, but I could not proceed the orders since I am identified as a Non-Taxable Person for (2) \_\_\_\_\_. What should I do with that?
- Tax Consultant : It's true. A Non-Taxable Person for VAT Purposes is not (3) \_\_\_\_\_ to supply taxable goods and/or taxable services to the government agencies. You have to register yourself as a (4) \_\_\_\_\_ for VAT Purposes. Only then, you can supply your products which might be taxable goods and/or taxable services to them. Now, let's check if you are eligible. After receiving the (5) \_\_\_\_\_ documents regarding your company's profile and financial statements, your company is eligible to register, Sir. We have started to identify the products that you sell up to the financial position you are at now.
- Entrepreneur : Glad to know that. Then, what happens if I become a Taxable Person for VAT Purposes?
- Tax Consultant : Good question! The first is (6) \_\_\_\_\_ the solution to your problem. You can sell your products to government agencies. Second, you are entitled to (7) \_\_\_\_\_ input VAT, which these two will (8) \_\_\_\_\_ you.
- Entrepreneur : How does tax credit work?
- Tax Consultant : Before I share with you the idea of a tax credit, let me explain four (9) \_\_\_\_\_ as a Taxable

Person for VAT Purposes. First, preparing and (10) \_\_\_\_\_. Second, collecting VAT when supplying goods and/or services. Third, remitting VAT. And forth, filing (11) \_\_\_\_\_. This may be seen as a burden to your company yet an acknowledgement that you operate VAT registered business.

Entrepreneur : Do you think my company is capable of doing that?

Tax Consultant : To answer that, you could plan more budget for hiring (12) \_\_\_\_\_manpower in the tax department in your company, which (13) \_\_\_\_\_ to the idea of considering the cost and the potential profit from the (14) \_\_\_\_\_. Since you would like to sell your products to government agencies, that may add more (15) \_\_\_\_\_to your company.

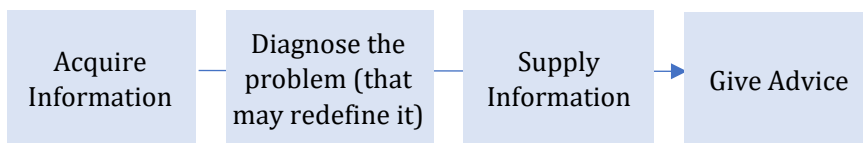
8.

### Match these words with their translations.

- |                                     |                               |
|-------------------------------------|-------------------------------|
| 1. VAT Registration                 | a. Faktur Pajak               |
| 2. Taxable persons for VAT Purposes | b. SPT Masa PPN               |
| 3. Tax Credit                       | c. Pajak Masukan              |
| 4. Input VAT                        | d. Faktur Pajak Digunggung    |
| 5. Output VAT                       | e. Pengukuhan PKP             |
| 6. Tax Invoice                      | f. Kode <i>Billing</i>        |
| 7. Retail Invoice                   | g. Pajak Keluaran             |
| 8. VAT Payable                      | h. Pengusaha Kena Pajak (PKP) |
| 9. Billing Code                     | i. PPN Terutang               |
| 10. Periodic VAT Return             | j. Kredit Pajak               |

### Giving Advice and Suggestions

Before giving advice, you should acquire necessary information and understand the taxpayer's problems. The goal is the taxpayer is well-informed about the tax law and regulations in relation to the problems and what may help him/her.



In English, Modals of Advice consist of *Should*, *Must*, *Ought to*, *Had better*. These modal verbs are helping verbs that articulate ideas like **ability, advice and obligation**. The use of one modal verb can be interpreted in multiple ways according to the situation. For example:

“You *should* register yourself a Taxable Person for VAT Purposes.”

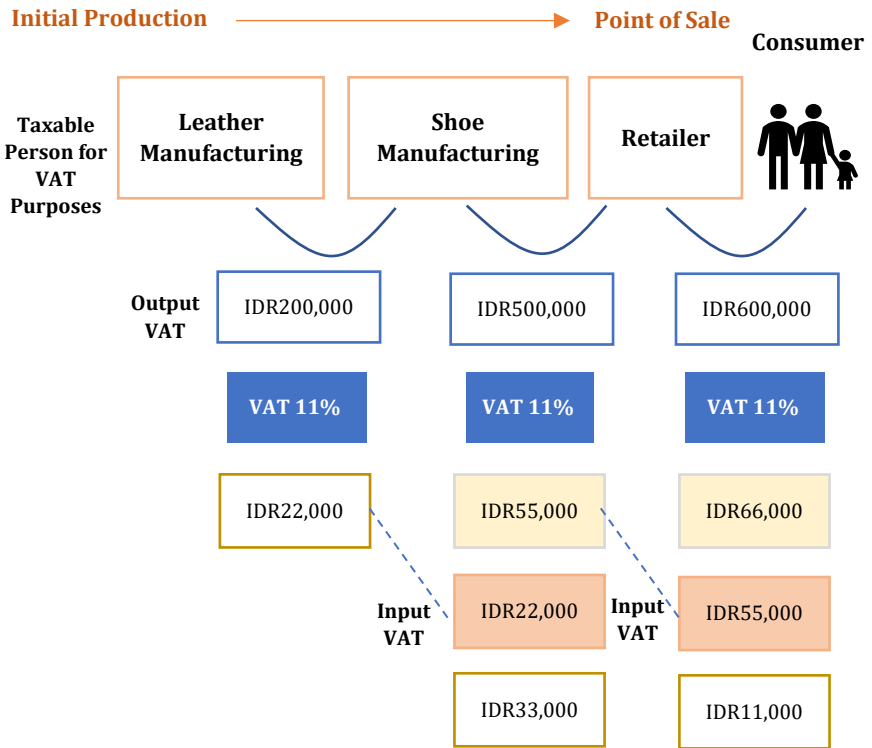
The word *should* refer to three possible meanings below:

- You are entitled to register (right).
- You had better register (advice).
- You are obliged to register (obligation).

Modal verbs are always followed by the simple form of a verb. Other common verbs used when giving advice are *suggest* and *recommend*. Please find other examples as follows:

should	You should consider the manpower.
must	You must enclose the required documents.
ought to	You ought to submit it through online platform.
had better	You had better pay the tax on time.
suggest	I (would) suggest writing your tax officer. I (would) suggest that you work on your financial report.
recommend	I (would) recommend that you empower your tax department on this matter. I (would) recommend filing the periodic tax return on schedule.

9. Below is an illustration of how tax on goods and/ services that is levied at each stage of the supply chain where value is added. This is what makes tax credit works. Please order the process below.



Please order the sentences (a-j):

<p>a) In this case, a leather manufacturing company sells leather to a shoe manufacturing company, the shoe manufacturing company sells the shoes to the wholesaler and the wholesaler to retailer. Next, the retailer sells the shoes to end customers.</p>	—
<p>b) After production, the shoe manufacturing company sells the shoes to a retailer with the price of IDR500,000 per pair of shoes. The collected VAT of 11% is IDR55,000 which becomes the output VAT for the shoe manufacturing company.</p>	5

<p>c) <i>The leather manufacturing company sells the products to a shoe manufacturing company with the price of IDR200,000 and collects the VAT of 11%. The leather manufacturing company will remit the VAT payable of IDR22,000 to the state.</i></p>	<p>—</p>
<p>d) <i>For the shoe manufacturing company, IDR22,000 of VAT collected by the leather manufacturing company is an input VAT.</i></p>	<p>—</p>
<p>e) <i>Value Added Tax is a tax imposed on goods and/or services that is levied at each stage of the supply chain from initial production to the point of sale.</i></p>	<p>1</p>
<p>f) <i>Every Taxable Person for VAT Purposes above is obliged to remit taxes to the state and the final amount of VAT borne by the consumer is IDR66,000, which is 11% of the price the final consumer paid.</i></p>	<p>—</p>
<p>g) <i>A pair of shoes is bought by a consumer from a retailer with the price of IDR600,000. The collected VAT of 11% is IDR66,000 which is called the output VAT for the retailer.</i></p>	<p>—</p>
<p>h) <i>The output VAT minus input VAT, the VAT payable of shoe manufacturing company is IDR33,000. The company will remit VAT payable of IDR22,000 to the state.</i></p>	<p>6</p>
<p>i) <i>For the retailer, IDR55,000 of VAT collected by the shoe manufacturing company is an input VAT.</i></p>	<p>—</p>
<p>j) <i>The output VAT minus input VAT, the retailer's VAT payable is IDR11,000. The retailer will remit VAT payable of IDR11,000 to the state.</i></p>	<p>9</p>



**10.** What are found in a tax invoice? Please match them with the English terminology.

Kode dan Nomor Seri Faktur Pajak : (a)		
Pengusaha Kena Pajak (b)		
Nama :		
Alamat :		
NPWP : (c)		
Pembeli Barang Kena Pajak / Penerima Jasa Kena Pajak (d)		
Nama : NIK/Paspor :		
Alamat :		
NPWP :		
No.	(e) Nama Barang Kena Pajak / Jasa Kena Pajak	(f) Harga Jual/Penggantian/Uang Muka/Termin
Harga Jual/Penggantian/Uang Muka/Termin*		
Dikurangi Potongan Harga (g)		
Dikurangi Uang Muka yang Telah Diterima (h)		
Dasar Pengenaan Pajak (i)		
Total PPN (j)		
PPnBM:		
Tarif	DPP	PPnBM
%	Rp	Rp
%	Rp	Rp
%	Rp	Rp
%	Rp	Rp
Jumlah		Rp
		....., tanggal .....
		.....
		Nama

\*) Coret yang tidak perlu

- 1. Taxable Persons for VAT Purposes (.....)
- 2. Taxable Goods or Taxable Services (.....)
- 3. Discount Price (.....)
- 4. The code and serial number of the tax invoice ( a )
- 5. Selling price/consideration/down payment/term payment (.....)
- 6. Tax Identification Number (.....)
- 7. Buyer of Taxable Goods or Recipient of Taxable Services (.....)
- 8. Tax Base (.....)
- 9. Down payment (.....)
- 10.Total VAT payable (.....)



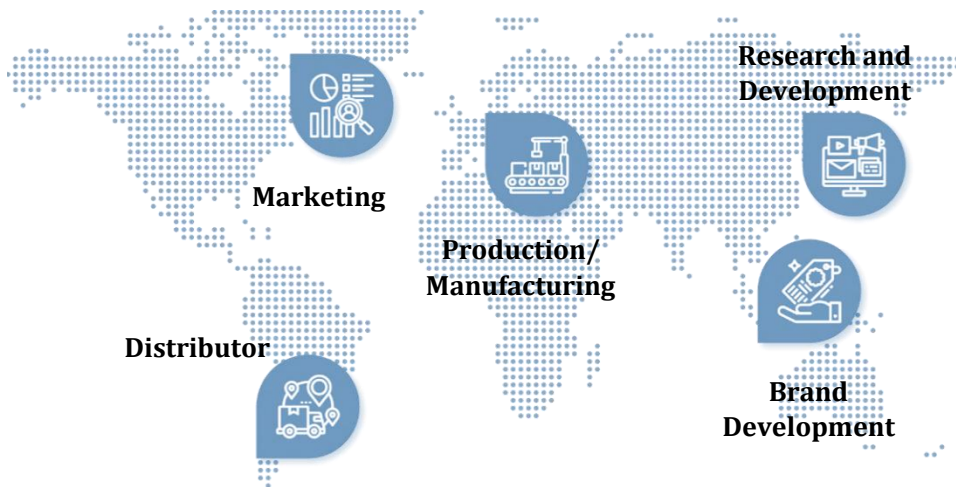


# Chapter 5

## International Taxation & Transfer Pricing

### STARTER

Due to globalisation and digitalisation, a multinational enterprise group can easily distribute its entities around the world and perform various functions. This business integration opportunities leads the multinational enterprise group to gain more profits.



1.

Please choose one example of a large multinational enterprise group and discuss the following questions.



1. In which entity and country, the value creation is created and located?
2. Which country is entitled to get a highest return and bear the risk?
3. What do international organization suggest in respect to the matter?

2.

Double taxation agreement (DTA) is designed to avoid double taxation between two countries. Match the key terms below with the terms in Bahasa Indonesia and have a partner to explain what they mean in your own words.



1. Certificate of Domicile
2. Habitual abode
3. Nationality
4. Permanent Establishment
5. Contracting States
6. Competent Authority

- 7. Source of income
- 8. Mutual Agreement
- 9. Beneficial Owner
- 10. Place of incorporation

**Now match the expressions with the terms below.**

- |                                |                                  |
|--------------------------------|----------------------------------|
| a. Surat Keterangan Domisili   | f. Otoritas yang Berwenang       |
| b. Bentuk Usaha Tetap          | g. Pemilik Manfaat               |
| c. Sumber Penghasilan          | h. Kebiasaan Menetap             |
| d. Kewarganegaraan             | i. Negara Pihak pada Persetujuan |
| e. Tempat perusahaan didirikan | j. Persetujuan Bersama           |

**3. Listen to the conversation between a foreigner, Mr. John and an officer of a tax consultant firm. Answer the questions below.**



1. What is the business field that Mr. John is currently running?  
 \_\_\_\_\_  
 \_\_\_\_\_
2. What is Mr. John looking for?  
 \_\_\_\_\_  
 \_\_\_\_\_
3. What is the purpose of a tax treaty?  
 \_\_\_\_\_  
 \_\_\_\_\_
4. Mention the two basic requirements to be a Permanent Establishment.  
 \_\_\_\_\_  
 \_\_\_\_\_
5. What will happen when a company has become a Permanent Establishment in Indonesia?  
 \_\_\_\_\_  
 \_\_\_\_\_

**4.** What are required to be a Permanent Establishment (PE) in your country? What differs the domestic tax law and OECD DTA in terms of PE criterion? Discuss with a partner.



**5.** Read the information from the tax treaty between Indonesia and the United States of America (USA)<sup>8</sup>. Then work in groups and discuss the case studies given based on the convention below.



#### Article 4 FISCAL RESIDENCE

1. In this Convention, the term "resident of a Contracting State" means any person who under the laws of that State is liable to tax therein by reason of his domicile, residence, place of incorporation, place of management or any other criterion of a similar nature. For purposes of United States tax, in the case of a partnership, estate, or trust, the term applies only to the extent that the income derived by such person is subject to United States tax as the income of a resident, either in its hands or in the hands of its partners or beneficiaries.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States:
  - a) he shall be deemed to be a resident of that Contracting State in which he maintains his permanent home. If he has a permanent home in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of that Contracting State with which his personal and economic relations are closest (center of vital interests);
  - b) if the Contracting State in which he has his center of vital interests cannot be determined, he shall be deemed to be a resident of that Contracting State in which he has a habitual abode;
  - c) if he has an habitual abode in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of the Contracting State of which he is a citizen; and
  - d) if he is a citizen of both Contracting States or of neither Contracting State, the competent authorities of the Contracting States shall settle the question by mutual agreement.

For purposes of this paragraph, a permanent home is the place where an individual dwells with his family.

3. An individual who is deemed to be a resident of one of the Contracting States and not a resident of the other Contracting State by reason of the provisions of paragraph 2 shall be deemed to be a resident only of the first-mentioned Contracting State for all purposes of this Convention, including Article 28 (General Rules of Taxation).
4. Where by reason of the provisions of paragraph 1 a company is a resident of both Contracting States, when it shall be deemed to be a resident of the State in which it is organized or incorporated.

<sup>8</sup> Directorate General of Taxes. The Tax Treaty Between the Government of the Republic of Indonesia and the Government of the United States of America.

## Which tax residents of Contracting States are they?

### CASE 1

Mr. Michael is coming from the USA. He has been working in Indonesia for more than 10 years and has a permanent home in Indonesia. Every December, he will go back to the USA and celebrate the Christmas at his parent's house. He usually comes back to Indonesia a month later.

### CASE 2

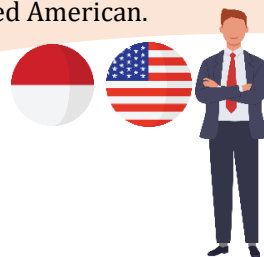
Mr. Andre is an Indonesian who is running a distribution business in the USA. He is a husband to his wife and a father to two of his children. However, his wife and the children live in Indonesia. Mr. Andre will stay in the USA every two weeks in a quarter. His nationality remains Indonesian.

### CASE 3

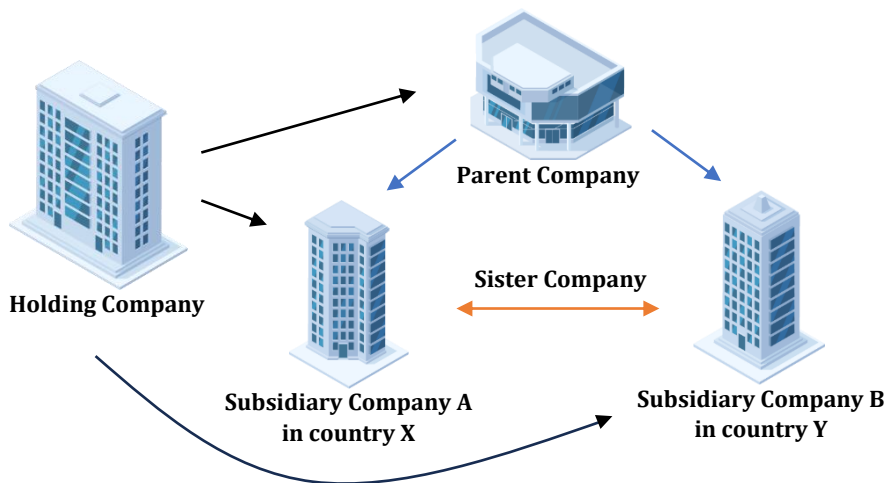
Ms. Lindsay resides in the USA and works for a multinational company. She originally came from Indonesia and decided to change her citizenship to be American. Once her application was approved, she never goes back to Indonesia. It has been 5 years since she received her citizenship.

### CASE 4

Mr. Luke is an American who is married to an Indonesian. In Indonesia, he lives in a rented apartment. While that, he also has a permanent home in America where his wife and children live. He is running a construction business in Indonesia and able to supervise it remotely. Habitually, he visits his family every other month to America. Nevertheless, his nationality is remained American.



6. Below are some of company ties. See the relations and identify the definitions.



1. \_\_\_\_\_: a relationship between two or more subsidiary companies that have the same parent company.
2. \_\_\_\_\_: a company owned or controlled by another company. Also known as a “daughter” company.
3. \_\_\_\_\_: a company that controls over companies through stock ownership but usually does not produce goods and/or services itself.
4. \_\_\_\_\_: a company that has its operations and owns other companies.

7. Listen to a lecture on the topic of Transfer Pricing and take notes according to the questions below.



**(1) What is Transfer Pricing?**

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**(2) What are controlled transactions?**

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**(3) How is the concept of transfer pricing in a neutral sense?**

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**(4) How do countries respond to transfer pricing manipulation?**

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**(5) How would you define Arm's Length Principle?**

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**(6) With the transfer pricing regulation enforced, how do multinational companies take it?**

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**(7) What are the three documents should be prepared in Transfer Pricing Documentation?**

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8.

**Based on the lecture in Exercise 7, please identify the statements below whether they are true or false (T/F).**

1. Controlled transactions are conducted between parties with the same industry.
2. The transactions are including supplying products and rendering services only.
3. When conducting controlled transaction, companies should comply with the Arm's Length Principle (ALP).
4. Transfer Pricing (TP) Documentation provides economic analysis that supports the price setting.
5. The only TP Documentation required is local file.

## Useful Phrases

**Highlighting Sources**

When preparing a local file, you are creating an analysis to justify the pricing you set compared to other companies within the similar industry. You can structure your analysis in a clear and logical way by having sources to support it. The sources may be from news, articles, journals etc. What you write and why you write will determine what kind of supporting sentence you choose. If you want to persuade your audience to take a particular stance, you should use facts, statistics, and concrete examples instead of personal opinions. Below are kind of supporting sentences that you may highlight from sources:

**Reasons**

Economic growth can result in an increase in demand for insurance because the object of insurance is the risk of all assets/interests, goods, services or people, that drive the economy.

**Facts**

The driving challenges for mining operations include remote job sites, vehicles that have large blind spots, long hours, and rigid schedules to maintain production, and narrow roads over steep drops.

**Statistics**

Under the new five-year plan starting in 2021, the country is aiming to have new energy vehicles account for about 20% of total car sales by 2025.

**Quotation**

The CEO of the company said, "The partnership will be mutually beneficial and super synergetic."

**Examples**

For instance, the country has emerged a new infrastructure construction.

9.

**Choose one industry and practice analysing the industry trend and find the sources to support your arguments.**



1. What may happen to the demand during the time? Why?
2. Can you describe the supply chain in this industry?
3. What are other substitute products available?
4. Name the competitors in the market.





10.

Now prepare a short presentation on the industry analysis you are preparing just before. You may like to use the following structure to plan your talk.



## Useful Phrases

### Planning a Talk

No matter what language it is in, a good talk has a very clear structure. Below are the four main elements of a talk/ presentation.

#### (1) Introduction

- Hello/Hi everyone. Thanks for coming.
- Good morning everyone and welcome to my presentation. First of all, let me thank you all for coming here today.
- Good morning, ladies and gentlemen. It's an honor to have the opportunity to meeting you today.

#### (2) Main Body

- I've divided my presentation into three (main) parts: (A, B & C).
- First (of all), I'll be looking at (X), second (Y) , and third (Z) .
- I'll begin / start off by explaining ...

#### (3) Summary

- Let me just run over/through the key points again.
- To conclude/In conclusion, I'd like to...
- In short/In a word/In a nutshell/In brief/To sum up,

#### (4) Conclusion

- That covers just about everything I wanted to say about...
- As a final point, I'd like to...
- Finally, I'd like to highlight one key issue.

Write your talking points below:

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## The Basic Parts of Effective Email

Below are the basic parts of effective email and useful phrases to use.

**New Message**

To → To whom you are going to send the email (recipients)

Cc → (Copy Carbon) Who receives the email for information or reference only, but are not expected to reply

Subject → Subject line summarizes the email and makes it sound important enough for the recipients to open

**(1) Greeting (Salutation)**  
→ To address the recipients' name

**Email body (Content)** → Contains the message of the email

**(2) Making connection**  
**(3) Reason for emails**  
**(4) Call to action/ precise question**

**(5) Closing**  
→ Gives some closing phrases and final closing

### (1) Greeting

- Dear Mr/Ms \_\_\_\_\_, (less formal: Hello/hi \_\_\_\_\_,)
- Good morning/afternoon/evening \_\_\_\_\_,

### (2) Connection

- Hope this email finds you well.
- Thank you for your prompt response.
- I really enjoyed our discussion today.

### (3) Reasons for the email

- *Referring to* the last contact between us, ....
- With this email, I would like to...
- I am contacting you regarding...

### (4) Call to action/ Precise Question

- Could you send me your input/feedback by Friday?
- Would this be possible for you?
- Should you have any time preference, kindly let me know.

### (5) Closing

- We are available for any questions or concerns you may have.
- Best regards, / With best regards / Warm regards

11.

Below are some examples of email talking about Transfer Pricing related matters with a client. Please identify the purpose of the email with the five possible reasons below.

Sending the local file draft or final local file • Arranging Kick-off Meeting • Arranging meeting for sharing the final version of local file • Requesting Data / Information of Entity • Clarifying the Information

**Email 1:** \_\_\_\_\_

Dear Mr. Whites,

Thank you for choosing us to assist you in preparing the local file. To share our initial plan for preparing this, we would like to invite you to attend the kick-off meeting on Thursday, 30 June 2022 at 2 p.m. virtually through Google Meet.

- During the meeting, our discussion will include:
- Business activity conducted and the supply chain;
- FAR (functions performed, assets used, and risks assumed);
- Pricing policy; and so forth.

Kindly confirm if the time suits you well. Should you have any time preference, please feel free to suggest. Thank you!

Best regards,  
Dean

**Email 2:** \_\_\_\_\_

Dear Bapak Budi,

It was a pleasure meeting you today.

In connection with our previous discussion during the meeting, please help to provide the required documents as follows.

**Required document list:**

- Controlled loan agreement valid in FY 2021 (Main agreement and Addendum);
- Independent loan agreement valid in FY 2021; and
- Amount of interest income/expense in FY 2021.

As agreed, kindly help share the documents by Friday, 1 July 2022.  
Thank you!

Best regards,  
Lindsey

**Email 3:** \_\_\_\_\_

Dear Ms. Woods,

Hope you had a nice weekend.

I am writing to check with you regarding the annual report you shared previously. I noticed that there are missing cells in the sheet.

Could you tell me if I have received the latest one, please? If yes, I wonder if you could explain me what has happened with the numbers.

Look forward to hearing from you. Thank you!

Best regards,  
Claire

12. Now, practice writing the other two emails with the rest of the reasons. Have a partner to cross-check and practice answering the email.

**Email 4:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

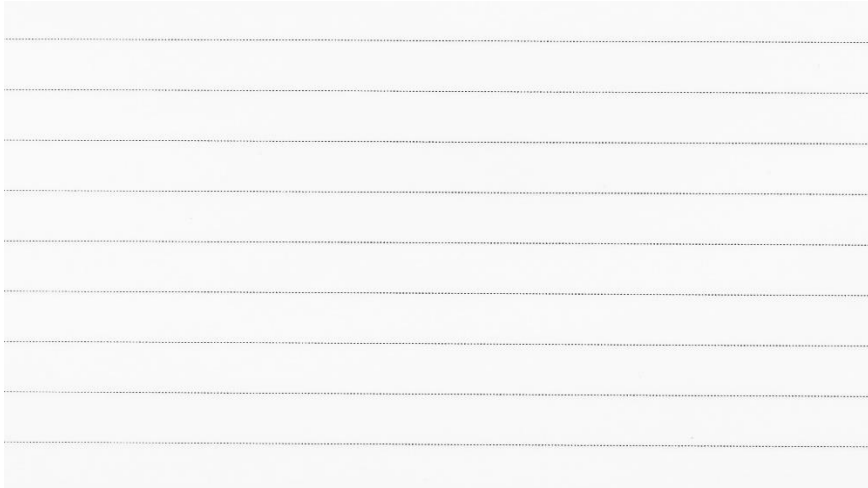
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Email 5:**



## Answer Key:

### CHAPTER 1

#### Chapter 1 – Exercise 2

1. *Menghitung*
2. filling
3. to pay
4. *Menyetor*
5. registration
6. *Memungut*
7. withholding
8. to comply (with)
9. *Menerapkan*
10. issuance
11. *Memenuhi*
12. requirement
13. qualification
14. to attach
15. *Mewajibkan*
16. notification
17. *Mengangsur*
18. *Menunda*
19. to prepare
20. assessment

#### Chapter 1 – Meeting New People

1. It's a pleasure to meet you.
2. It's good to see you.
3. Pleased to meet you.
4. It's nice meeting you.
5. Good morning.
6. Hi, I am Andrew.
7. My name's Claire.
8. Nice to meet you, too.

#### Chapter 1 – Exercise 4

1. What do you think of the weather today, Miss Norah?
2. Follow me this way, please.  
Would you like to have a cup of tea?
3. So, how can I assist you?

4. Do you have any concern about this?
5. Your concern is valid.

#### Chapter 1 – Exercise 6

1. Tax Identification Number
2. Taxpayer's Name
3. Identity Number
4. Address
5. Tax Office

#### Chapter 1 – Exercise 7

1. *Orang Pribadi*
2. *Badan*
3. *Warisan*
4. *Tempat tinggal*
5. *Dalam Negeri*
6. *Luar negeri*
7. *Keberadaan*
8. *Kekayaan*
9. *Gaji*
10. *Upah*
11. *Tunjangan*
12. *Komisi*
13. *Penggantian*
14. *Imbalan*
15. *Keuntungan*
16. *Royalti*
17. *Gratifikasi*
18. *Laba Usaha*
19. *Yang berhak atas warisan*
20. *Pewaris*

#### Chapter 1 – Exercise 8

1. inheritance
2. heiresses
3. resident
4. presence
5. domicile
6. gains
7. business profit
8. allowance

**Chapter 1 – Exercise 9**

1. Resident – Non-resident: status of taxpayers.
2. Commence – Cease: showing the period when something begins and stops.
3. Grant – Reject: to allow or not allow someone something, usually in an official way.
4. Mandatory – optional: something that must be done or is demanded by law; if not, then it is optional.
5. Register – Deregister: to put some personal information, into an official list or record; and to delete them from the record.

**Chapter 1 – Exercise 10**

1. True
2. False
3. True
4. False
5. True

**Chapter 1 – Exercise 12**

1. imposed on
2. subject to
3. comply with
4. impact on
5. derived from

**Chapter 1 – Exercise 13**

1. e    8. l
2. i    9. h
3. f    10. j
4. g    11. c
5. d    12. b
6. k
7. a

**Chapter 1 – Exercise 14**

1. Certified Public Accountant (CPA)
2. Indonesia Institute of Certified Public Accountant (IICPA)

3. a. Certified Public Accountant (CPA)  
b. public accountant firm, 5 years  
c. 2 years  
d. audit, 20 projects, two, industry  
e. team leader

**Chapter 1 – Exercise 15**

1. c    5. g
2. f    6. d
3. b    7. a
4. e

**Chapter 1 – Exercise 16**

1. Three, they are: Tax Consultant Certificate Level A, B, and C.
2. The services rendered to different taxpayers
3. Tax Consultant Certificate Level C.
4. To boost the team's performance with her expertise in accounting.
5. The HR team will guide her with a preparation program within the company.

**Chapter 1 – Exercise 17**

1. day-to-day
2. income
3. building
4. vendor
5. reconciliation
6. return
7. errors
8. assessment
9. relationship
10. updated

**Chapter 1 – Exercise 18**

1. planning
2. mitigating
3. strategies
4. tax-related
5. outsourced

**Chapter 1 – Exercise 19**

1. d
2. c
3. a
4. e
5. b

**CHAPTER 2****Chapter 2 – Exercise 2**

1. Lawyer: *Pengacara*
2. Doctor: *Dokter*
3. Painter: *Pelukis*
4. Sportsman: *Olahragawan*
5. Consultant: *Konsultan*
6. Author: *Pengarang*
7. Researcher: *Peneliti*
8. Photographer: *Fotografer*
9. Broker: *Perantara*
10. Salesperson: *Petugas penjaja barang dagangan*
11. Moderator: *Moderator*
12. Architect: *Arsitek*
13. Accountant: *Akuntan*
14. Agency: *Agensi*
15. Artist: *Artis*
16. Notary: *Notaris*
17. Appraiser: *Penilai*
18. Actuary: *Aktuaris*
19. Musician: *Pemusik*
20. Comedian: *Pelawak*
21. Playwright: *Pemain drama*
22. Trainer: *Pelatih*
23. Translator: *Penerjemah*
24. Engineer: *Teknisi*

**Chapter 2 – Exercise 3**

1. Client 1: Laura Chiang  
The jobs/source(s) of income:  
General Manager at a  
manufacturing company  
Staff  
Employee
2. Client 2: Ibu Diana

Their jobs/source(s) of income:  
General Practitioner (doctor),  
running a clinic and boutique  
Staff/ Entrepreneur/ Freelancer  
Employee/Non-Employee

3. Client 3: Ibu Mila  
Their jobs/ source(s) of income:  
content creator, running a beauty  
clinic and restaurant  
Entrepreneur/ Freelancer  
Non-Employee

**Chapter 2 – Exercise 4**

1. earned
2. obtained
3. gained
4. earned
5. gain
6. obtained
7. earn
8. obtain

**Chapter 2 – Exercise 5**

1. *Bunga deposito*
2. *Bunga tabungan*
3. *Diskonto Sertifikat Bank Indonesia (SBI)*
4. *Hadiah undian*
5. *Bunga simpanan koperasi*
6. *Bunga obligasi*
7. *Penjualan saham di bursa efek*
8. *Pengalihan hak atas tanah dan/atau bangunan*
9. *Persewaan tanah dan bangunan*
10. *Jasa konstruksi*
11. *Dividen*
12. *Revaluasi aset*
13. *Penjualan kripto*
14. *Omset UMKM (Usaha Mikro, Kecil, dan Menengah)*

**Chapter 2 – Exercise 6**

1. To connect client with the tax consultant



2. On the next day at 9 a.m.
3. The officer's fine with the time proposed
4. Online via virtual meeting platform or offline at the tax consulting firm

**Chapter 2 – Exercise 7**

1. True
2. False
3. False
4. True
5. False
6. False
7. True
8. False
9. False
10. False

**Chapter 2 – Exercise 9**

1. I would like to share with you three things that...
2. What are the applicable compensations?
3. Can you explain in a little more detail about...
4. Also, it might be important for you to know that...

**Chapter 2 – Exercise 11**

1. True
2. False
3. False
4. True
5. True

**CHAPTER 3**

**Chapter 3 – Exercise 1**

- |                |               |
|----------------|---------------|
| 1. business    | 6. obliged    |
| 2. income      | 7. required   |
| 3. base        | 8. earns      |
| 4. transaction | 9. turnover   |
| 5. issue       | 10. regulates |

**Chapter 3 – Exercise 3**

- |      |       |
|------|-------|
| 1. g | 6. e  |
| 2. h | 7. d  |
| 3. j | 8. c  |
| 4. a | 9. f  |
| 5. b | 10. i |

**Chapter 3 – Exercise 5**

- |      |       |
|------|-------|
| 1. c | 7. g  |
| 2. h | 8. e  |
| 3. b | 9. i  |
| 4. k | 10. j |
| 5. f | 11. a |
| 6. d | 12. l |

**Chapter 3 – Exercise 7**

1. fell
2. peaked
3. soared
4. sharply

**Chapter 3 – Exercise 9**

1. Beginning Inventory – a
2. Gross Income – e
3. Operational Expense – b
4. Loan Interest – g
5. Fixed-Asset Depreciation – d
6. Foreign exchange rate – f
7. Nominative list – h
8. Insurance Premium – c

**Chapter 3 – Exercise 10**

1. a
2. c
3. a
4. d
5. a

**Chapter 3 – Exercise 11**

1. 22%
2. 19%
3.  $(50\% \times 22\%) \times \text{taxable income}$  (entitled to facilities)
4.  $(50\% \times 22\%) \times \text{taxable income}$

- (not entitled to facilities)  
 5. 22% x taxable income  
 6. 22%

**Chapter 3 – Exercise 13**

1. Underpayment/Overpayment – b
2. Income Tax Payable – a
3. Taxable Income – e
4. Tax Instalment – c
5. Taxable Income with Tax Facilities – d

**Chapter 3 – Exercise 14**

Deductible: travelling expenses, promotional expenses, and cost of training

Non-deductible: premiums for health and accident insurance

**Chapter 3 – Exercise 15**

1. compiled
2. made, added
3. stays
4. reduced

**Chapter 3 – Exercise 16**

1. True
2. False
3. False
4. True
5. True

**Chapter 3 – Exercise 17**

1. Company's assets lose value over time and enable a company to deduct an asset's cost gradually till the useful life is at the end of its life.
2. Look at the cost of the item and take away its estimated residual value and apply the depreciation method chosen in determining deductible expense for tax purposes.
3.
  - a. straight line
  - b. double-declining balance
  - c. sum-of-the-year's-digits
  - d. unit of production
  - e. hours of use

4. To calculate the equal depreciation expense throughout the entire useful life of an asset until the entire asset is depreciated to its salvage value.

**CHAPTER 4****Chapter 4 – Exercise 1**

1. Consumption
2. Destination
3. Indirect
4. Multi Stage
5. Neutral

**Chapter 4 – Exercise 2**

b, d, f

**Chapter 4 – Exercise 3**

- |      |       |
|------|-------|
| 1. T | 6. F  |
| 2. F | 7. T  |
| 3. T | 8. F  |
| 4. F | 9. F  |
| 5. T | 10. T |

**Chapter 4 – Exercise 4**

1. c
2. a
3. e
4. b
5. d

**Chapter 4 – Exercise 5**

1. As
2. Since
3. Whenever
4. Though
5. While

**Chapter 4 – Exercise 6**

1. c
2. d
3. a
4. b
5. e

**Chapter 4 – Exercise 7**

1. government agencies
2. VAT Purposes
3. entitled
4. taxable person
5. required
6. absolutely
7. credit
8. benefit
9. obligations
10. issuing tax invoices
11. periodic VAT return
12. capable
13. leads me
14. market
15. revenues

**Chapter 4 – Exercise 8**

1. e
2. h
3. j
4. c
5. g
6. a
7. d
8. i
9. f
10. b

**Chapter 4 – Exercise 9**

- a) 2
- b) 5
- c) 3
- d) 4
- e) 1
- f) 10
- g) 8
- h) 6
- i) 7
- j) 9

**Chapter 4 – Exercise 10**

1. b
2. e
3. g
4. a
5. f
6. c
7. d
8. i
9. h
10. j

**CHAPTER 5**

**Chapter 5 – Exercise 2**

1. a
2. h
6. f
7. c

3. d
4. b
5. i
8. j
9. g
10. e

**Chapter 5 – Exercise 3**

1. Building construction or residential property development
2. Related information about applicable Indonesian tax obligation in building construction
3. Preventing double taxation
4. The construction exists in Indonesia and continues for more than 120 days.
5. The company will be entitled to a tax resident in Indonesia and have to fulfil the Indonesian tax obligation

**Chapter 5 – Exercise 5**

1. Resident taxpayer of Indonesia
2. Resident taxpayer of Indonesia
3. Resident taxpayer of USA
4. Resident taxpayer of USA

**Chapter 5 – Exercise 6**

1. Sister company
2. Subsidiary company
3. Holding company
4. Parent company

**Chapter 5 – Exercise 8**

1. F
2. F
3. T
4. T
5. F

**Chapter 5 – Exercise 11**

1. Arranging Kick-off Meeting
2. Requesting Data / Information of Entity
3. Clarifying the Information

# Transcript

## Chapter 1 – Exercise 3

- Robin : Good morning, Ms. Norah. It's a pleasure to meet you today. I am Robin James, the tax consultant who will be dedicated to assisting you.
- Julia : Hi, Mr. Jones. Pleasure to meet you too. I appreciate your help.
- Robin : Follow me this way, please. What do you think of the weather today, Miss Norah?
- Julia : Today is fine. The sky may look gloomy, but I don't think it will rain soon. Yet, I am always prepared with an umbrella inside my bag.
- Robin : I think so too. Hopefully it will rain just in the night so it's easier for everyone to finish the work during the day. Would you like to have a cup of tea?
- Julia : Sure, thank you.
- Robin : It's my pleasure. We are more than glad having you visiting us at our firm. Well, I have learned your business reports in the past three months and they are so impressive. Now I wonder how I can assist you.
- Julia : As I informed you earlier, I am the one recording the business turnover. Now I'm planning to escalate the revenue and focus on the business growth. Therefore, I will hire an accountant to help me with the bookkeeping and tax matters.
- Robin : That's totally inspiring. Do you have any concern about this?
- Julia : Yes, basically I would like you to guide me in the tax planning for my newly established company. It will be great if I am fully aware of how my company will do the tax management so I can manage the expectation with the accountant I'll hire.
- Robin : Well, your concern is valid. But before we go to the tax planning, why don't we start with the four tax obligations that all taxpayers should fulfil, including companies?
- Julia : I'd love to listen to them.
- Robin : They are to register as a taxpayer, to calculate tax payable, to pay the tax and to file the tax return. These four are the basics in the fulfilling tax obligations.

## Chapter 1 – Exercise 10 &amp; 12

- Tax Accountant : Welcome on board, Miss Gilmore! We are glad to have you in our company. As you may be aware of, we have detailed the total amount of salary that you will receive every month in the offering letter.
- Ms. Gilmore : Yes, it is clear.
- Tax Accountant : Perfect. I also would like to emphasise that the amount of tax imposed on your income will be borne by the company. We would ensure that you have no issue with the tax you will be subject to as an employee and the tax obligation you must comply with. After this, we will assist you in registering yourself to obtain a tax identification number and you will be a resident taxpayer in this country.
- Ms. Gilmore : I'm grateful for that.
- Tax Accountant : Basically, what we will do is to withhold your income tax by applying the progressive tax rates for resident taxpayers. You are entitled for several deductions on your income which will greatly impact on the tax calculation. Your taxable income is derived from the income after deductible expenses. With that being said, we are fully taking care of your tax calculation and remittance. You don't have to worry at all.

## Chapter 1 – Exercise 14

- Andrew : Hi, I am Andrew. I'm a Senior Specialist of Tax Compliance and Litigation division under Mrs. Whites' supervision.
- Clare : Hi, I am Clare, a new specialist in the division. I think we have the same manager. Mrs. Whites interviewed me during the recruitment process.
- Andrew : Oh, great! Nice to meet you, Clare.
- Clare : Nice to meet you, too! I'm supposed to meet Mrs. Whites at 9 a.m., but I think I've arrived too early. Now it's just 8.30 a.m.
- Andrew : First day is always an important day, isn't it? Why don't we have a cup of coffee? I'll show you the cafeteria.
- Clare : Sure, thanks.
- Andrew : What was your last educational experience, Clare?
- Clare : I attended the Certified Public Accountants exam administered by the Indonesian Institute of Certified Public Accountant (IICPA). Prior to joining this company, I worked in a public accountant firm.

- Andrew : Wonderful. We've got a CPA in our team now! What are the professional requirements to be a CPA?
- Clare : To fulfil the requirements of a CPA, I need to have 5-year experience in a public accountant firm, at least 2 years as a professional auditor and render audit services in (at least) 20 projects in two different industrial fields. Moreover, I have to perform as the team leader 10 times in every assignment I'm in charge of.
- Andrew : Wow, you're experienced!

### Chapter 1 – Exercise 16

- Mrs. Whites : One of the challenges many tax consultants face when rendering services is that they need more expertise in analysing client's financial statement. With your background, I believe that you can support the team with your expertise in accounting.
- Clare : Thank you, Mrs. Whites! I'll do my best.
- Mrs. Whites : My most pleasure! I'm glad that you have been in this stage, as you are a certified CPA. For your expertise development, I encourage you to obtain a certification of tax consultant.
- Clare : I'd love to.
- Mrs. Whites : You don't need to worry, because our company is really supportive. We arrange some classes for the exam preparation. What's on your thought?
- Clare : I think I can prepare myself as soon as possible.
- Mrs. Whites : Great. Let me talk to the HR team and they will guide you with the preparation program. They will share the schedule. Just to give you a brief overview, there are three levels of certification to become a licensed tax consultant which differ from the scope of services. Certification A is to become a tax consultant for Individual Taxpayers, Certification B is to become a tax consultant for Individual to Corporate Taxpayers and only holders of Certification C may serve as tax consultants for Taxpayers in relation to the multinational companies and international taxation. You can take the exams sequentially. You will also have to submit some required documents, including the bachelor's degree certificate.
- Clare : It's noted.
- Mrs. Whites : If you wish to do initial research, you can go to the official website of the tax consultant certification organising

committee, it's [kp3skp.or.id](http://kp3skp.or.id). They will hold the Exam Certification of Tax Consultants (USKP) twice a year.

### Chapter 1 – Exercise 18

- Mr. Joe : As we are aware of the dynamics on Indonesian tax regulations, the government of Indonesia has released and implemented Law No. 7 of 2021. What are the key changes that will impact on our business activities?
- Mr. Deny : Several changes lie on the raising tax rate of Value Added Tax which will impact on our production expense. Nonetheless, the fringe benefit that we provide for employees has become deductible expense. This can reduce the significant tax payable we have.
- Mr. Joe : Great. Please help to prepare the tax planning. Identify the tax risk and how we can mitigate it. We have to highlight the changes and offer some suggestions to the management team when making strategies.
- Mr. Deny : It's noted. Mr. Joe, regarding the tax auditing this month, we have already sent all the required tax-related documents. Now the team is working on that.
- Mr. Joe : Thanks for updating me. Good job. Alright, we can finish our meeting. For the tax planning, please update me with the progress this Wednesday. If you think we need some expert advices from tax consultants, let me know.

### Chapter 2 – Exercise 3

Officer : This week, we have three new clients who are individual taxpayers.

The first one is Laura Chiang. She is an expatriate employee for a manufacturing company in Indonesia as the General Manager. She earns IDR150 million per month and receives several fringe benefits from the company. Besides, she has other wealth and wonder of how to file the tax return.

The second one is Ibu Diana. She is a general practitioner for a public hospital in Jakarta. She has two other jobs that are running her own clinic at her house and a boutique with her

partner. She needs us to guide and assist her in filing her tax return.

The third one is Ibu Mila. She is a content creator who mainly endorses and promotes her client's products on social media. In addition, she has beauty clinic and a restaurant in South Jakarta.

## Chapter 2 – Exercise 6

- Officer : Good morning, Miss Chiang. We would like to arrange a meeting to connect you with our consultant who will assist you with your needs. Her name is Ibu Lidia. She is experienced in handling expatriates' tax returns. So, when would be a good time for you?
- Taxpayer : Well, I am glad to know that. Tomorrow at 9 a.m. should be fine.
- Officer : Would you prefer the meeting to be online via virtual meeting platform or onsite at our office?
- Taxpayer : Can we make it onsite, please? I'd love to talk in person.
- Officer : Sure. I would like to confirm that the meeting will be held tomorrow at 9 a.m. at our office. The objective of the meeting is that you can share all the information on the sources of your income and any fringe benefits you receive from the company you are working at. If you can bring us some supporting documents to show, that will enrich our discussion as well.
- Taxpayer : Well noted, I'll bring some as I could.
- Officer : That's perfect. Thank you so much, Miss Chiang.  
Have a nice day and see you tomorrow!

## Chapter 3 – Exercise 1

- Laura Jones : When you are going to run a business in Indonesia, you have an obligation to pay corporate income tax (CIT) according to the Income Tax Law. It says that corporate income tax will be calculated from the net income you earn from the business as the tax base. Therefore, you are highly recommended to bookkeep all the transaction within your business operations to prove that your tax calculation is accurate.
- Irwan : That's great advice. But what if I have a lack of manpower and decide not to manage the bookkeeping until a certain period? Will it be a significant issue?



- Laura Jones : It will. All corporate taxpayers are obliged to maintain bookkeeping unless your turnover does not exceed 4.8 billion during a tax year. Even so, you still need to retain records as the required documents for calculating your tax payable. In addition, there is a tax incentive, specifically, for those just starting a new business. If your company earns a turnover of under 4.8 billion during a tax year, you are allowed to implement Government Regulation Number 55 of 2022. It stipulates that your tax payable is 0.5% of your turnover. Nonetheless, this regulation has a limitation. You can only implement it to your business in the first three to four years.
- Irwan : So, what will happen when the turnover rises to more than that amount?
- Laura Jones : If your turnover rises to more than 4.8 billion and/or it is already more than 3 years, you must refer back to the applicable statutory tax provisions that is stipulated in the Article 17 of Income Tax Law which regulates the tax rates. In that case, you are only allowed to maintain bookkeeping according to your turnover.
- Irwan : I would like to know about the tax rates and calculations. But before that, are there any other taxes that I will be liable to when running a business?
- Laura Jones : Exactly. While the taxes may vary according to what type of business you will be running and the scope of transactions you will be conducting, I can tell you that corporations usually owe four common taxes such as CIT, Withholding Tax (WHT), Final Tax, and Value Added Tax (VAT). Especially for the VAT, when you become a taxable person for VAT purposes, you are obliged to collect these taxes and remit them to the government.

### Chapter 3 – Exercise 11

- Laura Jones : The income tax law in Indonesia has always been changing rapidly. In the last two years (2022-2023), the rate has remained the same which is 22%. Public-listed companies with total paid shares traded on the stock exchange in Indonesia of a minimum of 40% that fulfil certain requirements are eligible for a 3% lower rate.
- Those with a gross turnover under IDR4.8 billion may enjoy facilities that may reduce the income tax payable, which is 50% times 22%, multiplied by taxable income.

Between IDR4.8 until IDR50 billion, there are two main process in the calculations. First, taxable income that is entitled to facilities, will be imposed 50% times 22% rate. The remainder is taxable income that is not entitled to facilities will be imposed 22%.

Above IDR50 billion, 22% times the taxable income.

### Chapter 3 – Exercise 14

- Tax Manager : So, what about expenses this month?  
 Tax : We have collected all the payment receipts from all departments.  
 Accountant : We incurred some additional expenses in April. For example, the Human Resources department incurred three additional expenses such as travelling expenses, promotional expenses, and cost of training.
- Tax Manager : Great. So, they are deductible. What about the non-deductible expenses?  
 Tax : They remain the same as the previous months. There are premiums for health and accident insurance. As stipulated in the Article 9 of Income Tax Law, premium insurance that is not paid by employer, the cost therefore becomes non-deductible expense to the company.  
 Accountant : Can I see the number after the expenses are deducted?  
 Tax : Here you go. Our final taxable income results IDR4 billion.  
 Accountant :

### Chapter 3 – Exercise 17

- Tax : As requested, I have prepared a list of different types of  
 Accountant : depreciation methods that are applicable in accounting and taxation.
- Tax Manager : Great.  
 Tax : We understand that depreciation and amortisation explain how a  
 Accountant : company's assets lose value over time and enable a company to deduct an asset's cost gradually till the useful life is at the end of its life. The assets include tangible and intangible property or costs. Basically, we look at the cost of the item and take away its estimated residual value. Then, we use a depreciation method to write it off and finally to determine the deductible expense for calculating tax payable.
- Tax Manager : Very clear.

**Tax Accountant** : In accounting, there are five ways of doing this. There are straight line, double-declining balance, sum of the year's digits, unit of productions, and hours of use method.

However, according to the Income Tax Law of the Republic of Indonesia, there are two applicable depreciation methods that are the straight-line method and the double-declining balanced method.

The straight-line method reports an equal depreciation expense throughout the entire useful life of asset until the entire asset is depreciated to its salvage value. The salvage value of assets has been stipulated in Indonesia tax laws.

Meanwhile, the double-declining balance method shifts larger depreciation expenses toward the beginning of the asset's useful life so that expenses decrease as the asset nears its salvage value. As a result, the double-declining balance method depreciates assets more quickly than straight-line does.

### Chapter 4 – Exercise 3

**Tax Manager** : As the new tax law has been released, what implies to us is that the materials in our production are now taxable. Nonetheless, they are all granted VAT incentives which allow us not to collect and pay the tax.

**CEO** : Okay, that's good news. Is there anything we should worry about?

**Tax Manager** : Yes, there is. Since some materials are now taxable, we are obliged to register the company as a Taxable Person for VAT Purposes. It means that we have a new responsibility regarding the tax invoices whenever we receive any supplies and vice versa. Though the materials are not subject to VAT, we will receive tax invoices with a note of Non-collected VAT and must submit all the tax invoices to the online official platform called e-Faktur. Furthermore, all these should be filed every month and at the end of year.

**CEO** : That is reasonable.

**Tax Manager** : With this, I would like to propose hiring a new staff to support my team in this matter. Our team is already fully occupied with the regular tasks. As our materials are all sourced from different vendors and delivered in daily basis, we need a dedicated person to handle this. What do you say?

- CEO : Not a problem. Please coordinate with the HR team regarding the qualifications and to announce the job vacancy. Thank you for the update, Mr. Erick. Really appreciate it. While we are waiting for the new hire, please mind the deadline to implement the new regulations.
- Tax Manager : Sure, I will. Thank you, Sir.

### Chapter 4 – Exercise 7

- Tax Consultant : How can I help you, Sir?
- Entrepreneur : I have received some orders from the local government agencies here for a few times, but I could not proceed the orders since I am identified as a non-taxable person for VAT Purposes. What should I do with that?
- Tax Consultant : It's true. A non-taxable person for VAT Purposes is not entitled to supply taxable goods or taxable services to the government agencies. You have to register yourself as a taxable person for VAT Purposes. Only then, you can sell your products to them. Now, let's check if you are eligible.
- After receiving the required documents regarding your company's profile and financial statements, your company is eligible to register, Sir. We have started to identify the products that you sell up to the financial position you are at now.
- Entrepreneur : Glad to know that. Then, what happens if I become a taxable person for VAT Purposes?
- Tax Consultant : Good question! The first is absolutely the solution to your problem. You can sell your products to government agencies. Second, you are entitled to credit input VAT, which these two will benefit you.
- Entrepreneur : How does tax credit work?
- Tax Consultant : Before I share with you the idea of a tax credit, let me explain four obligations as a taxable person for VAT Purposes. First, preparing and issuing tax invoices. Second, collecting VAT when supplying goods or services. Third, remitting VAT. And fourth, filing periodic VAT return. This may be seen as a burden to your company yet an acknowledgement that you are VAT registered.
- Entrepreneur : Do you think my company is capable of doing that?
- Tax Consultant : To answer that, you could plan more budget for hiring capable manpower in the tax department in your company, which leads me to the idea of considering the cost and the potential return

from the market. Since you would like to sell your products to government agencies, that may add more revenues to your company.

### Chapter 5 – Exercise 3

- Mr. John : Hi, my name is John. I am from Double-J Construction based in Los Angeles. My company has recently received an inquiry from Indonesia to build a residence in Bali.
- Tax Consultant : That's great news!
- Mr. John : It is. Yet, I would like to know about the Indonesia tax obligation that I should consider regarding this project. I am now gathering the data, so our company can manage the budgeting including the taxes. We would like to know the overview of the tax provisions in Indonesia, specifically whatever is subject to tax in relation to construction, so we can conduct a good negotiation with our client afterwards.
- Tax Consultant : Perfect! Well, I bet you know that Indonesia and United States have entered into a tax treaty that will prevent double taxation. You can find that construction is stipulated in the treaty and your construction will be a Permanent Establishment when it exists in the country and continues for more than 120 days.
- Mr. John : Noted.
- Tax Consultant : Great. When you have been finally established as a Permanent Establishment in Indonesia, you can fulfil your tax obligation according to the Indonesian tax law. You have to pay your tax to the source country which is Indonesia. Now I am going to show you the Indonesian tax provisions regarding income tax on Permanent Establishment.

### Chapter 5 – Exercise 7

There are numerous ways to connect two or more affiliated entities. One company can belong to another company, yet two companies may belong to the same third company. Another instance is the same person serving the same job position for two different companies. All of these companies are under the same company group that is called Multinational Enterprise (MNE).

Having such ties, the entities often conduct transactions between themselves. One subsidiary company may sell goods or render services to its parent company or sister company with a special price charged. This price setting between related parties is generally called Transfer Pricing.

As stipulated in the Minister of Finance of the Republic of Indonesia Number 213/PMK.03/2016, Transfer Pricing is the pricing in a Controlled Transaction. Controlled Transaction is referred to the transaction conducted between parties under common ownership or that have special relationship.

Most common, related parties are supplying products and rendering services to each other. Related parties may also engage in less visible transactions such as intellectual property transactions and financing or lending between controlled entities.

Transfer pricing becomes an instrument in managing the internal market efficiently, maximising profit after tax globally, and minimising business risk. The existence of group synergy allows the companies that are members of the company group to obtain benefits that generally cannot be enjoyed by independent companies in similar situations. The examples include combined purchasing power, economies of scale, unified management, or increased lending capacity.

However, Multinational Enterprises often use Transfer Pricing as a tax avoidance tool. For example, a company may raise expenses where taxes are high and exaggerate revenues where taxes are low. This behaviour is known as transfer pricing manipulation that bring harms to countries. Countries may lose its potential tax revenue since the value of taxable income does not match the actual conditions.

To anticipate the harm that transfer pricing manipulation causes, many countries reacted to interfere the practice. United by the global organisations such as Organisation for Economic Co-Operation and Development (OECD) and United Nations (UN), these organisations create Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and United Nations Practical Manual on Transfer Pricing for Developing Countries.

Both Transfer Pricing Guidelines and UN Transfer Pricing Manual have become a set of recommendations where countries can then create their own domestic regulations regarding transfer pricing.

Including Indonesia, the country has been able to enforce the law on the domestic transfer pricing since 2010 and been continuously updating the regulations. Essentially, the regulation requires companies to comply with the Arm's Length Principle. The Arm's Length Principle is regulated in in Article 18 paragraph (3) of the Indonesian Income Tax Law.

According to the principle, in the event that the conditions of the transaction between related parties and transaction between uncontrolled entities are the same or comparable, the price or profit of both transactions must be equal.

To be clear, the price or profit in the transaction conducted between the related parties must be within the price range or profit range in the transaction between parties without a Special Relationship used as the comparable.

To respond to the enforcing law on domestic transfer pricing, multinational

companies have put more attention on reviewing the company's pricing policy along with the tax risk management and prepare necessary transfer pricing documentation. The transfer pricing documentation will provide economic analysis that support the price setting whenever challenged by tax authorities.

Referring to Article 2 paragraph (3) of the Minister of Finance of the Republic of Indonesia Number 213/PMK.03/2016, it is mentioned that Transfer Pricing Documentation consists of master file, local file, and/or country-by-country report.

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## Authors



**DARUSSALAM** is the Founder of DDTC. His main expertise are international taxation and comparative tax law. The author is acknowledged as a tax expert at the District Court, the Corruption Court, the Tax Court, and the Constitutional Court. He has been chosen as the government's expert in Tax Amnesty Law and Exchange of Information for Tax Purposes judicial review.

The author was mentioned as one of the World's Leading Transfer Pricing Advisers 2018 in Indonesia by TP Week, International Tax Review, United Kingdom. In 2019, the author was conferred the Edutax Award as an Educative Figure in Tax Awareness Inclusion Program 2019 by the Directorate General of Taxes. He was also a respected member of Tax Revenue Optimization Steering Committee (TOPP) in 2016, appointed by Minister of Finance Decree No 73 Year 2016.

Further, based on Minister of Finance Law Number 729/KMK.03/2019, the author was selected as a member of the Committee of Tax Consultant Certification (USKP) in the period of 2019–2022. He was selected as an Advisor to the Tax Reform team by Minister of Finance Decree Number 885 of 2016. Since 2018, the author has served as the General Chairperson of the Indonesia Association of Universities' Tax Centre (ATPETSU) which in December 2022 changed to be Indonesia Association of Tax Centre and Tax Academical (PERTAPSI). Moreover, he is also appointed as the Coordinator of the Consultative Board of Tax Accountant Compartment, the Indonesian Institute of Accountants (IAI-KAPj) in the period of 2018–2022 and the period of 2022–2026.

### Formal Education

- Bachelor's degree in Accounting from the Faculty of Economics and Business (FEB) Sebelas Maret University.
- Master's degree in Tax Policy and Administration (M.Si) University of Indonesia.
- Advanced Master's degree in European and International Tax Law (LL.M Int. Tax) from the European Tax College (Tilburg University, The Netherlands and Katholieke Universiteit Leuven, Belgium).

### International Courses and Seminars

- "European Tax Seminar," held by Katholieke Universiteit Leuven, Belgia (2006).
- "Tax Consolidation," held by Tilburg University, Belanda (2006).

- “Transfer Pricing Specialist,” held by Thomas Jefferson School of Law, San Diego, California, United States of America (2009).
- “Asia Pacific Transfer Pricing Summit 2011,” held by IBC Legal Conference, Hong Kong (2011).
- “European Tax Law Seminar,” held by Tax Academy of Singapore and the Institute for Austrian and International Tax Law, Vienna University of Economics and Business Administration, Singapore (2011).
- “Summer School of Value Added Tax Programme,” held by Universidade Católica Portuguesa, Lisbon, Portugal (2012).
- “International Tax Conference,” held by Foundation for International Taxation, Mumbai, India (2015).

### **Achievements**

- Selected as one of the World's Leading Transfer Pricing Advisers 2018 in Indonesia by TP Week, International Tax Review, United Kingdom.
- Selected as an Educative Figure of the Tax Awareness Inclusion Program 2019 by the Directorate General of Taxes.
- Selected as The Most Inspirational Taxpayer 2022 by Majalah Pajak.
- Selected as an Outstanding Alumni 2023 by Sebelas Maret University.
- Awarded as Large Tax Payer 2022 by KPP Pratama Jakarta Kelapa Gading, Directorate General of Taxes.
- Author and/or editor of 21 tax books and more than 200 tax articles published in Indonesia and abroad, as well as a speaker in more than 300 events.
- Contributor of an international journal with Freddy Karyadi entitled “Tax Treatment of Derivative,” in Bulletin Derivatives and Financial Instruments Special Issues (IBFD, The Netherlands, August 2012).
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- Source in discussions on policies in connection with amendments to the Income Tax and VAT Law.

### Certification

Licensed Tax Power of Attorney.



**DANNY SEPTRIADI** is the Founder of DDTC. He is a lecturer at Indonesia Jentera School of Law (STHI) and in the Faculty of Economics and Business at University of Indonesia. The author was selected as one of the World's Leading Transfer Pricing Advisers 2015-2019 by Expert Guides.

He was experienced in arbitration disputes as an expert in International Chamber of Commerce, London, United Kingdom. The author also serves as an expert witness and a licensed tax power of attorney in the Indonesian Tax Court for transfer pricing cases. Moreover, he is also experienced as a tax expert in the District Court.

### Formal Education

- Bachelor's degree in Accounting from Universitas Tarumanagara.

- Master's degree of Tax Policy and Administration (M.Si) Universitas Indonesia.
- Master's degree of International Tax Law (LL.M Int. Tax) from Vienna University of Economics and Business Administration, Austria.

### **International Courses and Seminars**

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- "5th International Conference on Taxpayer Rights: Quality Tax Audits and the Protection of Taxpayer Rights," held by Center for Taxpayer Rights di Athena, Yunani (2021).

### **Achievements**

- Selected as one of the World's Leading Indirect Tax Advisers 2021 by International Tax Review.
- Selected as one of the World's Leading Transfer Pricing Advisers 2020 by International Tax Review.
- Selected as one of the World's Leading Transfer Pricing Advisers 2015-2019 by Expert Guides.
- Experience in arbitration disputes as an expert in International Chamber of Commerce, London, United Kingdom in 2016 and 2018.
- Expert witness in the Indonesian tax court for transfer pricing cases of PT Kraft Indonesia and PT General Food Industries.
- Author and editor of 19 tax books and numerous articles on transfer pricing and international taxes.
- Contributor of an article entitled "Tax Treaty Negotiation," in the book entitled Tax Treaty Policy and Development, ed. Stefaner Markus and Züger Mario (Linde, 2005).
- Editor of a tax comic entitled "Pajak Kita untuk Indonesia Maju" (DDTC, 2021).

- Reviewer of *Jurnal Kajian Ilmiah Perpajakan Indonesia*, Scientax, Directorate General of Taxes.
- Source for various institutions, such as the Directorate General of Taxes, Fiscal Policy Agency, Secretary of the Taxation Supervisory Committee, Secretariat of the Tax Court, Centre for Education, Training and Development of Human Resources (PUSDIKLAT Pajak), Institute of Indonesia Chartered Accountants (IAI), Indonesian Tax Consultants Association (IKPI), and various universities, such as the University of Indonesia, Bina Nusantara University, Tarumanagara University, Indonesia Jentera School of Law, and so forth.

### Certification

Licensed Tax Power of Attorney.



**Seftyana Trisia Pardosi** is the DDTC Academy Lead at DDTC Academy. The author is a practitioner who has expertise and experience in the field of English for Specific Purposes in various industries. The author has experience teaching English to adult speakers who have a need to communicate with foreigners in the professional settings.

### Formal Education

- Bachelor's degree in English Language Education (S.Pd.) from Sanata Dharma University.

### International Courses and Seminars

- "English for Legal Practice", held by Korner Indonesia (2022).
- "Professional Public Speaking", held by Talkinc Incorporation (2022).
- "Transfer Pricing Documentation", held by DDTC Academy (2022).
- "Pelatihan Pajak Terapan Brevet A dan B", held by Ikatan Akuntan Indonesia (2022).

### Achievement

- Teacher in the English for Transfer Pricing class, DDTC (2022).



**Certification**

- Certified English Teacher (Certificate IV of Teaching Competencies).
- Certified English Teacher (To Non-Native Students Both in an Overseas and Online Classroom Environment).

# ENGLISH FOR TAX PROFESSIONALS

This book is designed specifically for people who work in the field of taxation and need basic English to communicate with colleagues and clients in a variety of situations. In this course, you will learn tax-related language and how to achieve your goals in small talk, meetings, presentations, consultations, and email.

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