

Tax Update Webinar



.SPA **feb-ui**
STUDI PROFESIONALISME AKUNTAN
Fakultas Ekonomi dan Bisnis Universitas Indonesia



SPA FEB-UI

“CORE TAX ADMINISTRATION SYSTEM:
A NEW MILESTONE OVER INDONESIA'S TAXATION REFORM”

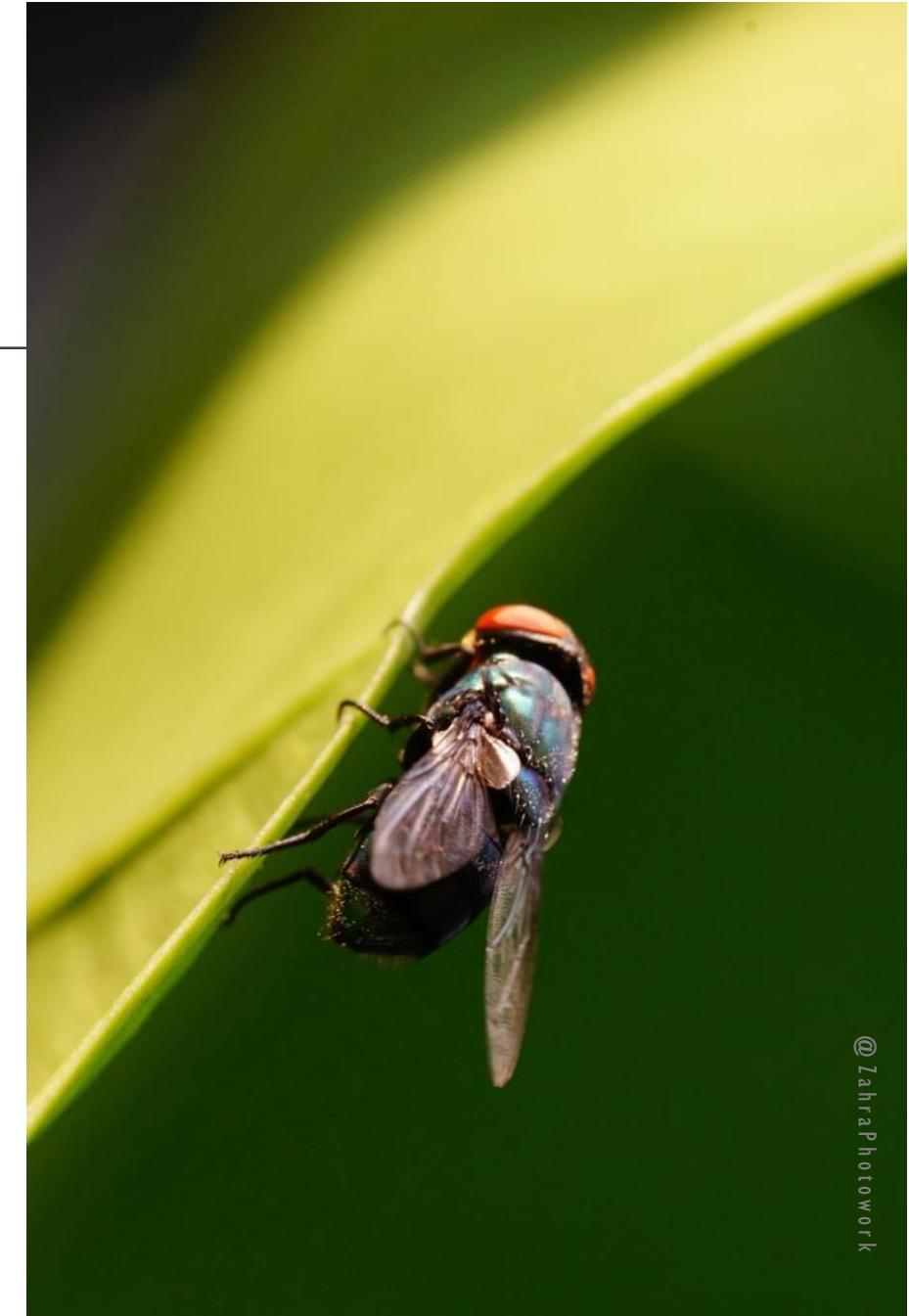
The Impact of New Tax Administration System on Current Business Environment

Zahra

November 30, 2022

Disclaimer

This material presented is intended for educational purposes only and does not replace independent professional judgment. Statements of fact and opinions expressed are those of the speaker individually and, unless expressly stated to the contrary, are not the opinion or position of the industry, any organizations, and/or her employer. The industry, organizations, and/or the employer do not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented.



Agenda



@ ZahraPhotowork

The Impact of New Tax Administration System on Current Business Environment



International Tax Agenda



An overview of
Upstream Oil & Gas
Investment



How does recent tax system
impact the oil & gas upstream
industry?

International Tax Agenda



PILAR ONE AND
PILAR TWO



ACTION 5 ON HARMFUL TAX
PRACTICES
ACTION 6 ON TAX TREATY
ABUSE



TAX TRANSPARENCY AND
EXCHANGE OF INFORMATION



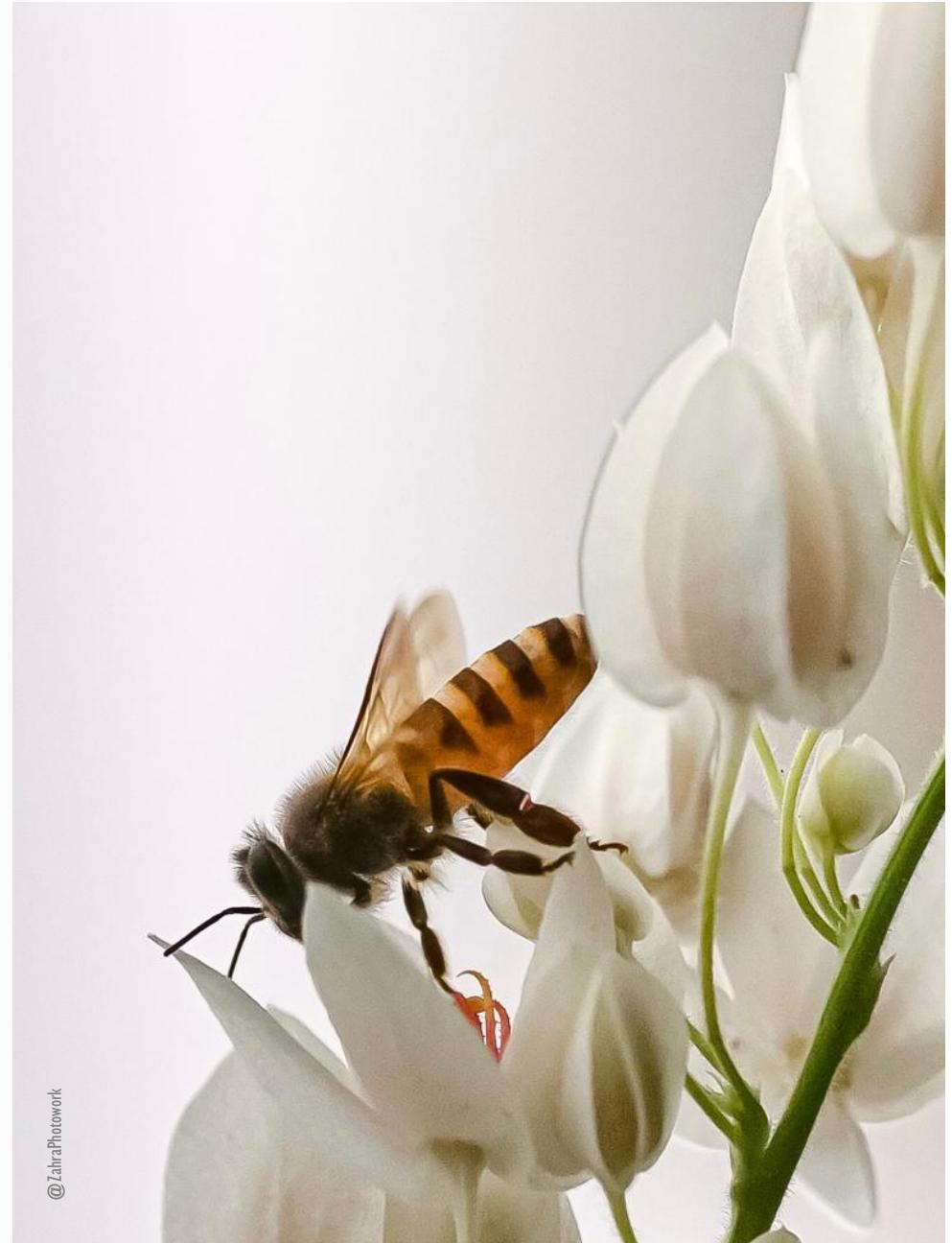
CARBON MITIGATION
APPROACHES



TACKLING COVID-19
KEY TAX POLICY AND GENDER
EQUALITY
VIRTUAL CURRENCIES
(PAYMENT TOKENS/CRYPTO-
ASSET)

An overview of Upstream Oil & Gas Investment

@LahraPhotowork

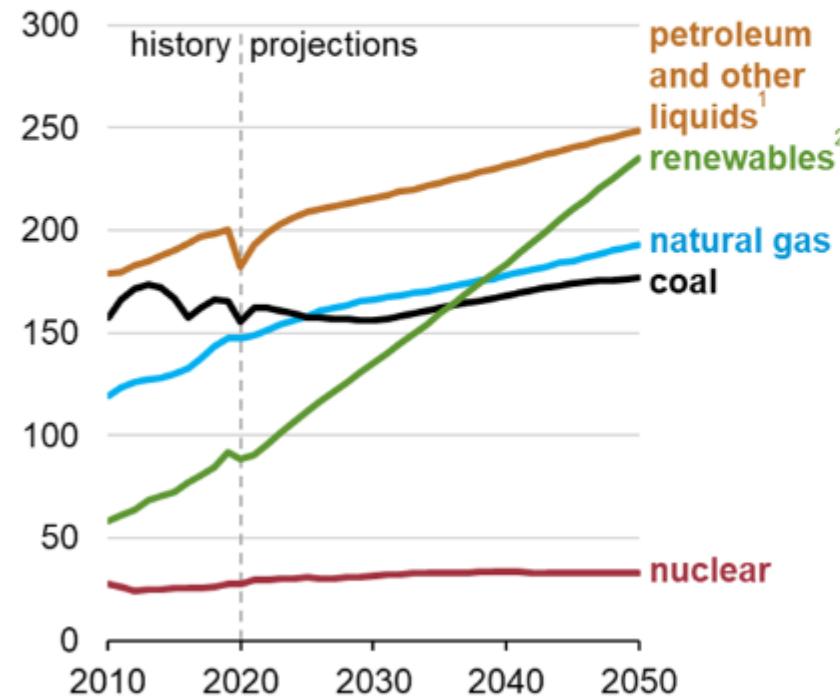


Global Oil and gas demand up to 2050

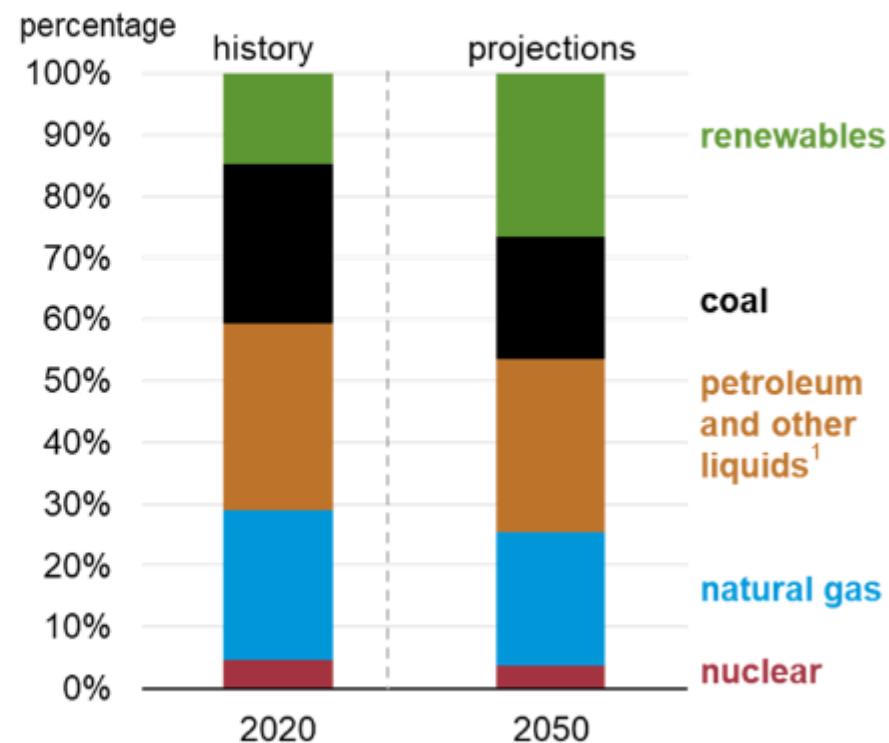
Liquid fuels remain the largest source of primary energy in the Reference case, but renewables use grows to nearly the same level

Primary energy consumption by energy source, world

quadrillion British thermal units



Share of primary energy consumption by source, world

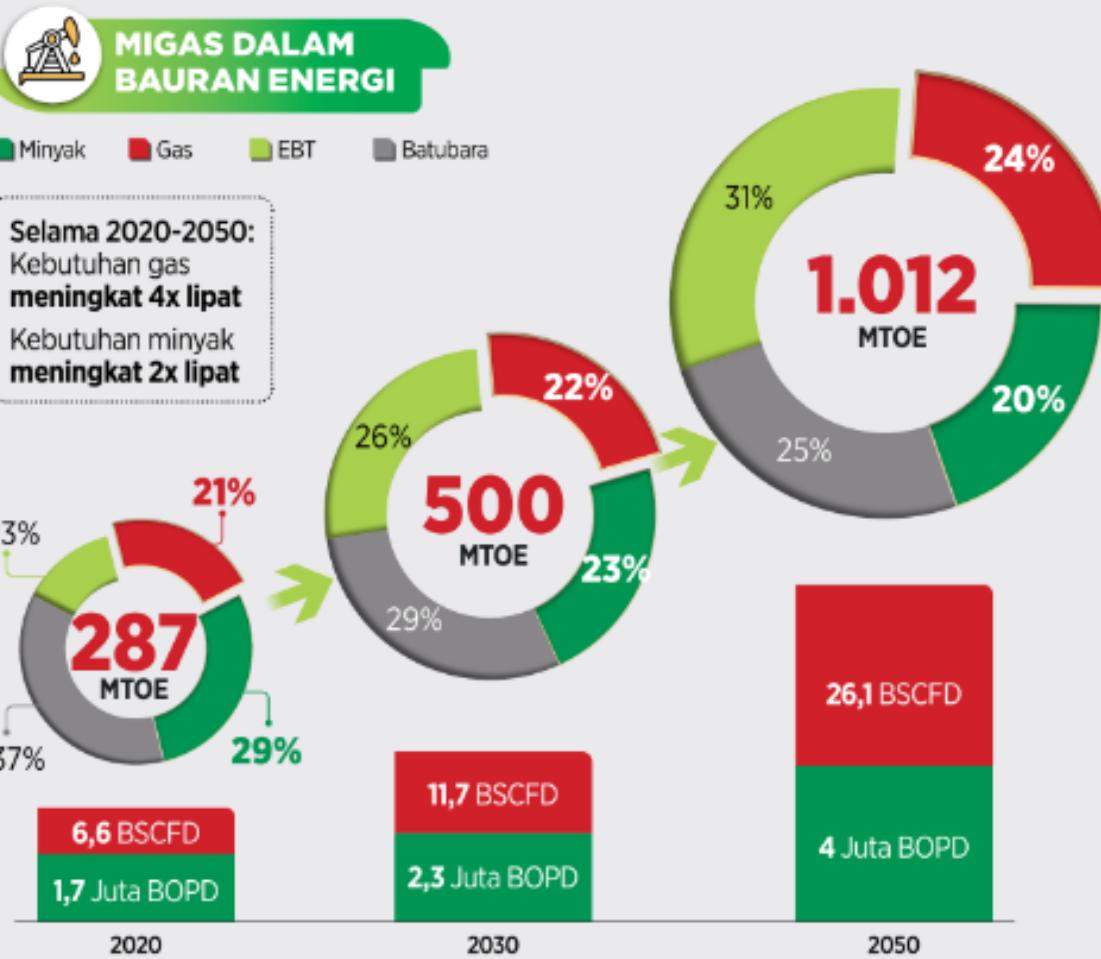


¹ Includes biofuels

² Electricity generation from renewable sources is converted to Btu at a rate of 8,124 Btu/kWh

PERAN PENTING MIGAS DI ERA TRANSISI ENERGI

Seiring dengan meningkatnya porsi energi baru dan terbarukan (EBT), peran migas tetap signifikan dalam mendukung pemenuhan kebutuhan energi nasional selama **30 tahun** ke depan dan seterusnya.



Kebutuhan Energi Indonesia



KONTRIBUSI



Mendukung ketahanan energi
Melalui penyediaan gas bumi yang relatif lebih rendah emisi



Menekan impor migas
Berkontribusi mengurangi defisit neraca perdagangan



Mendukung tujuan Omnibus Law Cipta Kerja
Menarik investasi dan membuka lapangan kerja



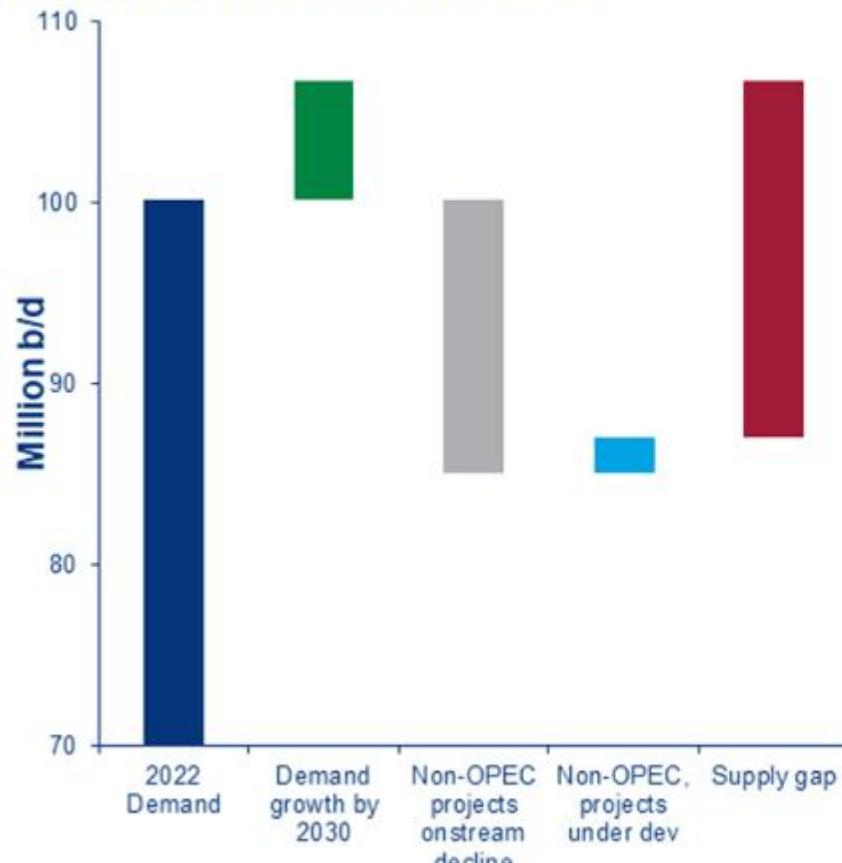
TANTANGAN

- Sumber daya besar berada di **wilayah frontier**
- Modal terbatas untuk mengeksplorasi **sumber daya migas** yang membutuhkan teknologi tinggi
- Upaya menurunkan emisi karbon dengan **CCS/CCUS** yang membutuhkan **investasi besar**
- Keterbatasan **modal/investasi** karena ketidakpastian akibat **pandemi, perang, dan transisi energi**

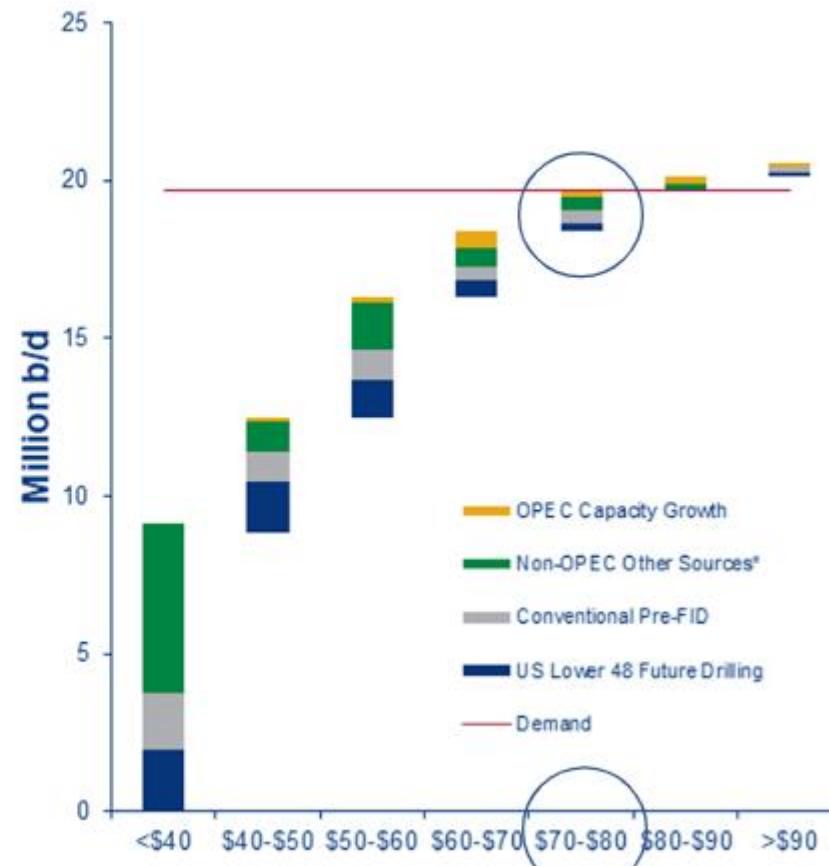
SUMBER: RUEN, SKK MIGAS, IPA

How to face to supply gap?

The 2030 'supply gap' (LHS) and the Brent breakeven price of the new volumes needed to fill it



Source: Wood Mackenzie Oil Supply Tool, Breakevens at 15% discount rate.



*Non-OPEC Other Sources: Biofuels, CTL, GTL, Oil Shale, Reserves growth, Yet-to-Find, and Other Technical discoveries

The world without fossil fuel?

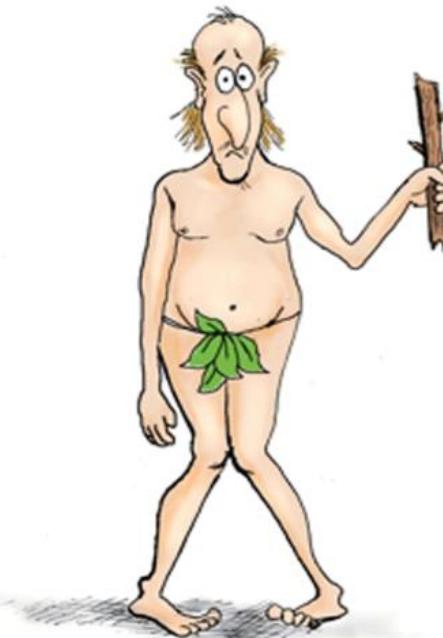
BRANCO American Energy Alliance
©2015

FOSSIL FUEL DIVESTMENT PROTESTER

WITH FOSSIL FUELS



WITHOUT FOSSIL FUELS



Recent news on oil and gas

CNBC Indonesia > News > Berita

Kompas.com / Money / Whats New

Kementerian ESDM Dorong Revisi UU Migas Rampung Tahun Depan

Kompas.com - 28/11/2022, 19:03 WIB

BAGIKAN:    

Komentar

HEADLINE



Selasa, 29 November 2022 E-paper

HOME BURSA SAHAM JASA KEUANGAN INDUSTRI PERDAGANGAN

EKONOMI MAKRO HUKUM BISNIS

Urgensi Aturan Turunan PPN atas Migas

Oleh: Firdaus Baderi Jumat, 12/08/2022

Oleh: Aditya Pradana Putra, Penyuluhan Pajak KPP Minyak dan Gas Bumi *)



Sampai September 2022, PNBP Pengelolaan BMN Hulu Migas Capai Rp 174,877 Miliar

Jumat, 28 Oktober 2022 | 21:51 WIB
Amoldius Kristianus (amoldius.kristianus@beritasatumedia.com)



Now is the time to impose carbon taxes across the global economy

A guest op-ed from Ian Parry, principal environmental fiscal policy expert in the International Monetary Fund's Fiscal Affairs Department

Beberapa Hengkang, Sanggupkah RI Gaet Raksasa Migas Lagi?

NEWS - Cantika Adinda Putri, CNBC Indonesia

17 January 2022 18:45

SHARE |  



Foto: ConocoPhillips, Conoco Phillips

 Support the Guardian

Available for everyone, funded by readers

 Support us →

The Guardian

News Opinion Sport Culture Lifestyle

Business ► Economics Banking Money Markets Project Syndicate B2B Retail

Energy industry

UK's largest oil and gas producer warns against tougher windfall tax

Harbour Energy says higher levy and extended timeline will deter investment despite profits bonanza





INVESTASI BESAR DIBUTUHKAN UNTUK MEMPERTAHANKAN PRODUKSI MIGAS SELAMA MASA TRANSISI

US\$ 213-538 miliar

Perkiraan investasi yang dibutuhkan untuk mempertahankan 1 juta BOEPD dan 12 BSCFD (termasuk biaya CCS) selama periode 2030-2060 (Analisis dari data Wood Mackenzie)



INDUSTRI HULU MIGAS MENCiptakan DAMPAK BERGANDA

Setiap transaksi
Rp 1 triliun

Menciptakan nilai tambah ekonomi
± Rp 5,2 triliun

Menyerap
13.600
tenaga kerja



INVESTASI HULU MIGAS Menggerak Perekonomian

Investasi sekitar
USD 200 miliar/
Rp 3.000 triliun
pada hulu migas



- ↑ 0,9% GDP Nasional
- ↑ 5,2% Ekspor Nasional
- ↑ 2,2% Impor Nasional
- ↑ 4,4% Surplus Devisa
- ↑ 7,4% Penerimaan Pajak
- ↑ 9,9% PNBP
- ↑ 5,3% Nilai Tukar Rupiah
- ↑ Rp 15.600 triliun Nilai Tambah Ekonomi

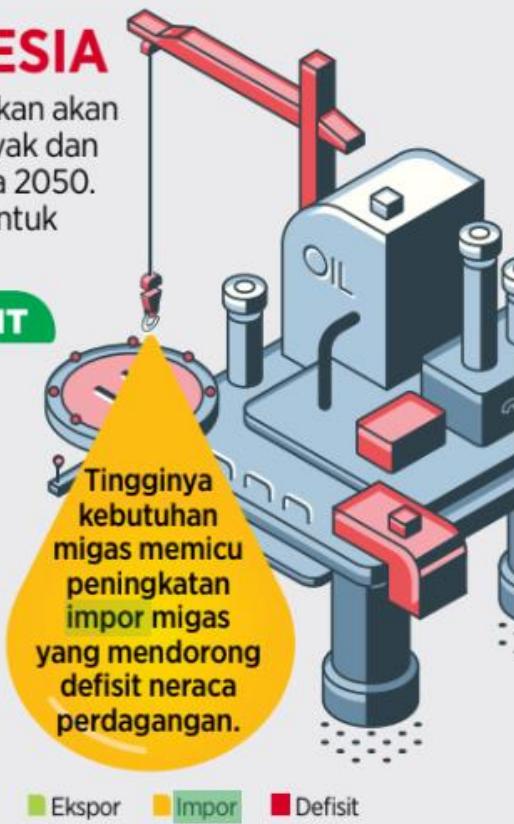
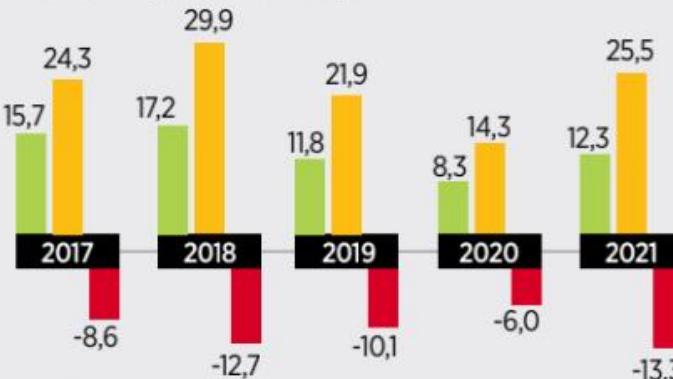
MENGEJAR TARGET PRODUKSI MIGAS INDONESIA

Akibat kebutuhan yang semakin besar, diproyeksikan akan terdapat *gap* antara kebutuhan dan produksi minyak dan gas, masing-masing mencapai **83%** dan **78%** pada 2050. Peningkatan produksi migas sangat dibutuhkan untuk mengurangi *gap* tersebut.

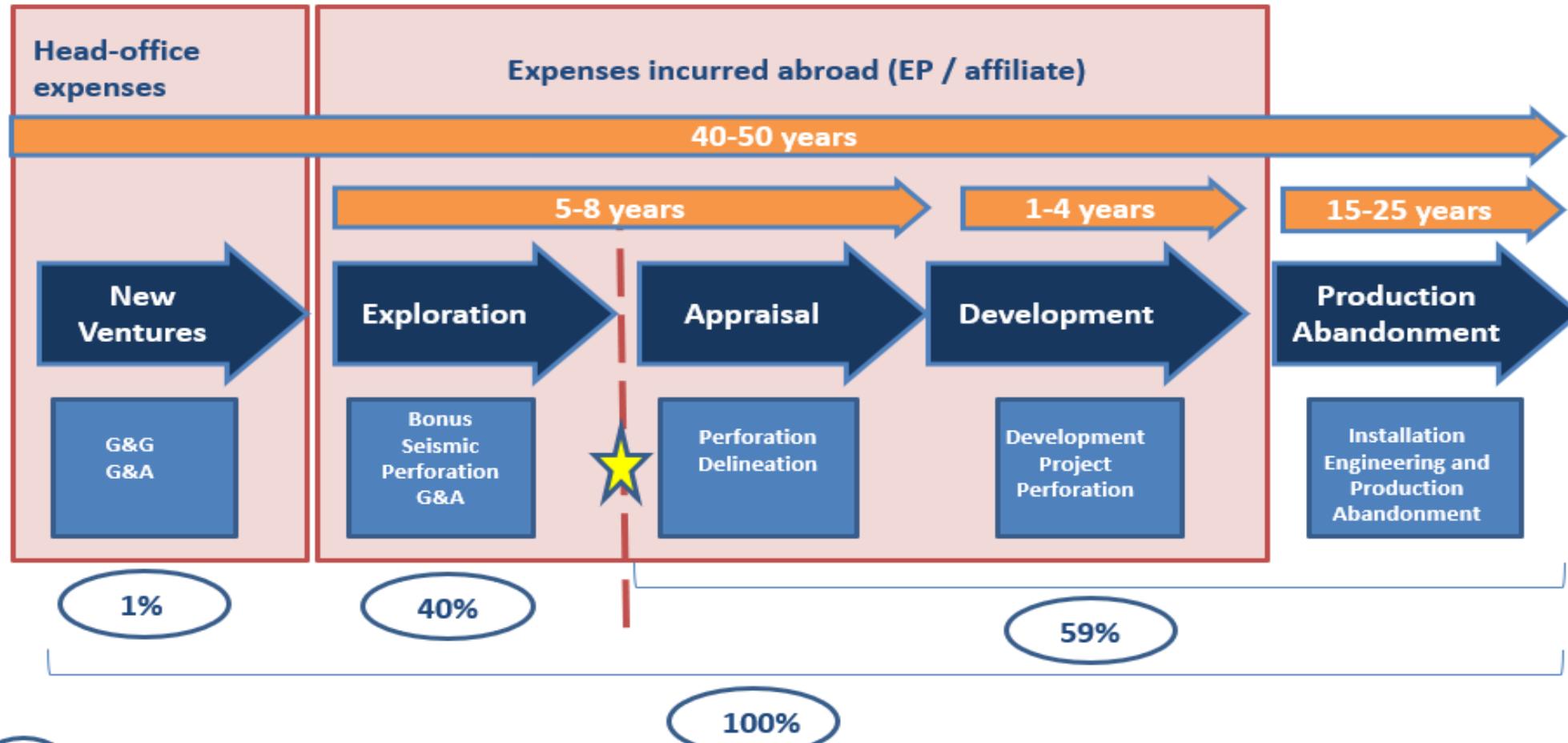


KONTRIBUSI MIGAS PADA DEFISIT NERACA PERDAGANGAN

Neraca Migas (Miliar US\$)



Upstream Life-cycle



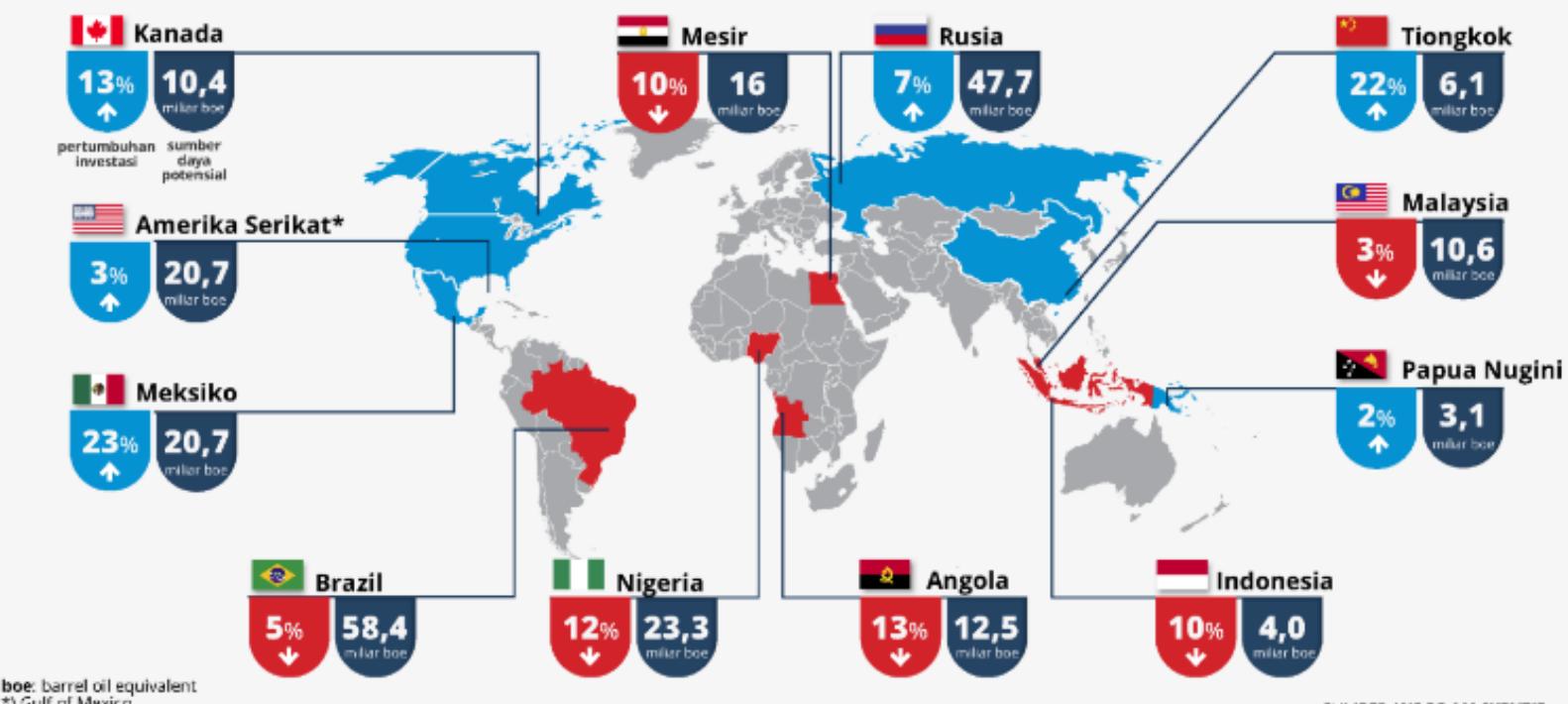
Percentage of costs incurred at each of the different stages of the project (approximate rate).

In the event of *dry well* or non-commercial discovery, the project does not go ahead (final loss).

PASANG SURUT INVESTASI EKSPLORASI GLOBAL

Selama 10 tahun terakhir, nilai investasi eksplorasi global mengalami pasang surut. Meski masih jadi tujuan investasi, tapi Indonesia adalah salah satu negara yang mengalami penurunan investasi cukup besar.

PERTUMBUHAN INVESTASI EKSPLORASI (2007-2016)

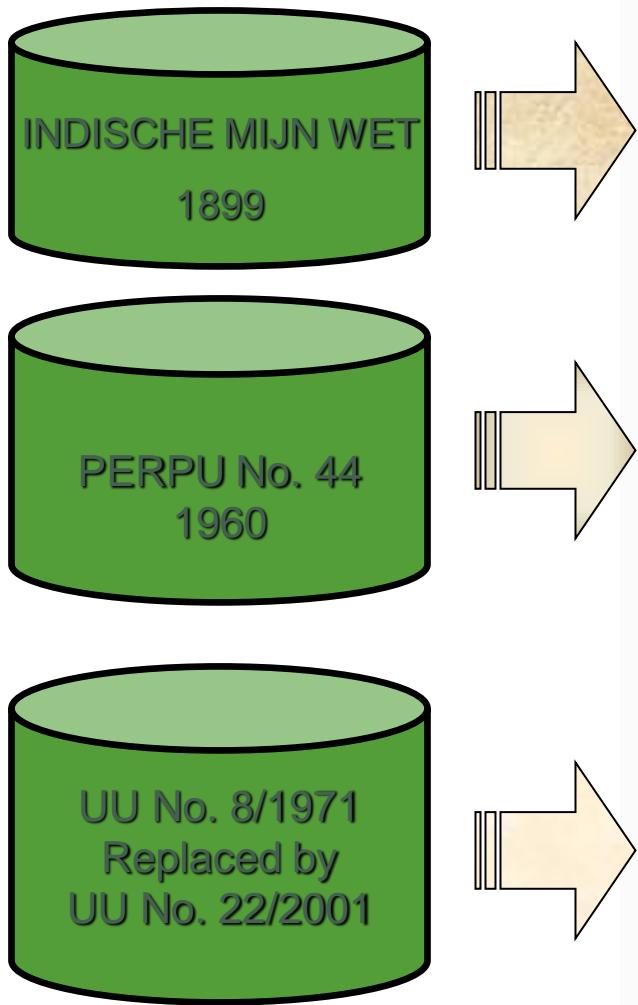


SUMBER: WOOD MACKENZIE

How does recent tax system impact the oil & gas upstream industry?



PERJALANAN KONTRAK MIGAS INDONESIA



KONSESI

- Kontraktor memiliki hak atas mineral dan aset
- Kontraktor bertanggung jawab atas manajemen operasi
- Sistem royalti

KONTRAK KARYA

- Pemerintah memiliki hak atas mineral
- Aset perusahaan dimiliki oleh kontraktor
- Kontraktor bertanggung jawab atas manajemen operasi
- pembagian keuntungan

PRODUCTION SHARING CONTRACT

- Pemerintah memiliki hak atas mineral dan aset
- Pemerintah bertanggung jawab untuk manajemen operasi
- Kontraktor bertanggung jawab atas persiapan dan pelaksanaan program kerja operasi
- Pembagian Keuntungan

Key Terms in Oil & Gas Fiscal System

Introduction to Fiscal Systems

Key Terms (together with terms in the prevailing tax law)

› A Petroleum Agreement

- An agreement between resource owner (in most cases - Government) and lease holder (Oil Company)
- Spells out agreed provisions/terms of the fiscal arrangements
- A legally binding document

› Fiscal-related Terms:

- Bonuses
- Rentals
- Fees
- Indirect Taxes
- State Participation
- Royalty
- Cost Recovery #
- Revenue/Profit Share #
- Income Tax
- Other Profit Taxes

› Non Fiscal-related Terms:

- Contract Area and Contract Period
- Minimum Exploration Commitment
- Annual Work Programmes & Budget
- Measurement and Pricing of Petroleum Products
- Inspection, Safety & Environment Protection
- Purchasing & Procurement
- Employment & Training
- Accounting & Auditing
- Relinquishment
- Force Majeure

What is Government Take?

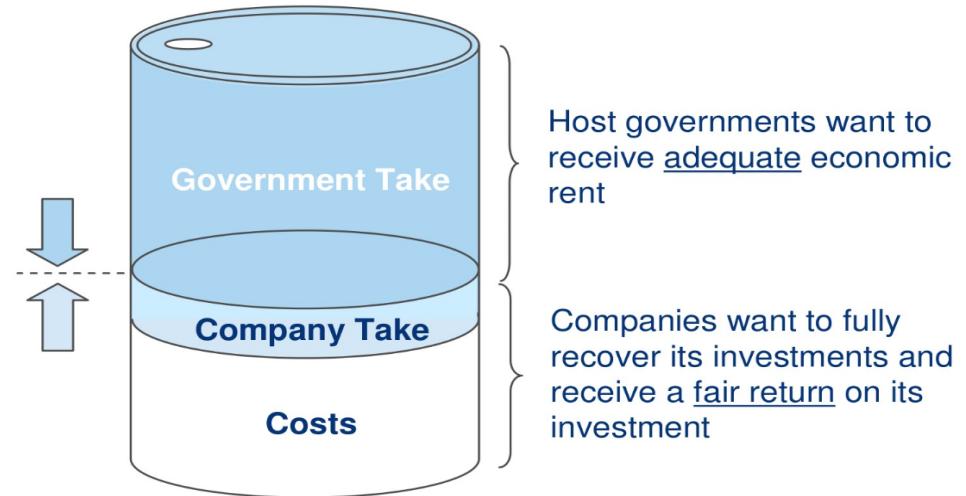
Introduction to Fiscal Systems

Government Take

- › Government (generally) wants:
 - Maximize economic rent for Government
 - Attractive enough terms to encourage resource development
 - Higher Government Take following Company's payback



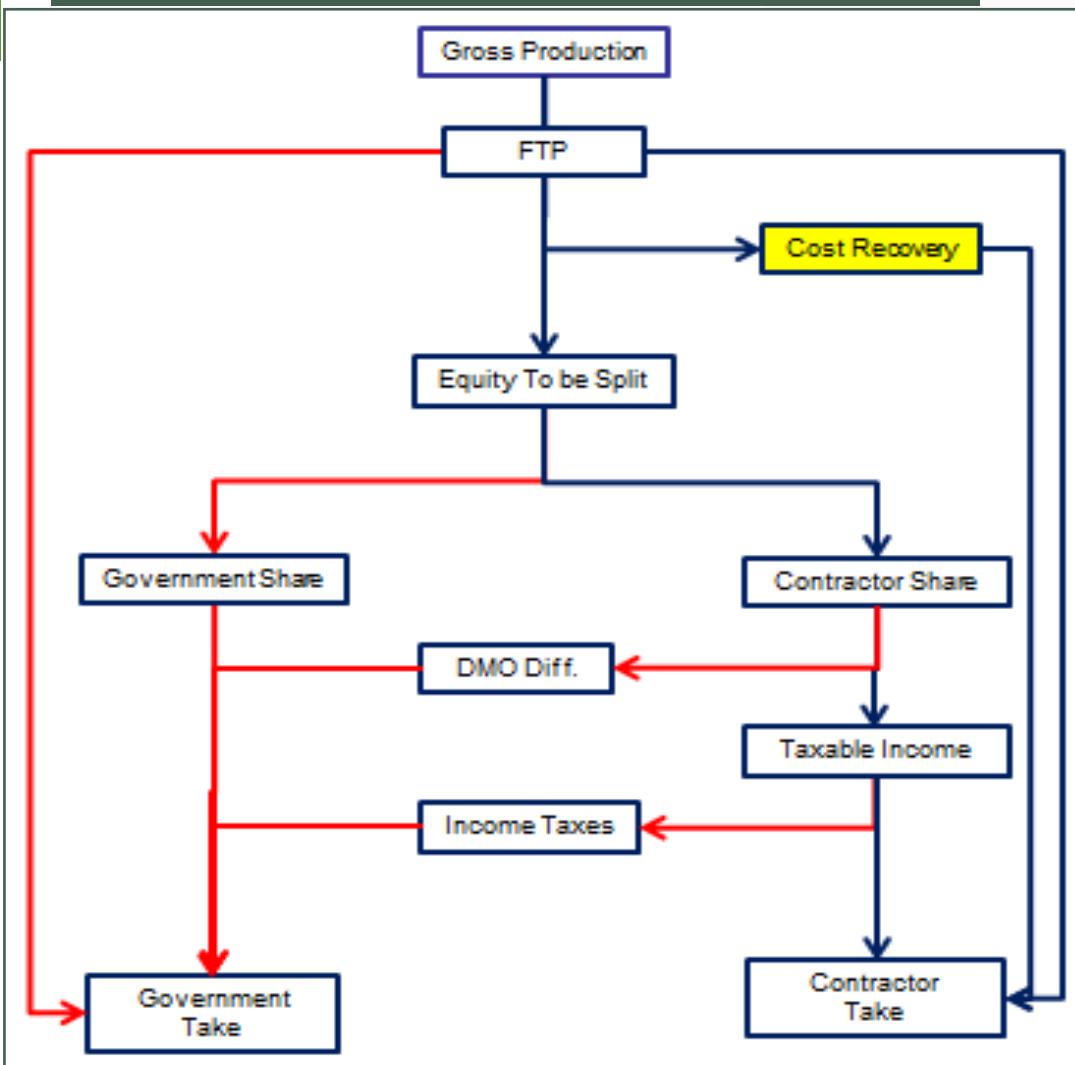
- › Company (generally) wants:
 - Maximise return on investments
 - Attractive enough terms to participate
 - Higher Company Take during the investment period
 - Predictable Company's cash flows with changing oil price



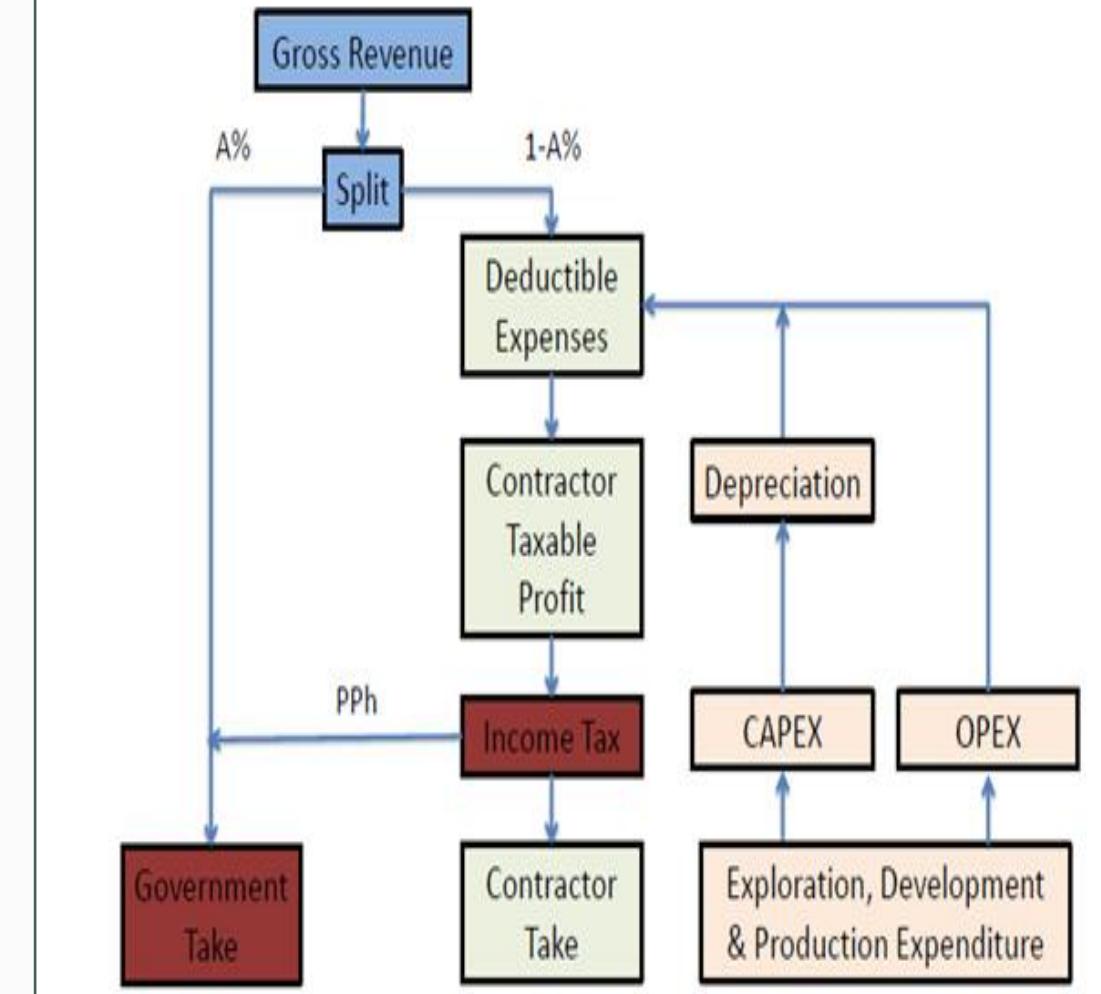
- › Other factors:
 - Perceived prospectivity of the block/lease, country, or region
 - Level of Government's participation in the industry
 - Maturity of the industry
 - Contribution of oil industry in the economy
 - Level of competition for upstream investment

PSC vs Gross Split

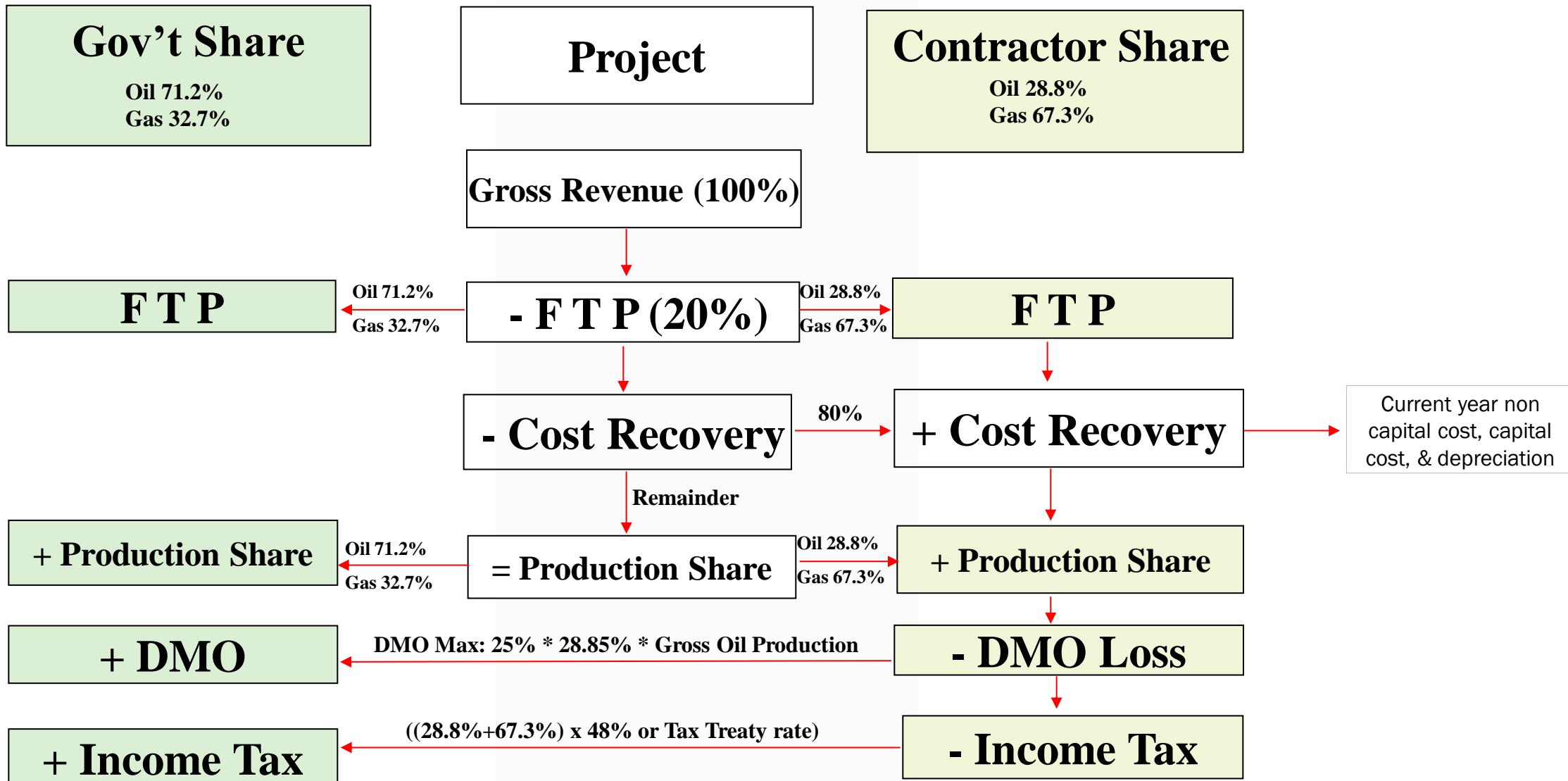
Traditional Split PSC



Gross Split



PSC INCOME STREAM



Some Impact from HPP Law

VAT	KUP	Incom Tax Law	Carbon Tax
1% – 1 April 2022; 12% – 1 January 2025. Oil & gas products before VAT-able goods	Administrative sanctions Rights & obligations Tax dispute process	Corporate and individual income tax rate CIT rate Law 2/2020	Base price of IDR30/kg CO2e or market price

How do certainty and sanctity play ?

Pasal 23A UUD 1945
“Pajak dan pungutan lain yang bersifat memaksa untuk keperluan negara diatur dengan undaundang.”



- Amendment of Oil & Gas Law
 - Revision of Implementing regulations re. Taxation
 - Streamlining the Audit Process
-
- **Direct Taxes;** Corporate Income Tax, Branch Profit Tax, Capital Gain Tax (Tax on Transfer GR93/2021) and dividend for Indonesian incorporated entities .
 - **Indirect Taxes,** imposed for non-assume and discharge contract regime; VAT, PBB, Import taxes
 - **Regional Levies, Duties, and Royalties**
 - **Deductions and/or cost recoverable** (e..g.: bonus not cost recoverable & non-deductible, expatriate costs),
 - **Compliances, audits, and dispute resolution process**
 - **Other policies (i.e.: Covid-19, new contract regime)**

How to compete globally ?



- Bear in mind, on a prediction of a gap of supply of 20 mbopd by 2030 with USD 6 trillion investment needed.
- By 2045, projections show that investments of more than \$12 trillion will be needed in the upstream, midstream and downstream. Adequate and timely investments in the energy sector are critical.
- Improving competitiveness by having attractiveness of policies and easy of doing business.
- A runwell collaboration among stakeholders.

Indonesia shall strengthen national energy independence for its future generations.



References

- Aribowo, I., Kamilah, N. N., Kumar, J., & Rofi'ah, L. (2022), Assessing Tax Reform as a Journey to Tax Administration. *KnE Social Sciences*, 7(5), 503–524.
<https://doi.org/10.18502/kss.v7i5.10574>
- Eka, I. W. A. (2019), THE IMPACT OF THE INDONESIAN TAX ADMINISTRATION REFORM ON TAX COMPLIANCE AND TAX REVENUE. *Jurnal Ekonomi Dan Pembangunan*, 27(1), 1-24. <https://doi.org/10.14203/JEP.27.1.2019.1-24>.
- Mahkamah Konstitusi Republik Indonesia (2022), MK Kabulkan Penarikan Kembali UU Harmonisasi Peraturan Perpajakan. *Berita Sidang*.
<https://www.mkri.id/index.php?page=web.Berita&id=17942&menu=2>
- Indonesian Petroleum Association, Infographic and Executive Summary: <https://www.ipa.or.id/en/about/ipa-infographics>
- Halim, Hendra, Zahra, Indonesian Petroleum Association (2019), *Foundation of Indonesia Oil & Gas Policy for BEM FHUI*.
- OECD (2022), *OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors, Indonesia, July 2022*, OECD, Paris,
www.oecd.org/g20/topics/international-taxation/oecd-secretary-general-tax-report-g20-finance-ministers-indonesia-july-2022.pdf.
- OECD (2022), *Tax Policy and Gender Equality: A Stocktake of Country Approaches*, OECD Publishing, Paris, <https://doi.org/10.1787/b8177aea-en>.
- OECD (2022), *Tax Policy Reforms 2022: OECD and Selected Partner Economies*, OECD Publishing, Paris.
- OECD (2020), *Taxing Virtual Currencies: An Overview Of Tax Treatments And Emerging Tax Policy Issues*, OECD Publishing, Paris. www.oecd.org/tax/tax-policy/taxing-virtual-currencies-an-overview-of-tax-treatments-and-emergingtax-policy issues.htm



***“Understanding comes through communication,
and through understanding we find the way to peace.”***

Ralph C. Smedley

A founder of Toastmasters International, an international speaking organization

Let's discuss



Terima kasih