
SECTION 8

FINANCE AND TAX COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Nizar Halim

(Total E&P Indonesia)



FINANCE AND TAX COMMITTEE

Report of 2015 Activities and 2016 Work Program

Chairman	:	Nizar Halim (Total)
Vice Chairman	:	Hendra Halim (BP)
Coordinator Tax	:	Zahra Mulachella (Premier)
Coordinator Audit	:	Edwinsjah Iskandar (CNOOC)
Coordinator Finance	:	Hendri (Chevron)

2015 Activities Report

Tax

- 1) The Committee had been working closely with the government and attained 2 (two) Minister of Finance Regulations being issued:
 - a. The Minister of Finance Regulation No.267/2014, issued on 31 December 2014, granting an exemption on subsurface area of Land & Building Tax.
 - b. The Minister of Finance Regulation No.142/2015, issued on 24 July 2015, expanding Value Added Tax (“VAT”) facility on import, not only for exploration stage but as well as exploitation/production PSC.

- 2) In addition to that, the committee has been advocating existing major tax issues to National Exploration Committee, Directorate General of Tax, Fiscal Coordination Body, Executive Office of The President Republic Indonesia, Minister of Finance, Minister of Energy and Mining, and other relevant government institutions, including communicating thru the Media, for :
 - a. Land and Building Tax dispute for fiscal year 2012 and 2013 which currently at the Tax Court,
 - b. Tax on Parent Company Overhead (PCO),
 - c. Tax on Facility sharing,
 - d. Tax audit on cost recovery, and
 - e. VAT reimbursement procedure of PMK 218

Finance

- 3) Lead and coordinate the advocacy to GOI Stakeholders (SKK Migas, ESDM, BI) in resolving the issue. With strong IPA BOD's support and the spirit of partnership during the engagement with GOI Stakeholders, a win-win resolution is progressing very well. A clear support was given by the Ministry of ESDM and SKK Migas to obtain an exemption from PBI 17 Regulation. Bank of Indonesia is now agree to classify the transaction into 3 different categories, i.e. transaction must use Rupiah (effective 1 October 2015), transaction which need to be further discussed on whether to use Rupiah or foreign currency (effective 1 January 2016) and the transaction that must use foreign currency (to refer to the relevant authorities).
- 4) Actively support the LNG & Gas Committee in addressing the Letter of Credit (L/C) issues to obtain a full exemption of the requirement to use L/C on oil and gas product export as required by Minister of Trade Decree no. 4/2015. The supports given to the Committee were focus on having

clear process of L/C, potential negative business impact and investment climate, advocate the issues to GOI stakeholders as well as mitigate the issues. Minister of Trade Decree no. 67/2015 has finally issued which exempted export of oil and gas product from using L/C.

Audit:

- 5) Rakorwas Tax Audit – joint agreement within stakeholders: We actively participate in the preparation (i.e. provide input) and also discussion on this Rakor (Coordination Meeting) lead by SKKMIGAS PBN Division.
- 6) Advocacy on “Right to Audit” PTK 007 rev2: In coordination with SKKMIGAS UPI (Internal Audi), the Audit group held several discussions in drafting the clause. This is a new clause which provides rights for SKK MIGAS to perform audit to vendors on issues relating to FCPA, UK AB Act and Tipikor.

General:

- 7) The Committee, together with RAC and other relevant committees, to provide industry’s key aspiration from fiscal perspective to be included in the new draft of Oil and Gas Law. IPA provides a few inputs around: (a) Principle of Promoting Investment; (b) Certainty on Upstream Business License; (c) Clarity on Upstream vs. Downstream; (d) Privilege of Pertamina; (e) Fiscal Terms inc. reinstatement of assume and discharge principle; (f) Criminalization of Civil Matters; (g) Transitional Principles; (h) Unconventional Resources.
- 8) Provide input and participate actively in the fiscal study conducted by the Exploration Committee on how to promote and increase exploration activity in Indonesia by benchmarking with other countries.
- 9) Building a new network with the Executive Office of the President Republic of Indonesia and National Exploration Committee (KEN) and continue to maintain a good relationship with the key government stakeholders such as Ministry of Finance, Ministry Energy and Natural Resources, Directorate General of Taxes, SKK Migas, ESDM, Coordination Fiscal Body, etc.
- 10) Supporting IPA BoD to engage various key stakeholders and act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment within the industry.
- 11) Conducting regular meetings, discussion forums, and/or teleconferences with the Committee’s members to share knowledge, to discuss issues and agree on the strategic action point to progress on the resolution.

2016 Work Program

Tax:

- 1) Pursuing Tax Facilities on:
 - a. Land and Building Tax exemption to be extended to exploitation PSC,



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- b. Income Tax and V.A.T exemption on facility sharing,
 - c. Tax exemption on Parent Company Overhead (PCO).
- 2) Pursuing amendment or revocation of the new VAT reimbursement procedure of PMK218/2014 to be in line with the PSC principles as well as pursuing for a better efficiency in the administration process requirement.
 - 3) Continue working with the audit committee to explain to Directorate General of Tax (DGT) that the cost recovery audit dispute is a commercial/contractual dispute between Contractor and SKK Migas and it's not a tax dispute. Hence, any tax assessment should not be issued to such dispute.

Finance:

- 4) Monitor and provide feedback as needed upon the implementation of PBI 17/3.
- 5) Further assessment on the draft revision Non-Tax State Revenue Law and develop advocacy plan and path forward engagement with GOI Stakeholders.

Audit:

- 6) Continue to monitor the execution of "Right to Audit" and provides feedback on this regulation.
- 7) To build further communication and sharing with audit group in the industry on current major issues.

General:

- 8) Continue working with RAC committee to support the review and provide finance and tax related feedback on the draft oil and gas law.
- 9) Supporting the Exploration Committee to socialize the result of IHS study on fiscal study for exploration to various key external government stakeholders.
- 10) Continue working with the relevant key stakeholders including with the Executive Office of the President Republic of Indonesia to seek opportunity to revise/revoke PP79/2010 as well as realizing the above tax facilities.
- 11) To strengthen the relationship and networking with internal stakeholder by having a solid and trusted relationship with the IPA Board, Officers and the relevant IPA committees such as Regulatory Committee and Communication Committee. Supporting IPA BoD in engaging various stakeholders of oil and gas industry and act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment within the industry.
- 12) Conducting regular meetings and/or teleconferences with the Committee's members to share knowledge, to discuss issues and agree on the strategic action point to progress the issues.