

Business News

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TESTING COMMITMENT TO "SAFETY NET"

The fourth economic package launched by the government on October 15 adds the list of economic policy packages directed to mitigate negative impacts of the ongoing economic downturns. Coordinating Minister for Economy Darmin Nasution called the economic package as safety net for labor on account that the government, by the package, would better focus on efforts to increase labor wage cum target jobless people.

However, labor has different opinion. The Indonesian Workers Union Confederation (KSPI) rejected the fourth economic package on account that the calculation of the increase in labor wage in the economic package uses a scheme of inflation value plus economic growth (GDP). The rejection was disclosed by Chairman of KSPI Said Iqbal by asserting that under the scheme of calculation, the role of labor is abolished in the formulation of minimum wage through Adequate Life Components (KHL). KSPI even called Jokowi administration more cruel than the New Order regime (kompas.com, 17/10).

There is nuance of speed – or may be called carelessness – in the formulation of the economic package. The judgment may be observed from statement of the Coordinating Minister saying that the government does not want to waste time with discussion about the labor right by bipartite deliberation between employers and workers. In this context, the state clearly tries to act quickly while expecting the economic package to be capable of preventing labor from losing their jobs and falling into cheap wage issue as well as, at the same time, bring about certainties to business communities. Indeed, labor and employers are encountering the hardship now. If business communities encounter difficulty, surely labor faces the same condition.

Amid the extremely complicated atmosphere,

acting fast may be unavoidable indeed. Protecting labor is an obligation of the state. At the same time, creating a climate conducive to companies must be realized by the state. Problem sometimes come when the point of equilibrium between the two elements cannot be created. The dispute between groups of labor and employers come because labor consider that they have worked hard in developing companies and contributing profit to them but it has not been responded by the increase in their welfare. It is the imbalance from the labor side.

We support the measures of the government already demonstrating its commitment to mitigating negative impacts of the economic downturns. The launching of economic packages has so far shown that the government has understood sectors affected by the economic downturns and what can be done. Industry is the most affected sector. The situation automatically affects workers or labor as a component of industry. Reportedly, thousands of labor have been dismissed. Therefore, the government must act. Not only in the state of difficulty like now but in normal situation, the state must be present in every sector.

The policy related to labor wage in the fourth economic package may be tentative given that it is prepared through shortcut strategy. However, we hope the whole economic packages could contribute positives changes that we expect. Even though the packages are prepared in the state of emergency, they influence communities and sectors becoming the target groups.

The test of the fourth economic package is the safety of labor from layoff and the sustainability of companies. Hopefully, the policies could become safety net as expected.

Jakarta, October 20, 2015

APBN AND DEGREE OF WELFARE

In a paper delivered in public lecture in National University Jakarta recently, Chairman of the Supreme Auditor Board (BPK) Harry Azhar Azis disclosed an opinion cum warning which is very important to observe. He said that the realization of state budget (APBN) in 2014 increased by 7.75% from 2013, or rose from Rp1,438.89 trillion (2013) to Rp1,550, 49trillion (2014) but was not parallel to the improvement of the people's welfare (kompas.com, 9/10).

Here we are invited to open discussion cum reflection to our budgetary politics. Indeed, the budgetary politics would result in question whether the budget has been used economically, efficiently, and effectively as well as brought about significant impact to the enhancement of the people's welfare, an important question also disclosed by Aziz through his paper titled "Budgetary Politics and Its Implication on the People's Welfare". The question becomes attractive when it is disclosed by an institution mandated to ascertain that the state budget is used to enhance the people's welfare. In a point of consideration in Law Number 15 Year 2006 on BPK, it's disclosed implicitly that the state finance constitutes any of the principal elements in the implementation of state administration and plays important role in realizing the objective of the state to achieve a fair, just and prosperous society.

Indeed the volume of APBN has shown a rising graphic continuously from year to year. In the condition, it is absolutely right if BPK started to complain about the volume in relations to degree of welfare. Bigger APBN should make the welfare of Indonesian people higher. However, it is different in the realization as more and more people do not enjoy welfare. The causes are surely varying. However, the imbalanced allocation of budget is supposed to become the main cause. The long complained imbalance is visible

in among others the portion of personnel expenditure and other routine expenditure for the enhancement of the people's welfare. The welfare of an element may increase but it does not touch the bigger element.

Therefore, it is right if BPK also concerns about the condition. We also support the commitment of BPK to prioritizing to performance audit and increasing the percentage of performance audit of state finance every year to assure that the state budget is used for the enhancement of the people's welfare. As disclosed by Chairman of BPK Harry Azhar Azis, his institution increased the percentage of performance audit from 20% to 25% with a view of ascertaining that every state budget is really used and beneficial for the enhancement of the people's welfare.

So far, we have often been buoyed after reading the rising volume of state budget every year. Indeed the figures reflect the advancement of state revenue and expenditure projection in one year. However, the volume of APBN is not always in line with the rising welfare of the people. Sometimes, it also discloses the rising population of middle class communities, reportedly bigger than Malaysia's total population. It is not wrong to pride in the data even though it does not describe the real issue in the country. Amid the circumstances, budgetary politics becomes important to complain again.

The commitment of BPK to compare state finance (read: instrument of APBN) to the people's welfare deserves appreciation and support. Indeed APBN should not be only observed from the side of volume and absorption but also other aspects related directly to the public interests. Unless the people's welfare increases, surely our budgetary politics need to be improved.

Jakarta, October 16, 2015

FACING ASEAN FREE TRADE, THIS IS THE CHALLENGE OF THE SHIPPING INDUSTRY

Jakarta, *Business News*

Soon, the ASEAN free market in the framework of ASEAN Economic Community (AEC) will be implemented. Some industries began to improve themselves to face competition which would certainly be very tight. Service industry as a strategic sector must be ready to welcome the era of openness of industry, trade and services. Chairman of the Indonesian National Shipowners Association (INSA), Carmelita Hartoto, in Jakarta, Monday (October 19), said that the Indonesian shipping world is at a determining period in the presence of substantial challenges.

On one hand, Carmelita continued, the shipping sector has progressed quite rapidly in the last decade. This is evident from the significant increase of national commercial ships. Quoting data of the Ministry of Transportation of 2014, the number of

national commercial ships is 14,150 units, up 134% compared to May 31, 2005, which is 6,041 units.

On the other hand, he admits that there are still some obstacles in the shipping world, ranging from fiscal and monetary policies up to infrastructures that support shipping. Whereas, AEC 2015 is already evident. He believed that Indonesia has great potential and ability to compete. But the conditions and the existing regulations, such as taxation, tariffs, and fuel make it difficult for Indonesia to compete. He pointed out that in neighboring countries, they have conveniences, while in Indonesia the shipping world is burdened by many things.

According to him, continuity of efforts becomes important. Because, many efforts of INSA have been successfully performed, but many work programs are still running. Moreover, he continued, the government intends to make Indonesia as the



world maritime axis. It requires the support of the shipping sector. It is said that members of INSA have sailed to the outposts of the Indonesian archipelago since long ago, because the role of INSA is very important in supporting the government's program.

Because of that role, INSA has asked the government to issue a policy which is in favor of the shipping industry. One is the fuel price policy. According to Carmelita, fuel price in Indonesia hampers the national shipping industry. The price of oil for the shipping industry is considered very high because it is taxed. He said that there are two taxes that make the price of fuel for the shipping industry high, i.e. the imposition of Value Added Tax (VAT) of 10% and Motor Vehicle Tax (PPKB) of 5% -7%.

According to him, the policy is not in accordance with the spirit of the government to make Indonesia as a maritime country and to reduce logistics costs nationwide. Therefore, VAT and PPKB for shipping business should be abolished. Carmelita added that the government should have responded to the decline in fuel prices in the country. Because MOPS

prices have dropped 40% compared to 2014.

In addition, he also urged the government to set fuel prices for the shipping industry on a daily basis. Currently, fuel prices are determined every 30 days by the government. According to him, in other countries, the determining of boat fuel prices is done every day. The proof is that the market can accept it. "Why in Indonesia it should be determined every 30 days? Frankly, this policy is very difficult for the national maritime industry," he said.

Meanwhile, the Board of Trustees of INSA, Johnson W Sutjipto, said that the national shipping is currently entering "from light to darkness" period. Johnson said that since the Djuanda declaration, the national shipping is entering "from darkness to light" period, with about 70% of Indonesian export-import cargoes dominated by national ships. However, Johnson said that since 1984 the national shipping entered a period "from light to darkness". The peak is in early 2005 where nearly 50% of domestic sea transports were dominated by foreign vessels. (ST)

ACCLAIM FOR RUPIAH AND IHSG CONTINUES AS TIME GOES BY

Jakarta, *Business News*

Euphoria prevailed in the domestic money-market over the past week. It was particularly seen in appreciation of Rupiah value against USD and remarkable achievement of stockmarket at BEI. Government's economic policy package was the propeller.

BI's monetary policy and OJK's banking policy which tend to be dovish contributed greatly to injecting positive sentiment to the domestic money-market. Some macro indicators were well secured to strengthen market confidence.

All Government's plan were confirmed at BI's Board of Government's meeting who decided to maintain BI Rate at 7.50% with Deposit Facility Rate 5.50% and Lending Facility Rate at 8.00%. BI was certain that overall inflation of 2015 would be below the target of 4% while deficit in current transaction would be less than predicted, i.e. around 2% of GDP by end of 2015.

BI envisaged national economic growth would be better being jacked up by Government's capital expenditure in spite of slowdown of activity at the private sector. BI rated that pressures on macro stability was cooling down, leaving room for monetary policy relaxation.

However, considering high global uncertainty, BI remained to be prudent in all their actions. BI's short term policy was still focused on Rupiah stabilization, strengthen Rupiah liquidity and to strengthen supply and demand of foreign currency.

BI's kept fostering coordination with the Government to enhance effectiveness of structural economic policy. Reasonable because global eco-

nomic recovery was still limited, although pressures from the global moneymarket was subsiding. Limited global economic recovery was slow as China was losing steam.

On the other hand, economic growth of the developed countries was getting better although not completely solid. America's economic recovery was still brittle, as shown by some indicators like employment data which was low. FOMC Meeting on September 16-17 last which tend to be dovish strengthened speculations that FFR would be increased.

Meanwhile Europe's economy was predicted to grow better, as indicated by high domestic demand and expanding manufacturing sector.

In line with delay of FFR increase, pressures from the global moneymarket started to subside in October 2015, however BI remained to be on the alert of global risk that might trigger capital outflow.

Indonesia's economic growth in Q III was predicted to be slightly higher than before being buoyed up by Government's capital expenditure. Economic growth was supported by accelerated Government's investment in line with increased realization of Government's capital expenditure.

Government's budget implementation was indicated by development projects now entering the stage of construction, increased sales of cement and heavy equipments.

Private investment was in general still limited but was expected to increase as the Government launched their economic and deregulation package which enhanced investments.

Other indicators of consumption like retail sales and consumer's confidence level, although still

low, was still showing signs of improvement like increase sales of automotives. In parallel with it, export would gradually increase in line with gradual economic recovery.

All year though, economic growth would predictably be around 4.7% - 5.1% in 2015 driven by Government's effort to run structural reformation through various economic policy packages.

Indonesia's trade balance in September 2015 again posted surplus especially supported by surplus in trading of non oil-gas products; the surplus was posted at USD 1.2 billion, higher than the surplus of August 2015 at USD 0.33 billion

Increase of surplus trading of non oil-gas products was due to increase of non oil-gas products especially manufacturing against lowered import of non oil gas products especially raw materials and consumers products.. On the other hand, deficit in trade balance was reduced, thanks to reduced import of

non oil gas products.

Although foreign capital inflow the form of porto folio to Indonesia lessened, it still posted still posted net inflow of USD 2,9 billion accumulatively; hence Indonesia's forex reserves by September 2015 was posted at USD 101.7 billion or equal to 7.0 month of import or 6.8 month of import and payment of Government's overseas debt. The amount of forex reserves was above international standard of Capital Adequacy Ratio of 3 months import.

Rupiah bounced back after being depreciated in September 2015. It happened in October 2015, being supported by positive sentiment from postpone-ment of FFR increase and growing optimism about the prospect of Indonesia's economy.

The two factors drummed up inflow of foreign capital to Indonesia with positive impact on Rupiah value, which strengthened by 9.3% (point to point October against September).



Consumer's price index (IHK) posted deflation in September 2015, so IHK inflation in January – September was notably low. IHK Posted deflation of 0.05% (mtm) or annually inflation of 6.83% (y o y) originating from deflation in volatile food and administered prices. Hence IHK inflation in January-September 2015 was notably low, i.e. 2.24%. (ytd).

All proved that price stabilization was well under control. Deflation in volatile food was supported by better commodity supply, which was due to golden harvest of some commodities.

Deflation in the administered prices category originated from correction of airfare after reduction of Pertamina and Peralite oil price in line with downturn of global oil prices. On the other hand the core group posted deficit of 0.44% (mtm) or 5.07% (y o y), lower than the month before. The origin was ready food, education, and jewellery.

With inflation being under control, BI estimated that inflation for the entire 2015 would be at below mid-point of inflation target of 4%.

BI also noted that stability of the monetary system (SSK) remained solid, being supported by resilience of the banking system and good performance of the money market. Resilience of the banking sector remained solid with credit risk and liquidity well guarded. By August 2015 CAR was 20.5%, way above the minimum requirement of 8%.

Meanwhile ratio of NPL remained low around 2.8% (gross) or 1.4% (net). In terms of intermediation function, credit growth was posted at 10.9% (y o y), higher than growth of the month before. Meanwhile growth of Third Party Fund in August 2015 was posted at 13.2% (y o y). In the future, in line with increased economic activity and the impact of macro prudential policy by BI, credit growth would predictably be increased.

The Money Market

Just like IHSG, Rupiah value against USD was also progressing well. Once being stuck at Rp 14,800 per USD, now Rupiah settled at around Rp 13,400.- per USD. After launching of Government's Economic Policy Package Chapter I, II, III and market positive response would continue when the Government launched Chapter IV of the package.

It was true that Rupiah inched down last week end (16/10) to Rp 13,500.- after strengthening to Rp13,476 against Thursday afternoon (15/10) at Rp13,355.- Rupiah strengthened in tandem with strengthening of Asian currencies. Strengthening of Rupiah was better as Government Policy Package IV was launched.

Market players also responded positively to BI's decision to maintain BI rate at 7.5% (15/10). The only thing was that steep strengthening of Rupiah one week after being tormented weakening for months surprised many people, but some people understood there were positive sentiments from the domestic side to strengthen Rupiah.

Amidst strengthening of USD over the past 2 years, strengthening of Rupiah breezed out new hope. Last September, many people were still anxious why the Fed was not being decisive about when they would increase FFR from the present 0.25% which had been valid for the past 7 years.

Uncertainty about when and to what degree FFR would be increased was among the many sentiments that caused the Mighty Dollar phenomenon against most of the world's currencies.

Beside the Fed factor, the sentiment that strengthened USD at that time was Greece's foreign debt and China's Yuan. One thing was sure Rupiah weakening at that time also increased risk of national economy amidst lessened GDP growth.

The risk kept growing because corporate's overseas debt kept increasing and the manufacturing industry still depended on imported goods. With

Rupiah depreciation, private corporations would need Rupiah in vast amount to buy Dollars for paying overseas debt.

Now the condition was in reverse. Starting with US economic data which was below expectation and finally weakened USD last week, performance of USD through September last only opened 142,000 new job opportunities and expectations for 220,000 new job opportunities.

The latest data confirmed the signal that the Fed would again suspend increase of benchmark rate in 2015 and probably do it in 2016 or even 2017. The condition created speculations that global investors would turn to highly prospective countries among the emerging economies including Indonesia.

The trend could be seen in the return of foreign capital to the secondary market like the SUN Bond and stockmarket. At the same time, many investors were beginning to realize how resolved the Government of RI, BI and OJK was in deregulating some rules. Combination of external and internal sentiments synergized to strengthen Rupiah

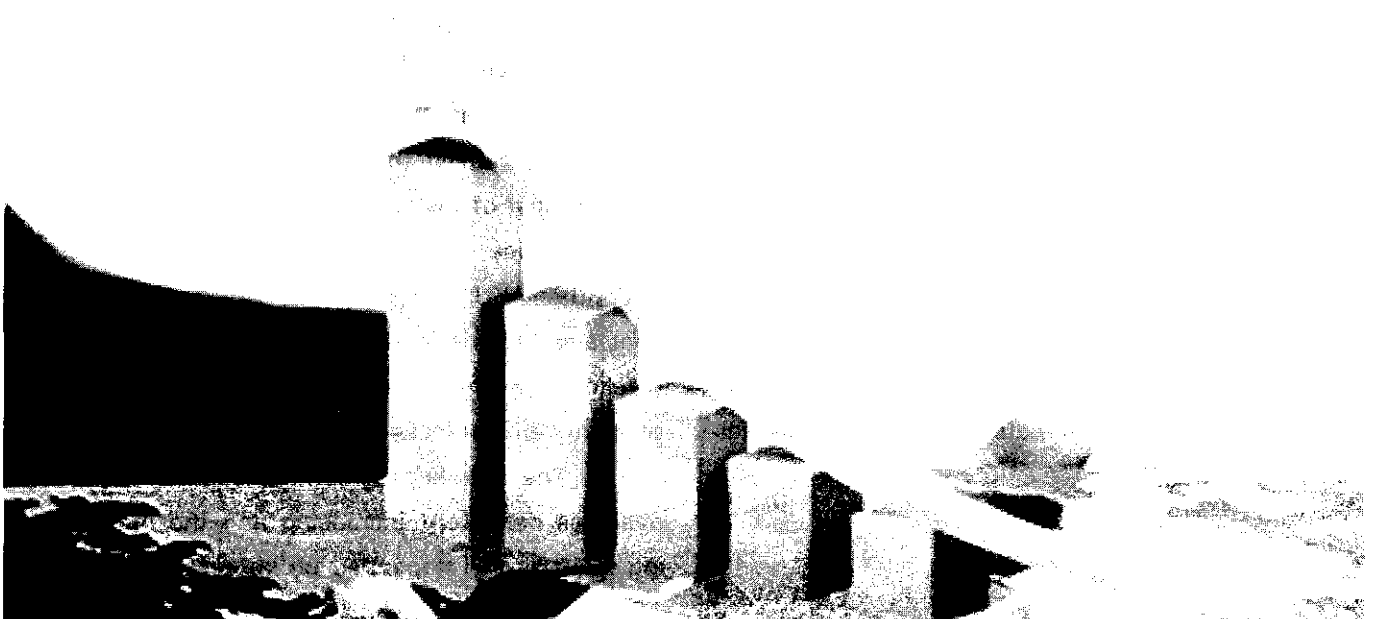
Strengthening of Rupiah was in fact understandable because in the last few months strengthen-

ing process of Rupiah was governed by sentiments and speculations. Rupiah exchange rate value did not represent Indonesia's fundamental economy. Such was visible among others in REER of Rupiah which was below 100.

At the position of Rp13,800.- Rupiah was still undervalued. Even when Rupiah touched Rp 13.500 per USD it was still undervalued. BI was still certain that Rupiah would come close to fundamental economy at around REER level 97. So Rupiah strengthening was expected to not just temporary because global investors sold their USD to buy shares in Indonesia.

Such was visible in the upgoing IHSG in the last few days. Hopefully strengthening of Rupiah and IHSG would be sustainable because investors had stronger confidence in national economic performance. BI claimed they were confident that external and internal sentiment strengthened Rupiah over the past 2 weeks.

It came as no surprise that Rupiah strengthened after being depreciated in September 2015. Rupiah sudden rebound happened in early October 2015. The two factors drummed up foreign capital to enter Indonesia, with impact of Rupiah strengthening



by 9.3% per October 13 last against September.

Through September 2015 Rupiah position against USD was never below Rp14,000 per USD. In early September, Rupiah was at Rp 14,081 per USD and kept sinking to touch Rp14,728 per USD by end of September.

For that matter BI enhanced effort to stabilize Rupiah to bring it closer to fundamental economy. In the eyes of BI, today Rupiah was being undervalued. All effort of stabilization by BI was expected to accelerate stabilization process of the macro economy and financial system.

The process of Rupiah strengthening was enhanced by this one policy. CPO producers welcomed the mandatory bio diesel regulation which was believed to jack up CPO price in the international market. The obligation to mix vegetable oil fuel of bio diesel type into solar was regarded as energizer to Rupiah, such happened in tandem with austerity plan through reduction of solar importing and increased forex from CPO exporting.

Mandatory bio diesel mix to become 15% since August 2015 would jack up international CPO price. Thereby forex flow increased to strengthen Rupiah. At the same time there was saving of forex from solar oil importing. By end of 2015, saving of foreign exchange from reduced solar importing was estimated to come to USD 360 million or Rp 5.04 trillion. Next year when mandatory bio diesel (B 20) was increased by 20%, savings might reach USD 1.9 billion (Rp26.60 trillion).

From the above picture it was apparent that Rupiah strengthened last week (16/10) and was still possible to reach Rp 13,350 – Rp 13,450 this week. Rupiah was showing its strength and projected to be in the range of Rp 13,250 – Rp 13,350 per USD.

The Capital Market

Index of IHSG inched down due to act of profit

taking. BEI was the only stockmarket that weakened in Indonesia. To begin transaction last week (16/10) IHSG strengthened by 23.086 points (0.51%) to the level of 4,530.281 following regional and global trends.

In response to Government Policy Package Chapter IV, IHSG reached its highest point at 4,544.818 and was subject to profit taking. During closing of the first session, IHSG inched down by 4.990 points (0.11%) to 4,502.205. Index of LQ45 inched down by 1.227 points (0.16%) to the level of 768.843.

Act of profit taking took place in the mining sector which dropped by more than 1%. Trading was running moderately with frequency of transaction 119,104 times at the volume of 3,226 million lots worth Rp 2,519 trillion. 88 shares rose, 143 went down and 77 shares stagnated.

Meanwhile regional stockmarkets were compact to stay at the green zone. Japan's stockmarket rose highest among other stockmarkets. Index of Nikkei 225 rose by 204.33 points (1.33%) to the level of 18,301.23. Hang Seng Rose by 131.21 points (0.57%) to the level of 23,019.38. Index of Composite Shanghai strengthened by 10.50 points (0.31%) to the level of 3,348.58. Index of Straits Times rose by 16.42 points (0.54%) to the level of 3,031.56.

Strengthening of BEI index was purely due to positive sentiment from the domestic side, although Wall street posted their best performance in the past 8 weeks. Citigroup's sound performance made investors return to hunt shares. Regional stockmarkets were compact to strengthen after having positive sentiment from the S stockmarket.

Index of Nikkei 225 jumped up by 238.23 points (1.32%) to the level of 18,335.13. Index of Hang Seng jumped up by 263.96 points (1.15%) to the level of 3,152.13. Index of Composite Shanghai strengthened by 16.74 points (0.50%). Index

of Straits Times rose by 26.85 points (0.89%) to 3,041.99%.

Lately the stockmarket was stormed by positive sentiment which strengthened IHSG. Beside Asian stockmarket, Europe's stockmarket was also opened to strengthen.

At home, last Thursday (15/10) BPS again reported Indonesia's trade balance for the period of September 2015 in which it was mentioned that surplus of Indonesia's trade balance for January-September 2015 was the highest in the past 4 years. In September, Indonesia's trade balance posted surplus of USD 1.02 billion.

Apparently IHSG strengthening increased last weekend (16/10) in the range of 4,550 – 4,580 due to strengthened global stockmarket and economic optimism at home. moreover share in Wall street turned green driven by the prediction that the Fed would again suspend FFR increase.

Index of Dow Jones Industrial Average (DJIA) was posted to strengthen by 2017.000 points (1.28%) to be closed at 17,141.75. Wide based index S&P 500 strengthened by 29.62 points (1.49%)

to end at 2,023.86 while index of Nasdaq increased by 87,25 (1,82%) to become 4,870,10

Analyst saw low probability of the Fed increasing FFR following unimpressive US macro economy report including consumer price data posting downturn for September.

Shares of the Financial Sector posted significant growth. Citigroup soared up by 4.4% after axing analyst expectation of 51% of profit in Q 3 to become USD 4.3 billion, Golden Sachs who sort of failed to meet profit expectations rose by 3.0% as their Finance Director promised good prospect of merger and acquisition. Bank of America strengthened, increasing by 3.5%. JP Morgan Chase also strengthened by 3.2% and Wells Fargo increased by 2.3%

Shares of Chinese companies at Wall street also strengthened as index of Shanghai soared up higher. Daring Alibaba went up by 4.8% Internet Baidu rose by 3.6%. Share of Apple rose by 2,5% , Amazon rose by 3.2% and Facebook rose by 2.0%.

Apparently IHSG during closing session stood a chance to strengthen in the range of 4,515 – 4,535. This week IHSG was still continuing



strengthening in the range of 5,515 – 4,535 as Government's Economic Policy Package was well accepted by the market. Other occurrence also contributed to IHSG strengthening.

One of them was Indonesia-Malaysia agreement to set up a Council of Palm Oil Producing Countries (CPOP) agreed upon by President of RI Joko Widodo and Malaysian Prime Minister Najib Razak in Bigir last week (10/10).

The agreement was expected to strengthen Indonesia and Malaysia position as the biggest producer of CPO in the world. Today more than 85% of world's CPO products originated from Malaysia and Indonesia. CPOP played strategic role in controlling supply and demand of CPO including pricing of CPO.

This organization would standardize CPO products effective in Malaysia and Indonesia. The two countries also agreed to set up a Green Economic Zone which was a harmonized CPO expanse. By this zoning there would be increased added value of CPO products in both countries. To realize the agreement, Indonesia and Malaysia would set up a joint task force.

For the short term, the Government of RI decided to temporarily run a moratorium of CPO standard made in Europe. Indonesia and Malaysia would apply a new Standard of CPO products. So far CPO standarization made in Uni Europe disadvantaged local CPO producers especially small scale producers. To anticipate reduced demand for CPO due to the policy, the Government would lobby the Government of China and India so they would accept the new standard set by Indonesia-Malaysia.

Shares of the banking sector also had the potential to strengthen, as indicated by net balance (SBT) of Q III banking survey which was posted at 76.9% which was higher than the previous quarter at 66.7%. According to BUI survey, increased need for consumer's financing and predicted better econo-

my was the driving force to of new Credit pipelining.

On the other hand increased NPL risk especially corporate credit must still be watched on. Although still normal at less than 5%, in August 2015 2015 NPL for working capital (KMK) and Investment Credit was posted at 3.2%, an increase of 0.25% against June 2015. By economic sector, highest NPL was posted at the Construction Sector at 5.46%.

According to BI, demand for credit consumption dropped due to less demand for KPR mortgage, credit for automotive and credit without guarantee. Toward Q-4, New credit would increase at around 93.2% against the previous 76.9%. Growth was thanks to bettered economy and lowered credit rate.

51.3% respondents stated they would tighten credit pipelining while 43.6% respondent stated that credit pipelining would be the same as previous quarter. Tightening would be through guarantee standard, premium charged on risky credit, and credit contract agreement.

Meanwhile the textile industry was revitalizing with increased production output and capital investment from overseas or local resources. By Q II this year, investment in the textile sector came to Rp 3.95 trillion, 55% foreign (PMA) and 44.2% Domestic (PMDN).

The Government kept promoting performance of the textile industry among others by restricting import and protecting the domestic market by non tariff barrier. The instrument was among others application of mandatory SNI, mandatory use of domestic components (P3DN) and restructurization of textile machinery, to build national brands and logistic system of cotton to ensure stock of raw materials.

Capital investment and industry development would be increased in line with implementation of Government's policy package. Reduced tariff of gas, electricity and solar oil was supportive to strengthening of competitive edge.(SS)

TO EVALUATE TRANS-PACIFIC PARTNERSHIP AND THE IMPLICATION ON INDONESIA

Jakarta, *Business News*

Toward implementation of Asean Economic Community (AEC) on January 1, 2016 next, it was recommendable for the Government and business-players to pay special attention to Trans Pacific Partnership. (TPP).

As known, after 19 times of negotiation that took 18 years, finally TPP was agreed upon in Atlanta, Georgia, USA on Monday October 5 last. The following are 5 points on TPP for reference and better comprehension.

Firstly, TPP would involve 12 countries consisting of the USA and other 11 countries of the Pacific i.e. Australia, Brunei Darussalam, Chile, Japan, Canada, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam.

Secondly, the TPP agreement would not automatically be implemented in the related countries who signed it. There was still a process of ratification to be exercised by the respective countries for harmonization.

Thirdly, in TPP scheme investors could bring the Government to court. It was because in TPP there was a component known as Investor-State Dispute Settlement, which was an international law whereby an investor could make a legal claim on the Government if the Government obstructed their investment process.

Fourthly although the document had leaked out, there was no official document which contained TPP agreement. Word was out it was not until 30 days before the signed document could be seen.

Fifthly Indonesia was not among the coun-

tries who participated in the TPP agreement, and yet some countries like Malaysia, Singapore, Brunei Darussalam and Vietnam joined the club.

Surely there was certain consideration behind Indonesia's stance. According to President Joko Widodo Indonesia would only join TPP if the organization was advantageous to Indonesia. President Jokowi said he did not wish Indonesia was mere market for product of other countries.

President Joko Widodo's opinion was very reasonable indeed because if this country of vast market joined TPP just for reason of prestige, the ones who enjoyed the benefit was other countries because Indonesia was mere market for other countries.

The case was very apparent in President Barack Obama's opinion that "TPP would buoy up our economy, reduce barriers in trading and investment, increase export and open job opportunities for our people. TPP had the potential to be an example in the Asia Pacific region but also for trade agreements of the future"

From America's viewpoint, the opinion was truly valid because historically the TPP framework was the spearhead of America's trade policy. TPP was a preposition of high priority for economic development through export promotion and opening of new job opportunities.

The proposition was also the main focus of Rebalancing Concept of President Barack Obama's strategy in the Asia Pacific Region especially in economy. With highly upheld principle, America and the 11 TPP members kept trying to set up a workplan for trade and investment which was comprehensive and of high standard for the fast growing Asia Pacific

region.

Ever since the first round of meeting on March 2010 which involved 7 TPP participants, now TPP membership became 12 countries with entry of Vietnam and Malaysia (2010) and Canada (2012) and Japan (2013)

TPP consisted of diverse member countries with economy big and small, developed and developing, but all shared the same belief and spirit to be open and competitive.

TPP members strived to meet great challenges in investment of the 21st century, to protect workers and the environment and to be the strong foundation in developing global trade liberalization.

Today TPP members represented 40% of world's total GDP, in the next 2 decades predictably around 50% of world's economic growth would be in the Asia Pacific region.

TPP consisted of some of America's trade partners i.e. Canada (4th), Mexico (3rd) Japan (4th) with total trade volume of USD 1.5 trillion for 2012. In 2011 around USD 83 billion flew in to TPP members. All of TPP members totaled USD 61 billion.

In total, direct investment to and from TPP countries had doubled since 2002. By 2011 there was USD 843 billion of US direct investment in TPP countries and direct investment of TPP countries in the USA totaled USD 596 billion.

In this context Indonesia would have to face the biggest economic association in the world, i.e.

TPP. Four Asean states had joined the association including around 40% of world's economy. The rest were New Zealand, Australia, Canada, Mexico, Peru, Chile and Japan.

Since Indonesia was not a TPP member, capital inflow to Indonesia was slowing down because there were 3 economic giants in TPP i.e. Japan, the USA and Canada who invested their capital in Indonesia.

Among the articles of the TPP was elimination of 18,000 types of taxes. In their joint communiqué Trade Ministers of the USA, Australia and Japan stated that TPP would fight against Corruption and play games by the rule. The AEC concept could serve to fortify against TPP aggression.

The problem was that in TPP there were members who were also AEC members. The Government of RI must have the wisdom to build alliance with other countries bilaterally or multilaterally.

So far what appeared on the surface was tendency for Indonesia to build new relationship with the Government of China who was not a member of MNEA and TPP.

In the spirit of China/Asean Free Trade Agreement (CAFTA) which was ratified in 2010 last, the position of China was well estimated as the world's second biggest economy. Indonesia must maneuver gracefully because somehow relationship with Singapore, Japan and America must be well secured.

(SS)

CONSIDERING THE ECONOMIC POLICY PACKAGE VOLUME IV

Jakarta, *Business News*

One factor that causes anxiety to foreign investors who are interested to invest in Indonesia is labor issues. Even, foreign and domestic investors who have invested their capital in the country are often made uneasy due to demands of workers.

When demands and aspirations related to wage systems or payroll deemed incompatible with the expectations of workers, tens of thousands of workers will go to various places to rally in the form of speeches demanding improved welfare.

Orderly demonstration is not an issue in a democratic country. But it is different if the rally has turned into an anarchic arena to impose their will. This is what makes most employers concerned about the survival of their business.

Responding to the anxiety of workers and employers, the government released the national economic stimulus package IV which emphasizes on employment sector with uniforming the formula for calculating minimum wage for each province (UMP).

In the fourth volume of economic policy package, the government issued a new formula for increase every year. The new formula will be approved through Government Regulation (PP) which will be immediately signed by President Joko Widodo. This regulation is expected to give assurance that workers' wages will increase every year and certainty for the businesses so that wages can be predicted.

UMP formula for next year is UMP of current year + (UMP of current year (inflation + economic growth)). For example, UMP in Jakarta with inflation and economic growth of 5% respectively. So, UMP of current year is IDR2.7 million plus IDR2.7

million multiplied by 10%. That is, IDR2.7 million plus IDR270,000 or equal to IDR2.97 million.

The main objective of the policy is to ensure the expansion of work opportunities and job creation maximally. Investment and business climate will be conducive. Work opportunities will be more expansive, candidate workers have more choices and bargaining power. However, there are eight provinces whose UMP level has not reached 100% of Decent Living Component (KHL).

To that end, all heads of the provinces were asked to make adjustments for four years so that UMP could reach KHL. After that, they use a new formula. Furthermore, the issuance of Government Regulation on Wages will be followed by seven Regulations of the Minister of Manpower on Minimum Wage Formula, Stipulation of UMP / UMK, Stipulation of UMS, Structure of Wage Scale, holiday allowance (THR), Service Fee, and Decent Living Needs (KHL).

Government Regulation on Wages is the mandate of Article 97 of Law No. 13/2003. However, the Government Regulation, which is now at the President's desk, arouses controversy. It is said that Worker Unions and Labor Unions were not informed.

According to them, the process of making the Government Regulation on Wages was not in accordance with Law No. 12/2011 on Law Making Procedure, which mandates the involvement of stakeholders, namely workers and employers. It was also incompatible with the spirit of the International Labor Organization (ILO) Convention related to the involvement of workers in the making of manpower regulations.

According to them, in addition to formal issues, namely the making process, Government Regu-

lation on Wages also has problems in its contents. From the latest draft, it seems that the government wants to make a formula of minimum wage increase every year, so it no longer needs KHL survey by the regional wage boards, discussion of minimum wages by the regional wage board, as well as stipulation of minimum wage by the governor.

Labor activists said that government's proposal regarding minimum wage formula is in contradictory to Article 89 Paragraph (3) of Law No. 13/2003 which states that "minimum wage is set by the government by taking into account the recommendations of the provincial wage council and / or the regent / mayor".

This kind of thinking underlies labor activists to continue to refuse approval of new formulations in the Government Regulation on Wages. According to them, workers demanded wage adjustment by revising the list of needs for decent living from 60 to 84 items. Ideally wage amount for single workers is IDR3.5 million per month.

Actually, stipulation of UMP remains the authority of the local government because the law says so. So it did not change, but the central government is the one who makes the formula. To be sure, wage calculation is now simplified, which is by combining components of UMP that are already in accordance with KHL survey, inflation

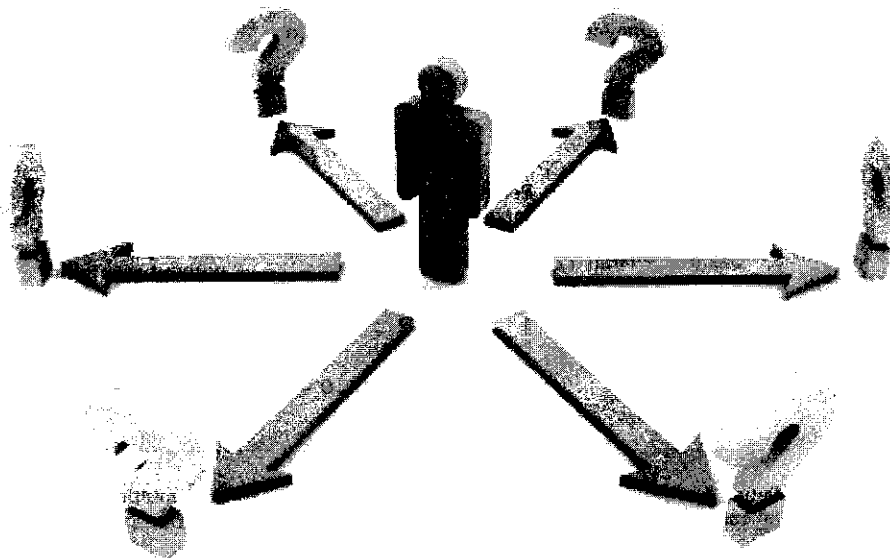
rate and gross domestic product (GDP).

An important point of the Policy Package Volume IV is the existence of the state to ensure that workers do not fall into low wages. It is confirmed that the state exists to reduce the burden of living expenses through Kartu Pintar Indonesia (KIP), Kartu Sehat Indonesia (KIS), as well as small business credit (KUR) which can be accessed by workers and layoff victims.

Besides wage issue, policy package volume IV also promises working capital loans (KMK) with interest rates lower than commercial interest rates. Soft loans are prioritized for small and medium enterprises (SMEs) that are labor intensive and involved in activities that support exports and do not to lay off employees.

Unlike the response of workers, formulation of the new wage procedures is appreciated by businesses in labor-intensive sectors. With this formula, businesses will have a predictable wage projection annually. This means that businesses can bring the projected labor costs in the calculation of production costs because there has been certainty.

In essence, they saw that this policy provides employment opportunities for people in the midst of a sluggish economy, and provides certainty for the industry. Thus, in the midst of economic pressures which are increasingly felt



today, the government has given sufficient leeway for workers related to the formulation of the new wage system.

With target of making the calculation of minimum wage more predictable, the new policy of the government is expected to be welcomed by employers. But, workers' wages are not only the interest of employers. The new policy package accommodates the aspirations of workers by ensuring the increase of UMP annually through calculations that include elements of economic growth and inflation.

Such mechanism makes the pattern of industrial relations between employers and workers

change. The dynamics of the discussion about wages are no longer long and complicated as before. Importantly, the new pattern is acceptable to workers and employers. Moreover, the government also provides an opportunity to encourage the birth of new workers in the SME segment through a more accommodative policy.

Such opportunity is now wide open, depending on the reaction of workers. By thinking clearly and positively, there is no country which plunges its workers into poverty because the state must increase the welfare of all of its citizens, or workers. (E)

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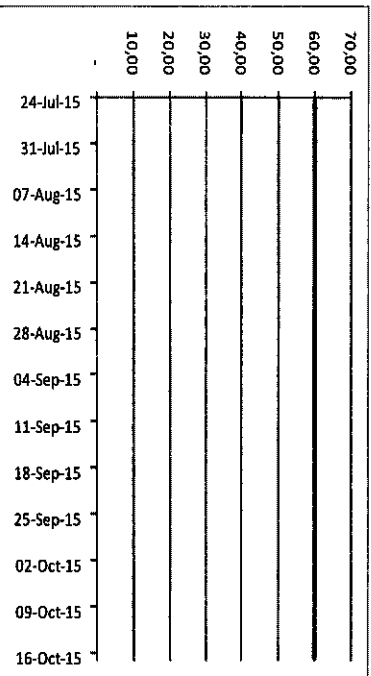
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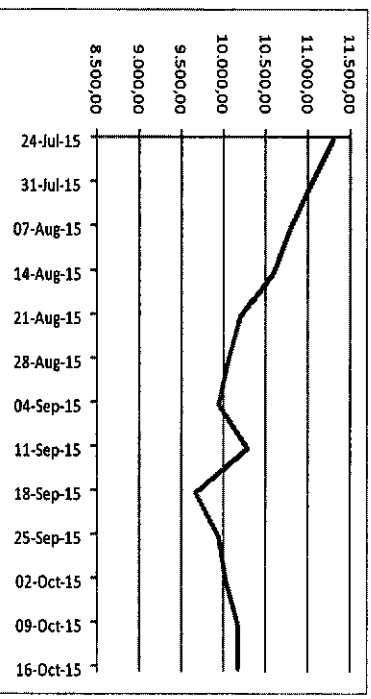
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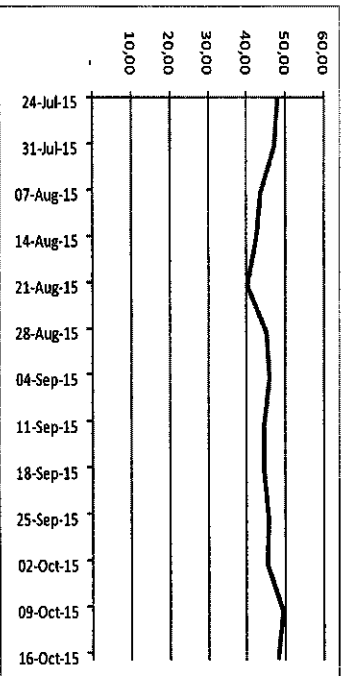
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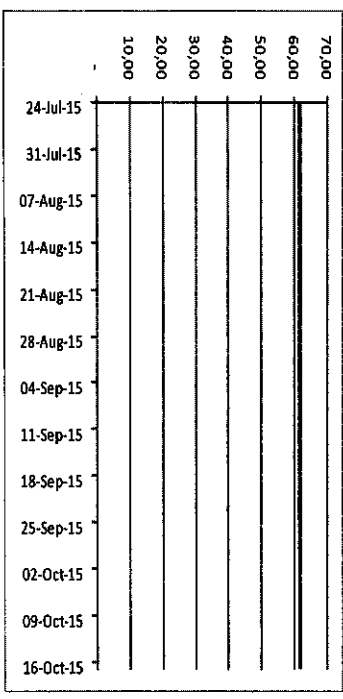
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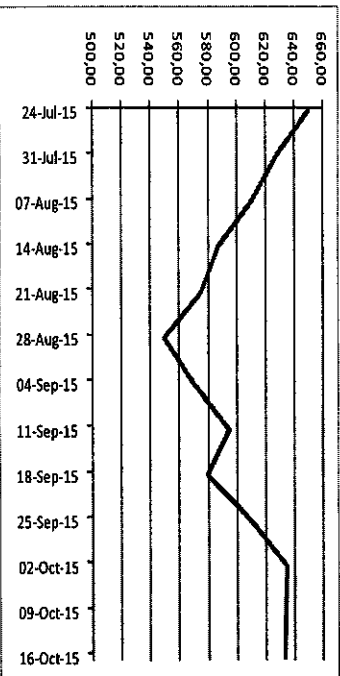
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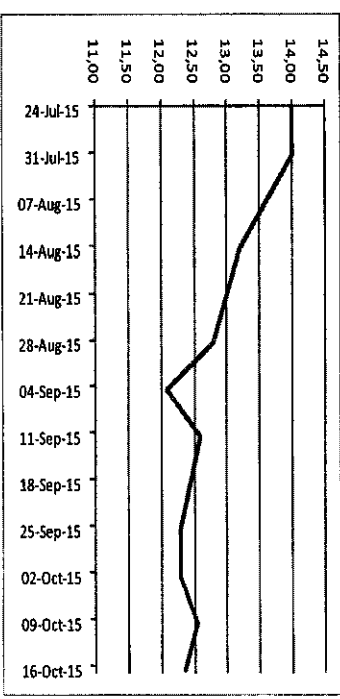
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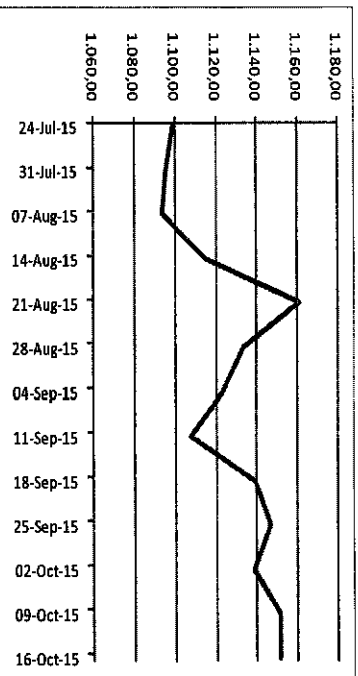
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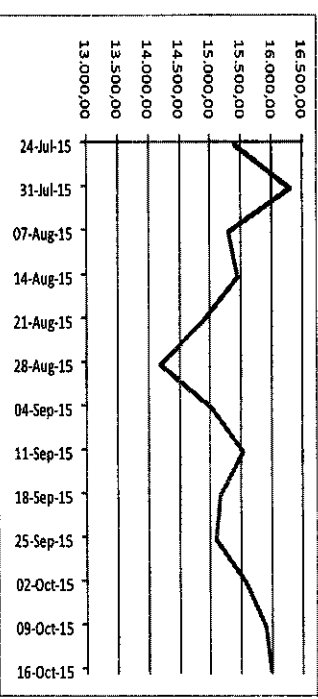
IDRUSR20 Index Rubber US/kg



GOLDS Cmnty (USD)



LMSNDS03 TIN (USD)



FOREIGN EXCHANGE RATES

Jakarta, *Business News*

EXCHANGE RATES ON TRANSACTION

| CURRENCY | VALUE | OCTOBER 20, 2015 | | | OCTOBER 19, 2015 | | | OCTOBER 16, 2015 | | |
|---------------------------|-------|------------------|----------------|-----------|------------------|----------------|-----------|------------------|----------------|-----------|
| | | BUYING | MIDDLE RATE | SELLING | BUYING | MIDDLE RATE | SELLING | BUYING | MIDDLE RATE | SELLING |
| AUD (Australia) | 1,- | 9,844.85 | 9,896.94 | 9,949.02 | 9,806.82 | 9,858.96 | 9,911.10 | 9,826.14 | 9,877.80 | 9,929.46 |
| BND (Brunei) | 1,- | 9,768.15 | 9,817.82 | 9,867.49 | 9,747.91 | 9,798.10 | 9,848.28 | 9,750.91 | 9,801.93 | 9,852.95 |
| CAD (Canada) | 1,- | 10,400.98 | 10,455.54 | 10,510.09 | 10,436.16 | 10,491.20 | 10,546.23 | 10,459.84 | 10,515.13 | 10,570.41 |
| CHF (Switzerland) | 1,- | 14,191.86 | 14,264.50 | 14,337.14 | 14,138.29 | 14,214.03 | 14,289.76 | 14,146.44 | 14,220.13 | 14,293.82 |
| CNY (China Yuan) | 1,- | 2,132.55 | 2,143.24 | 2,153.93 | 2,124.29 | 2,135.00 | 2,145.70 | 2,122.77 | 2,133.49 | 2,144.21 |
| DKK (Denmark) | 1,- | 2,061.33 | 2,071.82 | 2,082.31 | 2,055.60 | 2,066.12 | 2,076.63 | 2,053.21 | 2,063.74 | 2,074.27 |
| GBP (United Kingdom) | 1,- | 20,990.67 | 21,099.32 | 21,207.96 | 20,826.83 | 20,935.87 | 21,044.90 | 20,823.82 | 20,932.38 | 21,040.93 |
| HKD (Hong Kong) | 1,- | 1,750.34 | 1,759.23 | 1,768.11 | 1,741.25 | 1,750.06 | 1,758.86 | 1,737.53 | 1,746.32 | 1,755.10 |
| JPY (Japan) | 100,- | 11,348.50 | 11,407.79 | 11,467.07 | 11,303.29 | 11,362.64 | 11,421.99 | 11,300.77 | 11,358.80 | 11,416.82 |
| KRW (Korean) | 1,- | 12.01 | 12.07 | 12.13 | 12.02 | 12.08 | 12.14 | 11.94 | 12.00 | 12.06 |
| KWD (Kuwaiti Dinar) | 1,- | 44,935.41 | 45,190.76 | 45,446.10 | 44,700.23 | 44,955.42 | 45,210.61 | 44,589.40 | 44,896.90 | 45,204.39 |
| MYR (Malaysia) | 1,- | 3,186.75 | 3,205.38 | 3,224.00 | 3,206.22 | 3,225.85 | 3,245.48 | 3,237.80 | 3,257.70 | 3,277.59 |
| NOK (Norway) | 1,- | 1,668.33 | 1,677.24 | 1,686.15 | 1,665.00 | 1,674.10 | 1,683.19 | 1,660.71 | 1,669.61 | 1,678.51 |
| NZD (New Zealand) | 1,- | 9,215.38 | 9,265.69 | 9,315.99 | 9,165.80 | 9,214.03 | 9,262.26 | 9,191.89 | 9,242.39 | 9,292.89 |
| PGK (Papua New Guinea) | 1,- | 4,588.02 | 4,712.42 | 4,836.81 | 4,561.31 | 4,686.53 | 4,811.74 | 4,554.20 | 4,677.86 | 4,801.51 |
| PHP (The Philippines) | 1,- | 293.70 | 295.24 | 296.77 | 292.80 | 294.37 | 295.94 | 293.06 | 294.61 | 296.15 |
| SAR (Saudi Arabian Riyal) | 1,- | 3,618.76 | 3,637.63 | 3,656.50 | 3,598.38 | 3,616.66 | 3,634.93 | 3,590.17 | 3,608.78 | 3,627.39 |
| SEK (Sweden) | 1,- | 1,632.02 | 1,640.65 | 1,649.27 | 1,637.64 | 1,646.39 | 1,655.13 | 1,635.29 | 1,644.08 | 1,652.87 |
| SGD (Singapore) | 1,- | 9,768.15 | 9,817.82 | 9,867.49 | 9,747.91 | 9,798.10 | 9,848.28 | 9,750.91 | 9,801.93 | 9,852.95 |
| THB (Thailand) | 1,- | 382.68 | 384.71 | 386.73 | 382.29 | 384.33 | 386.37 | 381.47 | 383.51 | 385.54 |
| USD (United States) | 1,- | 13,566.00 | 13,634.00 | 13,702.00 | 13,495.00 | 13,563.00 | 13,631.00 | 13,466.00 | 13,534.00 | 13,602.00 |
| EUR (Europe) | 1,- | 15,377.06 | 15,454.83 | 15,532.59 | 15,334.37 | 15,414.37 | 15,494.36 | 15,318.92 | 15,397.64 | 15,476.36 |

NOTE : The middle rate is based on Business News calculation

**GUIDELINE FOR IMPLEMENTATION OF
THE PROVISION ON TAX CONSULTANCY
(Regulation of the Director General of Taxes Number
PER-13/PJ/2015, dated March 10, 2015)
[Continued from Business News No. 8765 page 41-48]**

(6) The application referred to in paragraph (5) must be submitted by filling-in the Form and print the Application Letter for Re-Issue of Licence to Practice Card on the ground of the change of personal identity in the application in Tax Consultant's administration, to the Director General of Taxes supported by document as follows::

- a. Licence to Practice Card;
- b. two (2) 2x3 cm colored photographs with white background; and
- c. evidential document on the change to personal data of the Tax Consultant.

(7) The Application Letter for Re-Issuing Licence to Practice Card due to the change to personal data as referred to in paragraph (6) must comply with the format as shown in the Example specified in Attachment II constituting inseparable part of this Regulation of the Director General of Taxes.

(8) If the application for issue of Licence to Practice Card as referred to in paragraph (4) and paragraph

(6) is approved, the Director General of Taxes shall be obliged to issue Licence to Practice Card within at the latest 14 (fourteen) working days as of the date the complete application is received.

(9) In the event that copy of the Licence to Practice and/or Tax Consultant License to Practice is lost, the Tax Consultant may submit application to the Director General of Taxes to obtain copy of Licence to Practice and/or a new Licence to Practice Card.

(10) The application referred to in paragraph (9) must be submitted by filling-in the Form and print the Application Letter for Re-Issuing copy of Licence to Practice and Licence to Practice Card on the reason that it is lost for the application of Tax Consultant's administration, and submit Application Letter for Re-Issue of copy of Licence to Practice and/or Licence to Practice Card due to the loss to the Director General of Taxes supported by the documents as follows:

- a. two (2) 2x3 cm colored photographs with white background; and
- b. Statement Letter on the Loss from the Police Quarter of the State of the Republic of Indonesia (POLRI).

(11) Statement Letter on Re-Issue of copy of Licence to Practice and/or Licence to Practice Card due to the loss referred to in paragraph (10) prepared using the Format as shown in the Example specified in Attachment III constituting inseparable part of this Regulation of Director General of Taxes..

(12) If the application for re-issue of copy of the Licence to Practice and/or Licence to Practice Card due to the loss as referred to in paragraph (10) is approved, the Director General of Taxes shall be obliged to issue copy of Licence to Practice and/or Licence to Practice Card within 30 (thirty) working days at the latest effective as of the complete application is received.

(13) If the Tax Consultant wishes to legalize the photocopies of Decision on Licence to Practice and Licence to Practice Card, the Tax Consultant shall be obliged to submit written application to the Director General of Taxes.

(14) The application referred to in paragraph (13) must be submitted by filling-in the Form for Application Letter for Legalization of photocopies of Licence to Practice and/or Licence to Practice Card on the application for Tax Consultant's administration.

(15) The application for legalization of photocopies of Licence to Practice and/or Licence to Practice Card as referred to in paragraph (14) shall be made by filling-in the Format as shown in the Example as specified in Attachment IV constituting inseparable part of this Regulation to the Director General of Taxes.

(16) If the application for legalization of photocopies of copy of Licence to Practice and/or Licence to Practice Card as referred to in paragraph (14) is approved, the Director General of Taxes shall be obliged to issue legalized photocopies of copy of the Licence to Practice and/or Licence to Practice Card within seven (7) working days at the latest as of the date the complete application is received.

CHAPTER III

TAX CONSULTANTS ASSOCIATION

Article 6

Tax Consultants shall associate in one Tax Consultants Association that has been registered at the Directorate General of Taxes,

Article 7

- (1) To become member of registered Tax Consultants Association as referred to in Article 6, the Tax Consultant shall be obliged to submit application to the Director General of Taxes.
- (2) The requirements to be complied with in order become member of registered Tax Consultants Association at the Directorate General of Taxes as referred to in paragraph (1), are as follows:
 - a. must be in the form of legal entity based on the statutory regulation;
 - b. has Articles of Association and By-Laws;
 - c. has management structure that has been resolved at the meeting of members;
 - d. has continuous professional development program;
 - e. has code of ethic and standard professionalism as Tax Consultant; and
 - f. has Board of Honor that functions to oversee, examine and settle any alleged violation of code of ethic and standard professionalism as Tax Consultant by members of the association.
- (3) The application referred to in paragraph (1) will be submitted by filling-in the Form and print the Application Letter for Registration as members of the Tax Consultants Association at the application for Tax Consultant's administration, and submit the Application Letter for Registration as members of Tax Consultants Association to the Director General of Taxes supported by the documents cited below.
 - a. Notary Deed that has been ratified by the Ministry of Law and Human Rights;
 - b. Articles of Association and By-Laws;
 - c. Composition of Central Management and Branch Management that has been resolved by attendees of Meeting;
 - d. List of members and photocopy of valid License to Practice Card as member;
 - e. continuous profession development program;
 - f. code of ethics and standard profession of Tax Consultant; and
 - g. photocopy of Obligatory Taxpayer Identification Number (NPWP).

- (4) If the application referred to in paragraph (1) is approved, the Director General of Taxes shall issue Statement Letter on Registered Tax Consultants Association.
- (5) The Statement Letter on Registered Tax Consultants Association as referred to in paragraph (4) shall be issued using the format in the Example as specified in Attachment V constituting inseparable part of this Regulation of the Director General of Taxes.

Article 8

- (1) Tax Consultants Association that has obtained Statement Letter of Registration shall be obliged to prepare annual financial statement.
- (2) The financial statement referred to in paragraph (1) must be audited by Public Accountant and the result thereof must be reported to the Director General of Taxes by the end of April the next year.
- (3) The Director General of Taxes has the authority to charge penalty in the form of written reminder if the Tax Consultants Association is delayed in submitting financial statement and the result of audit referred to in paragraph (2) to the Director General of Taxes.
- (4) The Director General of Taxes has the authority to decide to revoke the Statement Letter of Registration of Tax Consultants Association if:
- a. the Tax Consultants Association fails to comply with the provisions referred to in Article 7 paragraph (2) letter a, letter b, letter c, letter d, letter e or letter f;
 - b. the Tax Consultants Association ignores the written reminder as referred to in paragraph (3) within three (3) months as of the notification in the form of written reminder;
 - c. the Tax Consultants Association is delayed in submitting financial statement and the result of audit as referred to in paragraph (2) for three (3) years consecutively.
- (5) The decision for revocation of Statement Letter of Registration of Tax Consultants Association as referred to in paragraph (4) shall be prepared using the format as shown in the Example specified in Attachment VI

constituting inseparable part of this Regulation of the constituting inseparable part of this Regulation of the Director General of Taxes.

CHAPTER IV

MANAGEMENT SYSTEM OF TAX CONSULTANTS ORGANIZATION

Article 9

- (1) The Director General of Taxes shall propose any Tax Consultants Association that holds Statement Letter of Registration to the Minister of Finance for proposal to be member of the Operating Committee for Certification of Tax Consultants.
- (2) If there exists more than one Tax Consultants Associations that holds Statement Letter of Registration, the Director General of Taxes shall exercise selection to get hold one Tax Consultants Association to be proposed to become member of the Operating Committee for Certification of Tax Consultant.
- (3) The selection referred to in paragraph (2) shall be exercised by conducting evaluation of the management system of good organization and the total number of members of Tax Consultants Association.
- (4) Elements for evaluation of management system of good organization as referred to in paragraph (3) shall be as follows:
 - a. age and curriculum vitae or organization based on Notary Deed that has been ratified by the Ministry of Law and Human Rights;
 - b. total number of branch officers based on management composition as resolved at the Meeting of Members;
 - c. possess and apply principles of Good Governance, such as Transparency, Accountability, Independency, and Equivalency based on Articles of Association and By-Law, financial statement, and annual report;
 - d. asset, total number of assets based on financial statement;

- e. compliance of members of association with obligatory submission of annual report of Tax Consultant during the last one (1) year based on internal data of the Directorate General of Taxes.
- (5) Element for evaluation of the total number members as referred to in paragraph (3) shall be the total number of Tax Consultants that possess License to Practice and constituting member of Tax Consultants Association based on the list of members and photocopy of valid License to Practice Card as member.
- (6) The elements by which evaluation is made as referred to in paragraph (4) and paragraph (5) must be supported by strong back-up for evaluation as cited below:
- a. age and curriculum vitae of association is supported by 15% back-up for evaluation;
 - b. total number of branch officers possessing 15% back-up for evaluation;
 - c. possess and apply the principles of Good Governance supported by 10% back-up for evaluation;
 - d. asset of of association supported by 10% back-up for evaluation;
 - e. compliance of members of association with professional obligation as Tax Consultant supported by 10% back-up for evaluation;
 - f. number of members of association supported by 40% back-up for evaluation;
- (7) The Director General of Taxes may establish a team for evaluating the activity referred to in paragraph (3).
- (8) The evaluation activity referred to in paragraph (3) must be stated in a sheet of evaluation using the format as shown in the Example as specified in Attachment VII constituting inseparable part of this Regulation of the Director General of Taxes.
- (9) The Director General of Taxes shall make proposal for the Tax Consultants Association to be become member of the Operating Committee for Certification of any Tax Consultant to the Minister of Finance within six (6) months prior to expiry of the previous working term of the Operating Committee for Certification.

CHAPTER V

CONTINUOUS DEVELOPMENT OF PROFESSIONALISM

Article 10

Any Tax Consultant is obliged to attend PPL activity and comply with the SKPPL effective as of January

the following year after a License to Practice is issued.

Article 11

- (1) The PPL activity must be attended by Tax Consultant consisting of:
 - a. Structured PPL; and
 - b. Non-Structured PPL.
- (2) Scope of Structured PPL covers conferences, seminars, workshops, panel discussions, trainings, courses concerning taxes or of the type.
- (3) Included in activity of the type as referred to in paragraph (2) shall be attending certified Long Distance Structured PPL (Verified Certificate) initiated by oleh Tax Consultants Association.
- (4) Scope of Non-Structured PPL covering:
 - a. organizing venue where Tax Consultants Association will convene meeting;
 - b. attending Congress, Extraordinary Congress, National Work Deliberation, Coordinating Meeting, Meeting of Members, Meeting of Management of Central Office Management, Meeting of Management of Regional Office of Branch Office or others within the Tax Consultants Association where attendees of meeting.of Consultants Association gather at meeting with other party as officially appointed;
 - d. acting ad hoc member of team or committee in the context of Tax Consultants Association the venue for meeting;
 - e. acting as teacher, instructor, or resource within the Tax Consultants Association or obtaining permit from the Tax Consultants Association where the party concerned is present to attend activity beyond the Asosiasi the material of which covers taxes; and
 - f. writing articles, working working paper, or book containing material pertaining to profession of Tax Consultant on behalf of, or after obtaining permit from the Tax Consultants Association to publish them all.

Article 12

Total SKPPL that is obliged to be complied with by Tax Consultant each year shall be as follows:

- a. Tax Consultant holding A degree Certificate as Tax Consultant is obliged to achieve 20 (twenty) SKPPL consisting of at least 16 (sixteen) Structured SKPPL and four (4) Non-Structured or Unstructured SKPPL;
- b. Tax Consultant holding B degree Certificate as Tax Consultant is obliged to achieve 40 (forty) SKPPL consisting of at least 32 (thirty-two) Structured SKPPL and eight (8) Unstructured SKPPL;
- c. Tax Consultant holding C degree Certificate as Tax Consultant is obliged to achieve 60 (sixty) SKPPL consisting of at least forty-eight (48) Structured SKPPL and 12 (twelve) Unstructured SKPPL.

Article 13

- (1) Computation of evaluation of Structured PPL which activity is exercised by Tax Consultants Association at the domicile for meeting shall be one (1) SKPPL for 50 minutes activity.
- (2) For Structured SKPPL which activity is exercised by other party, SKPPL will be computed at maximum 30% (thirty percent) or the total value that must be complied with the Tax Consultant as referred to in Article 12.

Article 14

- (1) Evaluation of each Unstructured PPL activity as referred to in Article 11 paragraph (4) letter a, letter b, letter c and letter d shall be maximum four (4) SKPPL.
- (2) Evaluation of Unstructured PPL activity as referred to in Article 11 paragraph (4) letter e shall be one (1) SKPPL for 50 (fifty) minutes activity.
- (3) Evaluation of each Unstructured PPL activity as referred to in Article 11 paragraph (4) letter f shall be as follows:
 - a. Independent writing activities of articles or working papers shall be computed at maximum four (4) SKPPL for each article of working paper;

- b. Writing activity of a book title possessing ISBN, shall be computed at 12 (twelve) SKPPL for each book title.

Article 15

- (1) Tax Consultant shall report any PPL activity attended in one (1) calendar year to the Management of Central Tax Consultants Association constituting the place for meeting.
- (2) Based on the report of PPL activity as referred to in paragraph (1), Tax Consultants Association shall issue List of Accomplished PPL Activities.
- (3) The List of Accomplished PPL as referred to in paragraph (2) shall be prepared using the format as specified in Attachment VIII constituting inseparable part of this Regulation of the Director General of Taxes.

CHAPTER VI

RIGHTS AND OBLIGATIONS OF TAX CONSULTANTS

Article 16

- (1) Tax Consultant has the right to provide consultancy service on taxes based on limit of expertism as specified in the License to Practice he/she possesses.
- (2) Limit of consultancy service on taxes as referred to in paragraph (1) shall be as follows:
 - a. Tax Consultant possessing A degree License to Practice may only provide service on taxes to individual Obligatory Taxpayer in implementing the rights and obligations on taxes, except Obligatory Taxpayer domiciled in the State having agreement for double evasion with Indonesia;
 - b. Tax Consultant possessing B degree License to Practice may only provide service on taxes to individual person Obligatory Taxpayer and entity Obligatory Taxpayer in exercising his/her obligation on taxes, except to foreign investment Obligatory Taxpayer, Permanent Business Entity and Obligatory Taxpayer domiciled in the State holding agreement for double tax evasion with Indonesia; and
 - c. Tax Consultant possessing C degree License to Practice may provide service on taxes to individual

person Obligatory Taxpayer and Entity Obligatory Taxpayer in exercising his/her rights and comply with his/her obligations on taxes.

Article 17

In exercising his/her practice Tax Consultant shall be obliged to:

- a. provide consultancy service to Obligatory Taxpayer in exercising his/her right and comply with the obligation on taxes based on the provisions in the statutory regulation on taxes;
- b. comply with the code of ethics of Tax Consultant and guided by standard profession as Tax Consultant issued by the Tax Consultants Association;
- c. participates in continuous profession development conducted or recognized by the Tax Consultants Association and comply with the credit unit of continuous profession development;
- d. submit Annual Report of Tax Consultant;
- e. send written notification to the Director General of Taxes on any change to personal identity of Tax Consultant by providing evidential proof of such change;
- f. send written notification to the Director General of Taxes on any change to the domicile of Tax Consultants Association where Tax Consultants meet within 30 (thirty) working days as of the date of Decision Letter of Revocation of Information on Registered Tax Consultants Association the place where Tax Consultants meet and provide photocopy of decision of new membership of Tax Consultants Association that has been legalized by the General Chairman of Tax Consultants Association;
- g. document:
 - 1) contract/agreement letter with the association / legal entity where the Tax Consultant runs his/her practice in providing consultancy service to any Obligatory Taxpayer; or
 - 2) contract/agreement letter with Obligatory Taxpayer constituting the basis for compiling Annual Report of Tax Consultant; and

- h. approve publication of Tax Consultant's data in the form of name and address of Tax Consultant in the application for Tax Consultant administration,

Article 18

- (1) Tax Consultant is obliged to submit Annual Report of Tax Consultant to the Director General of Taxes based on the provisions below:
 - a. prepare the total number and information of Obligatory Taxpayers that have been provided consultancy service on taxes in the form of softcopy and hardcopy;
 - b. provide list of accomplished activities on continuous profession development as referred to in Article 15 paragraph (2) for Tax Consultant that is obliged to attend continuous profession development;
 - c. provide photocopy of valid Identification Card of member of Tax Consultants Association which must be submitted by the end of April in following fiscal year.
- (2) Softcopy of Annual Report of Tax Consultant as referred to in paragraph (1) letter a must be submitted by means of application of Tax Consultant administration.
- (3) Hardcopy of Annual Report of Tax Consultant containing the number and information on Obligatory Taxpayers that have been provided with consultancy service on taxes printed on the application of Tax Consultant administration.
- (4) The date of submission of Annual Report referred to in paragraph (1) letter d shall be the date when the hardcopy of Annual Report is received by the Director General of Taxes if submitted directly or on the date the proof of delivery from the post office or the kind if the Annual Report is submitted by post office or the kind.

CHAPTER VII

REMINDER, FREEZING AND REVOCATION OF LICENSE TO PRACTICE

Article 19

The Director General of Taxes or the official appointed has the authority to issue written reminder,

decide freezing of the License to Practice, and decide revocation of License to Practice.

Article 20

(1) The written reminder referred to in Article 19 will be issued if the Tax Consultant commits actions as cited below:

- a. fails to comply with the code of ethics of Tax Consultant and/or standard profession as Tax Consultant as referred to in Article 17 letter b;
- b. provides service that is not line with the level of his/her expertism as referred to in Article 16;
- c. fails to comply with the credit unit on continuous profession development as referred to in Article 12;
- d. fails to submit Annual Report of Tax Consultant as referred to in Article 18;
- e. fails to conduct Tax Consultant activity for two (2) years consecutively as proven by Annual Report of Tax Consultant as referred to in Article 17 letter d;
- f. fails to submit application for extension of License to Practice Card as referred to in Article 5 paragraph (3); or
- g. fails to issue written notification to the Director General of Taxes on the change o domicile of Tax Consultants Association where Tax Consultants meet within 30 (thirty) working days as of the date the Decision Letter of Revocation of Statement of Registered Tax Consultants Association where Tax Consultants meet as referred to in Article 17 letter f.

(2) The written reminder as referred to in paragraph (1) letter a will be submitted after having considered the proposal of the Tax Consultants Association.

(3) The written reminder as referred to in Article 19 prepared by using the format according to the Example as specified in Attachment IX constituting inseparable part of this Regulation of the Director General of Taxes.

Article 21

(1) Decision will be made on the freezing of License to Practice as referred to in Article 19.

- a. Tax Consultant ignores the written reminder as referred to in Article 20 paragraph (1) letter a, letter b, or letter c within three (3) months as of the date of the written reminder;
- b. Tax Consultant shall take action as referred to in Article 20 paragraph (1) letter a, letter b, letter c, or letter d within two (2) years consecutively;
- c. Tax Consultant shall take action as referred to in Article 20 paragraph (1) letter a, letter b, letter c, or letter d three (3) times within the last three (3) years;
- d. Tax Consultant fails to conduct Tax Consultant activities for three (3) years consecutively as proven from the Annual Report of Tax Consultant as referred to in Article 17 letter d;
- e. Tax Consultant fails to submit Annual Report of Tax Consultant within three (3) months as the date of written reminder as referred to in Article 20 paragraph (1) letter d;
- f. Tax Consultant fails to submit application for extension of License to Practice Card within three (3) months as of the date the written reminder as referred to in Article 20 paragraph (1) letter f is received;
- g. Tax Consultant fails to submit written notification to the Director General of Taxes on the amendment to Tax Consultants Association where the Tax Consultants meet within three (3) months as of the date of written reminder as referred to in Article 20 paragraph (1) letter g is received; or
- h. Tax Consultant or Obligatory Taxpayer that has been provided consultancy service will be determined as suspect in criminal act on taxes.

(2) In determining Freezing of License to Practice as referred to in paragraph (1) letter h, the Director General of Taxes has the authority to make clarification on the documentation of Tax Consultant as referred to in Article 17 letter g.

- (3) Except the provision referred to in paragraph (1) letter h if the Tax Consultant has reported the alleged criminal act on taxes by Obligatory Taxpayer that has been provided consultancy service to the Director General of Taxes.
- (4) Freezing of License to Practice as referred to in paragraph (1) is stipulated for three (3) months.
- (5) Except from the provision in paragraph (4), freezing of License to Practice as referred to in paragraph (1) letter h is stipulated during the course of investigation process and/or prosecution on the Tax Consultant and/or Obligatory Taxpayer that has been provided consultancy service.
- (6) Director General of Taxes shall determine Re-Activation of the License to Practice as referred to in paragraph (5) in the event that:
 - a. investigation and/or prosecution process on Tax Consultant or Obligatory Taxpayer that has been provided consultancy service is discontinued; or
 - b. Tax Consultant and/or Obligatory Taxpayer that has been provided consultancy service is declared not guilty based on Court Judgment that has final legal power.
- (7) Tax Consultant shall be prohibited from providing consultancy service on taxes during the course of freezing the License to Practice.
- (8) Determination to Freeze the License to Practice as referred to in Article 19 shall be prepared by using the format according to the Example as specified in Attachment X constituting inseparable part of this Regulation of the Director General of Taxes.
- (9) Determination to Re-Activate the License to Practice as referred to in paragraph (6) prepared by using the format according to the Example as specified in Attachment XI constituting inseparable part of this Regulation of the Director General of Taxes.

Article 22

(1) Revocation of License to Practice as referred to in Article 19 will be decided in the event that:

- a. Tax Consultant dies;
- b. Tax Consultant assigns or inherits the License to Practice to another person including franchising or the kind as referred to in Article 4 paragraph (13);
- c. Tax Consultant or Obligatory Taxpayer that has been provided consultancy service on taxes is declared to have committed criminal act on taxes based on Court Judgment that has final legal power.
- d. Tax Consultant ignores the written reminder as referred to in Article 20 paragraph (1) letter a, letter b, atau letter c for three (3) months as of the determination to freeze the License to Practice;
- e. Tax Consultant commits act as referred to in Article 20 paragraph (1) letter a, letter b, letter c, or letter d for three (3) years consecutively;
- f. Tax Consultant commits act as referred to in Article 20 paragraph (1) letter a, letter b, letter c, or letter d four (4) times within the last three (3) years.
- g. Tax Consultant fails to exercise Tax Consultant activity for four (4) years consecutively as proven by Annual Report of Tax Consultant as referred to in Article 17 letter d;
- h. Tax Consultant fails to submit Annual Report of Tax Consultant for three (3) months as of the decision to freeze the License to Practice as referred to in Article 21 paragraph (1) letter e;
- i. Tax Consultant provides consultancy service on taxes during the process of freezing of the License to Practice;
- j. Tax Consultant provides consultancy service on taxes that is not based on the provisions in the statutory regulation on taxes as referred to in Article 17 letter a;

- k. Tax Consultant resigns as Tax Consultant;
 - l. Tax Consultant that is proven to be working / taking terms of office at Government / State agency or State-owned / Regional-owned Business Entity;
 - m. Tax Consultant that fails to submit application extension to License to Practice Card within three (3) months as of the date of freezing of License to Practice as referred to in Article 21 paragraph (1) letter f is stipulated; or
 - n. Tax Consultant that fails to submit written notification to the Director General of Taxes concerning a change to the domicile of Tax Consultants Association where Tax Consultants meet within three (3) months effective as of the freezing of License to Practice as referred to in Article 21 paragraph (1) letter g is stipulated.
- (2) Tax Consultant being subject to revocation of his/her License to Practice as referred to in paragraph (1) letter a, letter b, letter c, letter d, letter e, letter f, letter g, letter h, letter i and letter j is prohibited from re-submitting application for License to Practice.
- (3) Tax Consultant being subject to revocation of his/her License to Practice as referred to in paragraph (1) letter k, letter l, letter m, or letter n may re-submit application for License to Practice commencing from A degree License to Practice tingkat A with due observance of the provision as governed in Article 4 paragraph (1).
- (4) Decision of revocation of License to Practice as referred to in Article 19 shall be prepared by using the format according to the Example as specified in Attachment XII constituting inseparable part of this Regulation of the Director General of Taxes.

Article 23

- (1) Tax Consultant due to freezing or revocation of License to Practice, may file petition of objection to the Director General of Taxes.

- (2) The application as referred to in paragraph (1) shall be prepared using the format as specified in Attachment XIII constituting inseparable part of this Regulation of the Director General of Taxes, and must be supported by reason constituting the basis for filing objection.
- (3) Director General of Taxes shall issue decision to the objection to the stipulation in the form of freezing up the License to Practice or revocation of License to Practice within three (3) months at the latest as of the date the letter of objection is received.
- (4) Decision of Director General of Taxes to the objection referred to in paragraph (3) may be in the form of approval, rejection, or unacceptable.
- (5) Decision to objection as referred to in paragraph (4) shall be prepared using the format as shown in the Example as specified in Attachment XIV constituting inseparable part of this Regulation of the Director General of Taxes.

CHAPTER VIII TRANSITIONAL PROVISION

Article 24

With this Regulation of Director General of Taxes comes to force:

1. Tax Consultant shall submit Annual Report of Tax Consultant Year 2014 using the Number of License to Practice issued by virtue of Decision of the Minister of Finance Number 485/KMK.03/2003, concerning Indonesia Tax Consultants.
2. Photocopy of the latest Certificate of Tax Consultant that has been legalized by Indonesia Tax Consultants Association or photocopy of Award for Appreciation of Pensioned Employee of the Directorate General of Taxes issued before Regulation of the Minister of Finance Number 111/PMK.03/2014, concerning Tax Consultant is issued, may be submitted to comply with the requirements for application for License to Practice with due observance of the provision in Article 4 paragraph (1).

Article 25

If no administration of information system of Tax Consultant is yet available as referred to in Article 2 paragraph (3) and paragraph (4), Article 3 paragraph (5), Article 5 paragraph (4), paragraph (6), paragraph (10) and paragraph (14), Article 7 paragraph (3), Article 17 letter h, Article 18 paragraph (2) and paragraph (3),

administration process of Tax Consultant shall continue manually or without using Tax Consultant information system.

CHAPTER IX

CLOSING

Article 26

By the time this Regulation of Director General of Taxes comes to force:

1. Decision of Director General of Taxes Number 167/PJ/2004, concerning License, Discipline, Management and Supervision of Indonesian Tax Consultant;
2. Decision of Director General of Taxes Number KEP-135/PJ/1998, concerning Standard Form and Questionnaire Form for Licence to Practice as Tax Consultant, Award for Appreciation to Pensioned Employees of the Directorate General of Taxes, and Identification Number for Tax Consultant; and
3. Circular Letter of Director General of Taxes Number SE-06/PJ.01/1996, concerning Grant of Award for Appreciation to Pensioned Employees of the Directorate General of Taxes (equivalent to Tax Consultant Brevet) for issuing License to Practice Tax Consultant;

Is revoked and declared null and void.

Article 27

This Regulation of Director General of Taxes comes to force on the date it is stipulated and takes effect retroactively as of December 9, 2014.

Stipulated in Jakarta

Dated March 10, 2015

DIRECTOR GENERAL OF TAXES,

sgd.

SIGIT PRIADI PRAMUDITO

Note for Editor:

Due to technical reason, no Attachment is provided herein.

(MA)

**PROCEDURES FOR RETURNING THE SETTLEMENT OF
RECEIVABLES RESULTING FROM THE TRANSFER OF
STATE-OWNED ENTERPRISES/REGIONAL
ADMINISTRATION-OWNED ENTERPRISES HAVING
CAPITAL CONTROLLED PARTLY OR WHOLLY
BY STATE-OWNED ENTERPRISES/
REGIONAL ADMINISTRATION-OWNED ENTERPRISES
(Regulation of the Minister of Finance Number
168/PMK.06/2013 dated November 25, 2013)**

BY GRACE OF GOD THE ALMIGHTY

THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA,

Considering:

- a. that in the framework of following up Decision of the Constitution Court Number 77/PUU-IX/2011 in relations to judicial review of Law Number 49 Prp. Year 1960 regarding State Receivership Committee against the Constitution of 1945, it is necessary to return the settlement of receivables resulting from the transfer of state-owned enterprises/regional administration-owned enterprises to each party transferring the receivables;
- b. that having regards to letter a, it is necessary to stipulate a regulation of the Minister of Finance on Procedures for Returning the Settlement of Receivables from the Transfer of State-owned Enterprises/Regional Administration-owned Enterprises Having Capital Controlled Partly or Wholly by State-owned Enterprises/Regional Administration-owned Enterprises;

In view of :

1. Law Number 49 Prp. Year 1960 on State Receivership Committee (Statute Book of the Republic of Indonesia Year 1960 Number 156, Supplement to Statute Book of the Republic of Indonesia Number 2104);
2. Presidential Regulation Number 24 Year 2010 on Status, Tasks and Functions of State Ministries as well as First-echelon Structure, Tasks and Functions of State Ministries as already amended several times and the latest by Presidential Regulation Number 38 Year 2013 (Statute Book of the Republic of Indonesia Year 2013 Number 90);

DECIDES:

To stipulate:

THE REGULATION OF THE MINISTER OF FINANCE ON PROCEDURES FOR RETURNING THE SETTLEMENT OF RECEIVABLES RESULTING FROM THE TRANSFER OF STATE-OWNED ENTERPRISES/REGIONAL ADMINISTRATION-OWNED ENTERPRISES HAVING CAPITAL CONTROLLED PARTLY OR WHOLLY BY STATE-OWNED ENTERPRISES/REGIONAL ADMINISTRATION-OWNED ENTERPRISES

Article 1

Referred to in this ministerial regulation as:

1. Document of State Receivable Case hereinafter abbreviated to BKPN shall be documentation containing information about the settlement of receivables by State Receivership Committee/Directorate General of State Property to receivable of state-owned enterprises/regional administration-owned enterprises on behalf of the respective debt bearers.
2. Directorate General shall be the Directorate General of State Property.
3. State Receivership Committee hereinafter called PUPN shall be the inter-departmental committee as meant in Law Number 49 Prp. Year 1960.
4. State-owned Enterprise hereinafter called BUMN shall be a business entity having share owned wholly or mostly by the state through direct participation resulting from separated state asset.
5. Regional Administration-owned Enterprise hereinafter called BUMD shall be a business entity having share owned wholly or mostly by regional government through direct participation resulting from separated regional asset.
6. Service Office shall be State Property and Auction Service Office in the Directorate General.
7. Channeling shall be a model of distribution of funds by the government to communities through banking or non-banking financing institution wherein the government bears risk of loss if the loss occurs.
8. Risk sharing shall be a model of the distribution of funds by the government to communities through banking or non-banking financing institution wherein the government and banking or non-banking financing institution share risk of loss if the loss occurs.
9. Party Transferring Receivable shall be a business entity having share owned partly or wholly by state-owned enterprise/regional administration-owned enterprise in accordance with the provision of legislation,

which has transferred the settlement of receivable to PUPN.

10. Debt Bearer shall be an entity and/or person having debt to party transferring receivable in accordance with regulation, agreement or whatever cause, including entity/person guaranteeing the settlement of the whole debt of debt bearer.
11. Guarantee shall be property belonging to debt bearer and/or debt underwriter which is given up as guarantee for the settlement of debt.

Article 2

- (1) The scope of the returning of the settlement of receivables shall cover the whole receivables having settlement already transferred by party transferring receivables to PUPN Branch.
- (2) The receivables as meant in paragraph (1) shall be receivables which:
 - a. are still settled actively by PUPN Branch; and
 - b. have been declared as tentatively uncollectible receivables by PUPN Branch.

Article 3

- (1) PUPN Branch shall return the settlement of receivables already transferred by party transferring receivables by issuing letter of the returning of the settlement of receivable.
- (2) The letter of the returning of the receivable settlement may be issued to one BKPN or several BKPN for the delivery of the same receivables.

Article 4

The issuance of the letter of the returning of the receivable settlement as meant in Article 3 paragraph

- (1) shall be continued by the returning of BKPN.

Article 5

- (1) Before returning the settlement of receivable resulting from the transfer of receivables, Service Office shall:
 - a. inventory and verify the quantity of BKPN, value of receivables in every BKPN, and other related data;
 - b. inventory and verify data about guarantee documents;
 - c. reconcile data with party transferring receivable in accordance with the data obtained from the activity as meant in as meant in letter a and letter b; and
 - d. notify debt bearer that the settlement of receivables is to be returned to party transferring receivables.

- (2) In the case of different data being not agreeable during reconciliation, the data in Service Office or party transferring receivables with the support of legitimate documents shall be used.
- (3) Result of the reconciliation as meant in paragraph (1) letter c and paragraph (2) shall be written down into account of reconciliation signed by representatives of Service Office and party transferring receivables.
- (4) Reconciliation may not be executed if the party transferring receivable:
 - a. failed to fulfill written invitation or the last written invitation, and/or
 - b. is not ready to reconcile.
- (5) The last written invitation shall be issued in no later than 7 (seven) days after the date of reconciliation plan stipulated in the written invitation.
- (6) In the event that the party transferring receivable has stopped operating, executed corporate action thus changing in model, and/or due to merger/acquisition, the reconciliation of data shall be done by Service Office along with BUMN/BUMD replacing the party transferring the receivables.

Article 6

Source of data about BKPN returned to the party transferring receivables shall be:

- (1) result of the reconciliation as meant in Article 5 paragraph (3); or
- (2) result of the inventorying and verification executed by Service Office as meant in Article 5 paragraph (1) letter a and letter b, in the case of the reconciliation being not executable as meant in Article 5 paragraph (4).

Article 7

- (1) BKPN shall be returned by Service Office to party transferring receivables.
- (2) The returning of BKPN shall be written down into account of the returning of BKPN, which is signed by Head of Service Office and Executive of the party transferring receivable.
- (3) In the event that the account of the returning of BKPN cannot be made, Service Office shall return BKPN to party transferring receivable by sending introductory letter of the returning of BKPN.

Article 8

The account of the returning of BKPN as meant in Article 7 paragraph (2) or the introductory letter of the returning of BKPN as meant in Article 7 paragraph (3) shall be accompanied by attachments:

- a. nominative list of BKPN, in accordance with the source of data about BKPN as meant in Article 6;

- b. the letter of the returning of the settlement of receivable signed by chairman and members of PUPN Branch;
- c. BKPN, consisting of:
 - 1) copy of the letter of the transfer of settlement of state receivables;
 - 2) copy of credit agreement or other agreement indicating the existence and amount of receivables;
 - 3) copy of the account of transfer of guarantee from party transferring receivable to Service Office in the case of the original document of the guarantee being already granted to Service Office;
 - 4) copy of account of the consignment of guarantee in the case of the original document of the guarantee being consigned to party transferring receivable; and
 - 5) resume of result of inventorying and verification of BKPN;
- d. the original document of guarantee, in the case of the original document of guarantee being already granted to and saved by Service Office.

Article 9

In the case of any lawsuit against PUPN/the Directorate General in relations to the settlement of state receivables before BKPN is returned, the settlement of the case shall continue to be executed by the Directorate General in coordination with the party transferring receivable.

Article 10

Receivables transferred by BUMN/BUMD or business entities owned by BUMN/BUMD that distribute funds from government institution through channeling and risk-sharing model, shall continue to be settled by PUPN in accordance with the provision of legislation.

Article 11

In no later than 3 (three) months after the account of the returning of BKPN being signed or the introductory letter of the returning of BKPN being issued:

- a. PUPN Branch shall:
 - 1) issue an order of appointment to confiscate the guarantee mentioned in the attachment to the account of the returning in the case of the guarantee being already confiscated; and
 - 2) execute other activities needed by PUPN Branch as follow up the returning of BKPN;
- b. Service Office shall:
 - 1) revoke the blocking of the guarantee mentioned in the attachment of the account of the returning of

BKPN in the case of the guarantee being already blocked; and

- 2) execute other activities needed by Service Office as follow up to the returning of BKPN;
- c. The Directorate General shall revoke the prevention of the prevented objects having prevention period not yet expiring after the account of the returning of BKPN.

Article 12

- (1) The phases of settlement already executed by PUPN may become a reference to party transferring receivable in executing the settlement of receivables.
- (2) The phases of the settlement as meant in paragraph (1) may be changed in the case of any agreement between party transferring receivable and debt bearer.

Article 13

- (1) The inventorying, verification and reconciliation as meant in Article 5, transfer of BKPN as meant in Article 8, and the issuance of legal products following the returning as meant in Article 11 shall be done as contained in Attachment I, which constitutes an integral part of this ministerial regulation.
- (2) Model of letters and/or documents needed as the implementation of this ministerial regulation shall be as contained in Attachment II, which constitutes an integral part of this ministerial regulation.

Article 14

The returning of the settlement of receivable executed on the basis of this ministerial regulation shall not be subject to administrative cost of the settlement of state receivables.

Article 15

Legal products of PUPN and DJKN in the framework of the settlement of receivables returned to party transferring receivable and issued following the issuance of the decision of the Supreme Court until the promulgation of this ministerial regulation shall remain effective.

Article 16

The ministerial regulation shall come into force as from the date of promulgation.

For public cognizance, the ministerial regulation shall be promulgated by placing it in State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On November 25, 2013

THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

sgd.

MUHAMAD CHATIB BASRI

Promulgated in Jakarta

On November 25, 2013

THE MINISTER OF LAW AND HUMAN RIGHTS OF THE REPUBLIC OF INDONESIA

sgd

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR

2013 NUMBER 1387

ATTACHMENT I

PROCEDURES FOR THE EXECUTION OF INVENTORYING AND VERIFICATION, RECONCILIATION, TRANSFER OF BKPN, AND ISSUANCE OF LEGAL PRODUCTS FOLOWING THE RETURNING

I. INVENTORYING AND VERIFICATION.

A. Inventorying and verification of BKPN, which is to be returned to party transferring receivable. The would-be returned BKPN needs to be inventoried and verified.

1. Objective of the inventorying and verification of BKPN.

The inventorying and verification aim at ascertaining the completeness of data and documents in each BKPN, which is to be returned to party transferring receivable.

2. Data yet to be completed are:

a. quantity of BKPN per branch of party transferring receivable;

- b. value of receivable per BKPN, consisting of the transfer value, payment value and balance value;
 - c. phase of settlement of each BKPN; and
 - d. information related to case, in the case of lawsuit coming.
- 3. Documents which must be completed are documents related to the settlement of state receivables in the name of respective BKPN, among others:
 - a. legal products of PUPN, letter of service office, letter of the transfer of receivables, letter of debt bearer (debtor) and/or debt underwriter and letter from related institutions, if any, in the respective BKPN;
 - b. document of payment and document of the transfer of right of party transferring receivables; and
 - c. documentation related to legal issue/lawsuit in BKN and the settlement process thereof.
- 4. Inventorying and verification of documents of state receivable case.
 - a. Related to quantity of BKPN which is settled by Service Office.
 - 1) Collecting data about the whole BKPN in storage warehouse of BKPN, and comparing result of the collected data about BKPN in the storage warehouse to:
 - a) result of stock analysis of BKPN already executed; or
 - b) result of the collection of data about BKPN to data in register book of state receivables.
 - 2) Classifying BKPN on the basis of the respective parties transferring receivables.
 - 3) Classifying BKPN on the basis of status of settlement, namely active and PSBDT.
 - b. Related to data in each BKPN.
 - 1) Collecting data about the phase of settlement in each BKPN and matching:
 - a) data about the settlement phase to the existing document in BKPN, such as legal product of PUPN and product of Service Office; and
 - b) data about the settlement phase to the existing data in register book of state receivables/monitor book/recapitulation of BKPN.
 - 2) Collecting data about the amount of installment already remitted during the settlement of receivable, balance of debt of the debtor, and matching them to the respective payment forms.
 - 3) Collecting data about BKPN, which remain in the course of settlement in the court.

- 4) Preparing resume of the inventorying and verification result signed by inventorying and verification officer and Head of State Receivable Section.
- 5) Verifying the amount of debt, which is signed by inventorying and verification officer and Head of the Legal Affairs and Information Section
- 6) Preparing Nominative List of BKPN, which contains data about each BKPN resulting from the inventorying. The nominative list is prepared:
 - a) per party transferring receivable for BKPN, which is still settled actively by PUPN; and
 - b) per party transferring receivable for BKPN already declared as PSBDT.
- 7) Format of Resume of the Inventorying and Verification Result of BKPN, Verification of the Amount of Debt, Nominative List of Active BKPN, Nominative List of BKPN PSBDT as contained in Form 01, Form 02 and Form 03A and 03B of Attachment II to this ministerial regulation.
- 8) Completing data in the nominative list of BKPN, among others, information about the confiscation and/or blocking of guarantee not yet lifted/revoked, the effective prevention and other data.

B. Inventorying and Verification of Guarantee to Be Returned to Party Transferring Receivable.

1. Objective of the inventorying and verification of guarantee. The inventorying and verification of guarantee is intended to ascertain the completeness of data and document of guarantee in each BKPN, which would be returned to party transferring receivable.
2. Data, which must be completed:
 - a. amount and detail of guarantee which is given by party transferring receivable to Service Office;
 - b. quantity of original document of guarantee deposited again to party transferring receivable, in the case of the consignment; and
 - c. quantity and detail of guarantee already sold through auction, non-auction or redeemed.
3. Documents which must be completed are:
 - a. documentation of the transfer of original documents, guarantee from party transferring receivables to Service Office;
 - b. documentation of the consignment of original documents of guarantee from Service Office to party transferring receivables, in the case of the consignment;

- c. documentation of sales/redemption of guarantee; and
 - d. document of right to guarantee and commitment thereof.
4. The inventorying of documents of guarantee in each BKPN covers:
- a. preparing list of guarantee, containing detailed data about guarantee and completeness thereof;
 - b. format of guarantee as contained in Form 04 of Attachment II to this ministerial regulation;
 - c. collecting data about correspondence /BAST of the transfer of original document of guarantee from party transferring receivable to Service Office;
 - d. collecting data about correspondence / BAST of the consignment of original document of guarantee from Service Office to party transferring receivable;
 - e. collecting data about the rest of guarantee along with the completeness of document of guarantee in each BKPN; and
 - f. matching the data as meant in letter a, letter c, letter d , and letter e to the data in the original document of the transfer of guarantee from party transferring receivable in Service Office, document of the consignment of original document of guarantee from Service Office to party transferring receivable and document of the sales/redemption of guarantee;
5. List of Guarantee already made and completed in the inventorying and verification, which is signed by Head of the State Receivable Section and Head of Service Office.

II. DATA RECONCILIATION.

1. Result of the inventorying and verification already executed by Service Office constitutes the basis for Service Office to reconcile with party transferring receivable of BUMN/BUMD.
2. The reconciliation is executed by Service Office along with party transferring receivable to match data about:
 - a. the quantity of BKPN having settlement returned by PUPN to party transferring receivable; and
 - b. in each BKPN, among others, the value of transfer, value of installment, debt balance and document of guarantee.
3. Reconciliation of BKPN covers:
 - a. matching the quantity of BKPN (BKPN still settled actively by PUPN and BKPN already declared as PSBDT by PUPN) in the nominative list of BKPN resulting from the inventorying by Service Office and the data in the list owned by party transferring receivable;
 - b. matching the amount of installment in each BKPN, which has been remitted during the settlement

- of receivables that result from the inventorying by Service Office and party transferring receivable;
 - c. matching the last outstanding position of debt in each BKPN, which is obtained from the result of inventorying by Service Office and the outstanding position of balance in party transferring receivable;
 - d. matching data about the original document of guarantee already granted by party transferring receivables to Service Office but not yet sold through auction, non-auction or redeemed. The data about the original document of the guarantee cover data in Service Office and consigned in Party transferring receivable; and
 - e. matching BKPN, which remains in the course of settlement in the court.
4. Result of reconciliation between Service Office and party transferring receivable is written down into account of reconciliation signed by representative of Head of Service Office and representative of executive of party transferring receivables. The account of reconciliation is enclosed by nominative list of BKPN resulting from the reconciliation.
 5. Format of the account of reconciliation and attachment to the account of reconciliation is as contained in Form 05 of Attachment II to this ministerial regulation

III. RETURNING OF BKPN

A. Returning BKPN by Account of Transfer.

1. The returning of BKPN is written down into account of the delivery of the returning of BKPN signed by Head of Service Office and Executive of party transferring receivable.
2. The account of the returning of BKPN as meant in point 1 is accompanied by attachments:
 - a. nominative list of BKPN in accordance with result of reconciliation;
 - b. letter of the returning of the settlement of state receivable, which is signed by chairman/member of PUPN Branch;
 - c. BKPN consisting of:
 - 1) copy of letter of the transfer of receivable settlement;
 - 2) copy of credit agreement or other document indicating the existence and amount of receivables;
 - 3) copy of the account of the transfer of guarantee from party transferring receivables to Service Office;
 - 4) copy of the account of the consignment of document of guarantee, in the case of the origi-

nal document of the guarantee being consigned to party transferring party; and

- 5) resume of result of inventorying and verification of BKPN;
- d. original document of guarantee, in the case of the original document of guarantee being already granted to and saved by Service Office.

B. Returning of BPKN by Introductory Letter.

1. BPKN is returned by Service Office through introductory letter to party transferring receivables in the case of the party transferring receivable:
 - a. not fulfilling the written invitation and the last written invitation; and/or
 - b. being not ready to reconcile.
2. The introductory letter of the returning of BKPN is accompanied by documents:
 - a. nominative list of BKPN in accordance with result of inventorying and verification;
 - b. letter of the returning of receivable settlement, signed by chairman/member of PUPN Branch;
 - c. BKPN consisting of:
 - 1) copy of the letter transferring the settlement of receivables;
 - 2) copy of credit agreement or other document indicating the existence and amount of receivables;
 - 3) copy of the account of the transfer of guarantee from party transferring receivable to Service Office;
 - 4) copy of account of the consignment of document of guarantee in the case of the original document of guarantee being consigned to party transferring receivable; and
 - 5) resume of result of the inventorying and verification of BKPN;
 - d. Original document of guarantee, in the case of the original document of guarantee being already granted to and saved by Service Office.

C. Format of the Returning of BKPN.

Format of the account of the returning of BKPN, Introductory Letter of the Returning of BKPN, and Letter Returning the Settlement of State Receivables as contained in Form 06 and Form 07 and Form 10 of Attachment II to this ministerial regulation.

IV. ISSUANCE

to be continued