

Indonesia Tax Amnesty

Indonesian parliamentary commission approved a tax amnesty bill, ensuring that the government's plan to offer low rates for tax payers who declare untaxed wealth will get into effect soon. As per the draft the government can start offering an amnesty rate between 2% & 10% for taxpayers coming forward with their untaxed wealth at home & abroad until March 2017.

Indonesia will join India, among other countries that have rolled out tax amnesty schemes to recover revenue & plug deficits.

NO ATTEMPT BY SINGAPORE TO THWART JAKARTA'S TAX AMNESTY SCHEME

Indonesia is hoping that the tax amnesty, would result in the repatriation of about S\$ 103.5 billion. The personal income tax rates in Indonesia range from 5% to as high as 30%. Only 27 million of Indonesia's 250million population are registered taxpayers, with around a million actually filling tax returns. Private bankers estimate that about S\$271 billion in Indonesian wealth is managed by the financial institutions in Singapore. The tax amnesty bill is the first piece of legislation ratified by a parliament where the president of Indonesia has got the majority support for the first time since taking office in 2014.

Consultants, lawyers & bankers closely involved with the industry expect roughly US\$30 billion to go to Indonesia under the amnesty and would allow all the past evasion sins to be forgiven upon the payment of up to 5% tax on the money.

One of the **key reasons** for this is that Singapore is becoming less hospitable place to avoid tax authorities & other arms of government around the world & there is increasing likelihood that the Indonesian government will learn more about the funds parked in the city. Because of increasing pressure on Singapore's banks to crack down on laundering of money which is a result of corruption or other illegal acts. There is global push for more cooperation to avoid tax evasion, after the realize of the panama papers showing the use of offshore shelters by government officials, businessmen & other individuals around the world.