

# WAKE UP CALL

Welcome to issue 57 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, transaction support, governance, internal control, management, risk, and taxation.

In this issue:

- Data Privacy Protection for the Internet of Things
- Big Data and Its Impact on Taxation Landscape
- Our Activities

# DATA PRIVACY PROTECTION FOR THE INTERNET OF THINGS

RESDY BENYAMIN, CONSULTING PRACTICE

Objects, embedded with sensors and processors, digitalize our physical environment. Whether at home, at work, or in public spaces, physical objects seamlessly collect and process data about us and our surroundings. Computation is everywhere, equipped with software and network connectivity, smart devices compute and exchange data among themselves, forming part of the Internet of Things.

This network of smart devices will distinctively shape our future digital environment. What the Internet of Things is really about is information technology that can gather its own information. Here is the list of top Internet-of-Things (IoT) examples:

- Connected appliances
- Smart home security systems
- Autonomous farming equipment
- Wearable health monitors
- Smart factory equipment
- Wireless inventory trackers
- Ultra-high speed wireless internet
- Biometric cybersecurity scanners
- Shipping container and logistics tracking

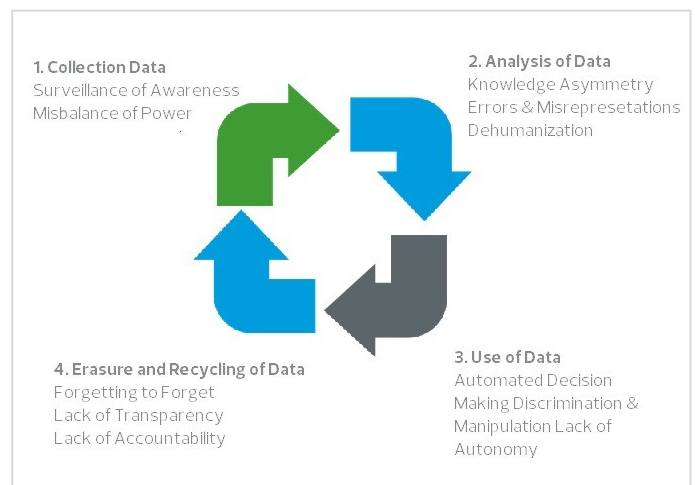
Technology is becoming more pervasive and the visible interface between humans and devices fades. The trend towards ubiquitous computing creates an environment where objects are enhanced with digital qualities.

Ubiquitous computing is a concept in software engineering and computer science where computing is made to appear anytime and everywhere. In contrast to desktop computing, ubiquitous computing can occur using any device, in any location, and in any format.

Data becomes a by-product of every transaction as the presence of input and output of data as quantification. This quantification results in the recording of various aspects of life, such as daily environment, routines, and physiological and emotional aspects of an individual. Big data is fundamentally networked, meaning that organizations intentionally reuse, reorganize, and extend datasets with additional aggregated data to generate new insights. While much of the generated data is not personal, computational processes may allow companies to trace the origin of data back to a profile within their datasets.

Data controllers can generate predictions about a future actions, behavior, or mindset of an individual based on the analysis of patterns and correlations. These predictions require discerning the likelihood of the occurrence of a specific event.

The increased complication and density of data processing procedures result in great privacy concerns. The life cycle of data is grouped into four main phases as depicted by the following figure.



The privacy concerns mentioned in the figure above result from a sense of weakening transparency and control, particularly for individual consumers who perceive the invasiveness of new computing processes which occur in each phase of data processing. In each of these phases, different issues or concerns can arise.

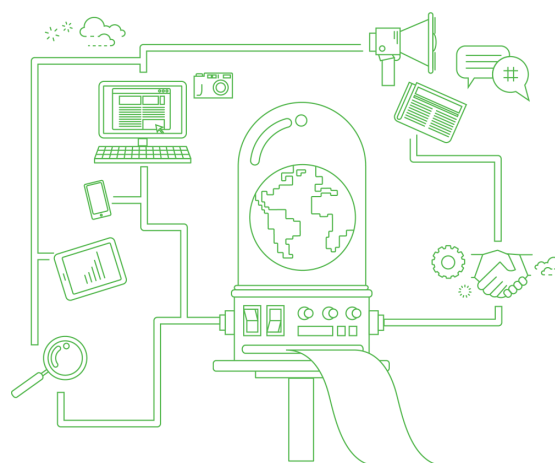
Organizations must set up a framework for evaluating the privacy-friendliness of data processing systems. The framework consists of concrete aspects and objectives that should be respected when designing services and products which process data.

Those overall objectives and factors are described in the following table.

|                              |                                                                                                                                                                                                                       |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Data minimization</b>     | Data processing systems are to be designed and selected in accordance with the aim of collecting, processing, or using as few personal data as possible.                                                              |
| <b>Controllability</b>       | IT system should provide data subjects with effective means of control related to personal data. The possibilities regarding consent and objection should be supported by technological means.                        |
| <b>Transparency</b>          | Developers and operators of IT systems have to ensure that the data subjects are sufficiently informed about the means of operation of the systems.                                                                   |
| <b>User-friendly systems</b> | Privacy-related functions and facilities should be user-friendly. They should provide sufficient help and simple interfaces to be used also by users with less experience.                                            |
| <b>Data confidentiality</b>  | It is necessary to design and secure IT systems in a way that only authorized entities have access to personal data.                                                                                                  |
| <b>Data quality</b>          | Data controllers have to support data quality by technical means. Relevant data should be accessible if needed for lawful purposes.                                                                                   |
| <b>Use limitation</b>        | IT systems which can be used for different purposes or are run in a multi-user environment must guarantee that data and process serving different task or purposes can be segregated from each other in a secure way. |

## GENERAL OBJECTIVES OF PRIVACY BY DESIGN

Increasing numbers of smart things raise security threats as consumer-grade devices can be hacked and used to launch attack. A connected world with multiple mobile devices causes a shared vulnerability concern. The Internet of Things are all leading to a world where communication is anytime and anywhere. Smart devices communicate across large spaces, enabling big data and network analysis to an even greater extent. These technologies are expanding beyond the collection and processing of text-based data to include audio, visual, and sensor data, which in turn provide more ground for diverse analysis.



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# BIG DATA AND ITS IMPACT ON TAXATION LANDSCAPE

*ICHWAN SUKARDI AND SOPHIA SHE JIAQIAN, TAX PRACTICE*

Big Data is used to define all the information that due to its volume and complexity cannot be processed or analysed by using traditional processes or tools. Though host of data and information is available everywhere on the internet – it cannot be used unless someone processes it for a purpose. We continuously produce information through various devices such as mobile phones, computers, credit cards, and home automation devices. Big data analytics helps people to use it to identify new opportunities.

Businesses are increasingly looking to find actionable insights into their data. This data when captured, formatted, manipulated, stored and then analysed, can help corporations to gain useful insights to increase revenues, retain more customers, and improve operations. The more the skill to analyse the available data and ability to use it – the higher likelihood the corporation to improve its operation and becomes more valuable.

## [Interaction between big data and tax](#)

Governments around the world are losing billions of dollars every year due to tax avoidance and tax evasion. Tax evasion leads to lack of budgets for government to ensure optimum levels of public goods and services. Tax authorities traditionally rely on tax control which is a limited and costly instrument. There is an ever-increasing pressure on tax authorities around the globe to reduce costs and headcounts while also increase revenue. There has been an imminent need for devising better capabilities to collect data from corporations and individuals at a large scale.

Tax authorities are using advanced and sophisticated data-gathering platforms to collect large and accurate amounts of data from both corporates and individuals. Then they are using advanced analytics to mine this data and help with better tax collection, ensure better compliance and revenue increase. This also means that the corporations need to be able to collect and share their data in the right formats to the authorities to match the compliance requirements in the new digital age.

## [Impact of big data on taxpayers and tax authorities](#)

Big data and the use of data analytics encourage data sharing across different organizations and make collection of data is faster. Sharing information across different departments, data analytics breaks down information silos and encourages data sharing across different parts of organizations.

The use of big data with taxpayers will enable tax authorities to differentiate between legitimate taxpayers and fraudsters. Different sources of data are being used to detect status of a taxpayer. Ranging from income to job status to their social media, authorities are being enabled to gain deeper understanding of situations. Higher speed of analysis is also enabling tax authorities and corporations to real time detect anomalies in the financial systems.

It is required for taxpayers to respond to the tax authority initiative. Taxpayers need to update their data collection and processing in order to respond to the changing within the tax authority system.

## What is relevant for Indonesia?

There are some challenges in the existing tax collection system in Indonesia which can be improved using big data collection and process.

High compliance costs and time efforts – Indonesian tax system adopts mostly a self-assessment system. Various types of tax compliance are required of taxpayer in a relatively complex framework of regulations. Many tax administrative procedures are still highly manual which lead to the uncertainties and require long time to process.

High chance of tax dispute – Increasing trend of tax disputes which is indicated by number of cases filed to the Tax Court year by year. Tax Court verdict is often arbitrary which lead to further disputes raised to the Supreme Court level.

Willingness to pay tax – It is also noted that past tax collection practices resulted in lower willingness of taxpayers to be fully in compliance. There is no

classification between high and low risk taxpayers, and therefore no focus on tax enforcement. In addition, the government may also need to be more transparent to campaign the use of taxpayers money so that the taxpayers place more trust to the tax system in its entirety.

Based on Law Number 9 Year 2017 concerning financial information access for tax purposes – the DGT have access to the information. We understand that the DGT has implemented data warehouse since 2015 and collected data from internal data and third parties – from around 67 agencies, social media, and Orbis (company ownership data). Further, the DGT is in the process to develop and implement the Core Tax System (COTS). The COTS solution is expected to support 20 business processes, manage 40million+ taxpayers, and their tax return documents, implemented across 583 tax offices in Indonesia and replace 8 existing tax administration channels.

## KEY TAKEAWAYS

The use of big data could be highly beneficial for both taxpayers and tax authorities. Compliance of all tax regulations shall be put as the top-list on priorities for taxpayers to avoid severe tax penalty. With the COTS system in place – it is expected that all taxpayer data will be received and processed by the DGT timely and efficiently.

The improvement of the system within the DGT to process taxpayers data will definitely respond to some challenges such as reduction of tax compliance costs, mitigating potential tax disputes, and significantly increasing state tax revenue.



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# Happy Easter



## INDONESIA FACTS

### GUDEG

GUDEG is a traditional Javanese cuisine from Yogyakarta and Central Java, Indonesia.

Served on its own, gudeg can be considered as a vegetarian food, since it only consists of unripe jackfruit and coconut milk. However, gudeg is commonly served with egg or chicken.



Photo: Wikipedia

Gudeg is served with white steamed rice, chicken either as opor ayam (chicken in coconut milk) or ayam goreng (fried chicken), telur pindang, opor telur or just plain hard-boiled egg, tofu and/or tempeh, and sambel goreng krecek a stew made of crisp beef skins.

There are several types of gudeg; dry, wet, Yogyakarta style, Solo style and East Javanese style. Dry gudeg has only a bit of coconut milk and thus has little sauce. Wet gudeg includes more coconut milk. The most common gudeg comes from Yogyakarta, and is usually sweeter, drier and reddish in color because of the addition of teak leaves as coloring agent. Solo gudeg from the city of Surakarta is more watery and soupy, with much coconut milk, and is whitish in color because teak leaves are generally not added.

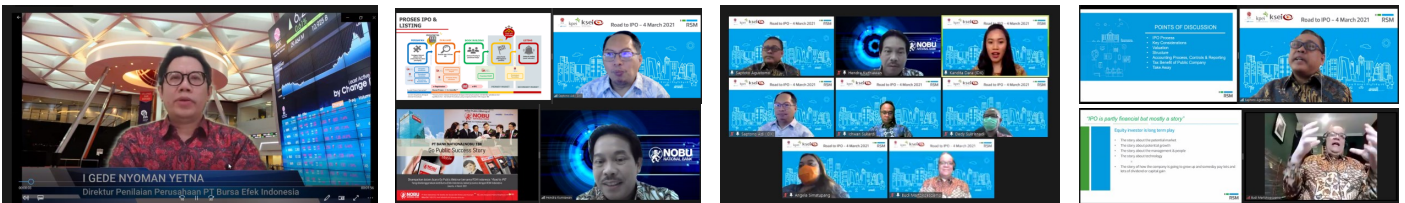
Source: Wikipedia

# OUR ACTIVITIES

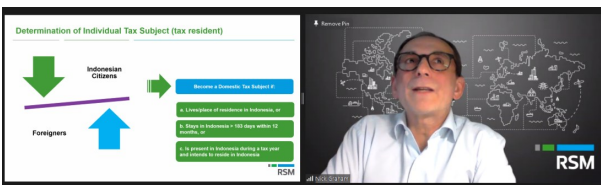
## RSM Indonesia 36<sup>th</sup> Anniversary



In conjunction with our 36<sup>th</sup> anniversary, we successfully held Road to IPO webinar in collaboration with the Indonesia Stock Exchange on 4 March 2021. Attended by more than 100 participants, speakers from IDX and RSM Indonesia shared about preparation and process of IPO, as well as success story of IPO experience by Bank Nationalnobu.



## RSM Indonesia Webinar



We keep our commitment in updating the current issues through our webinar. On the 1<sup>st</sup> quarter of 2021, we successfully conducted a tax webinar. The webinar was presented by our Senior Partner, Nick Graham, and attended by more than 150 participants. [See you at our next event!](#)

## Newsflash



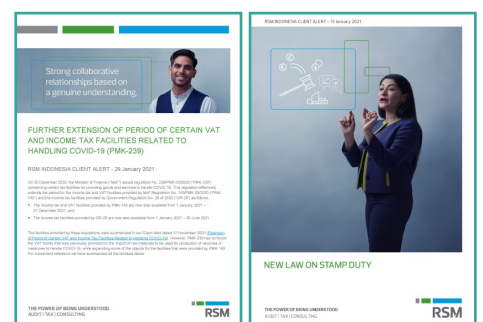
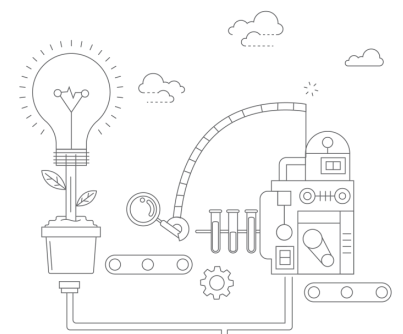
**ANGELA INDIRAWATI SIMATUPANG**  
Senior Partner & Head of Consulting RSM Indonesia  
**PRESIDENT IIA INDONESIA 2021 – 2024**

Our Senior Partner, Angela Simatupang has just been elected as President of The Institute of Internal Auditors of Indonesia for the period of 2021–2024.

## Subscribe to our Newsletter

In the 1<sup>st</sup> quarter of 2021, we have published several editions of Client Alert which include: New Law on Stamp Duty; Further Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19 (PMK-239); Extension of Tax Incentives for Taxpayers Affected by Covid-19 (PMK-9).

To read more about the Client Alert, click [here](#) or visit [www.rsm.id](http://www.rsm.id).



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for reading

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