

# WAKE UP CALL

RSM Indonesia **Newsletter**

## QUARTER 1/2022

Welcome to issue 60 of Wake Up Call, RSM Indonesia's newsletter covering topics related to audit, tax and consulting.

### IN THIS ISSUE:

- Brief Overview on Sustainability Reporting and the New Updated GRI Standards
- Voluntary Disclosure Program – a Final Chance
- Strengthening the Effectiveness of Whistleblowing System
- Our Activities



Universal Standards	Sector Standards	Topic Standards	
GR 1–3	GR 11–...	GR 201–...	
Applicable to all organizations, and all the three standards need to be applied to your reporting.	Use standards relevant to your organization's sectors.	Select relevant standards to report specific information on your organization's material topics.	
<ul style="list-style-type: none"> <li>• Foundation</li> <li>• General disclosures</li> <li>• Material topics</li> </ul>	<p>The GRI Sector Standards intend to increase the quality, completeness, and consistency of reporting by organizations. Standards will be developed for 40 sectors, starting with those with the highest impact, such as oil and gas, agriculture, aquaculture, and fishing.</p>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Market presence</li> <li>• Indirect economic impacts</li> <li>• Procurement practices</li> <li>• Anti-corruption</li> <li>• Anti-competitive behaviour</li> <li>• Tax</li> <li>• Materials</li> <li>• Energy</li> <li>• Water and effluents</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Waste</li> <li>• Supplier environmental assessment</li> <li>• Employment</li> <li>• Labour / management relations</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational health and safety</li> <li>• Training and education</li> <li>• Diversity and equal opportunity</li> <li>• Non-discrimination</li> <li>• Freedom of association and collective bargaining</li> <li>• Child labour</li> <li>• Forced or compulsory labour</li> <li>• Security practices</li> <li>• Rights of indigenous peoples</li> <li>• Local communities</li> <li>• Supplier social assessment</li> <li>• Public policy</li> <li>• Customer health and safety</li> <li>• Marketing and labelling</li> <li>• Customer privacy</li> </ul>

The 2021 updates were GRI 1 Foundation, GRI 2 General Disclosures, GRI 3 Material Topics, GRI 11 Oil and Gas Sector. Those Standards are effective for reports or other materials published on or after 1 January 2023.

The Standards contain disclosures, which provide a structured means for an organization to report information about itself and its impacts. The disclosures can have requirements and can also include recommendations.

Always start at GRI 1. The foundation of sustainability reporting is for an organization to identify and prioritize its impacts on the economy, environment, and people – to be transparent about their impacts

Identifying its impacts and assessing their significance is part of an organization's day-to-day activity, which varies according to its specific circumstances. The topics and impacts listed in the Sector Standards provide a means of identifying an organization's impacts.

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Understanding an organization's context is a crucial factor in identifying and assessing the significance of its impacts. GRI 2 aids in this process by specifying disclosures in detail for different aspects of an organization's activities (reporting practices, governance).

Once an organization has assessed the significance of its impacts, it needs to decide on which to report. To do this, it needs to prioritize the impacts. Grouping the impacts into topics facilitates this, as it indicates what topics are most relevant to the organization's activities – its material topics.

GRI 3 explains how to identify and assess impacts together with their significance as well as explanation of how to organize this grouping.

An organization should test its selection of material topics against the topics in the applicable Sector Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be material for the sector. If an applicable Sector Standard is available, then an organization is obliged to use it when reporting in accordance with the GRI Standards. Using the Sector Standards is not a substitute for determining material topics, but an aid. However, the organization still needs to consider its specific circumstances when selecting its material topics.

Throughout the process, remember to apply the reporting principles, which are Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness, and Verifiability.

## ENHANCING THE CREDIBILITY OF REPORTING

There are several ways in which an organization can enhance the credibility of its sustainability reporting. These include the use of internal controls, external assurance, and stakeholder or expert panels.

**Internal controls:** Organization should set up internal controls to strengthen the integrity and credibility of its reporting. In some jurisdictions, corporate governance guideline requires governance body to inquire and, if it is satisfied, to confirm the adequacy of an organization's internal controls in the annual report. This confirmation may only relate to the adequacy of the internal controls for financial reporting.

It may not provide information about whether the same internal controls are also adequate to assess the credibility of the organization's sustainability reporting. If the organization relies on internal controls set up for financial reporting, it should assess the relevance of these controls for its sustainability reporting. In cases where these controls are inadequate, the organization should identify and use additional internal controls to assess the credibility of its sustainability reporting.

**External assurance:** In addition to internal controls, the organization should seek external assurance for its sustainability reporting, to assess the quality and credibility of the qualitative and quantitative information reported by the organization. External assurance can also be used to assess the organization's systems or processes to prepare the information (e.g., the process of determining material topics). External assurance is different from activities used to assess or validate the performance, such as compliance assessments or the issuing of performance certifications. External assurance results in published assurance reports or conclusions that can be used to verify that the information has been prepared in accordance with reporting standards. It can also be used to reduce risk in data quality and increase trust in the reported information.

**Stakeholder or expert panels:** Organization can also organize a stakeholder or expert panel to seek views on its approach to sustainability reporting or for advice on the information to be reported.

Do note that it is not mandatory to apply these methods when reporting in accordance with the GRI Standards, but organization is encouraged to do so.

Reporting is not an easy effort. It requires a coordinated and well-planned approach. Good understanding of the context, the standards, as well as good process and flow of information. Therefore, preparation and awareness that the reporting process requires a journey are key to reliable reporting.

For further information, please contact:  
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# VOLUNTARY DISCLOSURE PROGRAM – A FINAL CHANCE

**NICHOLAS J GRAHAM, TAX PRACTICE**

The Voluntary Disclosure Program, or VDP, has been running since 1 January 2022. As per 20 March, the Director-General of Taxation (“DGT”) has recorded 25,460 participants, that have declared IDR 35.461 billion of net assets and paid final tax of IDR 3.659 billion.

The VDP represents an additional opportunity for taxpayers to bring their tax affairs into compliance if they did not do so during the 2016 Tax Amnesty (“the Tax Amnesty”) or if they have let their personal tax compliance lapse since 1 January 2016.

Unlike the Tax Amnesty, the VDP cannot be accessed by all taxpayers. Only the following taxpayers can participate:

- VDP 1: Any taxpayer (corporate/badan or individual) that participated in the Tax Amnesty but did not fully disclose all assets held on 31 December 2015
- VDP 2: Any individual taxpayer that acquired assets during 1 January, 2016–31 December 2020 that are still owned at the end of the 2020 Tax Year but were not fully reported in the Personal Income Tax Return for the 2020 Tax Year

Even if a taxpayer meets the above criteria, they will not be eligible to participate if the DGT has found data regarding the assets (for a taxpayer wishing to access VDP 1) or if the taxpayer is subject to an official tax action regarding 2016–2020 (for a taxpayer wishing to access VDP 2).

Similar to the Tax Amnesty, taxpayers wishing to participate are required to declare the assets, advise whether these will be repatriated (if located overseas) and/or invested, and pay final tax.

The rate of final tax varies from 6%–18%, as per the

	Location of Asset				
	Overseas		Indonesia		
	Not Repatriated	Repatriated	Invested	Not Invested	Not Invested
VDP 1	11%	6%	8%	6%	8%
VDP 2	18%	12%	14%	12%	14%

table below:

Any repatriation must occur by 30 September 2022 and the assets must then be retained in Indonesia for at least 5 years from the date of the *Surat Keterangan* issued by the DGT confirming the taxpayer has participated in the VDP.

Any proposed investment must also occur by 30 September 2022 and then remained invested for 5 years from the date of investment. Some re-allocation/transfer between allowed investments is permitted.

Whereas the Tax Amnesty provided many options for investment, the VDP limits the investment options to the purchase of Government Debt Securities (*Surat Berharga Negara*) in the primary market through Main Dealers, and equity investment in Natural Resource Processing businesses or Renewable Energy businesses. The Minister of Finance's 24 February 2022 Decision Letter No. 52/KMK.010/2022 provides a list of the 332 business sectors that are eligible to receive equity investments via share subscription in a new business or participation through IPO or rights issue.

Additional final tax will apply if a participant does not then fulfil the proposed repatriation and/or investment. The rate of additional final tax depends on what was promised, and whether the taxpayer self-declares or the non-fulfilment is detected by the DGT and assessed:

Location of Asset				
	Overseas			Indonesia
Promised Action	Repatriate	Repatriate & Invest		Invest
Actual Action	Did not repatriate	Repatriated but did not invest	Did not repatriate and did not invest	Did not invest
VDP 1	4% – if declared by taxpayer 5.5% – if assessed by DGT	3% – if declared by taxpayer	6% – if declared by taxpayer 7.5% – if assessed by DGT	3% – if declared by taxpayer
VDP 2	5% – if declared by taxpayer 6.5% – if assessed by DGT	4.5% – if assessed by DGT	7% – if declared by taxpayer 8.5% – if assessed by DGT	4.5% – if assessed by DGT

The costs of participating in the VDP can be compared to the benefits from participation:

- VDP 1: A waiver of the 200% penalty under the Tax Amnesty Law that would apply if the undeclared asset was detected by the DGT
- VDP 2: A waiver from tax assessments for the 2016–2020 Tax Years (unless new data is discovered by the DGT), but excluding tax already deducted or collected by the taxpayer but not yet paid (this remains due)

Taxpayers should carefully consider the consequences of participating but not fully disclosing their assets.

If a participant in VDP 1 is subsequently found to have not fully declared all assets for this period (due to new information) then this will be subject to final tax of 25% (if an entity) or 30% (if an individual), plus a penalty of 200% of that additional tax.

If a participant in VDP 2 is subsequently found to have not fully declared all assets for this period

(due to new information) these will be deemed as income for the 2022 Tax Year and subject to 30% final tax plus an administrative sanction per Article 13(2) of the KUP Law.

We are now at the half-way point for participation. It is likely the VDP will be the final, last chance for taxpayers to “come clean” regarding any incomplete asset declaration during the Tax Amnesty or for assets obtained by individuals during 2016–2020 that have not been reported in Personal Income Tax Returns. Therefore taxpayers should seriously consider the benefits, compared to the risks of non-declaration and considering the DGT’s increasingly detailed domestic database combined with information provided from foreign jurisdictions under Automatic Exchanges of Information. Going forward, good understanding and proper compliance with the tax regulations is essential.

For further information, please contact:  
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# STRENGTHENING THE EFFECTIVENESS OF WHISTLEBLOWING SYSTEM

*GEDE A WIJANA, CONSULTING PRACTICE*

## WHY ORGANIZATION NEEDS A WHISTLEBLOWING SYSTEM?

The majority of organization fraud is reported through tips. According to Report to the Nations 2020 Global Study on Occupational Fraud and Abuse published in 2021, the Association of Certified Fraud Examiners found that fraud schemes were much more likely to be detected by tip than by internal audit, management review or any other means. These report also indicate that the organization which have whistleblowing system detect fraud more quickly than those without whistleblowing system and median losses were nearly doubled at organizations without whistleblowing system which are \$198.000 without whistleblowing system and \$100.000 with whistleblowing system.

In 2020, the use of whistleblowing system has increased from 41% to 49% since 2010. Having whistleblowing system not only helps organization to detect fraudulent act or misconduct more quickly, whistleblowing system can also help the organization to:

- Have early warning of fraudulent act or misconduct and alleviate the risks that the organization faces today.
- Correct a perceived fraudulent act or misconduct and settle the unethical practice internally before it might harm the organization or known by public that may incur lawsuit to the organization.
- Look beyond critical area and work process that have internal control weakness as well as to design the necessary corrective actions.
- Increase the organization's reputation in the eyes of stakeholders, regulators, and public.

Whistleblowing system is seen as a very effective tool to combat fraudulent act or misconduct. However, reporting of fraudulent act or misconduct through the WBS's channels established by the organization often ends poorly.

It takes a great deal of courage for anyone to pass information or highlight their concerns about fraudulent act or misconduct occurring within their organization. There are several things that can cause the whistle-blower to be reluctant to submit the report when they discovered any misconduct or fraudulent act, such as among they believed reporting would not lead to actions, feel uncomfortable because WBS channels is not easily accessible or not support anonymous report, and no assurance will be protected from retaliation or unfair treatment. An effective whistleblowing system is implementing and monitoring the system, and it is not just the development of a whistleblowing policy.

## HOW TO MAKE WHISTLEBLOWING SYSTEM EFFECTIVE?

The exact design of an effective whistleblowing system will vary with the size and type of organization, but there are some common elements that need to be considered when implementing whistleblowing system.

- **Build trust in Whistleblowing System**

The organization have to ensure that the WBS reports are taken seriously, timely manner, and treated by the right team and a thorough process are in place for handling reports to preserve the confidentiality of reporters and their information.

The organization also has to reassure that the whistle-blower still be protected from possible retaliation if the report submitted in good faith.

In addition, the organization should have an appropriate whistle-blower policy and procedures to ensure WBS is managed consistently and meet the organization objectives. WBS policy and procedure must review periodically to improve the effectiveness of WBS implementation.

- **Safe and Easy-To-Use WBS Channel**

The organization should offer opportunity to whistle-blower to submit the report via an easily accessible channel to make the process of rising concerns as simple as possible and via a trusted in the view whistle-blower to make them feel comfortable in reporting.

The organizations may consider maintaining multiple WBS channels. However, it should be noted that WBS channel provided enables anonymity for the whistle-blower and enables the whistle-blower to receive feedback on any action taken by the organization over the report.

- **Effective Communication**

Organization not only acknowledge a whistle-blowing system, but also has to encourage whistle-blower to submit the report. Use training and other communication channels to publicize the whistleblowing system.

The training or communication agenda should embed messages about the importance of whistleblowing system, how organization handling the report, description of type of violation can be reported and the kind of information to include in the report, and timeframe in which a whistle-blower can expect to receive feedback.

The communication of whistleblowing program should not only target internal parties, but external parties as well.

For further information, please contact:  
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## INDONESIA FACTS



### KAWAH PUTIH

*Kawah Putih* (English: White Crater) is a crater lake and tourist spot in a volcanic crater about 50km (31mi) south of Bandung in West Java in Indonesia.

*Kawah Putih* lake (7.10° S 107.24° E) is one of the 2 craters which make up Mount Patuha, an andesitic stratovolcano (a "composite" volcano). Mount Patuha is one of numerous volcanoes in Java.

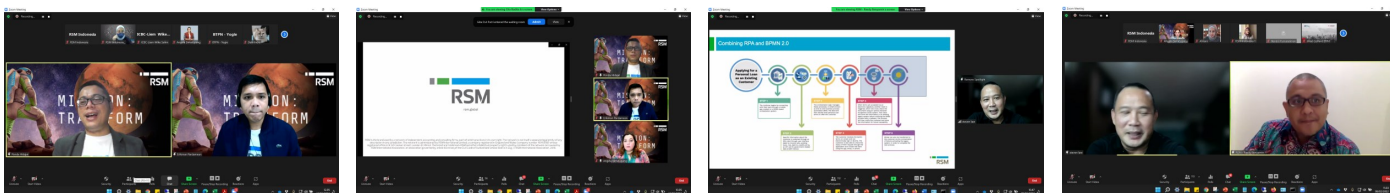
*Kawah Putih* crater lake itself represents a relatively stable volcanic system with no records of significant activity since around 1600.

The *Kawah Putih* site was opened to visitors in 1987. The lake is 2,430 meters (7,970 ft) above sea level so the local climate is often quite chilly (temperatures are frequently around 10°C (50°F)). *Kawah Putih* is a sizeable highly acid lake (pH 0.5–1.3) which changes color from bluish to whitish green, or brown, depending on the concentration of sulfur and the temperature or the oxidation state.



# OUR ACTIVITIES

## RSM Indonesia Webinar



On the 1<sup>st</sup> quarter of 2022, we successfully conducted several webinars, delivered by our Senior Managers and Partners. We also got a chance to invite Pak Steven Law, the CEO and founder of *Deltadata Mandiri* to be our speaker. Approximately 100 participants attended each webinar. [See you at our next events!](#)

## RSM Indonesia 37<sup>th</sup> Anniversary



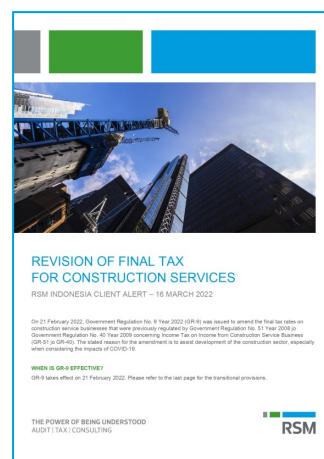
4 March 2022 marked as our 37<sup>th</sup> anniversary and we held virtual gathering to celebrate the event. Attended by hundreds of staff and continued with message from our founder & CEP, Amir Abadi Jusuf. There were also games and prizes. In addition, all RSM people in Jakarta and Surabaya were provided with a healthy kit consisting of honey and herbal drinks. [Happy 37th anniversary AAJ!](#)

## RSM Indonesia Publication

### Client Alert

#### REVISION OF FINAL TAX FOR CONSTRUCTION SERVICES

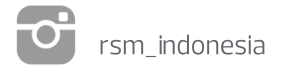
To read more, click [here](#) or visit [www.rsm.id](http://www.rsm.id)



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for reading



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