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# WAKE UP CALL

RSM Indonesia **Newsletter**

## QUARTER 2/2022

Welcome to issue 61 of Wake Up Call , RSM Indonesia's newsletter covering topics related to audit, tax and consulting.

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**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING



# INDONESIA'S FIGHT AGAINST CLIMATE CHANGE: CARBON TAXES AND BEYOND

**ICHWAN SUKARDI & SOPHIA SHE JIAQIAN, TAX PRACTICE**

As an archipelagic country with more than 17,000 islands and the fourth-largest population in the world, Indonesia's greenhouse gas levels have been steadily increasing over the past decade, and Indonesia is one of the top ten largest carbon emitters in the world. Statistic records show that Indonesia's greenhouse gas emission levels have increased over 313% when compared to 1990 levels.

According to a report by the International Monetary Fund ("IMF") on Fiscal Policies to Address Climate Change in Asia and the Pacific (FPACCAP 2021), most of the countries in the region have implemented carbon tax and emissions trading systems as part of their commitments under the Paris Agreement. Only Indonesia, Thailand and Vietnam have not yet joined to this list.

Indonesia demonstrated its commitment to tackle climate change by ratifying the Paris Agreement in April 2016 through Law No. 16 of 2016. It later developed the Nationally Determined Contribution (NDC) to reduce emissions – by 29% domestically and by a further 41% with international support – by 2030.

Following a voluntary trial program that was placed for a 12-month period, the government of Indonesia introduced its long-anticipated carbon tax through Law No. 7 of 2021, as the Harmonization of Tax Regulations (*Harmonisasi Peraturan Perpajakan/HPP*) Bill was signed by the President on 29 October 2021 (the HPP Law). On the same day, Indonesia issued President Regulation No. 98 of 2021 on the 'Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control over Greenhouse Gas Emissions in Relation to National Development' (Regulation No. 98).



The carbon tax will be levied on both individuals and corporations that purchase carbon-containing goods or engage in activities that generate carbon emissions within a specified period. The explanation given in the HPP Law provides that the carbon tax will prioritize corporations and, at the initial stage, will apply only to the coal-fired power. The scope covers both independent power producers (IPP) and Indonesia's state-owned electricity company (Perusahaan Listrik Negara (PLN)).

The HPP Law sets the carbon tax rate to be the carbon price in the domestic carbon market per kilogram of CO<sub>2</sub>e (CO<sub>2</sub>e signifies the amount of CO<sub>2</sub> which would have the equivalent global warming impact), or IDR 30 per kilogram of CO<sub>2</sub>e (approximately \$2.10 per ton of CO<sub>2</sub>e) whichever is higher.

Facilities are available in the form of a carbon 'offset' whereby participants in carbon trading and emissions offsetting (as well as other mechanisms) can be granted a carbon tax reduction and/or



other incentives for the fulfilment of carbon tax obligations.

The HPP Law also provides implementation milestones as the carbon tax program is expected to be gradually rolled out – that from 2025 onwards, full implementation of a carbon trading mechanism and the expansion of carbon taxation should be achieved.

The commencement of carbon tax implementation was initially set as from 1 April 2022 with unexpected delay as announced by the MoF until 1 July 2022. Further regulations from both the government and MoF level are expected to be issued prior to the formal take-off of the program.

While carbon tax constitutes a significant piece of the puzzle for the government, importance is also attributed to the carbon trading program which was stipulated in both the HPP Law and Regulation No. 98 under the concept of the 'carbon economic value'. However, it remains to be seen how policies governing carbon trading and carbon tax will interface with each other.

It will be interesting to observe the means and methods through which the government will achieve its commitment under the Paris Agreement. According to the FPACCAP 2021 report, carbon taxes are more effective than non-tax mitigation measures such as emissions trading schemes, feebates, and regulation, which are better as complementary schemes to support carbon taxes.

Meanwhile, it remains to be seen, how carbon tax will interfere with existing conventional types of taxes such as VAT and income tax – questions such as whether carbon tax paid will become a deductible tax items, any income derived thereof will be taxable, and which government agency will be managing or administering the dispute matters, need to be addressed by the tax authorities as soon as the government steers the wheel.

While hopes come in many forms, the fight has just begun.

For further information, please contact:  
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# LEADERSHIP IN HUMAN-MACHINE ERA

**RESDY BENYAMIN**, TECHNOLOGY CONSULTING PRACTICE

In essence, intelligent decision-making entails extending the background and offering a more comprehensive view. It entails the ability to recognize and overcome contradictions, paradoxes, and conflicts. Wise leaders have a "many perspectives" and the emotional maturity and spiritual generosity to inspire and mobilize others. Artificial Intelligence (AI) may assist top-level management in realizing their enterprise's mission, but without prudence, it may jeopardize a more compassionate future.

Any discussion about AI necessitates a reconsideration of leadership. Without a revolution here, AI can never completely deliver business challenges and difficulties cannot be handled by algorithms alone. The answers lay elsewhere, in a shift from smart to wise leadership. For good leaders not only generate and capture critical economic value, but they also establish more sustainable – and legitimate – organizations. AI may increase, deteriorate, or destroy value depending on how well it is led.

Enterprises need the most effective leadership strategy and approach. Most organizations face rapid and unpredicted change, let alone pandemic strikes made it more complex. Ironically, we are now seeing that algorithms have direct us as if they are our leaders. Netflix algorithm chooses what movies we are supposed to like and appropriate to us. Same as what Google search engine and Youtube do. AI has already been a decision maker. Dashboard on enterprise financial performance, generated and rendered by AI, could possibly make us work even harder when it does not show good business performance. Thus, AI could fire some of us.

However, we have to see AI as tool to extend human capabilities and push us to develop as society. AI enables enterprise leaders to

understand better on what stakeholders, especially customers, employees, and regulators.

In spite of the benefit of its implementation, there are some fallacies on AI that should be re-aligned so that there will be no more misconception among people, especially users. We might have heard some people think that AI works the same way as how human brain works. This is the most common misunderstanding on AI. Consists of software, AI does not replicate human brain, or human mind. It is inspired by how human brain works. AI is built on a set of mathematical and logical techniques to reveal and to capture knowledge in order to solve problems.

A successful implementation of AI requires more emphasis on enterprise leadership competency of the top-level management, rather than on the technology itself. The focus of the leadership component is to position human as the center of AI initiatives through considering our employees, customers, suppliers, partners, and other stakeholders.

When AI is introduced at the workplace, top-level management needs to assess the implication of the implementation. The assessment could take into consideration some questions such as how to define the some new job requirements, how to develop and extend the existing people's competency, and what new investments are supposed to make to support the related competencies.

Leaders have to grow and to embed the culture of experimentation on AI. This will potentially stimulate the people to rapidly aware of how technology could change and improve a process. One of the most important things to consider is the pain-problem of users. By identifying problems, technology-related managers and business

managers work hand-in-hand in discovering the right AI-enabled solution.

Principle of Scale and Sustain needs to be applied in AI implementation in an organization. The development of AI-enabled solution usually starts from small scale with limited scope. The implementation grows whenever the pilot project is considered expandable. By embracing this approach, AI could continuously developed and embedded into the organization culture.

Future businesses will look nothing like what we know currently. Wiser leaders will:

1. Embrace and promote the partnership of human and artificial intelligence;
2. Transform operations, markets, industries, and the workforce with new capabilities;

3. Visualize a more meaningful future: show organizational stakeholders what that future can look like, and advise and allow their organization to pursue that aim;
4. Establish profitable development while making society a better place to live.

Top-level management needs to adopt the right mindset by focusing on improving and re-defining business process performance. One of recommended approaches is to use design thinking methodology to identify product as well as to fulfill the need of users. The main goal is to change customer experience by providing new products and services.

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## INDONESIA FACTS



### PURA TAMAN SARASWATI

Pura Taman Saraswati, officially Pura Taman Kemuda Saraswati, also known as the Ubud Water Palace, is a Balinese Hindu temple in Ubud, Bali, Indonesia. The pura is dedicated to the goddess Saraswati. Pura Taman Saraswati is notable for its lotus pond.

Pura Taman Saraswati (English: Saraswati Garden Temple) was designed by I Gusti Nyoman Lempad following a commission by the Prince of Ubud, Cokorda Gede Agung Sukawati. He is well known Balinese sculpture and undagi (Balinese architect for ritual paraphernalia).

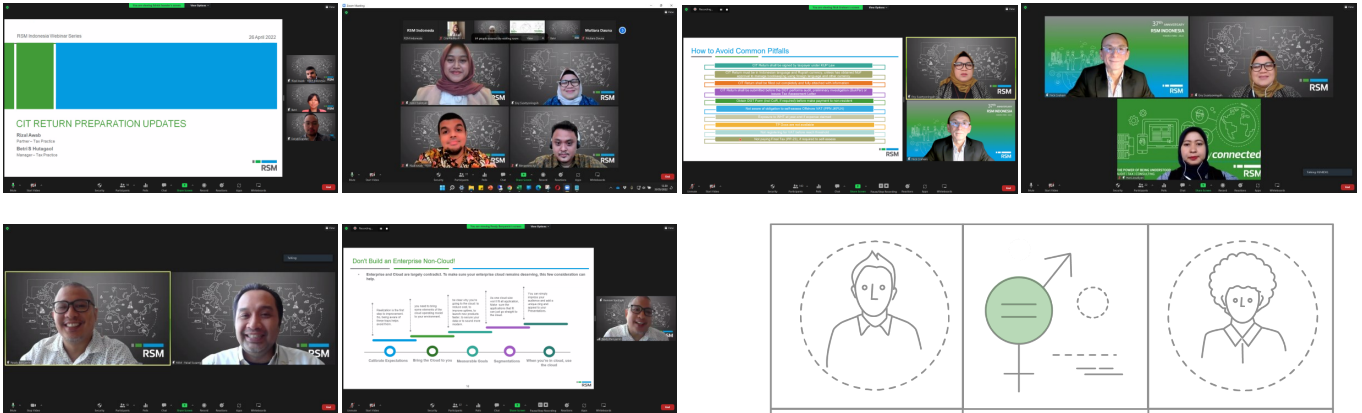
Construction of Pura Taman Saraswati started in 1951 and was completed in 1952. The pura is dedicated to Saraswati, the Hindu deity of learning, literature and art.

Source: Wikipedia

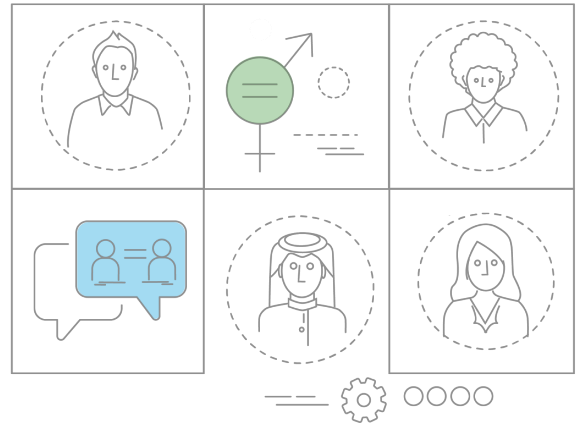


# OUR ACTIVITIES

## RSM Indonesia Webinar



On the 2<sup>nd</sup> quarter of 2022, we successfully conducted several webinars, delivered by our Senior Managers and Partners. Approximately 100 participants attended each webinar. [See you at our next events!](#)

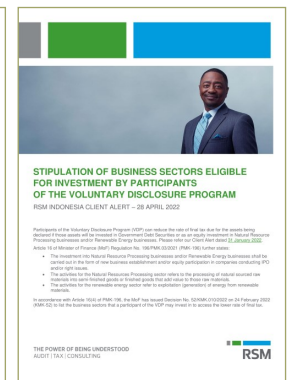


# RSM Indonesia Publication

## Client Alert

In the 2nd quarter of 2022, we have published several editions of Client Alert which include:

- Stipulation of Business Sectors Eligible for Investment by Participants of the Voluntary Disclosure Program
- Revision of Regulation Regarding e-Commerce VAT Collectors
- VAT & Income Tax on Crypto Asset Trading Transactions

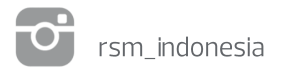


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