

Client Alert

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**For further information
please contact:**



Stephen Clugston
Of Counsel, Tokyo
(visiting Jakarta)
+62 21 2960 8598
stephen.clugston@bakermckenzie.com

Energy and natural resources in Indonesia: beneficial ownership disclosure obligations and tax compliance

With the Indonesian government set to pass new regulations affecting the energy sector, and, we hope, open up more opportunities for foreign investors, Japanese investors should take careful note of recent regulatory changes to the business license application procedures and tax compliance obligations.

The Indonesian government has been ramping up tax revenue generation, driven primarily by its ambitious infrastructure development and mid-term and long-term spending plans. Tax disclosure procedures and obligations in the energy and natural resources sector have not been clear or easy for investors to understand, however.

In an effort to streamline and clarify tax compliance and ownership disclosure obligations in the energy and natural resources sector, the Ministry of Energy and Mineral Resources (**MEMR**) recently issued Regulation No. 23 of 2019 entitled “Confirmation of Taxpayer Status in the Provision of Certain Public Services within the Energy and Mineral Resources Sectors” (**Reg 23**).

Previously (since 2015), a tax validation process would require assessment and confirmation by the government that (i) a taxpayer's name and registration number (NPWP) match the records maintained by the Directorate General of Tax (DGT) and (ii) the taxpayer has submitted income tax returns for the two prior fiscal years in accordance with the tax regulations. Reg 23 seeks to clarify the tax validation process and establishes an online validation procedure. Importantly, it also introduces a tax compliance validation requirement for new business license applicants.

The MEMR also passed Decree No. 243 K/08/MEM/2019 entitled “Obligation to Provide Taxpayer Registration Number and a List of Beneficial Owners when Submitting Applications for Licenses or Filing Reports in the Energy and Mineral Resources Sectors” (**Decree 243**).

Before the passage of Decree 243, MEMR policy required license applicants in the mining, oil and gas sectors to disclose their beneficial owners. Notwithstanding the absence of enforceable secondary legislation, this requirement was later extended to include the electricity sector. However, no clarity or consistency existed regarding the number of layers of beneficial ownership or the amount of information required to be disclosed.

Decree 243 clarifies this position by requiring applicants in the energy and mineral resources sectors (ie, mining, oil and gas, electricity and geothermal) to disclose all of their shareholders and beneficial owners. It also limits the types of public services or activities that are subject to beneficial ownership disclosure requirements and provides an exhaustive list of information that needs to be submitted to the MEMR in connection with applications for licenses or approvals.



For a more detailed update, please [click here](#) to see the full News Alert published by Baker McKenzie Jakarta / Hadiputranto, Hadinoto & Partners.

Alternatively, please get in touch with me and I'll be happy to assist you with any queries you may have.