
CONCERNING

THE PROCEDURES OF INCOME TAX CREDIT AND PAYMENT ON OTHER CONTRACTOR'S INCOME IN THE FORM OF UPLIFT OR OTHER SIMILAR REWARDS AND/OR CONTRACTOR'S INCOME FROM PARTICIPATING INTEREST DISPLACEMENT

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF FINANCE OF REPUBLIC OF INDONESIA,

Considering that in order to implement the provision of Article 27 paragraph (4) Government Regulation Number 79 Year 2010 concerning Operation Cost that Can be Returned and Treatment of Income Tax in Upstream Oil and Natural Gas Business, there is a need to stipulate Regulation of the Minister of Finance concerning The procedures of income tax credit and payment on other contractor's income in the form of uplift or other similar rewards and/or contractor's income from participating interest displacement;

In View of:

1. Act Number 6 Year 1983 concerning General Provision and Procedures of Taxation (State Gazette of the Republic of Indonesia Year 1983 Number 49, Supplement to State Gazette of the Republic of Indonesia Number 3262) as has several times been amended recently with Act Number 16 Year 2009 (State Gazette of the Republic of Indonesia Year 2009 Number 62, Supplement to State Gazette of the Republic of Indonesia Number 4999);

2. Act Number 7 Year 1983 concerning Income Tax (State Gazette of the Republic of Indonesia Year 1983 Number 50, Supplement to State Gazette of the Republic of Indonesia Number 3263) as has several times been amended recently with Act Number 36 Year 2008 (State Gazette of the Republic of Indonesia Year 2008 Number 133, Supplement to State Gazette of the Republic of Indonesia Number 4893);

3. Government Regulation Number 79 Year 2010 concerning Operation Cost that Can be Returned and Treatment of Income Tax in Upstream Oil and Natural Gas Business (State Gazette of the Republic of Indonesia Year 2010 Number 139, Supplement to State Gazette of the Republic of Indonesia Number 5173);
To stipulate:

REGULATION OF THE MINISTER OF FINANCE CONCERNING THE PROCEDURES OF INCOME TAX CREDIT AND PAYMENT ON OTHER CONTRACTOR’S INCOME IN THE FORM OF UPLIFT OR OTHER SIMILAR REWARDS AND/OR CONTRACTOR’S INCOME FROM PARTICIPATING INTEREST DISPLACEMENT.

Article 1

In this Regulation of the Minister of Finance:

1. Income Tax Act is Act Number 7 Year 1983 concerning Income Tax as has several times been amended recently with Act Number 36 Year 2008.
2. Contractor of Oil and Natural Gas Cooperation Contract, hereinafter referred to as Contractor, is a business entity or permanent establishment which is stipulated in order to perform exploration and exploitation in a working territory based on cooperation contract with an Executing Agency.
3. Uplift is reward received by Contractor in connection with bail out provision for operation financing of income sharing contract which ought to be participation obligation of other contractor, available in a cooperation contract, in financing.
4. Participating Interest rights and obligations as Contractor of a cooperation contract, either directly or indirectly, in a working territory.
5. Exploration is an activity for the purpose of gathering information concerning geological condition in order to find and obtain the estimated oil and natural gas reserves in the specified working territory.
6. Exploitation is a series of activities for the purpose of producing oil and natural gas in the specified working territory, which consist of well drilling and completion, infrastructure construction of transportation, storing, and processing for separation and purification of oil and natural gas in the field and other supporting activities.

Article 2

(1) On Contractor’s income other than cooperation contract in the form of Uplift or other similar rewards, Income Tax is imposed which is final in nature for 20% (twenty
percent) of gross income.

(2) On Contractor’s income other than cooperation contract in the form of Participating Interest displacement, Income Tax is imposed which is final in nature for the following rate:
   a. 5% (five percent) of gross income, for Participating Interest displacement during Exploration term; or
   b. 7% (seven percent) of gross income, for Participating Interest displacement during Exploitation term.

(3) Exploration Term as referred to in paragraph (2) item a is as of effective date of cooperation contract to date of agreement of first field development plan in a working territory of Contractor.

(4) Exploitation Term as referred to in paragraph (2) item b is as of the expiration of Exploration term as referred to in paragraph (3) to the expiry date of cooperation contract.

Article 3

(1) In effort to share the risk during Exploration term, Participating Interest displacement is exempted from Income Tax imposition as referred to in Article 2 paragraph (2) item a, provided that the following criteria are met:
   a. not displacing all of Participating Interest owned;
   b. the Participating Interest has been owned more than 3 (three) years;
   c. in the working territory, Exploration has been made and Contractor has invested for the concerned Exploration; and
   d. Participating Interest displacement by Contractor is not intended to gather profit.

(2) Income Tax Imposition as referred to in Article 2 paragraph (2) item b, is exempted as long as it is in order to perform the obligation of Participating Interest displacement in accordance with cooperation contract to national enterprise as set forth in cooperation contract.

Article 4

The basis of Income Tax Imposition on Participating Interest displacement as referred to in Article 2 paragraph (2) is:
   a. actual amount received or obtained by Contractor; or
b. the amount should be received or obtained by Contractor, in the event there is special relation as referred to in Article 18 paragraph (4) Income Tax Act between parties who make Participating Interest displacement.

Article 5

(1) In the event there is Participating Interest displacement, Contractor is obliged to report the concerned Participating Interest displacement value to the Tax Service Office there the Contractor is registered, enclosing written document in the form of Participating Interest displacement agreement and recent Financial Quarterly Report (FQR) prior to the Participating Interest displacement.

(2) In the event the provision as referred to in paragraph (1) is not met by Contractor, the Director General of tax can determine in his function the Participating Interest displacement value.

(3) Reporting as referred to in paragraph (1) is made by:

a. Contractor who receives Participating Interest displacement in the event the recipient of Participating Interest displacement has been registered as a Tax Payer; or

b. Contractor who displace Participating Interest in the event the recipient of Participating Interest displacement has not been registered as a Tax Payer, using format of reporting form of Participating Interest displacement as set forth in Appendix I, as an integral part of this Ministerial Regulation.

(4) Contractor as referred to in paragraph (3) must report the Participating Interest displacement value as referred to in paragraph (1) within 14 (fourteen) business days as of the Participating Interest displacement agreement is signed.

Article 6

(1) The time Income Tax on income in the form of Uplift or other similar rewards as referred to in Article 2 paragraph (1) is payable is at the time the income in the form of Uplift or other similar rewards is paid or acknowledged as cost, depending on which event comes first.
(2) Income Tax as referred to in Article 2 paragraph (1) must be credited by Contractor who make payment on Uplift or other similar rewards using format of credit receipt form as set forth in Appendix II, as an integral part of this Ministerial Regulation.

Article 7

(1) The time Income Tax on income from Participating Interest displacement as referred to in Article 2 paragraph (2) is payable is at the time of payment, at the time of Participating Interest displacement, or at the time approval on Participating Interest displacement is granted by the Minister of Energy and Mineral Resources, depending on which event comes first.

(2) Income Tax as referred to in Article 2 paragraph (2) must be credited by Contractor who receives Participating Interest displacement using format of credit receipt form as set forth in Appendix II, as an integral part of this Ministerial Regulation.

(3) In the event Contractor who receives Participating Interest displacement as referred to in paragraph (2) has not been registered as a Tax Payer at the time the Income Tax as referred to in paragraph (1) is payable, the payable Income Tax must be deposited by the Contractor who receives Participating Interest displacement himself using Tax Deposit Letter on behalf of the Contractor who displaces Participating Interest.

(4) In the event payable Income Tax is not deposited by the Contractor who receives Participating Interest displacement as referred to in paragraph (3), the concerned payable Income Tax must be credited, deposited, and reported by the Contractor who receives Participating Interest displacement after having been registered as a Tax Payer in accordance with regulation of tax law.

(5) In the event Participating Interest displacement is made indirectly and does not change Tax Payer Number, the Contractor who displace Participating Interest must deposit the payable Income Tax himself using Tax Deposit Letter.

Article 8

Income Tax as referred to in Article 6 paragraph (2) and/or Article 7 paragraph (2), paragraph (3), paragraph (4), and paragraph (5), must be deposited to state treasury, in
accordance with the term as stipulated by Regulation of the Minister of Finance that regulates the stipulation of due date of payment, deposit, credit, imposition, and/or report of tax.

Article 9
(1) Income Tax which has been deposited as referred to in Article 8 must be reported to:
   a. Tax Service Office where the Contractor who makes payment on Uplift or other similar rewards is registered on the payment as referred to in Article 6 paragraph (2);
   b. Tax Service Office where the Contractor who receives Participating Interest displacement is registered on the payment as referred to in Article 7 paragraph (2) and paragraph (4); and/or
   c. Tax Service Office where the Contractor who displaces Participating Interest is registered on the payment as referred to in Article 7 paragraph (3) and paragraph (5).

(2) Reporting of Income Tax which is deposited as referred to in paragraph (1) is made in accordance with interval as stipulated by Regulation of the Minister of Finance that regulates the stipulation of due date of payment, deposit and reporting of tax imposition using final Income Tax Term Notice Article 4 paragraph (2) on section other certain incomes.

Article 10
(1) On Taxable Income, after credited with Income Tax which is final in nature originated from Uplift or other similar rewards as referred to in Article 2 paragraph (1) and/or Contractor’s income from Participating Interest displacement as referred to in Article 2 paragraph (2), Income Tax is payable in accordance with regulation of Income Tax law.

(2) Treatment of Income Tax on other income of Contractor which is not specifically set forth in this Ministerial Regulation, it applies regulation of Income Tax law which is generally applicable.

Article 11
Calculation of Income Tax as referred to in Article 2, Article 3, and Article 10 paragraph (1) is made in accordance with sample as set forth in Appendix III, as an integral part of
this Ministerial Regulation.

Article 12

(1) Provision concerning Income Tax payable as referred to in Article 6 paragraph (1) and Article 7 paragraph (1) is not applied on income in the form of Uplift or other similar rewards and income from Participating Interest displacement, which occurs as of December 20, 2010 to prior to the enactment of this Ministerial Regulation.

(2) The time Income Tax on income in the form of Uplift or other similar rewards and income from Participating Interest displacement as referred to in paragraph (1) is payable is at the time this Ministerial Regulation is applied.

(3) Provision as referred to in Article 10 paragraph (1) is applied on Taxable Income after being credited with Income Tax which is final in nature, on income in the form of Uplift or other similar rewards and/or income from Participating Interest displacement received or obtained after this Ministerial Regulation is applied.

Article 13

This Regulation of the Minister of Finance shall come into force on January 1, 2012.
For public cognizance, this Regulation of the Minister of Finance shall be promulgated by placing it in State Gazette of the Republic of Indonesia.

Stipulated in Jakarta on December 28, 2011
MINISTER OF FINANCE
Signed,
AGUS D.W. MARTOWARDOJO

Promulgated in Jakarta On December 28, 2011
MINISTER OF LAW AND HUMAN RIGHTS
Signed
AMIR SYAMSUDIN
STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2011 NUMBER 946