

*-PwC Unofficial English Translation-*

MINISTER OF FINANCE  
REPUBLIC OF INDONESIA

MINISTER OF FINANCE REPUBLIC OF INDONESIA REGULATION  
NUMBER 258/PMK.011/2011

CONCERNING

THE MAXIMUM THRESHOLD OF EXPATRIATES REMUNERATION COST FOR OIL AND GAS  
COOPERATION CONTRACT CONTRACTOR

BY THE GRACE OF GOD ALMIGHTY

MINISTER OF FINANCE REPUBLIC OF INDONESIA

Considering: that in order to implement provision of Article 12 paragraph (3) of Government Regulation Number 79 Year 2010 regarding Cost Recovery and Treatment for Income Tax in the Upstream Oil and Gas Business sector, it is necessary to stipulate a Minister of Finance Regulation regarding The Maximum Threshold of Expatriates Remuneration Cost for Oil and Gas Cooperation Contract Contractor.

In view of:

1. Law Number 6 Year 1983 on the General Provisions and Tax Procedures (State Gazette of Republic of Indonesia Year 1983 Number 49, Supplement to the State Gazette of Republic of Indonesia Number 3262) as lastly amended by Law Number 16 Year 2009 (State Gazette of Republic of Indonesia Year 2009 Number 62, Supplement to the State Gazette of Republic of Indonesia Number 4999);
2. Law Number 7 Year 1983 on 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 lastly amended by Law Number 36 Year 2008 (State Gazette of the Republic of Indonesia Year 2008 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 4893);
3. Government Regulation Number 79 Year 2010 regarding Cost Recovery and Treatment for Income Tax in the Upstream Oil and Gas Business sector (State Gazette of the Republic of Indonesia Year 2010 Number 139, Supplement to the State Gazette of the Republic of Indonesia Number 5173);
4. Presidential Decree Number 56/P Year 2010;

DECIDES

To stipulate: MINISTER OF FINANCE REGULATION REGARDING THE MAXIMUM THRESHOLD OF EXPATRIATES REMUNERATION COST FOR OIL AND GAS COOPERATION CONTRACT CONTRACTOR.

Article 1

In this Minister of Finance Regulation, referred to as:

1. Contractor of Oil and Gas Cooperation Contract, hereinafter referred as Contractor is a business entity or Permanent Establishment appointed to conduct exploration and exploitation in a work area based on Cooperation Contract ("CC") with the Executive Board.

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2. Work Program and Budget, hereinafter referred as RKA is an annual plan of activities and budget expenditure of Contractor for its upstream oil and gas activity in a designated work area.
3. Remuneration is the total income received by expatriates working for the Contractor, which is included in the RKA that is approved by the Executive Board.
4. Executive Board is an entity established to control activities in the upstream oil and gas sector.

Article 2

- (1) The policy and program of the Expatriates remuneration should be based on the provisions outlined in the manpower laws and regulations.
- (2) Expatriates as referred to in paragraph (1) shall be foreign nationals with visa who have intention to work for Contractor under the assignment from the Contractor's parent company (*Inter Corporate Transfer*), and have obtained permission from the Minister of Manpower and Transmigration based on a recommendation from Director General of Oil and Gas.
- (3) The maximum threshold of remuneration which can be recovered for the purpose of production-sharing calculation and which is allowed as deduction to the gross income in calculating Contractor's Income Tax are the ones stated in the Attachment, which is inseparable from this Minister of Finance Regulation.
- (4) Remuneration as referred to in paragraph (3) includes:
  - a. wages;
  - b. allowances; and/or
  - c. other payments related to the Contractor's annual performance which are not granted for a long term.

Article 3

- (1) If the Contractor pays remuneration exceeding the maximum threshold as referred to in Article 2 paragraph (3), the excess payment cannot be recoverable for the production-sharing calculation and is not allowed to be claimed as deduction to the gross income for calculating the Contractor's Income Tax.
- (2) Contractor must withhold, remit, and report Article 21/26 Income Tax on the remuneration paid in accordance with the tax laws.

Article 4

The maximum threshold of remuneration that can be recovered for the production-sharing calculation and is allowed as deduction to the gross income for calculating the Contractor's Income Tax as referred to in Article 2 paragraph (3) will be evaluated within 2 (two) years since the enactment of this Minister of Finance Regulation.

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Article 5

The maximum threshold of remuneration as referred to in Article 2 paragraph (3) does not apply to foreign national as referred to in Article 2 paragraph (2) provided the foreign national has a highly specialized and rare expertise in oil and gas sector which the criteria to be set by the Executive Board after obtaining approval from Minister of Finance.

Article 6

This Minister Regulation shall come into effect as of 1 January 2012.

For public cognisance, ordering the promulgation of this Minister of Finance Regulation with its placement in the State Gazette Republic of Indonesia.

Enacted in Jakarta  
On December 28, 2011  
MINISTER OF FINANCE,

s/b

AGUS D. W. MARTOWARDOJO

Promulgated in Jakarta  
On December 28, 2011  
MINISTER OF LAW AND HUMAN RIGHTS,

s/b

AMIR SYAMSUDIN  
STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2011  
NUMBER 947

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HEAD OF GENERAL BUREAU

u.b.

HEAD OF ADMINISTRATION SECTION MINISTRY

GIARTO  
NIP 195904201984021001

MINISTER OF FINANCE  
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THE MAXIMUM THRESHOLD OF REMUNERATION WHICH CAN BE RECOVERED IN THE PRODUCTION-SHARING CALCULATION  
AND IS ALLOWED AS A DEDUCTION TO THE GROSS INCOME FOR CALCULATING THE CONTRACTOR'S INCOME TAX  
(IN US\$/YEAR)

Position Classification	Rates for expatriates who hold a passport from			Remarks
	Asia, Africa, and Middle East Region	Europe, Australia, and South America Region	North America Region	
HIGHEST EXECUTIVE	562,200	1,054,150	1,546,100	The 1 <sup>st</sup> Rank Position in Cooperation Contract Contractor (President, Country Head, General Manager)
EXECUTIVE	449,700	843,200	1,236,700	The 2 <sup>nd</sup> Rank Position in Cooperation Contract Contractor (Senior Vice President, Vice President)
MANAGERIAL	359,700	674,450	989,200	The 3 <sup>rd</sup> Rank Position in Cooperation Contract Contractor (Senior Manager, Manager)
PROFESSIONAL	287,700	539,450	791,200	The 4 <sup>th</sup> Rank Position in Cooperation Contract Contractor (Specialist)

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HEAD OF GENERAL BUREAU

u.b

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MINISTER OF FINANCE

s/b

AGUS D.W. MARTOWARDOJO