Indonesia Tax Profile

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1 Corporate Income Tax

1.1 General Information

Corporate Income Tax Rate

Income tax. The corporate tax rate is 25%. Listed companies that meet certain conditions are eligible for a 5% reduction in the corporate tax rate.

A company with gross turnover of less than IDR 50 billion (approximately USD 5.5 million) is eligible for a 50% reduction in the corporate tax rate on the proportion of taxable income which results when IDR 4.8 billion is divided by the gross annual turnover.

Unless it chooses not to, certain companies (e.g., companies that are engaged in the trading business) with gross turnover of less than IDR 4.8 billion in one fiscal year would be subject to 0.5% final tax on their gross revenue.

Residence

A company will be resident in Indonesia if it is incorporated in Indonesia.

Non-resident companies are those, which are incorporated overseas, but receive or accrue income from Indonesia. Non-residents are obliged to register for tax purposes if they have a permanent establishment (PE) in Indonesia.

Representative Offices of foreign companies are also required to register as taxpayers, even though they may not be a PE. This is necessary, as the Representative Office will have to withhold tax on payments to employees and third parties and lodge relevant tax returns.

Basis of Taxation

Resident corporate taxpayers are taxed on their worldwide income.

Tax Losses

Losses can be carried forward for a period of five years. However, in certain circumstances this may be extended to 10 years under special facilities available for certain regions and/or industries.

Changes in shareholders do not affect the validity of the carried forward losses. Capital losses are treated the same as operating losses if the losses are reasonable based on sound market practice. No foreign losses can be included in the tax computation.

There are no loss carry back provisions in Indonesian tax law.

Tax Consolidation/Group Relief

No provision exists for grouping or consolidation under Indonesian law.

Transfer of Shares

Transfers of shares listed on the Indonesian stock exchange are subject to a final transfer tax of 0.1%. Founder shares are subject to an additional final tax of 0.5% on listing.

For the transfer of unlisted shares, 25% capital gain tax (due on net basis) will apply for the Indonesian tax resident seller. The settlement and reporting of the tax due is done on self-assessed basis. If the seller is non-Indonesian tax resident, a 5% capital gains tax (final, due on the gross transfer value, which has to be at arm's length) will apply.

Transfer of Assets

On the transfer of title of land and buildings, 2.5%income tax (final) for the seller and 5% title transfer tax for the buyer will apply. Lower income tax rate will apply under special circumstances.

On the transfer of assets (other than land and buildings), 25% capital gain tax (due on net basis) will apply for the Indonesian tax resident seller. The settlement and reporting of the tax due is done on self-assessed basis. If the seller is non-Indonesian tax resident, the 5% capital gain tax (final, due on gross basis) will apply (non-residents cannot hold real estate directly, they should hold it through a company. So the share transfer is taxed).

Capital Duty (Non-tax planning)

Indonesia has no capital duty due on placement of capital, nor on liquidation.

CFC Rules

Indonesia has a CFC regime.

A CFC is defined as a foreign unlisted corporation in which an Indonesian resident individual or corporate shareholders, either individually or as a group, directly or indirectly, hold 50% or more of the total paid in capital. Listed corporations are not CFCs. The Indonesian shareholders shall be deemed to receive dividends within four months after the tax return filing deadline; or seven months after the end of the fiscal year where there is no obligation to file an annual tax return, or there is no specific deadline of filing in the country of residence of the CFC.

Thin Capitalization

Where a “special relationship” exists between parties, interest may be disallowed as a deduction where such charges are considered excessive, such as interest rates in excess of commercial rates. Interest-free loans from shareholders may, in certain cases, create a risk of deemed interest being imposed, giving rise to withholding tax obligations for the borrower.

The Minister of Finance on 9 September 2015 issued the “thin capitalization” rules that limit the deductibility of interest and other financing costs. In this regulation, the MoF has set a Debt to Equity Ratio (“DER”) maximum of 4:1, effective for Fiscal Year 2016 onwards. The thin capitalization rules are not applicable for certain industries, such as infrastructure and financial services amongst others. Special rules on tax deductibility of interest apply in the mining, and oil and gas sectors in accordance with the contracts.

Interest Deductibility Restrictions

Interest should be at arm’s length if the transaction is between related parties and the thin capitalization rules should be satisfied. If not, the interest deduction may be denied.

Amalgamations of Companies

Amalgamations of Indonesian incorporated companies in the context of business restructuring must be priced at market value. Under certain circumstances, the transaction could be done at book value with approval from the Tax Office. Based on the prevailing regulation, the said circumstances are:

- Amalgamation of Indonesian limited liability companies, whereby the surviving company must be company with the lowest fiscal loss (if any) and the transferor company must be ceased upon transferring all of its assets and liabilities to the surviving company;
- Amalgamation of Indonesian limited liability company with foreign limited liability company, whereby the Indonesian limited liability company must become the surviving company and the foreign limited liability being the transferor company must be ceased upon transferring all of its assets and liabilities to the surviving company.

General Anti-Avoidance

No general anti-avoidance rules apply other than mentioned above. In practice, especially at the tax court level, tax authorities often follow substance over form.

Anti-treaty Shopping

To utilize the tax treaty provisions, a non-resident must confirm in Form DGT-1 (for non-resident banks, they must use Form DGT-2) that the transaction has economic substance and is not solely designed to take advantage of tax treaty benefits.

Other Specific Anti-Avoidance

No other specific anti-avoidance regimes rules apply.

Rulings

Indonesia has a ruling system in place. However, tax rulings are not generally published, and are only applicable to the relevant taxpayer that requested such ruling.

Hybrid Instruments

The treatment of hybrid instruments for tax purposes will generally follow the accounting treatment, and the related tax obligations will be determined based on such accounting treatment.

Hybrid Entities

There are no specific rules that apply to hybrid entities in Indonesia.

Related Business Factors

Forms of legal entities typically used for conducting business

Limited liability companies are the typical legal entity used for conducting business in Indonesia. Limited liability companies with a foreign shareholder(s), known as PMA Companies, are the only form permitted under the Foreign Investment Law.

A PMA Company is currently not allowed to be a pure holding company. Indonesian residents can establish regular limited liability companies ("PT Biasa" or "PT PMDN") to hold offshore investments. These companies are allowed to be established as pure holding companies.

Capital requirements for establishing a legal entity

There is no general capital requirement for establishing a legal entity. Rather, the Indonesia Investment Coordinating Board ("BKPM") will assess each entity on its facts and circumstances and set a minimum capital requirement for establishing that particular entity. However, there must be a debt to equity ratio of 3:1 on the investment amount.

In practice, as a general guide, the BKPM will require a minimum of USD 250,000 of share capital for establishing a service company.

Other local requirements for establishing a legal entity

Foreigners are generally permitted to invest with no restriction on the maximum size of the investment, the source of funds (subject to 3:1 debt to equity ratio) or whether the products are destined for export or the domestic market.

However, there are certain industry sectors which are closed or restricted to limited foreign investment ownership (must have a local partner) on the Investment Negative List.

Use of Indonesian Rupiah ("IDR") for transactions in Indonesia

Unlike before where a foreign currency could be used in invoices (normally the USD), as of 1 July 2015, it is mandatory to use IDR for all transactions (either cash or non-cash settlements) conducted in the territory of Indonesia. There are certain limited exceptions for this requirement.

1.2 Determination of taxable income and deductible expenses

1.2.1 *Income*

General

Income means additional economic capability received or earned by taxpayer in any name and any form, whether originating from Indonesia or from outside Indonesia that may be used for consumption or to increase the wealth of the taxpayer. Taxable income means the income less the deduction of allowable expenses as specified by the laws.

Branch Income

A foreign company is only permitted to register and operate a permanent establishment structure in Indonesia in a limited number of industries (e.g., construction, mining). Representative offices (ROs) can only be established for non-direct profit earning (trade liaison) activities.

Capital Gains

Capital gains, regardless of the reason for the disposal of the asset, are taxable.

Certain tax treaties provide an exemption on capital gains on the sale of unlisted shares by the non-resident shareholders, if Form DGT-1 is available. In the case that no exemption is available, the sale of unlisted shares is subject to 5% withholding tax on the total transaction value (gross proceeds) and in this case, an independent appraisal report is required to demonstrate that the transaction value is an arms-length price.

All capital gains are taxable unless tax treaty relief is available.

Capital gains earned by Indonesian resident are taxable with 25% corporate income tax.

Dividend Income

Dividends paid from an Indonesian resident subsidiary to a non-resident parent will be subject to 20% withholding tax or a reduced rate if the non-resident parent resides in a tax treaty country and can meet the requirements to utilize the tax treaty provisions.

Dividends paid to a resident parent are subject to 15% withholding tax, which is creditable for the parent company. In case the parent company holds at least 25% of the shares in the Indonesian subsidiary, and the dividend is paid out of the retained earnings no withholding tax should be due and the dividend should be exempt at the parent company level.

Deemed dividends are always taxable (because not paid out of the retained earnings). Liquidation proceeds are treated as normal dividends. Any excess above the equity will be taxed as a dividend (or exempt if the conditions are fulfilled).

Dividends received from non-resident subsidiaries are taxable. Any foreign withholding tax should be creditable with the Indonesian corporate income tax. Any excess credit is lost.

Interest Income

Interest paid from an Indonesian resident to a non-resident company will be subject to 20% withholding tax or a reduced rate if the non-resident company resides in a tax treaty country and can meet the requirements to utilize the tax treaty provisions.

Interest paid to a resident company is subject to 15% withholding tax, which is creditable for the receiving company.

Deemed interest is taxable.

Interest received from non-resident companies is taxable. Any foreign withholding tax should be creditable with the Indonesian corporate income tax. Any excess credit is lost.

Other Significant Items

Not applicable

1.2.2 *Expenses*

General

Expenses to obtain, collect and maintain income should generally be deductible.

Minimum Taxation Requirements for the Deductibility of Losses

No, foreign sourced losses are not deductible.

Capital Losses

Realized domestic capital losses are generally deductible. Write-downs in value are not tax deductible. A complete write-off of a loan may be tax deductible if various requirements have been fulfilled. Foreign exchange losses are tax deductible (FX gains are taxable).

Goodwill cannot be amortized for tax purpose. Impairment of the value may be tax deductible.

Carry Forward

Carry forward of tax losses is limited to five years. This period may be extended for up to ten years under special tax incentives available for certain regions and/or industries.

Carry Back

No carry back.

Bad Debts

Write-off is deductible if various requirements have been fulfilled.

Change of Control Rules

Changes in shareholders do not affect the validity of the carried forward losses.

Depreciation/Capital Allowance

Depreciable property is defined as tangible property owned and used in the business or owned for the production, recovery and securing of income, which has a useful life of more than one year. Land is not depreciable, except for certain industries.

Buildings and other immovable property are depreciated only using the straight-line method. For all assets other than buildings and other immovable property, depreciation is calculated using either the declining balance or the straight- line method at a company's option. These assets must be grouped into categories defined by the tax regulations, as are the useful lives to be applied in calculating tax depreciation for each category.

Once applied, taxpayers are not allowed to change the method of depreciation without the tax authorities' approval. Special rules apply in the oil & gas and mining sectors.

Double Deductions

Not applicable

Interest Expenses

Interest expenses in principle deductible if incurred in order to obtain, collect, and maintain taxable income. In addition, the interest rate should be at arm's length subject to thin capitalization rules

Inventories

Inventory costs (including obsolescence) are tax deductible.

Other Significant Items

Not applicable

1.3 Tax Compliance

Compliance Requirements

Companies are required to self-assess and lodge annual corporate income tax returns. The annual corporate tax returns must be lodged with the relevant Tax Office within four months after the end of the calendar year or tax year, and this deadline may be extended for two months by notifying the Director General of Taxation.

Mandatory Electronic Filing

Electronic filing is mandatory for taxpayer that meets certain conditions, e.g., taxpayer that is registered as VAT-able firm.

Requirement to Prepare Tax computation / Return in Functional Currency

Basically, tax computation is required to be prepared using Indonesian Rupiah currency. With approval from the Tax Office, taxpayer could prepare tax computation / return in English using United States Dollar currency.

Documents to File with Tax Return

Certain documents are required to be attached to tax return. The tax return would be considered as incomplete without those documents.

Exemptions to File Audited Financial Statements with Returns

The Audited Financial Statements are required to be attached to the Corporate Income Tax return. Exemption is given if the taxpayer's financial statements are not audited by an independent auditor. In that case, the non-audited financial statements are required to be attached instead.

Language to File Return, Computation and Supporting Documentation(s)

Tax computation / return are required to be prepared in Bahasa Indonesia. With approval from the Tax Office, it can be prepared in English.

Filing Extension Availability and Details

Filing extension is only available for annual corporate income tax return. The extension is given for maximum two months.

Payment of Estimated Tax

Monthly installment to the annual corporate income tax is calculated based on last year regular taxable income. The installment must be settled on the 15th of the following month.

Interim Tax Returns

Not applicable.

Payment of Tax

Underpayment of annual corporate income tax must be paid before the return is submitted.

Penalties for Non-compliance

Late tax return submission is subject to IDR 1 million (per return).

Penalties and/or Interest for Underpayment of Taxes

Late tax payment is subject to 2% penalty per month, maximum 24 months.

Statute of Limitation

There is a five-year statute of limitations. It might be extended if the taxpayer committed criminal act.

1.4 Financial Statements/Accounting

Details of Local Accountant Requirements

Under the current tax law, all companies must maintain their bookkeeping in Indonesia in accordance with the Indonesian Financial Accounting Standards. Indonesian Financial Accounting Standards are adopted from the IFRS; however, there could be a timing difference between the effective date of the IFRS and the Indonesian Financial Accounting Standards.

Companies are required to self-assess and lodge annual corporate income tax returns. Consolidated returns for commonly owned entities are not permitted. The returns must be lodged with the relevant tax office within four months after the end of the calendar year or tax year (in case that the tax year is different with the calendar year), this deadline may be extended for two months by notifying the tax office.

The accounting financial statements are required to be attached to the income tax returns (if the financial statements are audited so the audited accounts must be attached) together with the reconciliation to calculate the taxable income/loss (after taking into account the permanent and timing differences).

Fiscal Year

Fiscal year usually follows accounting period. Change of fiscal year requires approval from the Tax Office.

Periodicity of Local Books to be Closed

Fiscal year covers 12-months period.

Retention Period for Statutory Financial Statements/Working Papers

Taxpayer is required to keep its bookkeeping along with the supporting documents for 10-years period.

Requirements to Retain Physical Copies Locally/Electronically Stored Data to Reside on In-country Server

Taxpayer is required to maintain bookkeeping in Indonesia.

Requirements to Prepare Financial Statements in Local Currency

From tax perspective, taxpayer must prepare FS for the purpose of tax calculation (no restriction for commercial purpose) in local currency. With approval from the tax office, the FS for the purpose of tax calculation could be in USD.

What GAAP must the Financial Statements be Prepared Under?

The financial statement must be prepared in accordance with the Indonesian accounting standard.

Prescribed Format and Details for Financial Statements

Financial statements must be prepared following the prescribed standard governed under the Indonesian accounting standard.

Filing Due Date

Financial statements must be submitted along with the annual corporate income tax return at the latest the end of the fourth month following the end of the fiscal year.

Filing Format of Financial Statements

There is no specified format for filing the Financial Statements

Filing Extension Availability and Details

Not applicable.

Penalties for Non-Compliance

Failure to comply with the requirement, i.e., submitting the financial statement would be considered as not having filed the tax return. This is subject to a late reporting penalty of IDR 1,000,000.

1.5 Incentives

Intellectual Property Incentives

Not applicable.

R&D Incentives

Research and development undertaken in Indonesia is deductible expenditure.

Special Tax Regimes for Specific Industries or Sectors

As of February 2018, income tax relief is available for investments in 26 selected sectors (71 sub-sectors) and/or 16 selected sectors in selected locations (74 sub-sectors). The selected business sectors are economic sectors that have high priority on a national scale, particularly in respect of boosting exports. The selected regions are remote regions, which are economically potentially worthy of development, but whose economic infrastructure is generally inadequate, and where access by public transport is difficult.

Other Incentives

Other tax incentives are available for certain entities in specific industries, including:

- Tax holidays, (reduction in corporate income tax rate for up to twenty years period upon commencement of commercial operation for pioneer industries with a certain amount of minimum investment).
- Tax exemptions for certain transactions, e.g. merger and spin-off, and newly established foreign owned company
- Income tax relief on investment in certain business and/or certain regions in the form of additional deductions, accelerated tax depreciation, and extended loss carry forward periods.

1.6 International Taxation

Double Taxation Relief

Double taxation relief is available under tax treaty with Indonesia treaty country partner. As of February 2018, Indonesia has 66 double tax agreements in place.

Foreign-exchange Controls

There are no foreign exchange restrictions in Indonesia, but there are some administrative reporting requirements for transfers exceeding USD 10,000 (disclosure of the underlying transaction of this transfer).

International Withholding Tax Rates

Withholding tax is imposed at 20% on various amounts payable to non-residents (e.g. dividends, interest, and royalties), unless the non-resident has a permanent establishment in Indonesia, whereby the rates applicable to payments to residents apply.

The withholding tax rate may be reduced where the foreign resident is exempt or eligible for a reduced rate by virtue of a tax treaty. In order to qualify for any relief under a relevant tax treaty, non-residents must provide a certificate from the tax authority in their country of residence (Form DGT1 for most taxpayers and Form DGT2 for banks). In most cases, the withholding liability arises when the expense is incurred, not when the payment is made.

Permanent Establishments of foreign enterprises are also subject to an additional 20% Branch Profits tax on their after-tax income, unless eligible for a reduced rate by virtue of a tax treaty.

Withholding Tax Rates under the Income Tax Treaties

Reduced tax treaty benefits would apply if non-resident taxpayer has satisfied general residency and economic substance test (including principal purpose test) and beneficial ownership test in case of dividend (including branch profit tax), royalty, and interest. Foreign taxpayer must submit to the Indonesian withholding tax agent the prescribed certificate of domicile (DGT-1 Form or DGT-2 Form for banking and financial institution) that has been completed and validated by the competent tax authority of the treaty country partner. Indonesian withholding tax agent is not permitted to apply the reduced tax treaty rate if the Form is incomplete or completed not in accordance with the prevailing regulations.

Under certain tax treaties, the application of the reduced tax treaty rate is also subject to additional requirements such as minimum participation requirement and minimum holding period in the case of dividend and interest. Under certain tax treaties, fees for technical services might be characterized as royalty.

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Indonesia - Treaty Withholding Rates Table				
	Dividends		Interest	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Domestic Rates				
Companies:	20%	N/A	20%	20%
Individuals:	20%	N/A	20%	20%
Treaty Rates (Note)				
Algeria	15%	-	15%	15%
Armenia	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Australia	15%	-	exempted from tax / 10% (1)	10% / 15% (2)
Austria	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Bangladesh	10% / 15%	10% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Belgium	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Brunei	15%	-	exempted from tax / 15% (1)	15%
Bulgaria	15%	-	exempted from tax / 10% (1)	10%
Canada	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
China (People's Rep.)	10%	-	exempted from tax / 10% (1)	10%
Croatia	10%	-	exempted from tax / 10% (1)	10%
Czech Republic	10% / 15%	20% direct shareholding (minimum) / other cases	exempted from tax / 12.5% (1)	12.5%
Denmark	10% / 20%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	15%
Egypt	15%	-	exempted from tax / 15% (1)	15%
Finland	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10% / 15% (2)

Treaty Rates	Dividends	Dividends (Qualifying)	Interest	Royalties
France	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% / 15% (3)	10%
Germany	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10% / 15% (2)
Hong Kong	10% / 5%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	5%
Hungary	15%	-	exempted from tax / 15% (1)	15%
India	10%	-	exempted from tax / 10% (1)	10%
Iran	7%	-	exempted from tax / 10% (1)	12%
Italy	15% / 10%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10% / 15% (2)
Japan	10% / 15%	25% voting shares (minimum) during the period of 12 months immediately before the end of the accounting period / other cases	exempted from tax / 10%	10%
Jordan	10%	-	exempted from tax / 10% (1)	10%
Korea (Rep.)	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	15%
Korea (Dem. People's Rep.)	10%	-	exempted from tax / 10% (1)	10%
Kuwait	10%	-	exempted from tax / 5% (1)	20%
Laos	10% / 15%	10% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Luxembourg	10% / 10%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	12.5%
Malaysia	10%	-	exempted from tax / 10% (1)	10%
Mexico	10%	-	exempted from tax / 10% (1)	10%
Mongolia	10%	-	exempted from tax / 10% (1)	10%
Morocco	10%	-	exempted from tax / 10% (1)	10%

Treaty Rates	Dividends	Dividends (Qualifying)	Interest	Royalties
Netherlands	5% / 10% / 15%	25% direct shareholding (minimum) / recipient is Pension Fund whose income is tax exempt / other cases	exempted from tax / 5% / 10% (5)	10%
New Zealand	15%	-	exempted from tax / 10% (1)	15%
Norway	15%	-	exempted from tax / 10% (10	10% / 15% (2)
Pakistan	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 15% (1)	15%
Papua New Guinea	15%	-	exempted from tax / 10% (1)	10%
Philippines	15% / 20%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% / 15% (4)	15%
Poland	10% / 15%	20% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	15%
Portugal	10%	-	exempted from tax / 10% (1)	10%
Qatar	10%	-	exempted from tax / 10% (1)	5%
Romania	12.5% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 12.5% (1)	12.5%
Russia	15%	-	exempted from tax / 15% (1)	15%
Seychelles	10%	-	exempted from tax / 10% (1)	10%
Singapore	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	15%
Slovak Republic	10%	-	exempted from tax / 10% (1)	10% / 15%
South Africa	10% / 15%	10% shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Spain	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Sri Lanka	15%	-	exempted from tax / 15% (1)	15%
Sudan	10%	-	exempted from tax / 15% (1)	10%
Suriname	15%	-	exempted from tax / 15% (1)	15%

Treaty Rates	Dividends	Dividends (Qualifying)	Interest	Royalties
Sweden	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10% / 15% (2)
Switzerland	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Syria	10%	-	exempted from tax / 10% (1)	15% / 20% (2)
Taiwan	10%	-	exempted from tax / 10% (1)	10%
Thailand	15% / 20%	Payer is engaged in an industrial undertaking / other cases	exempted from tax / 15% (1)	15%
Tunisia	12%	-	exempted from tax / 12% (1)	15%
Turkey	10% / 15%	25% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
Ukraine	10% / 15%	20% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	10%
United Arab Emirates	10%	-	exempted from tax / 5% (1)	5%
United Kingdom	10% / 15%	15% voting power (minimum) / other cases	exempted from tax / 10% (1)	10% / 15% (2)
United States	10% / 15%	25% voting stock (minimum) / other cases	exempted from tax / 10% (1)	10%
Uzbekistan	10%	-	0% / 10%	10%
Venezuela	10% / 15%	10% direct shareholding (minimum) / other cases	exempted from tax / 10% (1)	20%
Vietnam	15%	-	exempted from tax / 15% (1)	15%

Notes:

1. Exemption from tax would be applicable if the recipient is certain Government body as mutually agreed between countries. Reduced rate would apply if otherwise.
2. The first reduced rate would apply in the case the royalty regards to the use, or the right to use, any industrial, commercial or scientific equipment, the supply of scientific, technical, industrial or commercial knowledge or information (as well as the associated ancillary/subsidiary assistances, whenever relevant). The second reduced rate would apply in all other cases.
3. Exemption from tax or 0% tax rate would apply if the recipient is certain Government body as mutually agreed between countries. 10% reduced rate would apply if the payor is a bank, financial institution, or certain enterprises in the fields of agriculture, plantation, forestry, fishery, mining, manufacturing, industries, transportation, low cost housing projects, tourism and infrastructure and the recipient is a bank or another enterprise. In addition, the15% reduced rate would apply in all other cases.
4. Exemption from tax or 0% tax rate would apply if the recipient were certain Government body as mutually agreed between countries. 10% reduced rate would apply if the interest is paid in respect of public issues of bonds, debentures or similar. Moreover, the15% reduced rate would apply in all other cases.

5. Exemption from tax or 0% tax rate would apply if the recipient were certain Government body as mutually agreed between countries. 5% reduced rate would apply if interest is paid on a loan made for a period of more than two years or paid in connection with the sale on credit of any industrial, commercial or scientific equipment. Moreover, the 10% reduced rate would apply in all other cases.

Other Agreements

Not applicable

Income Tax Treaties for the Avoidance of Double Taxation (Negotiated, not yet in force at time of publication)

Double tax agreement with Zimbabwe has been ratified but not yet effective, pending the exchange of ratification documents.

Under Negotiation or Re negotiation

Not applicable

Tax Treaties with Limited Application

Not applicable

Agreements for the Exchange of Information

The ITO has published a list of countries that have a suitable exchange of (financial) information arrangement with Indonesia (as per 30 April 2018).

Andorra	Cyprus	Jersey	Portugal
Argentina	Czech Republic	Korea (Republic)	Romania
Australia	Denmark	Latvia	Russia
Austria	Estonia	Lebanon	Saint Lucia
Barbados	Faroe Islands	Liechtenstein	Saint Vincent and the Grenadines
Belgium	Finland	Lithuania	Samoa
Belize	France	Luxembourg	San Marino
Bermuda	Germany	Malaysia	Saudi Arabia
Brazil	Gibraltar	Malta	Seychelles
British Virgin Islands	Greece	Mauritius	Singapore
Bulgaria	Greenland	Mexico	Slovak Republic
Canada	Guernsey	Monaco	Slovenia
Cayman Islands	Hong Kong, China	Montserrat	South Africa
Chile	Hungary	Nauru	Spain
China (People's Republic of)	Iceland	Netherlands	Sweden
Colombia	India	New Zealand	Switzerland
Cook Islands	Ireland	Norway	Turks and Caicos Islands
Costa Rica	Isle of Man	Pakistan	United Kingdom

Croatia	Italy	Panama	Uruguay
Curacao	Japan	Poland	

Source: pajak.go.id, announcement of the Directorate of General of Tax No. PENG-04/PJ/2018 dated 5 April 2018.

Indirect Offshore Disposal Rules

Indonesia has domestic indirect transfer rules, which are applicable to both the indirect transfer of shares in an Indonesian Company and the transfer of shares in a non-related company holding PSCs (i.e., Profit Sharing Contracts). Under the rules, indirect transfer of an Indonesian company which is effected through a transfer of shares of a conduit or Special Purpose Company resident in a tax haven jurisdiction may be deemed to be a direct sale of shares in the Indonesian company and taxed accordingly (i.e., 5% tax on the gross transfer value).

2 Transfer Pricing

Requirements

Indonesia has transfer pricing provisions.

Where the tax authority considers that transactions have not been conducted at arm's length due to the existence of a "special relationship" between the parties, the consideration paid may be adjusted. The tax authority's power extends to all domestic and cross border transactions.

The limited regulations/guidelines which have been issued with regard to transfer pricing are now largely in line with the 2010 OECD Transfer Pricing Guidelines, although guidance to auditors and the rules prior to November 2011 suggest that a hierarchical approach should be taken to the selection of methodology, and the limited nature of the OECD Guidelines allows for broad interpretations.

The prevailing transfer pricing guidelines adopts the three-tiered transfer pricing documentation approach as recommended under Action 13 of the OECD-G20 BEPS Project. In this regard, taxpayer is required to prepare three documents regarding related party transactions:

i. A Master File ("MF"), containing general information on the group;

ii. A Local File ("LF"), containing specific information on operations in Indonesia; and

iii. A Country by Country Reporting file ("CBCR"), containing detailed financial and other

The Indonesian Tax Office (ITO) may enter into Advance Pricing Agreements (APA) on prices with companies and other tax jurisdictions under certain cases and requirements.

Mutual Agreement Procedure (MAP) applications can be processed simultaneously with a taxpayer's submission of an objection, appeal, or application for the reduction or cancellation of a tax assessment notice.

Country-by-Country Reporting

A Country-by-country reporting (CBCR) is mandated if a taxpayer meets either of the following thresholds in a fiscal year:

1. It is a parent entity with consolidated group revenue of more than IDR 11 trillion (approximately USD 814 million) which applies to Indonesian group companies; or
2. It is a part of a foreign parent entity that:
    a. is not required to submit a CBCR, or
    b. is in a country that does not have an information exchange agreement with Indonesia, or
    c. if the ITO is unable to obtain a CBCR through an information exchange agreement.

Master and Local Files Reporting

A Master File (MF) and Local File (LF) are mandated if a taxpayer meets any of the following thresholds in a fiscal year:

A taxpayer conducting:

1. Any related-party transactions and its gross revenue was above IDR 50 billion (approximately USD 3.7 million) in the previous year (in this case 2015) - there is no threshold on the total amount of related party transactions; or
2. Related party tangible goods transactions (sale and purchase of goods, materials, etc.) of more than IDR 20 billion (approximately USD 1.5 million); or

3. Related party non-tangible goods transactions (interest, royalties and/or services) of more than IDR 5 billion (approximately USD 370 thousand), or

4. Related party transactions of any amount with a related party in a jurisdiction that has a corporate tax rate lower than Indonesia's corporate tax rate, currently 25%. As there is no threshold for the level of the related party transactions, all such transactions, however small, are covered under this provision. A list of countries meeting these criteria has been published by the Indonesian Tax Office ("ITO").

Common Reporting Standard

The prevailing transfer pricing guidelines provide list of information (minimum) that must be included in a MF and LF, but no common reporting standard. For CBCR, taxpayer is required to use the prescribed form.

3 Indirect Tax

Indirect Tax

Value Added Tax (VAT)

Standard Rate

The standard rate of VAT in Indonesia is 10% and applies to goods, services and imports into Indonesia.

Exports of goods are subject to 0% VAT, however only certain exports of services are entitled to 0% VAT, i.e., subcontracting services, repair and maintenance services attached to movable goods utilized outside of the Indonesian customs area and construction services attached to immovable goods situated outside of the Indonesian customs area.

Further Information

For more detailed information regarding the VAT in Indonesia, refer to:

<u>KPMG's 2017 Asia Pacific Indirect Tax Country Guide</u>

4 Personal Taxation

Top Rate

The top marginal personal tax rate is 30% and applies to taxable income exceeding IDR 500 million.

Social Security

Healthcare Insurance, managed by the newly established Healthcare and Social Security Agency (Badan Penyelenggara Jaminan Sosial Kesehatan or "BPJS Kesehatan"), previously Social Security Agency (Jamsostek), requires the following contributions:

- Employer's contribution: 4% up to maximum IDR 320,000
- Employee's contribution: 1% up to maximum IDR 80,000

The above rates are applied to basic salary and fixed allowances up to a maximum of IDR 8,000,000 per month and applicable to expatriates also.

International Social Security Agreements

Indonesia does not have any International social security agreements in place.

Visa Requirements

Business travelers traveling to Indonesia for the purpose of business meetings can obtain a visa on arrival for a period of either seven or 30 days. This 'business meeting' visa cannot be used for working in Indonesia. For the purposes of working, individuals are required to apply for a work visa, sponsored by an Indonesian entity, before entering Indonesia.

Further Information

For more detailed personal taxation information, refer to:

KPMG's Thinking Beyond Borders

5 Other Taxes

Stamp Duty

A stamp duty tax of either IDR 3,000 or IDR 6,000 is charged on certain documents such as receipts, agreements, powers of attorney and other legal documents.

Tax on Land and Buildings

This is a tax levied on the holding of land or buildings within Indonesia. The tax authority, or in practice - delegated regional authorities, will initially determine who the taxpayer is and issue a 'report on the tax object' to that property. Normally, the owner is responsible for paying the tax due.

Tax is currently imposed at 20% or 40% of the full statutory rate, which is 0.5% of the sales value of the tax object. Thus, the actual tax rate is 0.1% or 0.2%. The sales value is the actual transaction price or, in the absence of a transaction, the price of a similar object can be used. The law provides that the sales value is to be fixed every three years, except for certain areas where it is fixed annually

Property Title Transfer Tax

A transfer tax is payable on every transfer of title of land, or land and buildings. The taxpayer is the recipient of the rights. The tax is 5% of the transfer price and there is a non-taxable amount of IDR 60 million. The amount to be taxed is the acquisition cost. If the deemed sale value determined for land and buildings tax purposes is higher, that amount will be used as the basis for the transfer tax.

Certain reductions and exemptions apply.

Others

Regional and local taxes include entertainment tax, advertisement tax, motor vehicle taxes, hotel and restaurant tax, street lighting tax, and tax on the use of underground and surface water

6 Trade & Customs

6.1 Customs

Customs Duty

Customs duties are imposed on items imported into Indonesia, generally on an ad valorem basis.

Duties are payable based on the Harmonized System (HS) classification. Duties are based on the cost, insurance, and freight (CIF) value of the imported item and, in general, are imposed at rates of 0 to 20% for most goods, 25 to 80% for cars, and 170% for alcoholic drinks. The Indonesian customs procedures are based upon General Agreement on Tariffs and Trade (GATT) principles.

Excise Duty

Excise duties are levied on specific products whose consumption is restricted or controlled, namely alcoholic beverages and tobacco products.

6.2 Free Trade Agreements (FTA)

In Force

- The ASEAN Trade in Goods Agreement (ATIGA)
- ASEAN – Australia New Zealand Free Trade Agreement
- ASEAN – China Free Trade Agreement
- ASEAN – India Free Trade Agreement
- ASEAN – Republic of Korea Free Trade Agreement
- Indonesia – Japan Economic Partnership Agreement (IJEPA)
- Indonesia – Pakistan Free Trade Agreement

Concluded/Signed (pending Domestic Ratification)

Information is not made publically available.

In Negotiation

Information is not made publically available.

7 Tax Authority

Tax Authority

Direktorat Jenderal Pajak

Tax Audit Activity

The tax authority predominantly adopts a risk-based approach to the selection of returns for audit, and can also select candidates for audit by random selection. Refunds of tax will usually result in a tax audit being opened. Most listed companies are subject to an annual tax audit.

A typical tax audit commences with a site visit followed by submitting all the required information. The tax auditor will also ask questions and require additional documents for the taxpayer's response, including reconciliations between the tax returns and the financial statements. Audits into any given return generally last 12 months.

The tax authority's approach to tax audits is largely a manual approach, including detailed consideration of invoices and key documents.

Appeals

If there is any dispute with the tax assessments, a taxpayer is allowed to file an objection. A taxpayer can then submit an appeal to the Tax Court on the disputed tax audit results. Each process will take 12 months to complete, but an appeal process can be extended further.

Tax Governance

In Indonesia, each taxpayer is assigned an Account Representative at the tax office where he registers. The Account Representative takes charge in monitoring the fulfilment of the taxpayer's tax compliance. All monitoring activities are mainly done on manual basis, by relying to the information available at the ITO's internal database.

Current Topics for Focus by Tax Authorities

Key focus areas for the tax authority in tax audits conducted in recent years have included:

- Transfer pricing
- Deductibility of expenses and taxability of income
- Compliance with withholding tax obligation
- Compliance with VAT obligation
- Application of indirect transfer rules

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