

# TaxFlash



## Lower withholding tax rate on time deposit interest for exporters – new implementing regulation

On 28 December 2015, the Government issued Regulation No.123/2015 (GR-123) regarding Article 4(2) Withholding Tax (WHT) on interest from Time Deposits (TDs) and Bank Indonesia (BI) Certificates, which provides TD interest sourced from export proceeds (*Devisa Hasil Ekspor/DHE*) that is placed in Indonesian banks with lower WHT rates ranging from 0% - 10% for USD accounts and 0% - 7.5% for IDR accounts.

The Minister of Finance (MoF) issued Regulation No. 26/PMK.010/2016 (PMK-26) on 22 February 2016 to provide implementing guidelines for GR-123.

PMK-26 set out the limitation that the lower WHT rates were only applicable once, on the initial placement of TDs sourced from the DHE. Once the period of the TD that has enjoyed the lower WHT rates is over, the holder can no longer enjoy the lower WHT rate. This includes cases where the TD is held under a roll-over mechanism.

The regulation also set out the requirements that must be met in order to enjoy the lower WHT rates, as follows:

1. The DHE must be evidenced by a DHE report as required under BI regulation;
2. The funds must be overbooked from the exporter's bank account where the export proceeds were received and the account must be solely for receiving export proceeds;
3. The TD must be placed in the same bank as in point 2 above; and

4. The exporter must attach statement letters, which at least contain:
  - a) Exporter's identity;
  - b) DHE fund information (e.g. export value, time of receipt, number and date of Export Declaration (*Pemberitahuan Ekspor Barang/PEB*));
  - c) A statement that the bank account is sourced from DHE; and
  - d) A statement that the TD is not sourced from a replacement of TD, including through a roll-over mechanism.

The bank must attach the DHE report to their Article 4(2) WHT return.

The normal WHT rate of 20% will be applicable if the qualifying TD is withdrawn prior to the end of the period, or if the funds are not fully sourced or are not sourced from DHE. In this cases, the adjustment to the 20% WHT rate is applied upon withdrawal or when the interest is due.

### *Further changes in the asset revaluation rules for 2015 and 2016*

The MoF issued Regulation No.29/PMK.03/2016 (PMK-29) on 23 February 2016, which serves as a second amendment to PMK-191/PMK.010/2015 (PMK-191) regarding fixed assets revaluation for tax purposes for 2015 and 2016 submissions.

Under PMK-191, the final tax on the asset revaluation difference must be paid prior to the application of the asset revaluation. However, PMK-29 provides leniency to extend the payment deadline up to 31 December 2016 under the following circumstances:

1. The final tax amount is at least IDR 3 trillion;
2. The taxpayer has submitted a final revaluation report (prepared by a licenced or government appraiser) on:
  - a) 31 March 2016 at the latest if the initial application based on taxpayer's estimate was submitted prior to the issuance of PMK-29; or
  - b) During the application process if the application was submitted after the issuance of PMK-29.

Under the above circumstances, the taxpayer does not need to attach the tax payment slip during the application or on completion of the application. The tax office can issue the approval within 30 days of the complete application being received.

The extension of the payment deadline does not change the final tax rate applicable at the time of the

application by the qualifying taxpayer. However, if the taxpayer does not pay the final tax by 31 December 2016, the normal late payment penalty will be imposed starting from 31 December 2016 until the tax is paid.

### *Changes in Article 22 Income Tax*

On 3 February 2016, the MoF issued Regulation No.16/PMK.010/2016 (PMK-16) as the fifth amendment to the MoF Regulation No.154/PMK.03/2010 (PMK-154) regarding Article 22 Income Tax (*PPh 22*) collection. PMK-16 is applicable retroactively since 8 August 2015 (i.e. following the effective date of MoF Regulation No.107/PMK.010/2015 (PMK-107) as the fourth amendment of PMK-154).

The changes in PPh 22 collection stipulated in PMK-16 are as follows:

1. *The purchase of materials by manufacturers or exporters in forestry, plantation, agriculture, cattle breeding and fishery sectors*

This event is subject to PPh 22 at 0.25%. PMK-16 limits the term 'materials' a materials sourced from the forestry, plantation, agriculture, cattle breeding or fishery sector that have not gone through any industrial processing. Thus, PPh 22 should not be due on the purchase of processed materials.

2. *The sale of gold bars*

The sale of gold bars by manufacturers is subject to PPh 22 at 0.45%. PMK-16 expands the scope of the term 'manufacturers' to include companies that produce gold bars through third parties.

3. *The export of coal, metal and non-metal minerals by exporters other than those engaged in a Mining Cooperation Agreement or a Contract of Work with the Government*

This event is subject to PPh 22 at 1.5%. PMK-16 determines export value as the tax base is Free On Board. Previously under PMK-107 the export value was set as Cost, Insurance and Freight.

4. *The purchase of grain or rice by the State Treasury and BULOG*

This event was originally exempted from the imposition of PPh 22 under PMK-154. However, this policy was revoked in the first amendment of PMK-154. With the aim to maintain the price stability of grain and rice, this event under PMK-16 is again to be exempted from PPh 22. This tax exemption will apply automatically without the need for a Tax Exemption Letter issued by the DGT.

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