

TaxFlash



Regulation on financial information access is passed into Law

Financial information access for tax purposes has been regulated in Government Regulation In Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang*) No.1/2017 (“Perpu-1”), dated 8 May 2017. This regulation allows the Director General of Tax (DGT) to access information from financial institutions as well as to fulfil Indonesia’s commitment to the Automatic Exchange of Financial Account Information (AEOI).

After a series of intensive discussions, the Parliament and Government passed Perpu-1 into Law No.9 Year 2017 which was officially released on 23 August 2017. This action shows Indonesia’s readiness to implement AEOI by September 2018.

Please refer to our TaxFlash [No.06/2017](#) and [No.07/2017](#) for our discussion of Perpu-1.

Indonesia–Armenia tax treaty comes into force

The tax treaty between Indonesia and Armenia was signed on 13 October 2005 and was ratified by Presidential Decree No.22/2016 on 8 March 2016. The sending of diplomatic notes from Indonesia to Armenia on 8 April 2016 marked the entry into force of this tax treaty. The Director General of Tax has released Circular Letter No.SE-19/PJ/2017, dated 26 July 2017, to announce this. The tax treaty will affect income paid or credited on or after 1 January 2017.

The tax treaty stipulates that dividends are taxable at 10%, for a company that holds at least 25% of the shares, or 15% in all other cases. Interest and royalties are taxable at a maximum rate of 10%. Only the beneficial owners of such income are acknowledged as the parties that are entitled to the tax treaty benefits.

The Branch Profit Tax rate is 10%. This rate is not applicable for production sharing contracts or any other similar contracts in the oil, gas, mining, and other similar industries, nor it is applicable to state agencies and state owned enterprises in these specific industries.

Update on Value Added Tax treatment on agricultural products

Article 4A paragraph 2 letter b of the Value Added Tax (VAT) Law stipulates that VAT is not due on the delivery of basic necessity goods that are highly required by the public. The Elucidation of this Article lists 11 types of goods that are included in this category.

On 28 February 2017, the Constitutional Court announced Decision No.PUT-39/PUU-XIV/2016 (PUT-39), which grants a judicial review of the Elucidation, which was understood to be restricting the terms of "basic necessity goods that are highly required by the public" to only those that are listed in the Elucidation.

The Constitutional Court was of the view that the Elucidation contradicts the Constitution of 1945 (*Undang-Undang Dasar 1945*) conditionally and that it has no legal force if the terms of "basic necessity goods that are highly required by the public" are limited only to the goods listed in the Elucidation.

In order to implement PUT-39 and to provide legal certainty, the Minister of Finance issued Regulation No.116/PMK.010/2017 (PMK-116), which lists 13 types of goods as "basic necessity goods that are highly required by the public" that are non-VATable and that adds yams, spices, and consumption sugars on top of the 11 goods that are listed in the Elucidation of Article 4A paragraph 2 letter b of the VAT Law. PMK-116 also lists the criteria and the details of the types of goods covered in this regulation in its attachment.

PMK-116 is dated 16 August 2017 and will be effective from 14 September 2017.

Please contact your usual PwC Indonesia consultants should you have any questions or if you would like to have any further discussions regarding this VAT update.

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