



Expansion of the tax concession for interest on bonds ^{P1}

Preliminary tax refunds – an update ^{P1}

Expansion of the tax concession for interest on bonds

On 12 August 2019, the government issued Government Regulation No.55 Year 2019 (GR-55) regarding income tax on bond interest. GR-55 represents a second amendment to Government Regulation No.16 Year 2009 as lastly amended by Government Regulation No.100 Year 2013.

Interest on bonds is generally subject to 15% final withholding tax (WHT) when paid to resident taxpayers and a 20% WHT (before treaty relief) when paid to non-residents. Concessionary WHT rates of 5% up to 2020 and 10% from 2021 onwards apply for interest payments to mutual funds operating under a collective investment contract (*Kontrak Investasi Kolektif/KIK*).

Under GR-55, the applicability of these concessionary rates is expanded to Infrastructure Investment Funds (*Dana Investasi Infrastruktur/DINFRA*), Real Estate Investment Funds (*Dana Investasi Real Estat/DIRE*), and Asset-Backed Securities (*Efek Beragun Aset/EBA*) as long as they operate under a KIK.

Preliminary tax refunds – an update

On 19 August 2019, the Minister of Finance (MoF) issued Regulation No.117/PMK.03/2019 (PMK-117) as an amendment to MoF Regulation No.39/PMK.03/2018 (PMK-39) concerning preliminary tax refunds. Please refer to our [TaxFlash No.05/2018](#) for a discussion on PMK-39.

PMK-39 outlines the taxpayers eligible for a preliminary tax refund and includes "Low-Risk VAT-able Entrepreneurs".

PMK-117 adds the following taxpayers to the category of Low-Risk VAT-able Entrepreneurs:

- Certain pharmaceutical wholesalers;
- Certain distributors of medical equipment;
- Companies more than 50% directly owned by a State-Owned Enterprise (SOE) and whose financial statements are consolidated with the parent SOE.

To be approved as a Low-Risk VAT-able Entrepreneur, the taxpayer must file an application to the tax office where it is registered and attach the documents as stipulated in PMK-117.

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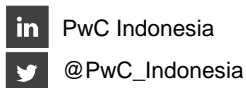
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