



Indonesia Ratifies
Multilateral Instrument ^{P1}

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As readers may be aware, on 24 November 2016 the Organization for Economic Cooperation and Development (OECD) issued the Multilateral Instrument (MLI) to implement certain Tax Treaty-related measures to help prevent Base Erosion and Profit Shifting (BEPS) as mandated under Action 15 of the BEPS Project. The purpose of the MLI is to expeditiously amend more than 3,000 tax treaties worldwide so as to implement the Tax Treaty-related BEPS recommendations.

Indonesia is one of the 68 territories that participated in the formal MLI signing which took place on 7 June 2017. At the time of signature each of the territories also lodged with the OECD their provisional list of Reservations and Notifications on Tax Treaties relevant to their implementation of the MLI (i.e. representing the relevant territory's provisional positions on the MLI amendments).

Implementation was then subject to ratification by the relevant governmental bodies of each territory. Interested observers will have been awaiting Indonesia's formal ratification since this time.

We can now advise that Indonesia ratified the MLI on 12 November 2019 through the issuance of Presidential Regulation Number 77 Year 2019. Whilst largely as expected, the ratification document does however indicate some changes to Indonesia's initial provisional positions. For instance, the number of tax treaties covered in the ratified document has increased from 33 to 47. The position on Article 17 of the MLI, regarding Corresponding Adjustments, has also changed whereby Indonesia will now adopt this Article whenever applicable.

This MLI is still awaiting submission to the OECD (as the Depository of the MLI) before formally entering into force and then into effect. If this occurs in the next few months then the MLI should become effective 1 January 2021. We will provide a more comprehensive update once this final step occurs.

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