

Renegotiated Indonesia –
Singapore Tax Treaty –
all provisions effective
from 1 January 2022 ^{P1}

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On 8 July 2021, the Indonesian Government sent Diplomatic Notes to the Singapore Embassy in Jakarta confirming the ratification of the new Tax Treaty between Indonesia and Singapore. The sending of Diplomatic Notes from the Singapore Government to Indonesia on 23 July 2021 completed the exchange of ratification documents and marked the entry into force of this new Treaty. The Director General of Taxes (DGT) subsequently issued Circular No.SE-50¹ to announce this.

Based on the new treaty conditions, the provision of this renegotiated tax treaty took effect for:

- Exchange of Information (EoI) requests from the date of entry into force of 23 July 2021; and
- other provisions including withholding tax rates and taxes paid or credited, from 1 January 2022.

This circular also stated that the renegotiated tax treaty replaced and overruled the 1990 Tax Treaty including its modification by the applicable Multilateral Instrument (MLI) provisions.

Several key features under this renegotiated tax treaty are as follows:

1. Dividend withholding tax rate remains the same, i.e. 10% for substantial holding and 15% in all other cases.
2. Interest withholding tax rate remains the same, i.e. 10%. However, there are modifications in the provision such as the discontinuation of the withholding tax exemption on interest from Government bonds and the scope of Government institution.
3. Royalty withholding tax rate is decreased from 15% in all cases to 8% and 10% depending on the type of royalties.

¹ DGT Circular No.SE-50/PJ/2021 (SE-50) dated 7 December 2021

4. Branch Profit Tax rate is reduced from 15% to 10%. However, this is not applicable for Production Sharing Contracts in the oil and gas sector.
5. New Capital Gains article is added to provide that the right to tax “capital gains” will be limited to the jurisdiction of residency of the asset seller, with certain exceptions and/or qualifications.
6. Eol article is expanded which essentially follows the Eol article in the 2017 OECD Model Tax Convention.
7. New Entitlement of Benefits article is added to adopt the Principal Purpose Test provision as prescribed in Article 7 of the MLI regarding the prevention of treaty abuse.

Please refer to [TaxFlash No.02/2020](#) for a more detailed discussion of this renegotiated tax treaty.

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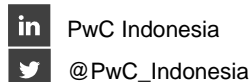
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