



Indonesia Tax Alert January 2020

Ratification of Multilateral Instrument in Indonesia

The Indonesian Government has issued Presidential Regulation Number 77 Year 2019 ("PR-77") on 12 November 2019. PR-77 ratifies the Multilateral Instrument ("MLI")¹, which was signed by Indonesia on 7 June 2017.

Concurrently with the signing in 2017, Indonesia had also registered 33 bilateral tax treaties to be included as Covered Tax Agreements ("CTA")² for the MLI. Now, under PR-77, the Indonesian Government has added several other tax treaties so that the CTAs registered to be included under the MLI are 47 bilateral tax treaties, as detailed on the following page:

¹ MLI, also known as the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting, is an international tax agreement among countries. It is aimed to combat Base Erosion and Profit Shifting ("BEPS") by way of implementing the tax treaty-related measures developed through the BEPS Project in existing bilateral tax treaties in a synchronized and efficient manner.

² Treaties to which MLI modifications shall apply to. Countries that are parties to the MLI can opt not to register any of their bilateral tax treaties as CTA and not to apply any provision or part of any provision of the MLI. The party has to express its choices in the list of reservations and notifications that they submit to the Organisation for Economic Co-operation and Development ("OECD").

List of countries included as CTAs under PR-77

| | | |
|-------------------------------------|------------------------------|--------------------|
| 1. Australia | 18. Switzerland | 35. Bulgaria |
| 2. Brunei Darussalam | 19. Thailand | 36. Czech Republic |
| 3. Canada | 20. United Kingdom | 37. Denmark |
| 4. People's Republic of China | 21. United Arab Emirates | 38. Egypt |
| 5. France | 22. United States of America | 39. Hungary |
| 6. Hong Kong | 23. Vietnam | 40. Mexico |
| 7. India | 24. Belgium | 41. Pakistan |
| 8. Japan | 25. Croatia | 42. Portugal |
| 9. Lao's People Democratic Republic | 26. Finland | 43. Romania |
| 10. Luxembourg | 27. Italy | 44. Russia |
| 11. Malaysia | 28. Norway | 45. Serbia |
| 12. Netherlands | 29. Poland | 46. Spain |
| 13. New Zealand | 30. Qatar | 47. Sweden |
| 14. Philippines | 31. Slovakia | |
| 15. Singapore | 32. South Africa | |
| 16. Seychelles | 33. Turkey | |
| 17. Republic of Korea | 34. Armenia | |

As of early January 2020, out of these 47 countries, two countries have not listed Indonesia to be covered as CTA in their MLI and six other countries have not signed the MLI. Furthermore, only 19 countries have ratified the MLI out of these 47 countries.

Since the implementation of the MLI between countries is subject to certain processes, including coverage as CTA, ratification, and instruments of ratification submission to the OECD (enclosing final reservation and notification documents), taxpayers are advised to closely monitor developments in the MLI implementation for each relevant partner country.

The MLI will enter into force on the first day of the month following the third month after instruments of ratification submission to the OECD and, for Indonesia, it will be effective on or after:

- a. 1 January of the year following the year the MLI entered into force for withholding taxes; and
- b. six months after the MLI entered into force for other taxes.

Further implementing tax regulation for the purpose of guidance on the MLI implementation in Indonesia is expected to be issued soon.

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following Tax Partners:

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