

taxBlitz

Tax & Customs Update

Tax Authority Simplifies Certificate of Domicile

Directorate General of Taxes (DGT) makes the administrative process simpler for Non-Resident Taxpayers receiving income from Indonesia especially related to Double Tax Avoidance Agreement or Tax Treaty between Indonesia and partner's country or jurisdiction.

In the implementation of Tax Treaty, Indonesia's tax authority requires Non-Resident Taxpayers to submit Certificate of Domicile (CoD) along with the form and the information pursuant to the characteristic of income earned by Non-Resident Taxpayers in Indonesia.

By the issuance of Director General of Taxes Regulation Number PER-25/PJ/2018 on Procedures for Implementation of Double Tax Avoidance Agreement, effective from 1 January 2019, the CoD form of Non-Resident Taxpayer is simplified to one form only (consisting of two pages).

Previously, there were two types of CoD forms of Non-Resident Taxpayers provided by DGT, namely Form DGT-1 (three pages) and DGT-2 Form (two pages). Form DGT-2 is made particularly for Non-Resident Taxpayers in the form of banks; the income recipients through custodian from transfer of share or obligation in Indonesia's capital market (other than interest and dividend); as well as pension fund.

In addition, the frequency of submission of Form DGT by tax withholder/collector is also shorten, formerly submitted monthly in Periodic Tax Return to only once within the period covered in Form DGT. The channel of submission of Form DGT also changes, beforehand manually submitted (in the form of certified copy) to electronically.

The tax period and fiscal year in Form DGT do not alter, which is still 12 months at maximum. However, if the limit of such period has not been possible to exceed the calendar year (e.g. August-December 2018), starting from next year it may exceed the calendar year (e.g. August 2018-July 2019). This relaxation is stated in the period column accommodating the range of period that is longer—from current month and calendar year to the following month and calendar year. Previously, the period column only states the information from month to month within the current calendar year.

In the new Form DGT, DGT also adds a question about whether or not there is any difference between the legal form and economic substance in the entity establishment or transaction implementation. Furthermore, there is an additional column affirming the residence status of Non-Resident Taxpayers from one country only.

The simplification of Form DGT also eliminates a number of questions, namely questions related to the identity of tax withholding in Indonesia (Part IV), as well as the types and the amount of income from Indonesia (Part VII). However, the eliminated questions do not reduce the substance and the purpose of Non-Resident Taxpayer's CoD.

Affirmation

DGT, through PER-25/PJ/2018, affirms four criteria of Non-Resident Taxpayers who can obtain the benefit of Tax Treaty. *First*, the income recipient is not categorized as resident tax subject. *Second*, the income recipient is the individual or entity that is a resident tax subject from partner's country or jurisdiction of Tax Treaty. *Third*, there is no misuse of Tax Treaty. *Fourth*, the income recipient is categorized as Beneficial Owner, in terms of required in the Tax Treaty.

Those criteria shall be affirmed by Non-Resident Taxpayers when they fill out CoD, particularly by making a statement that there is no misuse of Tax Treaty. Especially for Non-Resident Taxpayers who are Beneficial Owner, they are also obliged to make a statement that they are the actual (final) beneficiary, in terms of required in the Tax Treaty.

Other than the general definition as stipulated in the previous regulation, PER-25/PJ/2018 also affirms the form of Tax Treaty misuse in the form of arrangement of directly and indirectly transaction that is aimed at reducing the tax burden or avoiding the tax imposition in any jurisdiction (double non taxation)

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**CERTIFICATE OF DOMICILE OF NON RESIDENT
FOR INDONESIA WITHHOLDING TAX**

Guidance :

1. This form is to be completed by a person (which includes a body of a person, corporate or non corporate) who is a resident of a country which has been concluded Double Taxation Convention (DTC) with Indonesia

2. For person who is:

- a banking institution, or
- a pension fund, or

Complete only DGT Page 1

3. For Individual, **completes PART I and PART II** of DGT Page 1, and **PART IV and PART VII** of DGT Page 2

4. For non Individual other than mentioned in Number 2, **completes PART I and PART II** of DGT Page 1, and **PART V, PART VI, and PART VII** of DGT Page 2

All particulars in the form are to be properly furnished, and the form shall be signed as completed. This form must be certified by the Competent Authority or his authorized representative or authorized tax office in the country where the income recipient is a tax resident before submitted to Indonesian withholding agent/custodian.

Part I INCOME RECIPIENT		
Tax ID Number	: _____ (1)	
Name	: _____ (2)	
Full address	: _____ (3)	
Country	: _____ (3)	
Contact Number	: _____ (5) email : _____ (6)	
Part II CERTIFICATION BY COMPETENT AUTHORITY OR AUTHORIZED TAX OFFICE OF THE COUNTRY OF RESIDENCE		
For the purpose of tax relief, it is hereby confirmed that the taxpayer mentioned in Part I is a resident in _____ (7) for the period _____ (8) _____ (9) to _____ (8) _____ (9) within the meaning of the Double Taxation Convention in accordance with Double Taxation Convention concluded between Indonesia and _____ (12)		
_____ Name and Signature of the Competent Authority or his authorized representative or authorized tax office	_____ Capacity/designation of signatory	____ / ____ / ____ Place, date (mm/dd/yy)
Office address : _____ (16)		
Part III DECLARATION BY THE INCOME RECIPIENT (BANKING INSTITUTION AND PENSION FUND)		
I declared that:		
1 This company is not an Indonesian resident taxpayer;		
2 This company is a resident of _____ (17) for income tax purposes within the meaning; of DTC of both countries		
3 the purposes of the transaction is not to obtain the benefit under the convention directly or indirectly that is contrary to the object and purpose of the DTC;		
4 in relation with the earned income, this company is not acting as an agent, nominee or conduit;		
5 the beneficial owner is not an Indonesia resident taxpayer and/or not a resident taxpayer of the country other than mentioned in Part I; and		
6 I have examined the information stated on this form and to the best knowledge and belief it is true, correct and complete.		
_____ Signature of the income recipient or individual authorized to sign for the income recipient	_____ Place, date (mm/dd/yy)	_____ Capacity in which acting

This form is available and may be downloaded at this website: <http://www.pajak.go.id>

Part IV**TO BE COMPLETED IF THE INCOME RECIPIENT IS AN INDIVIDUAL**

1. Place and Date of Birth (mm/dd/yyyy) : _____ / _____ / _____ (21)
2. The purpose of the transactions is to directly or indirectly obtain the benefit under the convention that is contrary to the object and purpose of the DTC Yes No (22)
3. Are you acting as an agent or a nominee? Yes No (23)
4. Do you have permanent home in Indonesia Yes No (24)
5. In what country do your ordinarily reside? _____ (25)
6. Have you ever been resided in Indonesia? Yes No (26)
If so, in what period? _____ / _____ / _____ to _____ / _____ / _____
- Please provide the address : _____
7. Do you have any office, or other place of business in Indonesia? Yes No (27)
If so, please provide the address : _____

Part V**TO BE COMPLETED IF THE INCOME RECIPIENT IS NON INDIVIDUAL**

1. Country of registration/incorporation : _____ (28)
2. Which country does the place of management or control reside? _____ (29)
3. Address of Head Office : _____ (30)
4. Address of branches, offices, or other place of business in Indonesia (if any) : _____ (31)
5. The entity has relevant economic substance either in the entity's establishment or the execution of its transaction. Yes No (32)
6. The entity has the same legal form and economic substance either in the entity's establishment or the execution of its transaction. Yes No (33)
7. The entity has its own management to conduct the business and such management has an independent discretion. Yes No (34)
8. The entity has sufficient assets to conduct business other than the assets generating income from Indonesia. Yes No (35)
9. The entity has sufficient and qualified personnel to conduct the business. Yes No (36)
10. The entity has business activity other than receiving dividend, interest, royalty sourced from Indonesia. Yes No (37)
11. The purpose of the transaction is to directly or indirectly obtain the benefit under the convention that is contrary to the object and purpose of the DTC Yes No (38)

Part VI**TO BE COMPLETED IF THE INCOME RECIPIENT IS NON INDIVIDUAL AND THE INCOME EARNED IS/ARE DIVIDEND, INTEREST, AND/OR ROYALTY**

1. The entity is acting as an agent, nominee or conduit Yes No (39)
2. The entity has controlling rights or disposal rights on the income or the assets or rights that generate the income Yes No (40)
3. No more than 50 per cent of the entity's income is used to satisfy claims by other persons. Yes No (41)
4. The Entity bear the risk on its own asset, capital, or the liability Yes No (42)
5. The entity has contract/s which obliges the entity to transfer the income received to resident of third party Yes No (43)

Part VII**DECLARATION BY THE INCOME RECIPIENT**

I declare that I have examined the information provided in this form and to the best of my knowledge and belief it is true, correct, and complete. I further declared that

I am not an Indonesia resident taxpayer, will not be an Indonesian resident taxpayer during the period mentioned in part II. (44)

This company is not an Indonesian resident taxpayer and/or not a resident taxpayer of the country other than mentioned in Part I. (45)

Signature of the income recipient or individual
authorized to sign for the income recipient

Place, date (mm/dd/yy)

Capacity in which acting

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