

Here's the New Tax Regulation on Investment Interest of Export Earnings

The government amended the tax regulation on the placement of Export Earnings (*Devisa Hasil Ekspor/DHE*) in the form of deposits, savings, and Bank Indonesia Certificates (*Sertifikat Bank Indonesia/SBI*). Without changing the final Income Tax rate, the government affirms banks' obligation to withhold tax and the same treatment for deposit interest earned from the re-placement.

The amendment and affirmation are stated in Minister of Finance Regulation (MoF Regulation) Number 212/PMK.03/2018 on Income Tax Withholding upon Deposit and Saving Interest as well as SBI Discount, effective as of 31 December 2018. With the issuance of this policy, MoF Regulation Number 26/PMK.010/2016 shall no longer be applicable.

This revision is issued to maintain rupiah exchange rate stability and support the national economic strengthening, by boosting the placement of fund generated from DHE to national banking system.

Generally, MoF Number 212/PMK.03/2018 affirms that income in the form of interest upon deposits and savings as well as discount upon SBI, in which the fund is sourced from DHE and placed in Indonesia, is subject to final Income Tax. The final Income Tax rate remains the same, but the imposition is adjusted to the currency, DHE placement term, as well as the investment instrument chosen by the Taxpayers.

Further, the time deposit of DHE, if the withdrawal is made before the maturity, is subject to 20% rate of gross amount, higher or equal to the Income Tax rate upon deposit interest of non-DHE. The Income Tax underpayment generated from such condition will be borne at the next deposit interest payment or at the time of deposit withdrawal.

Types of Income	Final Income Tax Rate			
	1 Month	3 Months	6 Months	>6 Months
Deposit Interest(USD)	10%	7.5%	2.5%	0%
Deposit Interest (IDR)	7.5%	5%	0%	0%
Saving	20%*			
SBI Discount	20%*			

Notes: * or in accordance with Double Tax Avoidance Agreement (Tax Treaty)

Re-placement

One of the difference between MoF Regulation Number 212/PMK.03/2018 and the previous regulation lies on the policy concerning the tax treatment upon deposit interest earned from re-placement.

In the previous policy, the DHE re-deposited after the end of maturity is not categorized as a deposit granted with final Income Tax rate facility. Meanwhile, in the new policy, the interest earned from the deposit re-placement may remain to be subject to final Income Tax with the aforementioned rate.

Exempted from Final Income Tax

Related to income earned from saving interest or SBI discount upon DHE placement made by Resident Taxpayers in the form of Permanent Establishment (PE), the government exempts the final Income

Tax under several criteria. Further, the criteria of the saving interest and SBI discount exempted from the Final Income Tax withholding comprise:

- The value of interest or discount may not exceed IDR7.5 million;
- Interest and discount are received/earned by banks established in Indonesia, or branch(es) of foreign banks in Indonesia;
- Interest and SBI discount are received by Pension Fund institution; and
- Saving interest in government-designated banks related to the ownership of simple or very simple property for sole-occupancy.

Tax Withholder

The scheme of Income Tax payment upon deposit and saving interest as well as SBI discount will be made by direct withholding. The deposit and saving interest withholding will be conducted by the banks paying the interest.

While for SBI discount, the authority to withhold Income Tax is granted to:

- Bank Indonesia (as the SBI issuer);
- Banks; and/or
- Pension Funds institution obtaining permit from Financial Service Authority to resell SBI to non-bank institutions or Pension Funds institution in which establishment has not been approved by Ministry of Finance or Financial Service Authority.

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