

# Tax News Flash

January 2019



## Changes to form DGT-1/DGT-2 and the Indonesian anti-treaty abuse rules

Recently, the Director General of Taxation (“DGT”) has issued a new regulation, PER-25/PJ/2018 (“PER-25”), that revises the current forms DGT-1 and DGT-2 and the anti-treaty abuse rules. PER-25 is applicable as of 1 January 2019 and replaces PER-10/PJ/2017.

The most important changes regard administrative procedures and should have the effect of simplifying compliance. In addition, there are some amendments to the anti-abuse and beneficial ownership tests. Unfortunately, the new regulation does not provide additional clarity on these tests. On the contrary, it creates even more uncertainties.

### Administrative simplifications

Under PER-25, the current forms DGT-1 and DGT-2 are merged into one DGT form. Non-Indonesian banks and pension funds, together with non-resident taxpayers receiving income from the transfer of bonds or stocks traded on the Indonesian Stock Exchange, used to submit form DGT-2, which has less stringent anti-abuse and beneficial ownership tests. Under the new form, the banks and pension funds are still subject to less stringent tests. However, it seems that the other non-resident taxpayers are subject to the full anti-abuse and beneficial ownership tests.

The DGT form no longer includes information regarding transactions and the amounts involved. The form is valid for a maximum of 12 months, without the previous fiscal year limitation. This means that foreign taxpayers in principle can submit

one DGT form for the whole period of validity (max. 12 months), even in case of multiple withholding agents. The form should be submitted electronically to the DGT’s website. The Indonesian withholding agent gets a receipt and should attach this receipt to the withholding tax return.

### Changes in the substance tests

It seems that in essence the tests remain similar to the tests in the previous form DGT-1. However, one question was added (Question 6 in Part V): “The entity has the same legal form and economic substance, either in the entity’s establishment or the execution of the transaction”. The exact intention of this new question is unclear. Some of the other questions, for example the principal purpose test, have been amended.

### KPMG Comment:

PER-25 and the new DGT form are a simplification of the administrative requirements and should lead to less administrative burden for foreign taxpayers. However, some preexisting issues have still not been specifically addressed. The changes to the substance tests create even more uncertainty because of a lack of explanations and guidance in PER-25.

# Contact us

## **KPMG Advisory Indonesia**

### **Tax Services**

33<sup>rd</sup> Floor, Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210, Indonesia  
**T:** +62 (0) 21 570 4888  
**F:** +62 (0) 21 570 5888

## **Abraham Pierre**

### **Partner In Charge, Tax Services**

Abraham.Pierre@kpmg.co.id

## **Aaron Brunier**

Aaron.Brunier@kpmg.co.id

## **Anita Priyanti**

Anita.Priyanti@kpmg.co.id

## **Adeline Harriman**

Adeline.Harriman@kpmg.co.id

## **Bambang Budiman**

Bambang.Budiman@kpmg.co.id

## **Eko Prajanto**

Eko.Prajanto@kpmg.co.id

## **Esther Kwok**

Esther.Kwok@kpmg.co.id

## **Hamdanus Lukman**

Hamdanus.Lukman@kpmg.co.id

## **Irwan Setiawan**

Irwan.Setiawan@kpmg.co.id

## **Iwan Hoo**

Iwan.Hoo@kpmg.co.id

## **Jacob Zwaan**

Jacob.Zwaan@kpmg.co.id

## **Julya Permata Tjen**

Tjen.Permata@kpmg.co.id

## **Natalia Yamin**

Natalia.Yamin@kpmg.co.id

## **Sontang Ruli Siregar**

Sontang.Siregar@kpmg.co.id

## **Sutedjo**

Sutedjo@kpmg.co.id

## **Tonggo Aritonang**

Tonggo.Aritonang@kpmg.co.id

## **Yoshiyuki Misao**

Yoshiyuki.Misao@kpmg.co.id

**home.kpmg/id**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Advisory Indonesia, an Indonesian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Indonesia.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.