

REGULATION OF THE MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA
NUMBER 107/PMK.03/2017

ON

DETERMINATION OF THE TIMING WHEN DIVIDENDS ARE ACCRUED TO AND
THE CALCULATION BASIS BY RESIDENT TAXPAYERS ON THEIR EQUITY
PARTICIPATION IN CONTROLLED FOREIGN COMPANIES OTHER THAN
COMPANIES WHOSE SHARES ARE LISTED IN STOCK EXCHANGE

BY THE BLESSINGS OF ALMIGHTY GOD

MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that the provisions regarding the determination of the timing when dividends are accrued to resident Taxpayers on their equity participation in controlled foreign companies other than companies whose shares are listed in stock exchange have been regulated in the Regulation of the Minister of Finance Number 256/PMK.03/2008 on Determination of the Timing when Dividends are Accrued to Resident Taxpayer on Their Equity Participation in Controlled Foreign Companies other than Companies whose Shares are Listed in Stock Exchange;
 - b. that in order to provide greater legal certainty for resident Taxpayers who have equity participation in controlled foreign companies other than companies whose shares are listed in stock exchange, it is necessary to replace the provisions regarding the determination of the timing when dividends are accrued to resident Taxpayers for their equity participation in controlled foreign companies other than companies whose

- shares are listed in stock exchange as referred to in point a;
- c. that based on the considerations as referred to in point a and point b, and to implement the provisions of Article 18 paragraph (2) of Law Number 7 of 1983 on Income Tax as amended several times, and lastly amended by Law Number 36 of 2008, it is necessary to issue Regulation of the Minister of Finance on Determination of the Timing when Dividends are Accrued to and the Calculation Basis by Resident Taxpayer on Their Equity Participation in Controlled Foreign Companies other than Companies whose Shares are Listed in Stock Exchange;

Observing : Law Number 7 of 1983 on Income Tax (State Gazette of the Republic of Indonesia of 1983 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 3263), as amended several times, last amended by Law Number 36 of 2008 on the Fourth Amendment of Law Number 7 of 1983 on Income Tax (State Gazette of the Republic of Indonesia of 2008 Number 133, Supplement to State Gazette of the Republic of Indonesia Number 4983);

HAS DECIDED:

To Issue : REGULATION OF THE MINISTER OF FINANCE ON DETERMINATION OF THE TIMING WHEN DIVIDENDS ARE ACCRUED TO AND THE CALCULATION BASIS BY RESIDENT TAXPAYERS ON THEIR EQUITY PARTICIPATION IN CONTROLLED FOREIGN COMPANIES OTHER THAN COMPANIES WHOSE SHARES ARE LISTED IN STOCK EXCHANGE.

Article 1

In this Ministerial Regulation:

1. Law on Income Tax, hereinafter referred to as Income Tax Law, means Law Number 7 of 1983 on Income Tax as amended several times, and lastly amended by Law Number 36 of 2008 on the Fourth Amendment to Law Number 7 of 1983 on Income Tax.

2. Non-Listed Foreign Company hereinafter referred to as Non-Listed FC means a foreign company other than a company whose shares are listed in stock exchange.
3. Tax Year means a period of 1 (one) calendar year unless the Taxpayer uses a book year that is not the same as the calendar year.
4. Double Taxation Agreement hereinafter referred to as DTA, means an agreement between the Indonesian Government and a partner country's or partner jurisdiction's government for the avoidance of double taxation and the prevention of tax evasion.
5. Dividends which are deemed to be accrued (*Deemed Dividend*) hereinafter referred to as *Deemed Dividend* means dividends which are deemed to be accrued to resident Taxpayers on their equity participation in directly controlled Non-Listed FC.
6. Annual Income Tax Return means Annual Income Tax Return for a Tax Year or a Fraction of a Tax Year.

Article 2

- (1) A resident Taxpayer who:
 - a. owns direct equity participation at least 50% (fifty percent) of the amount of paid in capital of the Non-Listed FC; or
 - b. together with other resident Taxpayer owns direct equity participation at least 50% (fifty percent) of the amount of paid in capital of the Non-Listed FC,is determined to own direct control over the Non-Listed FC.
- (2) Non-Listed FC which is directly controlled by the Taxpayer as referred to in paragraph (1) is a directly controlled Non-Listed FC.
- (3) Resident Taxpayer as referred to in paragraph (1) is deemed to accrue Deemed Dividend on its direct equity participation to a directly controlled Non-Listed FC.
- (4) The amount of direct equity participation as referred to in paragraph (1) is determined at the end of Tax Year of

resident Taxpayer.

- (5) The determination of the amount of direct equity participation in a directly controlled Non-Listed FC is conducted in accordance with the examples attached in Annex A as an integral part of this Ministerial Regulation.

Article 3

- (1) The timing when Deemed Dividend is accrued to resident Taxpayer on its direct equity participation in directly controlled Non-Listed FC is deemed to be accrued at the end of the fourth month after the deadline of the obligation to submit annual income tax return for directly controlled Non-Listed FC for the tax year concerned.
- (2) In the case of there is no obligation for directly controlled Non-Listed FC to submit annual income tax return or there is no provision for the deadline to submit annual income tax return, the timing when Deemed Dividend are accrued to resident Taxpayer as referred to in paragraph (1) is deemed to be accrued at the end of the seventh month after the tax year concerned ends.
- (3) The determination of the timing when Deemed Dividend is accrued to resident Taxpayer as referred to in paragraph (1) is conducted in accordance with the examples attached in Annex A as an integral part of this Ministerial Regulation.

Article 4

- (1) The amount of Deemed Dividend is calculated by multiplying the percentage of the resident Taxpayer's equity participation in directly controlled Non-Listed FC with the imposition basis of Deemed Dividend.
- (2) The imposition basis of Deemed Dividend as referred to in paragraph (1) is the net income after tax of the directly controlled Non-Listed FC.
- (3) In the case of the resident Taxpayer owns direct control over directly controlled Non-Listed FC and owns indirect control over indirectly controlled Non-Listed FC, the

imposition basis of Deemed Dividend as referred to in paragraph (1) is:

- a. net income after tax of the directly controlled Non-Listed FC; and
 - b. net income after tax of indirectly controlled Non-Listed FC multiplied by the percentage of equity participation of the directly controlled Non-Listed FC on the indirectly controlled Non-Listed FC.
- (4) Indirectly controlled Non-Listed FC as referred to in paragraph (3) sub-paragraph b is a Non-Listed FC which is indirectly controlled by the resident Taxpayer through:
- a. directly controlled Non-Listed FC; or
 - b. directly controlled Non-Listed FC and indirectly controlled Non-Listed FC in the previous layer of equity participation,
- with equity participation amounting to 50% (fifty percent) or more of the amount of the respective paid in capital in every layer of equity participation.
- (5) The definition of indirectly controlled Non-Listed FC as referred to in paragraph (4) include Non-Listed FC of which 50% (fifty percent) or more of the amount of its paid in capital, jointly owned by:
- a. the resident Taxpayer and:
 1. directly controlled Non-Listed FC; and/or
 2. indirectly controlled Non-Listed FC;
 - b. the resident Taxpayer and other resident Taxpayers through a directly controlled Non-Listed FC and/or indirectly controlled Non-Listed FC; or
 - c. directly controlled Non-Listed FC and/or indirectly controlled Non-Listed FC.
- (6) The determination of the amount of equity participation as referred to in paragraph (4) is determined at the end of Tax Year for controlled Non-Listed FC that ends in the Tax Year for the resident Taxpayer.
- (7) In the case of the indirectly controlled Non-Listed FC is jointly owned as referred to in paragraph (5) sub-paragraph a, the amount of Deemed Dividend is

calculated with the following method:

- a. if the participation in indirectly controlled Non-Listed FC is through a directly controlled Non-Listed FC and/or indirectly controlled Non-Listed FC, it is calculated in accordance with the provisions referred to in paragraph (1); and
 - b. if the direct participation of the resident Taxpayer in the directly controlled Non-Listed FC, it is calculated by multiplying the equity participation of the resident Taxpayer by the net income after tax of the indirectly controlled Non-Listed FC.
- (8) In the case of equity participation in Non-Listed FC is conducted through a foreign trust or other similar entities, the equity participation is considered conducted by the party committing equity participation.
- (9) The net income after tax as referred to in paragraph (2) is business profit including income outside the business in accordance with the financial statements based on commonly accepted accounting standards in the concerning country or jurisdiction, after deducted with income tax payable in the country or jurisdiction.
- (10) The calculation of the amount of Deemed Dividend, the calculation of Income Tax payable on Deemed Dividend, and the determination of the amount of indirect equity participation are conducted in accordance with the examples attached in Annex A as an integral part of this Ministerial Regulation.
- (11) The amount of Deemed Dividend as referred to in paragraph (1) must be reported by the resident Taxpayer in the Annual Income Tax Return in the Tax Year of the income of the Deemed Dividend as referred to in Article 3.

Article 5

The amount of paid in capital as referred to in Article 2 paragraph (1) and Article 4 paragraph (4) is:

- a. amount of shares issued by Non-Listed FC; or
- b. amount of shares with voting rights issued by Non-Listed

FC.

Article 6

- (1) Deemed Dividend can be calculated with the dividend received from directly controlled Non-Listed FC.
- (2) Calculable Deemed Dividend as referred to in paragraph (1) is Deemed Dividend for the period of the last 5 (five) consecutive years since the year of dividend received.
- (3) In the case of the received dividend as referred to in paragraph (1) is greater than the calculable Deemed Dividend, the difference is subject to Income Tax and reported in the Annual Income Tax Return in the Tax Year when dividend is received.
- (4) The calculation of calculable Deemed Dividend with the dividend received from directly controlled Non-Listed FC is conducted in accordance with the examples listed in Annex A as an integral part of this Ministerial Regulation.

Article 7

- (1) Resident Taxpayer may credit the income tax that has been paid or withheld on the dividend received from directly controlled Non-Listed FC in the Tax Year of the payment or withholding of the income tax.
- (2) In the case of the received dividend does not exceed calculable Deemed Dividend as referred to in Article 6 section paragraph (1), the amount of creditable income tax as referred to in section paragraph (1) is determined based on the least amount among:
 - a. income tax which should be payable or must be paid overseas on the dividend received from directly controlled Non-Listed FC with due regard to the provisions in the DTA, in the event where there is an effective DTA;
 - b. income tax payable or paid overseas on the dividend received from directly controlled Non-Listed FC; or
 - c. specific amount that is calculated based on the comparison between the dividend received from the

directly controlled Non-Listed FC against the amount of Deemed Dividend multiplied by the amount of Income Tax on such calculable Deemed Dividend.

- (3) Income Tax on calculable Deemed Dividend as referred to in paragraph (2) sub-paragraph c is a share of Income Tax on Deemed Dividend that is calculated in accordance with the comparison between Deemed Dividend and Taxable Income, multiplied by Income Tax payable for a Tax Year or Fraction of the Tax Year, at a maximum amount of Income Tax payable in the concerning Tax Year or Fraction of the Tax Year.
- (4) In the case of the dividend received from directly controlled Non-Listed FC exceeds calculable Deemed Dividend as referred to in Article 6 paragraph (3), the amount of creditable income tax as referred to in paragraph (1) is calculated as follows:
 - a. the share of dividend received up to the amount of calculable Deemed Dividend as referred to in Article 6 paragraph (1), is calculated in accordance with the provisions referred to in paragraph (2); and
 - b. share of dividend that exceeds calculable Deemed Dividend is determined based on the least amount among:
 1. income tax should be payable or should be paid overseas on the share of the dividend exceeding calculable Deemed Dividend with due regard to the provisions in the DTA, in the event where there is an effective DTA;
 2. income tax payable or paid overseas on the share of dividend exceeding calculable Deemed Dividend; or
 3. certain amount that is calculated based on the comparison between the share of dividend exceeding calculable Deemed Dividend against Taxable Income, multiplied by the amount of Income Tax payable on the Income Tax payable, with a maximum amount of Income Tax Payable of the Tax Year or Fraction of Tax Year upon the

receipt of such dividend.

- (5) In the case of the received dividend originates from 2 (two) or more countries or jurisdictions, the calculation of the amount of creditable income tax as referred to in paragraph (2) and paragraph (4) is conducted for each country or jurisdiction (per country limitation).
- (6) The calculation of the crediting of income tax is conducted in accordance with the examples listed in Annex A as an integral part of this Ministerial Regulation.

Article 8

- (1) Resident Taxpayer that credits income tax as referred to in Article 7 paragraph (1) must submit the calculation of crediting of the income tax already paid or withheld on the dividend received from a directly controlled Non-Listed FC to the Director General of Taxes by attaching:
 - a. financial statements;
 - b. photocopy of annual income tax return, in the event where there is an obligation to submit annual income tax return;
 - c. the calculation or details of profit after taxes within the last 5 (five) years; and
 - d. the receipt of income tax payment or income tax withholding on the received. dividend,from directly controlled Non-Listed FC.
- (2) The submission of the calculation as referred to in paragraph (1) is conducted together with the submission of Annual Income Tax Return.
- (3) The format of the calculation as referred to in paragraph (1) listed in Annex B as an integral part of this Ministerial Regulation.

Article 9

The provisions regarding the determination of the timing when dividends are accrued to and the calculation basis by resident taxpayers on their equity participation in controlled foreign companies other than companies whose shares are listed in stock exchange as regulated in this Ministerial Regulation

istake effect in Tax Year 2017.

Article 10

At the time this Ministerial Regulation comes into force:

1. provisions regulating the amount of crediting of the income tax already paid or withheld abroad on income in the form of dividend received from directly controlled Non-Listed FC as regulated in the Minister of Finance Decree Number 164/KMK.03/2002 on Foreign Tax Credit are declared ineffective; and
2. Regulation of the Minister of Finance Number 256/PMK.03/2008 regarding Determination of the Timing when Dividends are Accrued to Resident Taxpayer on Their Equity Participation in Controlled Foreign Companies other than Companies whose Shares are Listed in Stock Exchange (State Bulletin of the Republic of Indonesia of 2009 Number 10), is repealed and declared ineffective.

Article 11

This Ministerial Regulation comes into effect on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Ministerial Regulation by its placement in the State Bulletin of the Republic of Indonesia.

Issued in Jakarta
on 26 July 2017

MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA,

signed

SRI MULYANI INDRAWATI

Promulgated in Jakarta
on 27 July 2017

DIRECTOR GENERAL OF LEGISLATION
OF THE MINISTRY OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA

signed

WIDODO EKATJAHJANA

STATE BULLETIN OF THE REPUBLIC OF INDONESIA OF 2017 NUMBER 1043

Jakarta,
Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia
DIRECTOR GENERAL OF LEGISLATION,

WIDODO EKATJAHJANA

ANNEX OF
REGULATION OF THE MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA
NUMBER 107/PMK.03/2017
ON
DETERMINATION OF THE TIMING WHEN
DIVIDENDS ARE ACCRUED TO AND THE
CALCULATION BASIS BY RESIDENT TAXPAYERS
ON THEIR EQUITY PARTICIPATION IN
CONTROLLED FOREIGN COMPANIES OTHER
THAN COMPANIES WHOSE SHARES ARE LISTED
IN STOCK EXCHANGE

A. EXAMPLES OF DETERMINATION OF AMOUNT OF DIRECT AND
INDIRECT EQUITY PARTICIPATION, DEEMED DIVIDEND INCOME,
CALCULATION OF DEEMED DIVIDEND INCOME, CALCULATION OF
DEEMED DIVIDEND INCOME TAX, CALCULATION OF CALCULABLE
DEEMED DIVIDEND WITH RECEIVED DIVIDEND, AND CALCULATION
OF CREDIT OF INCOME TAX OF RESIDENT TAXPAYER FOR EQUITY
PARTICIPATION OF DIRECTLY CONTROLLED NON-LISTED FC

1. Example of determination of direct equity participation for directly
controlled non-listed FC:

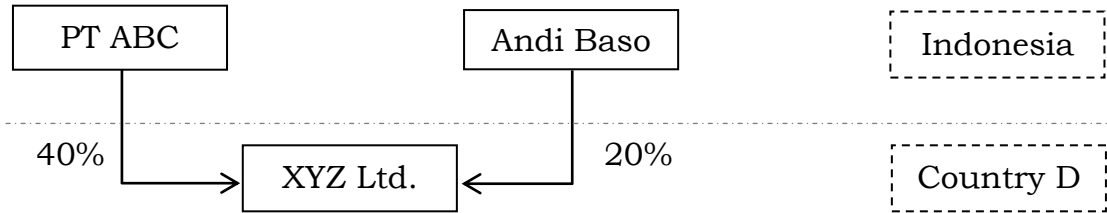
PT ABC as the resident Taxpayer owns direct equity participation for
the amount of 60% (sixty percent) of paid in capital of the XYZ Ltd. of
which is resident of country D. Shares of XYZ Ltd. are not listed in
stock exchange.



Thus, PT ABC is determined to own direct control over XYZ Ltd. since
it owns direct equity participation for the amount of 60% (sixty
percent) over XYZ Ltd., so that XYZ Ltd. is the directly controlled Non-
listed FC for PT ABC.

2. Example of joint direct equity participation with other resident
Taxpayers in a directly controlled Non-listed FC:

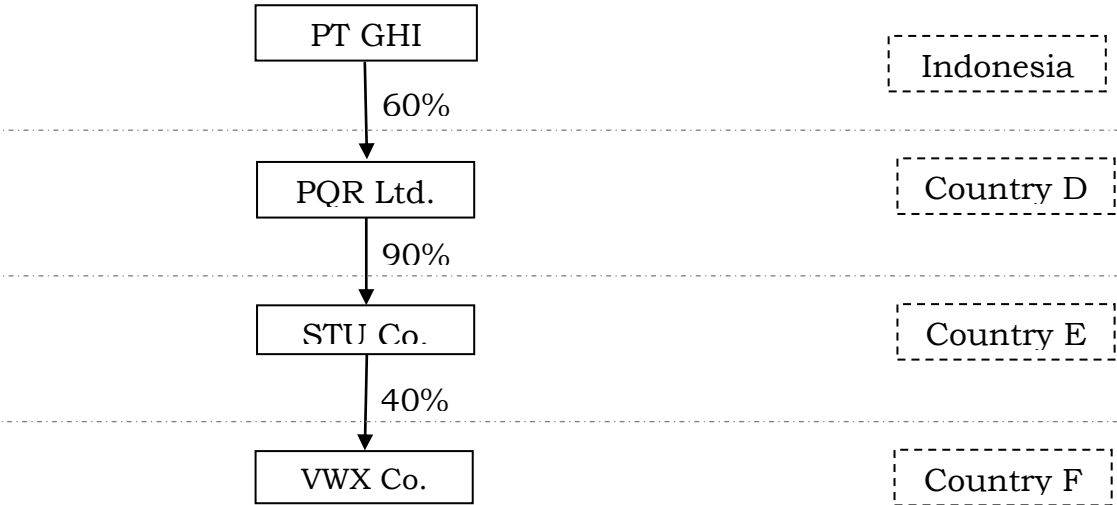
PT ABC and Mr. Andi Baso as resident Taxpayers each owns direct
equity participation for the amount of 40% (forty percent) and 20%
(twenty percent) of paid in capital of the XYZ Ltd. as the resident of
country D. Shares of XYZ Ltd. are not listed in stock exchange.



Thus, PT ABC and Mr. Andi Baso own joint direct equity participation for the amount of 60% (40% + 20% = 60%) of XYZ Ltd. and determined jointly to own direct control over XYZ Ltd., so XYZ Ltd. is a directly controlled Non-listed FC for PT ABC and Mr. Andi Baso.

3. Example of indirect equity participation of indirectly controlled Non-listed FC:

PT GHI as a resident Taxpayer owns direct equity participation for the amount of 60% (sixty percent) of paid in capital of the PQR Ltd. as the resident of country D. PQR Ltd. owns direct equity participation for the amount of 90% (ninety percent) of paid in capital of the STU Co. as the resident of country E and STU Co. owns direct equity participation for the amount of 40% (forty percent) of paid in capital of the VWX Co. as the resident of country F. Shares of PQR Ltd., STU Co., and VWX Co. are not listed in stock exchange.



Thus, PT GHI is:

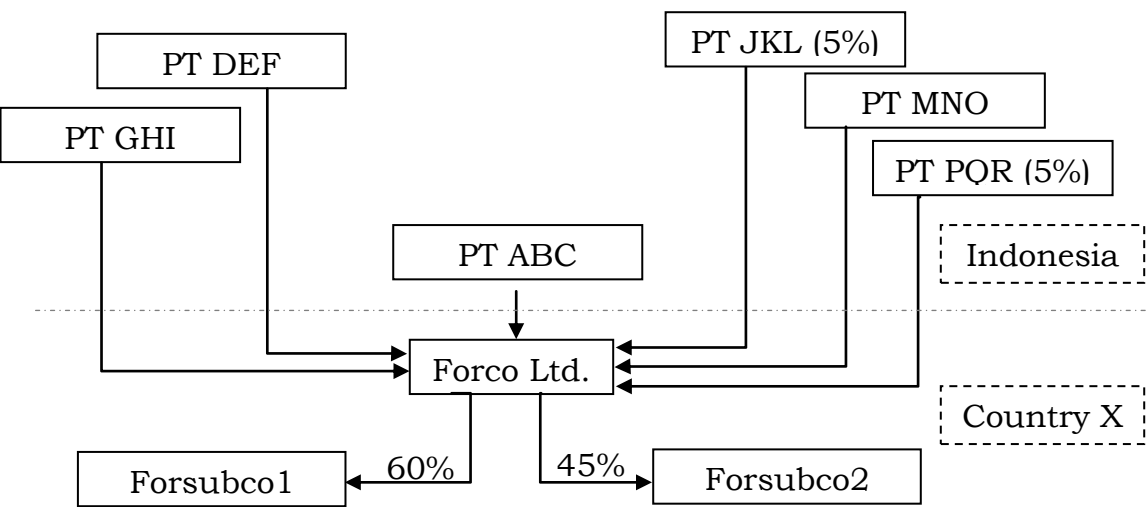
- a. determined to own direct control over PQR Ltd. since it owns direct equity participation for the amount of 60% (sixty percent) of paid in capital of the PQR Ltd.;
- b. determined to own indirect control over STU Co. (through PQR Ltd.) since there is equity participation for the amount of 50% (fifty percent) or more in each equity participation layers; and
- c. not entitled to control VWX Co. since there is no equity participation for the amount of 50% (fifty percent) or more in each equity participation layers,

so, PQR Ltd. is a directly controlled Non-listed FC for PT GHI, and STU Co. is an indirectly controlled Non-listed FC for PT GHI. Nevertheless, VWX Co. is not a controlled Non-listed FC for PT GHI.

4. Example of determination of joint direct equity participation with other resident Taxpayers in directly controlled Non-listed FC and determination of indirect equity participation in indirectly controlled Non-listed FC:

PT ABC, PT DEF, and PT GHI as resident Taxpayers own direct equity participation for the amount each of 15% (fifteen percent) of the paid in capital of the Forco Ltd. as the resident country X. PT JKL, PT MNO, and PT PQR as resident Taxpayers also own direct equity participation for the amount of 5% (five percent) respectively of paid in capital of the Forco Ltd..

Next, Forco Ltd. owns direct equity participation for the amount of 60% (sixty percent) in Forsubco1 Ltd. and 45% (forty-five percent) in Forsubco2 Ltd.. Forsubco1 Ltd. and Forsubco2 Ltd. are residents of country X. Shares of Forco Ltd., Forsubco1 Ltd., and Forsubco2 Ltd. are not listed in stock exchange.



Thus, the amount of direct equity participation of resident Taxpayers in Forco Ltd. is conducted as follows:

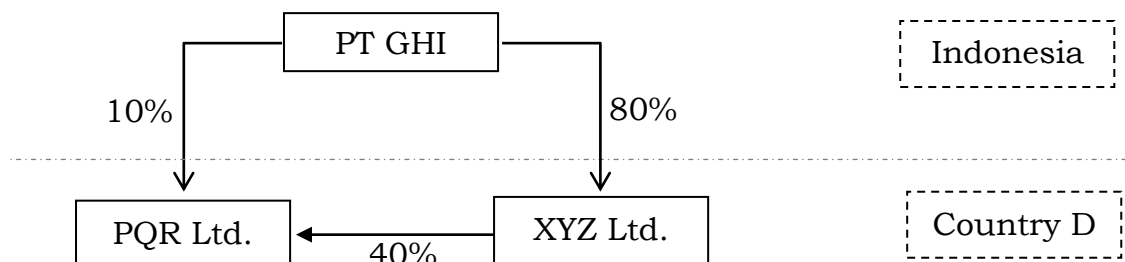
Resident Taxpayers	Equity Participation in Forco Ltd.
PT ABC	15%
PT DEF	15%
PT GHI	15%
PT JKL	5%
PT MNO	5%
PT PQR	5%

Based on the calculation, there are 6 (six) resident Taxpayers (PT ABC, PT DEF, PT GHI, PT JKL, PT MNO, and PT PQR) jointly own direct equity participation at least 50% (fifty percent) in Forco Ltd.. Thus, those 6 (six) resident Taxpayers are determined to own joint direct control over Forco Ltd. and Forco Ltd. is a directly controlled Non-listed FC for 6 (six) of them.

The amount of indirect equity participation of resident Taxpayers in Forsubco1 Ltd. and Forsubco2 Ltd. is conducted as follows:

- a. PT ABC, PT DEF, PT GHI, PT JKL, PT MNO, and PT PQR are determined to own joint indirect control over Forsubco1 Ltd. (through Forco Ltd.) since there is an equity participation for the amount of 50% (fifty percent) or more for each equity participation layers, so Forsubco1 Ltd. is the indirectly controlled Non-listed FC for those 6 (six) resident Taxpayers.
 - b. PT ABC, PT DEF, PT GHI, PT JKL, PT MNO, and PT PQR do not own control over Forsubco2 Ltd. since there is not equity participation for the amount of 50% (fifty percent) or more for each equity participation layers, so Forsubco2 Ltd. is not the controlled Non-listed FC for those 6 (six) resident Taxpayers.
5. Example of direct equity participation for directly controlled Non-listed FC and indirect equity participation for indirectly controlled Non-listed FC:

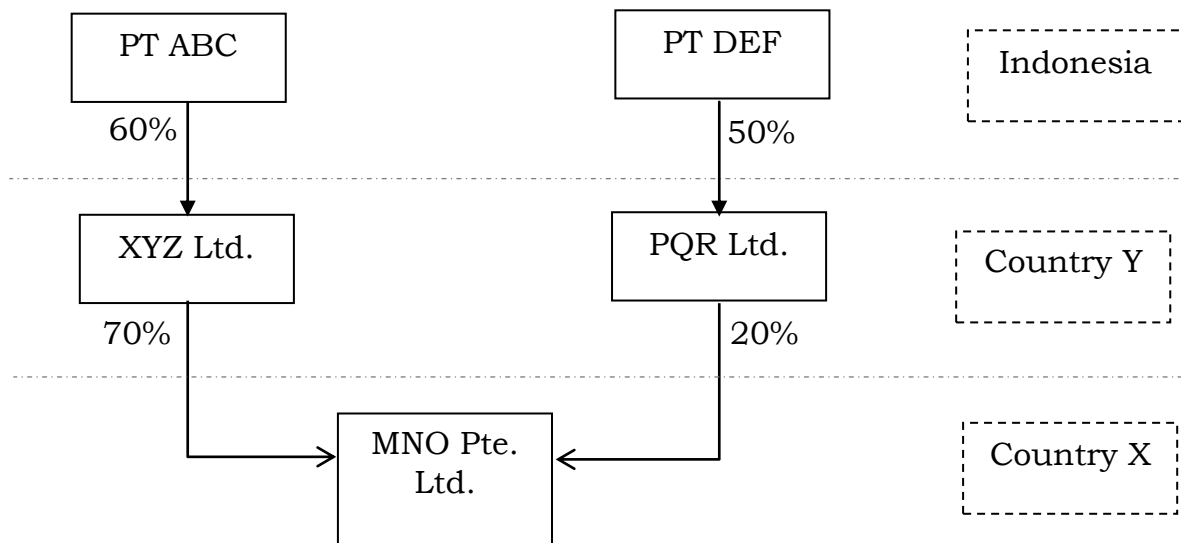
PT GHI as a resident Taxpayer owns equity participation for the amount of 10% (ten percent) of paid in capital of the PQR Ltd. and 80% (eighty percent) of paid in capital of the XYZ Ltd. Both foreign companies are residents of country D and their shares are not listed in stock exchange. Next, XYZ Ltd. also owns equity participation for the amount of 40% (forty percent) of the paid in capital of the PQR Ltd.



Thus:

- a. PT GHI is determined to own direct control over XYZ Ltd. since it owns direct equity participation for the amount of 80% (eighty percent) of paid in capital of the XYZ Ltd., so XYZ Ltd. is a directly controlled Non-listed FC of PT GHI;
 - b. PT GHI is determined to own indirect control over PQR Ltd. since there is equity participation for the amount of 50% (fifty percent) or more of paid in capital of the XYZ Ltd., jointly owned by resident Taxpayer (PT GHI) with directly controlled Non-listed FC (XYZ Ltd.), then PQR Ltd. is an indirectly controlled Non-listed FC of PT GHI.
6. Example of direct equity participation in directly controlled Non-listed FC and indirect equity participation in indirectly controlled Non-listed FC:

PT ABC and PT DEF are resident Taxpayers. PT ABC owns direct equity participation for the amount of 60% (sixty percent) of the paid in capital of the XYZ Ltd. and PT DEF owns direct equity participation for the amount of 50% (fifty percent) of the paid in capital of the PQR Ltd.. XYZ Ltd. and PQR Ltd. are the residents of country Y. XYZ Ltd. and PQR Ltd. own direct equity participation for the amount of 70% (seventy percent) and 20% (twenty percent) respectively of paid in capital of the MNO Pte. Ltd. as the resident of country X. Shares of XYZ Ltd., PQR Ltd., and MNO Pte. Ltd. are not listed in stock exchange.

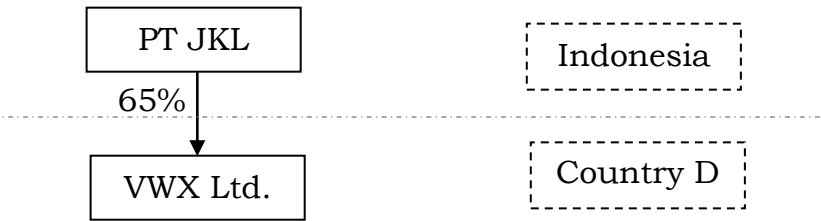


Thus:

- a. PT ABC is determined to own direct control over XYZ Ltd. since PT ABC owns direct equity participation at least 60% (sixty percent) of paid in capital of the XYZ Ltd. then XYZ Ltd. is a directly controlled Non-listed FC of PT ABC;
- b. PT DEF is determined to own direct control over PQR Ltd. since PT DEF owns direct equity participation at least 50% (fifty percent) of paid in capital of the PQR Ltd. then PQR Ltd. is a directly controlled Non-listed FC of PT DEF;
- c. PT ABC is determined to own indirect control over MNO Pte. Ltd. (through XYZ Ltd.) since there is equity participation for the amount of 50% (fifty percent) or more of respective paid in capital in every layers of equity participation, then MNO Ltd. is an indirectly controlled Non-listed FC of PT ABC; and
- d. PT DEF is determined to own indirect control over MNO Pte. Ltd. since there is equity participation for the amount of 50% (fifty percent) or more of paid in capital of the MNO Ltd. jointly owned by resident Taxpayer (PT DEF) and with other resident Taxpayer (PT DEF) through directly controlled Non-listed FC (XYZ Ltd. for PT ABC and PQR Ltd. for PT DEF), then MNO Pte. Ltd. is also an indirectly controlled Non-listed FC of PT DEF.

7. Example of determination of the timing when Deemed Dividend accrued to resident Taxpayers for direct equity participation of directly controlled Non-listed FC:

PT JKL as a resident Taxpayer, in the end of Tax Year 2016, owns direct equity participation for the amount of 65% (sixty-five percent) of the paid in capital of the VWX Ltd. in country D. Shares of VWX Ltd. are not listed in stock exchange.



Determination of the timing when Deemed Dividend accrued by PT JKL is as follows:

- a. if VWX Ltd.’s tax year starts from 1 January to 31 December 2016 and deadline to submit annual income tax return in that country is not later than 31 May 2017, the timing when Deemed Dividend accrued is at the end of fourth month after the deadline date to submit annual income tax notification letter in country D, which is on 30 September 2017; and
 - b. if VWX Ltd.’s tax year starts from 1 April 2016 to 31 March 2017 and VWX Ltd. has no obligation to submit annual income tax return in that country, the timing when Deemed Dividend accrued is at the end of seventh month after the deadline date of VWX Ltd.’s tax year, which is on 31 October 2017.
8. Example of the calculation of the amount of Deemed Dividend and its reporting time:

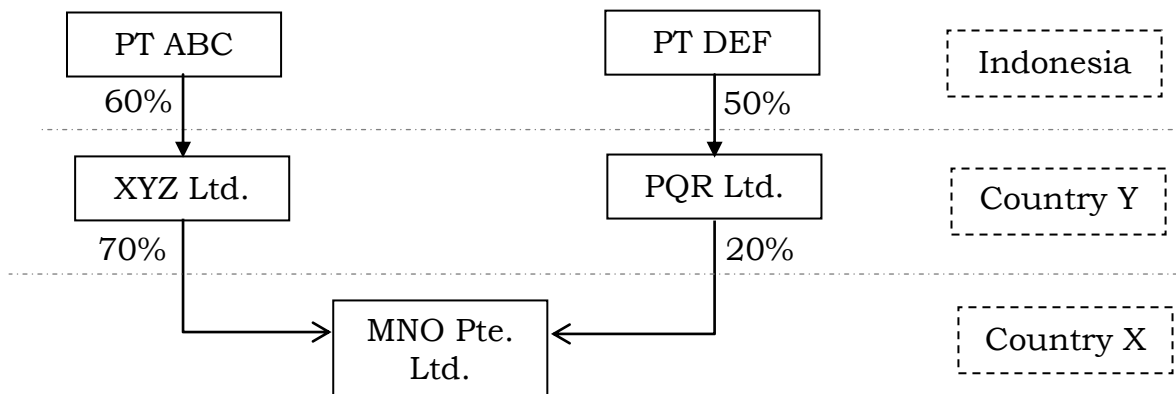
PT JKL which is a resident Taxpayer at the end of Tax Year 2016 has direct equity participation for the amount of 65% (sixty-five percent) of paid in capital of the VWX Ltd. in country D. Shares of VWX Ltd. are not listed in stock exchange.



In tax year 2016, VWX Ltd. accrues net income after tax of US\$50,000.00. The VWX Ltd.’s tax year is 1 January to 31 December 2016 and the deadline for the obligation to submit annual income tax return for the tax year in that country is not later than 31 May 2017, so the time so the timing when Deemed Dividend accrued for PT JKL of its equity participation in VWX Ltd. is on 30 September 2017. The exchange rate of US\$ to Rupiah which is applicable on 30 September 2017 is Rp11,500.00/US\$.

Thus, the amount of Deemed Dividend of 2017 which is accrued by PT JKL is $65\% \times \text{US\$}50,000.00 = \text{US\$}32,500.00$. The Deemed Dividend reported by PT JKL is $\text{US\$}32,500.00 \times \text{Rp}11,500.00/\text{US\$} = \text{Rp}373,750,000.00$ in Annual Income Tax Return of Tax Year 2017.

9. Example of the calculation of the amount of Deemed Dividend:



Continuing the example number 6, the tax year of XYZ Ltd., PQR Ltd., and MNO Pte. Ltd. is the same as calendar year. Then, at tax year 2016, each foreign entities accrues income as follows:

- XYZ Ltd. accrues net income after tax of US\$1,500,000.00 (excluding income or dividend from MNO Pte. Ltd.) and there is obligation to submit annual income tax return on 30 April 2017;
- PQR Ltd. accrues net income after tax of US\$3,000,000.00 (excluding income or dividend from MNO Pte. Ltd.) and there is obligation to submit annual income tax return on 2017; and
- MNO Pte. Ltd. accrues net income after tax of US\$1,000,000.00.

Thus, the timing when Deemed Dividend accrued to XYZ Ltd. and PQR Ltd. is on 31 August 2017. The exchange rate of US\$ to Rupiah on 31 August 2017 is Rp11,550.00/US\$.

The amount of Deemed Dividend of -year 2017 which is accrued by each resident Taxpayers is as follows:

NO.	Resident Taxpayers	Deemed Dividend from XYZ Ltd. (in million rupiah)	Deemed Dividend from PQR Ltd. (in million rupiah)
(1)	(2)	(3)	(4)
1	PT ABC	Rp15,246.00 ^{a)}	-
2	PT DEF	-	Rp18,480.00 ^{b)}

Note:

- a) Deemed Dividend of PT ABC originating from XYZ Ltd.

$$\begin{aligned}
 &= (\text{equity participation percentage of PT ABC to XYZ Ltd.}) \times ((\text{income after tax of XYZ Ltd.}) + ((\text{equity participation percentage of XYZ Ltd. to MNO Pte. Ltd.}) \times (\text{income after tax of MNO Pte. Ltd.}))) \\
 &= (60\%) \times ((\text{US\$1,500,000.00} + ((70\%) \times (\text{US\$1,000,000.00}))) \\
 &= (60\%) \times (\text{US\$1,500,000.00} + \text{US\$700,000.00}) \\
 &= (60\%) \times \text{US\$ 2,200,000.00} \\
 &= \text{US\$1,320,000.00}
 \end{aligned}$$

Deemed Dividend which is reported by PT ABC in Annual Income Tax Return in Tax Year 2017:

$$\begin{aligned}
 &= \text{US\$1,320,000.00} \times \text{Rp.11,550.00} \\
 &= \text{Rp.15,246,000,000.00}
 \end{aligned}$$

b) Deemed Dividend of PT DEF originating from PQR Ltd.

= equity participation percentage of PT DEF to PQR Ltd. x (income after tax of PQR Ltd.+(equity participation percentage of PQR Ltd. to MNO Pte. Ltd.-x income after tax of MNO Pte. Ltd.))

= 50% x (US\$3,000,000.00 + (20% x US\$1,000,000.00))

= 50% x US\$3,000,000.00 + (20% x US\$1,000,000.00)

= 50% x US\$3,200,000.00

= US\$1,600,000.00

Deemed dividend which is reported by PT DEF in Annual Tax Return in the tax year 2017

= US\$1,600,000.00 x Rp11,550.00

= Rp18,480,000,000.00

10. Example of determination of the timing when Deemed Dividend accrued and calculation of the amount of Deemed Dividend:

Since Tax Year 2016, PT DEF owns direct equity participation of 75% (seventy-five percent) of paid in capital of the XYZ Ltd. as the resident of country D.



There is no obligation to submit annual income tax return in country D. The PT DEF’s Tax Year and XYZ Ltd.’s tax year are the same as the calendar year. The information of net income after tax or (loss) of XYZ Ltd. and the calculation of the amount of Deemed Dividend which is obligated to report by PT DEF are as follows:

Year	Net Income After Tax XYZ Ltd. (US\$)	Deemed Dividend* (US\$)	Rate** (Rp)	Deemed Dividend* (Rp)
(1)	(2)	(3) = 75% x (2)	(4)	(5) = (3) x (4)
2017	100,000.00	75,000.00	9,100.00	682,500,000.00
2018	75,000.00	56,250.00	9,700.00	545,625,000.00
2019	(50,000.00)	-	12,200.00	-
2020	50,000.00	37,500.00	12,800.00	480,000,000.00
2021	100,000.00	75,000.00	13,000.00	975,000,000.00

* Deemed Dividend is reported by PT DEF at the end of the seventh month after the end of XYZ Ltd.’s tax year.

** Value of Exchange Rate when Deemed Dividend is stipulated to be obtained

Domestic net income or (loss) of PT DEF for Tax Year 2017 to Tax Year 2021 in details is as follows:

Tax Year 2017	Rp3,000,000,000.00
Tax Year 2018	(Rp 200,000,000.00)

Tax Year 2019	Rp1,500,000,000.00
Tax Year 2020	Rp2,000,000,000.00
Tax Year 2021	Rp2,500,000,000.00

Based on those data and calculation above, the net income that must be reported by PT DEF in Annual Income Tax Return for Tax Year 2017 to Tax Year 2021 is as follows:

Tax Year	Domestic Net Income (Rp)	Deemed Dividend (Rp)	Net Income (Rp)
(1)	(2)	(3)	(4)=(2)+(3)
2017	3,000,000,000.00	682,500,000.00	3,682,500,000.00
2018	(200,000,000.00)	545,625,000.00	345,625,000.00
2019	1,500,000,000.00	-	1,500,000,000.00
2020	2,000,000,000.00	480,000,000.00	2,480,000,000.00
2021	2,500,000,000.00	975,000,000.00	3,475,000,000.00

11. Example of calculation of amount of the calculable Deemed Dividend:

PT ABC owns direct equity participation of 100% (one hundred percent) in directly controlled Non-listed FC, Forco Ltd. that is domiciled in country X. In Tax Year 2021 and 2022, PT ABC receives the distribution of dividend of Rp200,000,000.00 and Rp2,000,000,000.00 respectively. Reporting data of accrued Deemed Dividend over equity participation in Forco Ltd. in Annual Income Tax Return of PT ABC is as follows:

Tax Year	<i>Deemed Dividend</i> (in thousand Rp)
(1)	(2)
2017	600.000,00
2018	200.000,00
2019	700.000,00
2020	500.000,00
2021	400.000,00
2022	100.000,00

The amount of calculable Deemed Dividend with received dividend is calculated as follows:

- for dividend received in 2021 for the amount of Rp200,000,000.00 is calculated with Deemed Dividend for the amount of Rp200,000,000.00 sourced from Deemed Dividend reported in 2017.

- b. for dividend received in 2022 for the amount of Rp2,000,000,000.00 is calculated with Deemed Dividend received in year as follows:

Dividend received in 2022	Rp2,000,000,000.00
Calculable Deemed Dividend:	
Deemed Dividend of 2018	Rp200,000,000.00
Deemed Dividend of 2019	Rp700,000,000.00
Deemed Dividend of 2020	Rp500,000,000.00
Deemed Dividend of 2021	Rp400,000,000.00
Deemed Dividend of 2022	Rp100,000,000.00
<hr/>	
Total Deemed Dividend that can be calculated	Rp1,900,000,000.00

For the remaining calculable Deemed Dividend in Tax Year 2017 of Rp400,000,000.00 (Rp600,000,000.00 – Rp200,000,000.00) cannot be calculated for the calculation of dividend received in Tax Year 2022 since the previous consecutive five-year period ends at the end of Tax Year 2018.

Thus, the difference between received dividend and calculable Deemed Dividend in Tax Year 2022 is Rp100,000,000.00 (Rp2,000,000,000.00 – Rp1,900,000,000.00) is subjected to Income Tax and is reported in Annual Income Tax Return.

12. Example of calculation of the amount of foreign tax credit:

Continuing example number 11, for dividend received in Tax Years 2021 and 2022 of Rp200,000,000.00 and Rp2,000,000,000.00 respectively is subjected to withholding income tax in country X of 20% (twenty percent). There is no Tax Treaty between the Government of Indonesia and government of country X. The data and information on domestic net income of PT ABC is listed in the table below:

Fiscal Year	Deemed Dividend (in thousand Rp)	Domestic Income Net (in thousand Rp)	Taxable Income* (in thousand Rp)	Agency Income Tax Due (in thousand Rp)	Share of Income Tax for Deemed Dividend** (in thousand Rp)
(1)	(2)	(3)	(4)=(2)+(3)	(5)=(4)*(25%)	(6)=((2)/(4))*(5)
2017	600,000.00	650,000.00	1,250,000.00	312,500.00	150,000.00
2018	200,000.00	(200,000.00)	0.00	0.00	0.00
2019	700,000.00	600,000.00	1,300,000.00	325,000.00	175,000.00
2020	500,000.00	1,000,000.00	1,500,000.00	375,000.00	125,000.00
2021	400,000.00	(100,000.00)	300,000.00	75,000.00	75,000.00
2022	100,000.00	500,000.00	600,000.00	150,000.00	25,000.00

* not including income that must be reported for difference between received dividend and calculable Deemed Dividend

** at the maximum of Income Tax payable in Tax Year or Part of Tax Year concerned

Calculation of the amount of income tax already withheld for dividend received from directly controlled Non-listed FC which is creditable against Income Tax payable in Indonesia is calculated as follows:

a. for year 2021

for dividend received by PT ABC of Rp200,000,000.00 withheld by income tax in country X of Rp40,000,000.00 (Rp200,000,000.00 x 20%).

Then, the certain amount as referred to in Article 7 paragraph (2) sub-paragraph c of this Ministerial Regulation is calculated as follows:

$$\begin{aligned} &= \frac{\text{Dividend from country X}}{\text{Amount of calculable Deemed Dividend}} \times \text{Amount of Income Tax of calculable Deemed Dividend} \\ &= \frac{\text{Rp200,000,000.00}}{\text{Rp200,000,000.00}} \times \left(\frac{\text{Rp200,000,000.00}}{\text{Rp600,000,000.00}} \times \text{Rp150,000,000.00} \right) \\ &= \frac{\text{Rp200,000,000.00}}{\text{Rp200,000,000.00}} \times \text{Rp50,000,000.00} \\ &= \text{Rp50,000,000.00} \end{aligned}$$

Since tax which is paid or withheld in country X of Rp40,000,000.00 is smaller than certain amount of Rp50,000,000.00, then the amount of creditable foreign tax credit against Income Tax in Indonesia is the amount of tax that already paid or withheld in country X, which is Rp40,000,000.00.

b. for year 2022

For dividend received in Tax Year 2022 of Rp2,000,000,000.00, the amount of calculable Deemed Dividend is Rp1,900,000,000.00 (see explanation on example number 11) so there is a difference of Rp100,000,000.00 (Rp2,000,000,000.00 – Rp1,900,000,000.00). In the event that Deemed Dividend in the previous years has been reported in accordance with the provisions, the difference of Rp100,000,000.00 is subject to Income Tax and is reported in Annual Income Tax Return in Tax Year 2022.

For the share of received dividend of Rp1,900,000,000.00, the amount of income tax already withheld for dividend received from directly controlled Non-listed FC that is creditable against Income Tax payable in Indonesia is calculated as follows:

For dividend received by PT ABC in Tax Year 2022 of Rp1,900,000,000.00 withheld for income tax in country X of

Rp380,000,000.00 (Rp1,900,000,000.00 x 20%).

Then the certain amount as referred to in Article 7 paragraph (2) sub-paragraph c of this Ministerial Regulation is calculated as follows:

$$\begin{aligned} &= \frac{\text{Dividend from country X}}{\text{Amount of calculable Deemed Dividend}} \times \text{Amount of Income Tax of calculable Deemed Dividend} \\ &= \frac{\text{Rp1,900,000,000.00}}{\text{Rp1,900,000,000.00}} \times \left(\frac{\text{Rp1,900,000,000.00}}{\text{Rp1,900,000,000.00}} \times \text{Rp400,000,000.00} \right) \\ &= \frac{\text{Rp1,900,000,000.00}}{\text{Rp1,900,000,000.00}} \times \text{Rp400,000,000.00} \\ &= \text{Rp400,000,000.00} \end{aligned}$$

The amount of Income Tax of calculable Deemed Dividend is Rp400,000,000.00 originating from the amount of Share of Income Tax of calculable Deemed Dividend in Tax Years 2018 to 2022 (Rp0.00 + Rp175,000,000.00 + Rp125,000,000.00 + Rp75,000,000.00 + Rp25,000,000.00 = Rp400,000,000.00).

Since income tax which is paid or withheld in country X of Rp380,000,000.00 is smaller than certain amount of Rp400,000,000.00, so the amount of creditable foreign tax credit against Income Tax in Indonesia is the amount of tax which is paid or withheld in country X that is Rp380,000,000.00.

In case of the Deemed Dividend in the previous Tax Year has been reported in accordance with the provisions, then for the share of received dividend of Rp100,000,000.00, the amount of income tax that has been withheld of received dividend from directly controlled Non-Listed FC which is creditable against Income Tax payable in Indonesia in Annual Income Tax Return of Tax Year 2022 is calculated as follows:

For dividend received by PT ABC in Tax Year 2022 for Rp100,000,000.00 is withheld by for income tax in country X of Rp20,000,000.00 (Rp100,000,000.00 x 20%).

Then certain amount as referred to in Article 7 paragraph (4) sub-paragraph b sub-sub-paragraph 3 of this Ministerial Regulation is calculated as follows:

$$\begin{aligned} &= \frac{\text{Dividend from country X}}{\text{Taxable Income}} \times \text{Income Tax due for Taxable Income} \\ &= \frac{\text{Rp100,000,000.00}}{(\text{Rp600,000,000.00} + \text{Rp100,000,000.00})} \times (\text{Rp600,000,000.00} + \text{Rp100,000,000.00}) \times 25\% \\ &= \frac{\text{Rp100,000,000.00}}{\text{Rp700,000,000.00}} \times \text{Rp175,000,000.00} \\ &= \text{Rp25,000,000.00} \\ &\quad (\text{at most the same as Income Tax due in Tax Year of Share of Tax Year of dividend received}) \end{aligned}$$

Since tax which is paid or withheld in country X of Rp20,000,000.00 is smaller than certain amount of Rp25,000,000.00, so the amount of creditable foreign tax credit against Income Tax in Indonesia is the amount of tax which is paid or withheld in country X, that is Rp20,000,000.00.

Thus, the amount of creditable foreign tax credit against Income Tax in Indonesia in Tax Year 2022 is Rp400,000,000.00 (Rp380,000,000.00 + Rp20,000,000.00).

13. Example of calculation of the amount of foreign tax credit:

Continuing example number 12, in the case that there is DTA between the Government of Indonesia and government of country X which regulates that the taxation rate on dividend is Rp15% (fifteen percent), then the amount of creditable income tax abroad for each Tax Year is determined as follows:

- a. For Tax Year 2021, the least amount among:
 - 1) income tax that should be payable or should be paid abroad by considering provisions in DTA, in the case of there is an effective DTA, is Rp30,000,000.00 (Rp200,000,000.00 x 15%);
 - 2) income tax which is paid or payable abroad is Rp40,000,000.00 (Rp200,000,000.00 x 20%); and
 - 3) certain amount as referred to in Article 7 paragraph (2) subparagraph c of this Ministerial Regulation is Rp50,000,000.00 (see calculation example number 12).

Thus, the amount of creditable income tax abroad in Tax Year 2021 is Rp30,000,000.00.

b. for Tax Year 2022, the tax credit for a portion of dividend received by PT ABC of Rp1,900,000,000.00 (see explanation example number 12) is the least amount among:

- 1) income tax that should be payable or should be paid abroad by considering provisions in DTA, in the case of there is an effective DTA, is Rp285,000,000.00 ($\text{Rp1,900,000,000.00} \times 15\%$);
- 2) income tax which is paid or payable abroad is Rp380,000,000.00 ($\text{Rp1,900,000,000.00} \times 20\%$); and
- 3) certain amount as referred to in Article 7 paragraph (2) subparagraph c of this Ministerial Regulation is Rp50,000,000.00 (see calculation example number 12).

For a part of dividend of Rp1,900,000,000.00, the amount of creditable income tax abroad is Rp285,000,000.00.

Tax credit on dividend received by PT ABC of Rp100,000,000.00 (see explanation example number 12) is the least amount among:

- 1) income tax that should be payable or should be paid abroad by considering provisions in DTA, in the case of there is an effective DTA, is Rp15,000,000.00 ($\text{Rp100,000,000.00} \times 15\%$);
- 2) income tax which is paid or payable abroad is Rp20,000,000.00 ($\text{Rp100,000,000.00} \times 20\%$); and
- 3) certain amount as referred to in Article 7 paragraph (2) subparagraph c of this Ministerial Regulation is Rp25,000,000.00 (see calculation example number 12).

For a part of dividend of Rp100,000,000.00, the amount of creditable income tax abroad is Rp15,000,000.00.

Thus, the amount of creditable income tax abroad in Tax Year 2022 is Rp300,000,000.00 ($\text{Rp285,000,000.00} + \text{Rp15,000,000.00}$).

B. FORMAT OF THE LETTER OF CALCULATION OF CREDITING INCOME TAX THAT HAS BEEN PAID OR WITHHELD FOR DIVIDEND RECEIVED FROM DIRECTLY CONTROLLED NON-LISTED FC

Number : (1)(2)
Attachment : (3)
Matter : Calculation of Income Tax Credit that has been Paid or Deducted for Dividend Received from Directly Controlled Non-Listed FC

Director General of Taxes
c.q. Head of Tax Service Office
..... (4)

The undersigned:

Name : (5)
Tax Identification Number : (6)
Address : (7)

herewith submits the calculation of crediting income tax that has been paid or withheld of dividend received from directly controlled Non-Listed FC, based on Regulation of the Minister of Finance Number ... /PMK.03/2017 on Determination of the Timing when Dividends are Accrued to Resident Taxpayer on Their Equity Participation in Controlled Foreign Companies other than Companies whose Shares are Listed in Stock Exchange,

- a. in the amount of (.....) (8)
in accordance with the calculation attached; and
b. that has been paid or withheld in country or jurisdiction (9)

For the complete requirements, hereby we enclose:

- ☐ 1. financial report;
☐ 2. copy of annual income tax return, in the case of there is an obligation to submit annual income tax return;
☐ 3. calculation or details of net income after tax for the last 5 (five) years; and
☐ 4. receipt of income tax payment or receipt of income tax withholding of received dividend

from directly controlled Non-Listed FC.

Thank you for your time and consideration.

Taxpayer,
(10)

(.....)

Note:

*)choose as appropriate (give sign (X) on the available box)

INSTRUCTIONS FOR FILLING OUT:

- Number (1) : Filled with number of the letter of calculation.
- Number (2) : Filled with date of signing of the letter of calculation.
- Number (3) : Filled with numbers of attachment.
- Number (4) : Filled with name and address of Tax Service Office of domicile.
- Number (5) : Filled with name of Resident Taxpayer.
- Number (6) : Filled with Tax Identification Number of Resident Taxpayer.
- Number (7) : Filled with address of Resident Taxpayer.
- Number (8) : Filled with the value of Rupiah of income tax which is paid or withheld abroad.
- Number (9) : Filled with the name of country or jurisdiction of the place of payment or withholding of income tax.
- Number (10) : Filled with signature of Resident Taxpayer, representative of Resident Taxpayer or proxy of Resident Taxpayer (in the case of authorized, also encloses specific power of attorney in accordance with the provisions of laws and regulations on taxation).

ATTACHMENT

The Letter of Calculation of Crediting Income Tax that has been Paid or Withheld of Dividend Received from Directly Controlled Non-Listed FC

Tax Year	Deemed Dividend (Rupiah)	Foreign Net Income (Rupiah)	Domestic Net Income (Rupiah)	Taxable Income (Rupiah)	Income Tax Payable (Rupiah)	Share of Income Tax on Deemed Dividend (Rupiah)	Received Dividend (Rupiah)	Income Tax that has been Paid or Withhold abroad of Received Dividend (Rupiah)	Calculable Foreign Tax Credit* (Rupiah)
(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)=(5)x(rate Article 17 of Income Tax Law)	(7)=((2)/(5))*(6)	(8)	(9)	(10)

*Foreign Net Income is the amount of Deemed Dividend (column 2)) and Other Foreign Income

**Calculation is attached in different sheet

INSTRUCTIONS FOR FILLING OUT:

- Number (1) : Filled with Tax Year concerned for resident Taxpayer.
- Number (2) : Filled with Deemed Dividend originating from directly controlled Non-Listed FC.
- Number (3) : Filled with Foreign Net Income.
- Number (4) : Filled with Domestic Net Income.
- Number (5) : Filled with Taxable Income.
- Number (6) : Filled with Income Tax Payable.
- Number (7) : Filled with Share of Income Tax on Deemed Dividend which is calculated based on comparison between Deemed Dividend against Taxable Income, multiplied by Income Tax payable for a Tax Year or a Part of Tax Year, at the maximum of Income Tax payable in the Tax Year or a Part of Tax Year concerned.
- Number (8) : Filled with Dividend received from directly controlled Non-Listed FC.
- Number (9) : Filled with income tax that has been paid or withheld abroad against dividend received from directly controlled Non-Listed FC.
- Number (10) : Filled with calculable Foreign Tax Credit in accordance with the provision of Article 7 of this Ministerial Regulation.
-

MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA,

SRI MULYANI INDRAWATI