



Tax Alert 06.2021

TAXATION ON DIVIDEND INCOME BASED ON OMNIBUS LAW

**(PMK No. 18/PMK.03/2021, Article 14 – 24, 31
– 43, effective on February 17, 2021)**

❖ Implementation of Law No. 11 Year 2020



Based on Omnibus Law, **dividend** received **is** no longer considered as income tax object, as long as **certain criteria are** fulfilled.

For dividend income originating domestically:

- a. Received by **Individual Taxpayers** – is non tax-object if being invested within Indonesia for a certain period of time;
- b. Received by **Corporate Taxpayers** – is non tax-object, with no further requirements.

For dividend income originating overseas:

- a. Distributed by entity which **shares are traded at the stock exchange** – is non tax-object if being invested within Indonesia for a certain period of time;
- b. Distributed by entity which **shares are not traded at the stock exchange** – is non tax-object if invested or used to support other business activities within Indonesia for a certain period of time, and the amount invested is minimum 30% of After Tax Earning.

General Meeting of Shareholders / Interim Dividend

The Dividend excluded from the object of Income Tax shall constitute Dividend distributed based on:

- ❖ General meeting of Shareholders; or
- ❖ Interim dividend in accordance with the provisions of laws and regulations



SAMPLE CASES

Case 1:

- PT. ABC, an Indonesian Company
- Mr. X owns 75% shares in PT. ABC

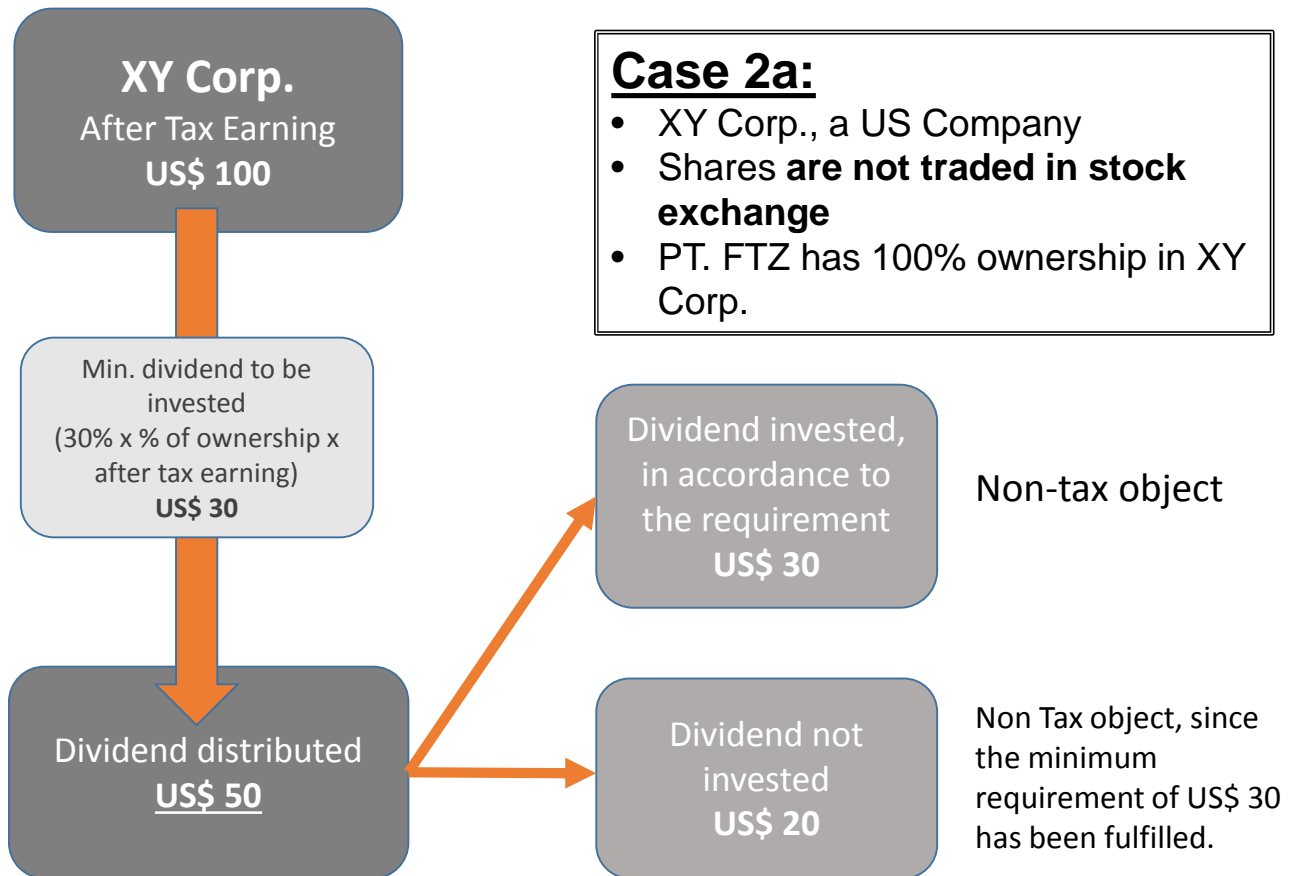


Dividend invested,
in accordance to
the requirement
Rp. 10.000.000

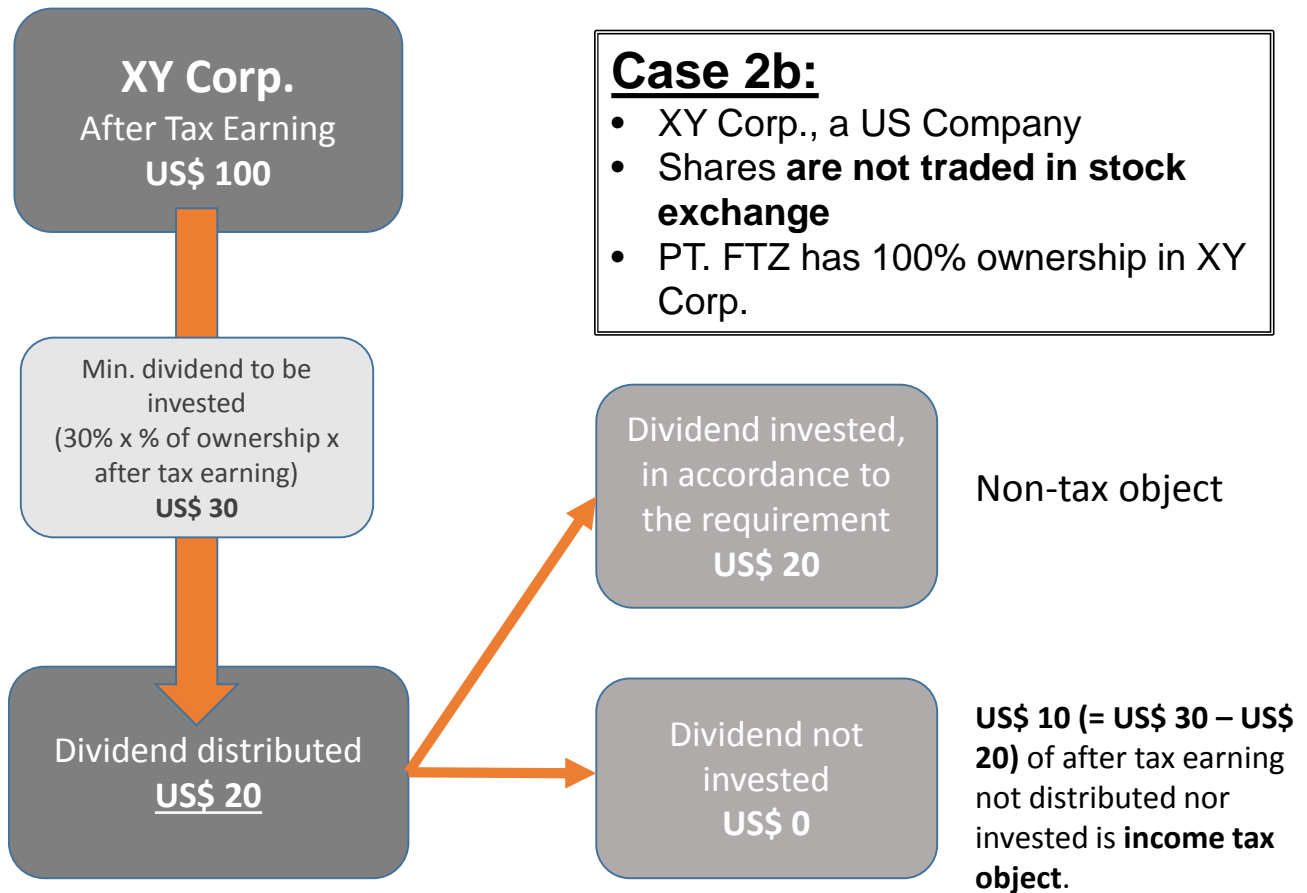
Non-tax object

Dividend not
invested
Rp. 5.000.000

Tax object at 10% (Income
Tax Art. 4 Par. 2).
Mr. X must pay the tax
and report himself.



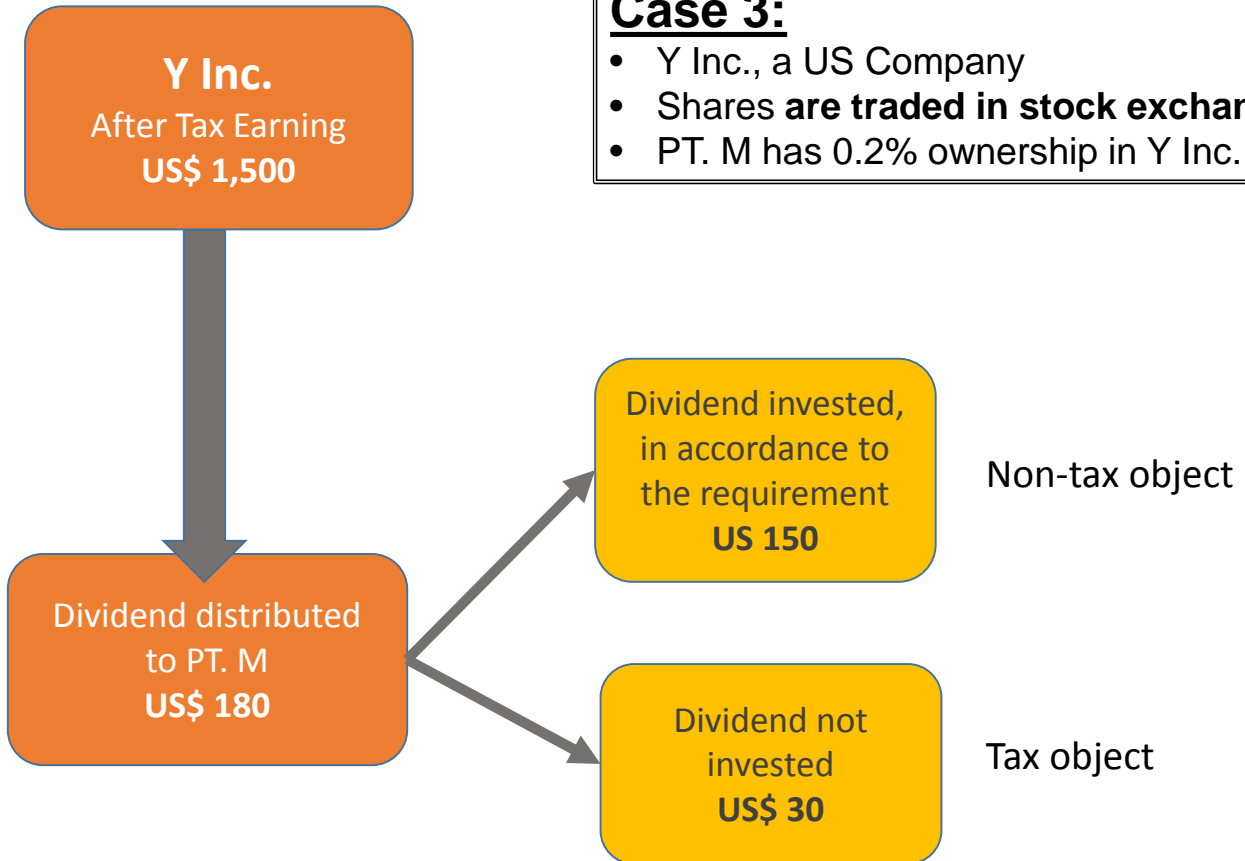
Notes: The US\$ 70 difference from after tax earning and minimum dividend to be invested (= US\$ 100 – US\$ 30) is not subject to Income Tax.



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Case 3:

- Y Inc., a US Company
- Shares **are traded in stock exchange**
- PT. M has 0.2% ownership in Y Inc.

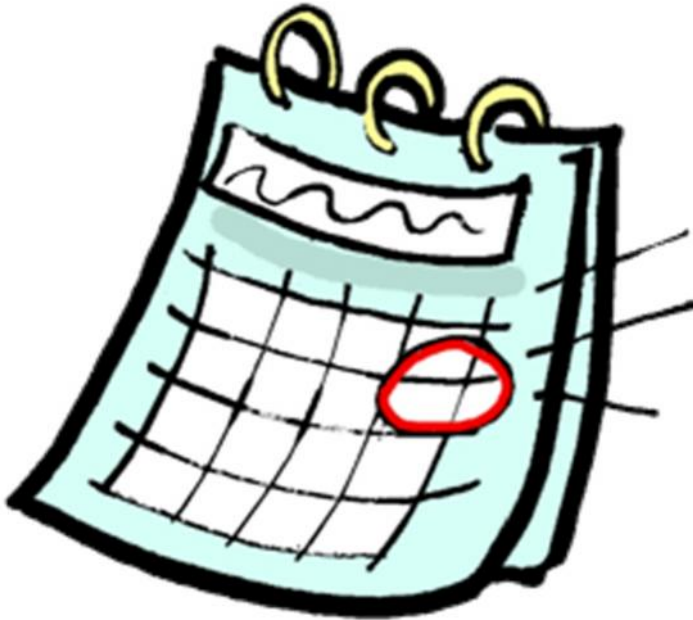




Forms of Investment

No.	Form of Investment	Types of financial instruments in the financial market
a	Negotiable paper (SBN) and sharia negotiable paper (SBSN) of the Republic of Indonesia	Debt securities (including medium term notes); sukuk; shares; participation unit of mutual fund; asset-backed securities; participation unit of investment funds in real estate; deposit; saving; giro; futures contract traded at the futures exchange in Indonesia; and/or other investment instruments of financial market including insurance products related to investment, financing company, pension funds, or venture capital, obtaining approval of OJK.
b	Bonds or sukuk of State-Owned Enterprises the trading of which is supervised by the Financial Services Authority (OJK)	
c	Bonds or sukuk of financing institution owned by the government, the trading of which is supervised by the OJK	
d	Financial investment at a receiving bank, including sharia bank	
e	Bonds or sukuk of private company, the trading of which is supervised by the OJK	
f	Other legal forms of investment in accordance with the provisions of laws and regulations	

No.	Form of Investment	Types of financial instruments <u>outside</u> the financial market
g	Investment in infrastructure through public – private partnership	Investment in infrastructure through public – private partnership;
h	Investment in the real sector based on priority determined by the government	investment in the real sector, based on priority determined by the government (including sector stipulated in the National Medium Term Development Plan), through capital participation into a company in the form of limited liability company (“PT”); investment at properties in the form of land/or building which are built on them, excluding properties with government subsidy;
i	Capital participation at a company just established and domiciled in Indonesia as shareholders	direct investment at a company in the territory of Indonesia, through capital participation into a company in the form of PT;
j	Capital participation at a company which has been established and domiciled in Indonesia as shareholders	investment in precious metal in the form of gold bullion or ingot with purity grade of 99.99%, and shall constitute gold produced in Indonesia, and obtaining accreditation and certificate from Indonesian National Standard (SNI) and/or London Bullion Market Association (LBMA);
k	Cooperation with an investment management institution	cooperation with an investment management institution;
l	Use to support other business activities in the form of channeling of loans for micro and small enterprises in the territory of Indonesia, in accordance with the provisions of laws and regulations in the field of micro, small, medium enterprises.	use to support other business activities in the form of channeling of loans for micro and small enterprises in the territory of Indonesia, in accordance with the provisions of laws and regulations in the field of micro, small, and medium enterprises; other legal forms of investment outside financial market in accordance with the provisions of laws and regulations.



Deadline to Invest,
Holding Period, and
Investment
Realization Reporting

Deadline to Invest

a) By end of the 3rd month, for Individual Taxpayers; OR

b) By end of the 4th month, for Corporate Taxpayers

since the Fiscal Year is closed, for the Fiscal Year when the dividend is earned or obtained.

Holding Period

a) The minimum 3 fiscal years, calculated since the Fiscal Year when the dividend is earned or obtained.

b) The investment cannot be transferred, except into the form of investment as provided in the list.

Investment Realization Report

The Taxpayers (except for Corporate Taxpayers receiving domestic dividend) must file Investment Realization Report:

-> periodically, by no later than the end of the 3rd month (for Individual Taxpayers) or the end of the 4th month (for Corporate Taxpayers) since the Fiscal Year is closed; and

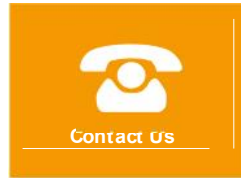
-> up to the 3rd year since the Fiscal Year the dividend is earned or obtained.

The investment realization report shall be filed electronically through certain channels by the Director General of Taxation (DGT). Example of realization report is based on Appendix VII of PMK 18/PMK.03/2021.

Sample Illustration

Mr. A has 50% shares of PT. XYZ, which records Earnings After Tax for FY 2019 of Rp. 100 Million. On November 3, 2021, PT. XYZ distributed dividend of 30% of Earning After Tax. Thus, Mr. A received a dividend of Rp. 15 Million. This dividend can be considered as non-tax object as long as Mr. A performs the following:

1. Mr. A must invest the dividend in Indonesia **by no later than March 31, 2022**, in the investment forms as stipulated by PMK 18,.
2. The investment must be held by at least 3 years, starting from November 3, 2021, until December 31, 2023.
3. Mr. A must submit Investment Realization Report for the following periods:
 - a) **1st Report** – by March 31, **2022** (for period of Nov 3, 2021 – Dec 31, 2021)
 - b) **2nd Report** – by March 31, **2023** (for period of Jan 1, 2022 – Dec 31, 2022)
 - c) **3rd Report** – by March 31, **2024** (for period of Jan 1, 2023 – Dec 31, 2023)



If you have **any questions** or want to know more about **PMK No. 18/PMK.03/2021, Articles 14 – 24 & 31 – 43**,
please contact us on :



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