

Indonesia notification on MLI BEPS

Indonesia confirms completion of its internal procedures for the entry into effect of MLI changes for 22 tax treaties – treaty changes in effect from 1 January 2021

On 26 November 2020, pursuant to Article 35(7)(b) of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”), Indonesia deposited its notification confirming the completion of its internal procedures for the entry into effect of the changes to 22 of its tax treaties/ covered agreements (“Notification”). The Notification covers 22¹ out of the 47 covered agreements that Indonesia intends to be covered by the MLI according to the ratification instrument for the MLI deposited by Indonesia in April 2020.

1 Australia, Belgium, Canada, Denmark, Finland, France, India, Japan, Luxembourg, Netherlands, New Zealand, Poland, Portugal, Qatar, Russia, Serbia, Singapore, Slovak Republic, South Korea, Sweden, United Arab Emirates, and United Kingdom.

Treaties covered in the Notification

Given the Notification, the provisions of the MLI will generally apply for the 22 covered agreements stipulated, as follows:

- ▶ With respect to **taxes withheld at source** on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2021; and
- ▶ With respect to **other taxes**, for application of the treaty by the other jurisdiction, for taxes levied with respect to taxable periods beginning on or after 26 June 2021.²
- ▶ For **Indonesia's own application of the MLI in respect of other taxes**, MLI will apply for taxes levied with respect to taxable periods beginning on or after 1 January 2022.³

However, we note that the provisions on entry into effect are relatively complex and vary between jurisdictions, depending on their elections and reservations. Groups with transactions between parties in Indonesia and these 22 jurisdictions should seek advice on potential impacts of the MLI on taxation outcomes.

Treaties not covered by the Notification

There remain 25 covered agreements not yet covered by a notification under Article 35(7)(b), and the relevant treaty changes can therefore not yet take effect. Note, these include some treaties where both parties have ratified.

Where groups have transactions subject to Indonesia's treaties with these other jurisdictions, they should monitor developments in this area, including future steps to ratify MLI positions, and future notifications issued by Indonesia under article 35(7)(b).

Next steps

Our MLI Tool at <https://mli.ey.com/match> provides a useful resource to understand the status of changes between selected jurisdictions.

This is a complex area - please reach out to your EY Tax contact with further questions.

² i.e. 6 months following 30 days after the Notification - Art 35(1)(b). However, note this may vary depending on the reservations of the other jurisdiction.

³ Pursuant to Art 35(3) - the first calendar year starting after 30 days plus six months from the Notification

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