

## Tax News Flash - December 2014

### Tax Information Exchange Agreements ("TIEAs")

The increase in cross-border transactions that comes from global financial systems requires more effective cooperation between country governments, especially regarding transaction tax implications. Therefore, exchange of information between governments is becoming one of the key sources to ensure taxpayers comply with tax regulations.

In 2011, Indonesia signed TIEAs with Guernsey, Jersey, Bermuda and Isle of Man. The signing of these TIEAs demonstrated Indonesia's commitment as a G20 member to promote transparency and cooperation in tax information exchange.

Indonesia has ratified the above TIEAs, which became effective in September 2014.

The highlights of these TIEAs are as follows:

#### 1. Coverage:

Indonesia:	Income tax Value added tax
Jersey:	Income tax Goods and services tax
Guernsey:	Income tax Dwelling profit tax
Isle of Man:	Taxes on profit Value added tax
Bermuda:	Direct taxes of every kind and description

2. When receiving a request from a Requesting Party<sup>1</sup>, the Requested Party<sup>2</sup> must provide the requested information without regard to whether the matter being investigated would constitute a crime under its laws if such matter or conduct occurred in its country;

3. If the available information is not sufficient to provide the information requested, a Requested Party must use, at its own discretion, all relevant information gathering measures necessary to provide the Requesting Party with the requested information, even if a Requested Party may not need such information for its own tax purposes;

4. Each Competent Authority has the authority to obtain and provide to a Requesting Party:
  - a. Information held by banks, other financial institutions and any person, including nominees and trustees, acting in an agency or a fiduciary capacity;
  - b. Information regarding the legal and beneficial ownership of companies, partnerships, and other persons, including ownership information of all persons in an ownership chain;
  - c. In the case of trusts, information on settlers, trustees, protectors and beneficiaries;
  - d. In the case of foundations, information on founders, members of the foundation council and beneficiaries;
  - e. In the case of collective investment schemes, information on shares, units and other interests.

5. TIEAs do not create an obligation on either Party to obtain or provide ownership information with respect to publicly traded companies or public collective investment funds or schemes, unless such information can be obtained without giving rise to disproportionate difficulties, and

6. Overseas tax examinations in the Requested Party's territory are possible.

#### KPMG Note:

In addition to TIEAs that have been signed with 5 jurisdictions (4 are effective), Indonesia has signed Tax Treaty with 69 jurisdictions (63 are effective) and a Convention on Mutual Administrative Assistance in Tax Matters

#### Contact us

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<sup>1</sup> Requesting party is the party asking for information

<sup>2</sup> Requested party is the party that must provide the requested information