



# Tax News Flash

February 2016



## Reduced final withholding income tax rates on interest income from deposits, savings and BI Certificate discounts if funds come from exports (*Devisa Hasil Ekspor*)

It has been for 15 years that interest on deposits or savings in Indonesian banks has been subject to a 20% final withholding income tax, regardless of the source of the funds.

Starting 28 December 2015, under new Government Regulation No. 123/2015, final withholding income tax rates have been reduced on interest received or earned from deposits, savings or Bank Indonesia (BI) Certificate discounts, provided that the source of funds is from exports (*Devisa Hasil Ekspor* in accordance with BI's regulation) and the funds are placed in banks established or domiciled in Indonesia, including overseas banks' branch offices.

### New reduced final withholding income tax rates:

1. If qualifying deposits are in USD, the final withholding income tax rates on the gross amount of interest income are now:
  - 10%, for one-month deposits;
  - 7.5%, for three-month deposits;
  - 2.5%, for six-month deposits; and
  - 0%, for more than six months deposits.
2. If qualifying deposits are in IDR, the final withholding income tax rates are now:
  - 7.5%, for one-month deposits;
  - 5%, for three-month deposits; and
  - 0%, for more than six-month deposits.

For all other deposits, the 20% final withholding income tax rate continues to apply.

### KPMG Comment:

We welcome this government effort to stabilize our Rupiah exchange rate and to strengthen our national economy by making it attractive for exporters to keep their money in Indonesia, as the final withholding income tax rate can be as low as zero percent.

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