

Information pack for Owners/Brokers regarding withholding tax & submission of invoicing documents in Spot Charter payment

December 2015

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- **Withholding tax**
 - **Basic principles**
 - **Deductions by countries**
 - **Sufficient evidence of domicile**
- Submission of invoicing documents

Background & basic principles of withholding tax in spot charter payment

- As per Law of the Republic of Indonesia, PERTAMINA is obligated to deduct certain amount of freight payment to Owners/Brokers from foreign countries, as withholding tax, which will then be transferred to the account of the Government of Indonesia.
- By default, without taking into account the **domicile of Signing Party** (Signing Party is defined as the legal entity which sign the voyage charter party with Pertamina), the amount deducted is as follows:
 - 20% if Signing Party is not a local permanent establishment (PE)
 - 2.64% if Signing Party is a local permanent establishment (PE)
- Signing Party may enjoy a benefit of tax relief, if there is a tax treaty between Indonesia and **the country where Signing Party (or Registered Owner, in case Signing Party is a local PE) domiciles.**
- However, to claim such relief, **it is the responsibility of Signing Party to provide sufficient evidence of domicile** (what constitutes a sufficient evidence will be explained later)
- Detail of rules for each countries can be seen in table on the next page.

Details of deductions per countries (1/3)

Percent of invoice amount

NO.	COUNTRY where Signing Party domiciles	Signing Party does not provide any evidence of domicile or provides incomplete/insufficient evidence of domicile		Signing Party is able to provide SUFFICIENT evidence of domicile	
		Without PE	With PE	Without PE	With PE
1	Algeria	20%	2.64%	0%	0%
2	Australia	20%	2.64%	0%	0%
3	Austria	20%	2.64%	10%	1.32%
4	Bangladesh	20%	2.64%	10%	1.32%
5	Belgium	20%	2.64%	0%	0%
6	Brunei Darussalam	20%	2.64%	10%	1.32%
7	Bulgaria	20%	2.64%	0%	0%
8	Canada	20%	2.64%	0%	0%
9	Czech	20%	2.64%	0%	0%
10	China	20%	2.64%	10%	1.32%
11	Croatia	20%	2.64%	0%	0%
12	Denmark	20%	2.64%	0%	0%
13	Egypt	20%	2.64%	0%	0%
14	Finland	20%	2.64%	0%	0%
15	France	20%	2.64%	0%	0%
16	Germany	20%	2.64%	0%	0%

NO.	COUNTRY where Signing Party domiciles	Signing Party does not provide any evidence of domicile or provides incomplete/insufficient evidence of domicile		Signing Party is able to provide SUFFICIENT evidence of domicile	
		Without PE	With PE	Without PE	With PE
17	Hongkong	20%	2.64%	10%	1.32%
18	Hungary	20%	2.64%	10%	1.32%
19	India	20%	2.64%	0%	0%
20	Iran	20%	2.64%	0%	0%
21	Italy	20%	2.64%	0%	0%
22	Japan	20%	2.64%	0%	0%
23	Jordan	20%	2.64%	0%	0%
24	Korea, Republic of	20%	2.64%	0%	0%
25	Korea, Democratic People's Republic of	20%	2.64%	0%	0%
26	Kuwait	20%	2.64%	0%	0%
27	Luxembourg	20%	2.64%	0%	0%
28	Malaysia	20%	2.64%	10%	1.32%
29	Maroko	20%	2.64%	0%	0%
30	Mexico	20%	2.64%	0%	0%

Details of deductions per countries (2/3)

Percent of invoice amount

NO.	COUNTRY where Signing Party domiciles	Signing Party does not provide any evidence of domicile or provides incomplete/insufficient evidence of domicile		Signing Party is able to provide SUFFICIENT evidence of domicile	
		Without PE	With PE	Without PE	With PE
31	Mongolia	20%	2.64%	0%	0%
32	Netherlands	20%	2.64%	0%	0%
33	New Zealand	20%	2.64%	0%	0%
34	Norway	20%	2.64%	0%	0%
35	Pakistan	20%	2.64%	20%	2,64%
36	Papua New Guinea	20%	2.64%	0%	0%
37	Philippines	20%	2.64%	1.5%	1.5%
38	Poland	20%	2.64%	0%	0%
39	Portuguese	20%	2.64%	0%	0%
40	Qatar	20%	2.64%	0%	0%
41	Romania	20%	2.64%	2%	1.32%
42	Russia	20%	2.64%	10%	1.32%
43	Saudi Arabia	20%	2.64%	20%	2.64%
44	Seychelles	20%	2.64%	0%	0%
45	Singapore	20%	2.64%	10%	1.32%
46	Slovak	20%	2.64%	0%	0%

NO.	COUNTRY where Signing Party domiciles	Signing Party does not provide any evidence of domicile or provides incomplete/insufficient evidence of domicile		Signing Party is able to provide SUFFICIENT evidence of domicile	
		Without PE	With PE	Without PE	With PE
47	South Africa	20%	2.64%	0%	0%
48	Spain	20%	2.64%	0%	0%
49	Sri Lanka	20%	2.64%	10%	1.32%
50	Sudan	20%	2.64%	0%	0%
51	Suriname	20%	2.64%	0%	0%
52	Sweden	20%	2.64%	0%	0%
53	Switzerland	20%	2.64%	10%	1.32%
54	Syria	20%	2.64%	0%	0%
55	Taipei / Taiwan	20%	2.64%	0%	0%
56	Thailand	20%	2.64%	10%	1.32%
57	Tunisia	20%	2.64%	0%	0%
58	Turkey	20%	2.64%	0%	0%
59	UAE (United Arab Emirates)	20%	2.64%	0%	0%
60	Ukraine	20%	2.64%	0%	0%
61	United Kingdom	20%	2.64%	0%	0%

Details of deductions per countries (3/3)

Percent of invoice amount

NO.	COUNTRY where Signing Party domiciles	Signing Party does not provide any evidence of domicile or provides incomplete/insufficient evidence of domicile		Signing Party is able to provide SUFFICIENT evidence of domicile	
		Without PE	With PE	Without PE	With PE
62	United States of America	20%	2.64%	0%	0%
63	Uzbekistan	20%	2.64%	0%	0%
64	Venezuela	20%	2.64%	0%	0%
65	Vietnam	20%	2.64%	0%	0%
66	Any other countries	20%	2.64%	20%	2.64%

Sufficient evidence of domicile: Original DGT-1 form with endorsement

PRIMARY

Original DGT-1 form with endorsement from relevant tax authority

- Primary means of evidence of domicile. Send **original** to postal address provided by Pertamina.
- Fill the form completely following instruction provided, including endorsement from relevant tax authority (Part III on page 1)
- This endorsement is valid for one year. Therefore, for subsequent contracts within 1 year after the date of endorsement, you can only send page 2.
- Special additional notes
 - In Part VI 2.b please fill invoice amount in actual currency used in the invoice, although the form mentioned IDR
 - On signing section (page 2 of the form) please make sure that the date of signing is the same with the date of your invoice.


Part III CERTIFICATION BY COMPETENT AUTHORITY OR AUTHORIZED TAX OFFICE OF THE COUNTRY OF RESIDENCE:

For the purpose of tax relief, it is hereby confirmed that the taxpayer mentioned in Part I is a resident in SINGAPORE (13) [name of the state] within the meaning of the Double Taxation Convention in accordance with Double Taxation Convention concluded between Indonesia and SINGAPORE (14) [name of the state of residence].

Date (mm/dd/yyyy): 20 NOV 2015

Name and Signature of the Competent Authority or his authorized representative or authorized tax office (15)
Ms Quek Puay Kiang (16)
Tax Director
Corporate Tax Division

Office address: 55 Newton Road
Revenue House (18)
Singapore 307987



IDR USD XXX,XXX.XX (42)

I declare that I have examined the information provided in this form and to the best of my knowledge and belief it is true, correct, and complete.

Signature of the income recipient or individual authorized to sign for the income recipient _____ Date (mm/dd/yy) _____ Capacity in which acting _____ Contact Number _____

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Sufficient evidence of domicile – in case of any problems with Original DGT-1 endorsement

ALTERNATIVE

Original DGT-1 form without endorsement + original certificate of domicile

If you have any problems in getting original endorsed DGT-1 or even getting the DGT-1 endorsed in the first place, you can use the alternative method as follows:

- Original DGT-1 form will need to be filled properly as it would have been in the primary method, but you may leave Part III empty
- The empty Part III will be replaced by original certificate of domicile, signed by relevant tax authorities from country where Signing Party domicile
- Send both the **original** non-endorsed DGT-1 form and **original** certificate of domicile to postal address provided by Pertamina
- The original certificate of domicile is valid for one year, therefore for subsequent contracts within 1 year, you may send only the non-endorsed DGT-1 form.

Part III CERTIFICATION BY COMPETENT AUTHORITY OR AUTHORIZED TAX OFFICE OF THE COUNTRY OF RESIDENCE:

For the purpose of tax relief, it is hereby confirmed that the taxpayer mentioned in Part I is a resident in _____(13) (name of the state) within the meaning of the Double Taxation Convention in accordance with Double Taxation Convention concluded between Indonesia and _____(14) (name of the state of residence).

_____ (15)
Name and Signature of the Competent Authority or his authorized representative or authorized tax office

_____ (16)
Capacity/designation of signatory

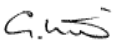
Date (mm/dd/yyyy): ___/___/____(17)

Official Stamp (if any)

Office address: _____(18)

I certify that, to the best of HM Revenue & Customs' knowledge,

As at 05/06/2015 is a resident of the United Kingdom in accordance with Article 4 of the Convention in force between the United Kingdom and India.



Mr Tom Lindsay
Officer of HM Revenue and Customs



Please note: Without sufficient evidence of domicile, Pertamina will still process your invoice, but it may get deduction of 20% (without PE) or 2.64% (with PE)

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- **Submission of invoicing documents**

Notes related to submission of invoicing documents

- As per Law of the Republic of Indonesia regarding value added tax (VAT), freight payment is subject to Value Added Tax (VAT). Since the invoice amount is excluding VAT, Pertamina will remit VAT directly to the account of the Government of Indonesia. The regulation obligated Pertamina to transfer this VAT to the account of the Government of Indonesia during the same month as the invoice date.
- Therefore, Pertamina could not process payment documents received after the 25th of each month. If the 25th falls on Saturday/Sunday or National Holiday, the last invoicing document submission is the last working day prior to the 25th.
- If complete invoicing documents, including original endorsed DGT-1 (or original non-endorsed DGT-1 plus original certificate of domicile) are received by Pertamina after the last date of document submission as above, Pertamina will process payment in the following month.
- In this case, Signing Party need to revise the invoice date to be within the following month, and consequently also need to revise Page 2 of DGT-1 (signing section) to be the same date as the revised invoice date. Fortunately since the endorsement is on DGT-1 Page 1, Signing Party do not need to get a new endorsement.

THANK YOU