

Controversy of tax treatment on hidden dividends applied in Indonesia

Deskripsi Lengkap: <https://lib.ui.ac.id/detail?id=20408956&lokasi=lokal>

Abstrak

In Indonesia, chargeable income includes dividends that are defined as profits distribution received by shareholder either directly or indirectly. Payments in relation to profits indication including payments received as redemption of profits indications, profits sharing in relation with bonds possession, and shareholder's personal expenses charged as company's expenses are also caught under dividends definition. Profit sharing in relation to convertible bonds possession will also be treated as dividends and not as interest payment. Anti-abuse rules on dividends are also put into dividends definition where shareholder's personal expenses charged as company's expenses are treated as hidden dividends payment. Furthermore, if the company is financed excessively by debt from its shareholder, then only the difference between the market interest rate and preferential interest rate (usually preferential interest rate is higher than market interest rate) of interest payment to the shareholder will be regarded as dividends and are non-deductible in the corporate level.