



# Double Taxation Avoidance Agreement between Indonesia and Saudi Arabia

## DEZAN SHIRA & ASSOCIATES

Corporate Establishment, Tax, Accounting & Payroll Throughout Asia

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Dezan Shira & Associates is a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinationals investing in emerging Asia.

**AGREEMENT BETWEEN  
THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
AND  
THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA  
FOR  
RECIPROCAL EXEMPTION OF TAXES AND CUSTOMS DUTIES ON THE ACTIVITIES OF AIR TRANSPORT  
ENTERPRISES OF THE TWO COUNTRIES**

**Article 1  
TAXES AND DUTIES COVERED**

1. This Agreement shall apply to taxes on income imposed on behalf of each Contracting State irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable property and taxes on the total amounts of wages or salaries paid by enterprises.
3. The existing taxes to which the Agreement shall apply are in particular:
  - (a) in the case of the Republic of Indonesia
    - (i) Corporate income tax;
    - (ii) Individual income tax and other taxes on income imposed under the Law No. 7 of 1983;  
(hereinafter referred to as "Indonesian tax");
  - (b) in the case of the Kingdom of Saudi Arabia
    - (i) Corporate income tax;
    - (ii) Individual income tax and other taxes on income  
(hereinafter referred to as "Saudi Tax");
4. This Agreement shall also apply to any identical or substantially similar taxes as are subsequently imposed in addition to, or in place of the existing taxes covered by this Agreement.
5. The two Contracting States undertake to extend exemption on all equipments mentioned in the schedule A and B annexed hereto imported in or exported from a Contracting State for the own use of the air transport enterprises of the other Contracting State from customs duties and charges. This list may be modified in writing by mutual consent.

**Article 2  
DEFINITIONS**

In this Agreement, unless the context otherwise requires:

- (a) the terms "a Contracting State" and "the other Contracting State" mean the Republic of Indonesia or the Kingdom of Saudi Arabia, as the context requires;
- (b) the terms "air transport enterprise of a Contracting State" and the "air transport enterprise of the other Contracting State" mean:
  - (i) in the case of Saudi Arabia, the Saudi Arabian Airlines Corporation or its successors;
  - (ii) in the case of the Republic of Indonesia, Garuda Indonesia or its successors;
- (c) the term "exercise of air transport" means the operational activity of transportation by air of

- persons, animals, goods and mail conducted by an enterprise of a Contracting State including sale of tickets and similar documents used for the purpose of transport;
- (d) the term "international traffic" means any transport by aircraft, owned, leased or chartered, operated by an enterprise of a Contracting State, except when such transport is made solely between places in the other Contracting State;
  - (e) the term "competent authority" means:
    - (i) in the case of the Republic of Indonesia, the Minister of Finance or his authorized representative;
    - (ii) in the case of the Kingdom of Saudi Arabia, the Ministry of Finance and National Economy; or its authorized representative;
  - (f) the term "resident of a Contracting State" means any person, who under the law of that State, is liable to taxation therein by reason of his domicile, residence, or any other criterion of a similar nature;
  - (g) the term "person" includes an individual, a corporation, a company or any other body or persons;
  - (h) the term "other payments" means social security insurance, old age annuity or pension, sickness or medical insurance, unemployment insurance or any other payments measured by income levied on the salaries and allowances of the employees by the law of the Contracting State.

### **Article 3**

#### **AIR TRANSPORT**

1. Income and profits derived by the air transport enterprise of a Contracting State from the exercise of air transport in international traffic shall be exempted from taxes in the other Contracting State.
2. The provisions of paragraph 1 shall also apply to income and profits derived by the air transport enterprise of a Contracting State from its participation in a pool or a joint business with the designated airline of the other State as referred to in Article 2 paragraph (b).
3. For the purposes of this Article, income and profits derived by air transport enterprise of a Contracting State, from the exercise of air transport in international traffic also include income and profits derived from:
  - (a) the rental, lease or maintenance of aircraft;
  - (b) training schemes, management and other services rendered by an air transport enterprise of one Contracting State to the air transport enterprise of the other Contracting State.

### **Article 4**

#### **REMUNERATION FOR PERSONAL SERVICES**

1. Remuneration derived in respect of an employment exercised on board of an aircraft operated in international traffic by the air transport enterprise of a Contracting State, shall be taxable only in that State.
2. Remuneration derived by an employee of an air transport enterprise of a Contracting State in respect of employment exercised in the other Contracting State shall, in accordance with the

laws and regulations in force of each Contracting State, be exempted from the taxes and the other payments in that other State unless he is a national of that other Contracting State.

**Article 5**

**MUTUAL AGREEMENT PROCEDURE**

Consultation may be requested at any time by either Contracting State for the purpose of amendment to the present Agreement or for its application or its interpretation. Such consultation shall begin within 60 days from the date of receipt of any such request and decisions shall be made by mutual consent.

**Article 6**

**ENTRY INTO FORCE**

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged in due course of time.
2. The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect, in a Contracting State, on any income arising on or after the first day of January 1989.
3. The Protocol shall form an integral part of this Agreement.

**Article 7**

**TERMINATION**

This Agreement shall remain in force indefinitely but can be terminated by either Contracting State by giving notice of termination at least six months before the end of any calendar year, in which case, this Agreement shall cease to have effect from the end of the calendar year in which the notice of termination is given.

In witness whereof the undersigned duly authorized thereto by their respective Governments, have signed this Agreement in the Arabic, Bahasa Indonesia and English languages. In case of dispute, the English text will prevail.

Done in Riyadh, on Saturday, the 9th of March 1991 corresponding to the 23 Shaban 1411H.

FOR THE GOVERNMENT OF THE  
REPUBLIC OF INDONESIA,  
AMBASSADOR OF THE REPUBLIC OF INDONESIA  
sgd  
E. SOEKASAH SOMAWIDJAJA

FOR THE GOVERNMENT OF  
KINGDOM OF SAUDI ARABIA,  
MINISTER OF FINANCE AND NATIONAL ECONOMY  
sgd  
MOHAMMED ABALKHAIL

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**PROTOCOL**

It is understood that prior to the initialling of the Agreement for the Reciprocal Exemption of Taxes and Custom Duties on the Activities of Air Transport Enterprises between the Government of the Kingdom of Saudi Arabia and the Government of the Republic of Indonesia, tax authorities of both countries have either issued tax assessment or enforced collection of tax on income derived by airlines of both countries.

The Saudi Delegation raised the problem of taxes imposed on GARUDA since 1977 and at the same time the Indonesian Delegation also raised the amount of taxes imposed on Saudia in indonesia since 1985.

It is understood that the effective date of the Agreement is the 1st of January 1989. However, it will also be applicable to any taxable years beginning from 1st January 1985.

Both air transport enterprises (GARUDA and SAUDIA) will solve their tax problems that arose before 1985 with tax authorities of both countries.

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#### SCHEDULE

Ground Equipment and Material to be exempted from Customs Duties:

A. CARS AND EQUIPMENT

1. Carts -- for transport of luggage and consignments (in/out Airport)
2. Loading/unloading Equipment -- small cranes
3. Pull cars-inside airport.  
(Items No. 1, 2 and 3 subject to the approval of the Minister of Trade).
4. Spare parts - for equipment listed herein.
5. House furniture and equipments for employees.
6. Office furniture and equipment.
7. Luggage Tags - different.
8. Catering utensils Butages, Dishes, Trays and Cups etc.
9. Tickets and Consignments notes (valuable documents).
10. Maintenance and repairing equipment.
11. Air-conditioning units (only used inside airport).
12. Communication Apparatuses (subject to approval of Minister of Tourism, Post and Telecommunication).

B. ADVERTISING AND SALES PROMOTION MATERIALS

1. Wall Calendar
2. Desk and Pocket Diaries
3. Desk Sets
4. Hand Bags
5. Watches
6. Lighters

7. Pens - different
8. Ash-Trays
9. Key Chains
10. Schedules/Pen Holders
11. Purses
12. Flags - different kinds of sizes
13. Aircraft models
14. Posters
15. Leaflets
16. Passport Covers
17. Stationary items

ALL SHOULD BEAR AIRLINE'S MOTTO/SYMBOL