

## LAMPIRAN

Surat Edaran Direktorat Jenderal Pajak

Nomor : SE-6/PJ/2024

Tanggal : 23 Juli 2024

## NASKAH SINTESIS KONVENSI DAN P3B INDONESIA-BULGARIA

Naskah ini merupakan naskah sintesis untuk penerapan P3B Indonesia-Bulgaria yang dimodifikasi dengan Konvensi yang ditandatangani Pemerintah Republik Indonesia dan Pemerintah Republik Bulgaria pada tanggal 7 Juni 2017.

Naskah sintesis ini disusun berdasarkan posisi Konvensi Indonesia yang disampaikan ke Penyimpan pada tanggal 28 April 2020 dan posisi Konvensi Republik Bulgaria yang disampaikan ke Penyimpan pada tanggal 16 September 2022. Posisi Konvensi dapat berubah sebagaimana yang diatur dalam Konvensi. Perubahan atas posisi Konvensi dapat mempengaruhi dampak Konvensi atas P3B Indonesia-Bulgaria.

Tujuan naskah sintesis ini hanyalah untuk membantu dalam memahami penerapan Konvensi terhadap P3B Indonesia-Bulgaria dan tidak dapat dijadikan sebagai sumber hukum. Naskah asli Konvensi dan P3B Indonesia-Bulgaria tetap menjadi dasar hukum yang berlaku.

Pokok-pokok pengaturan dalam Konvensi yang berlaku untuk P3B Indonesia-Bulgaria dinyatakan dalam kotak-kotak dalam konteks ketentuan yang relevan dari P3B Indonesia-Bulgaria. Kotak-kotak tersebut dimasukkan sesuai dengan urutan ketentuan dalam P3B Indonesia-Bulgaria.

Beberapa terminologi dalam Konvensi telah diubah untuk menyesuaikan dengan terminologi yang digunakan dalam P3B Indonesia-Bulgaria (seperti "*Covered Tax Agreement*" dan "*Convention*", "*Contracting Jurisdictions*" dan "*Contracting States*"), untuk mempermudah pemahaman atas Konvensi. Perubahan terminologi tersebut dimaksudkan untuk membantu pembaca dan bukan untuk mengubah substansi pengaturan dalam Konvensi. Lebih lanjut, beberapa bagian pengaturan dalam Konvensi juga diubah untuk menjelaskan ketentuan P3B Indonesia-Bulgaria yang saat ini berlaku: narasi deskriptif diganti dengan rujukan ketentuan P3B Indonesia-Bulgaria yang saat ini berlaku untuk membantu pembaca.

Seluruh rujukan ke ketentuan P3B Indonesia-Bulgaria harus dimaknai sebagai rujukan ke ketentuan P3B Indonesia-Bulgaria yang dimodifikasi Konvensi setelah Konvensi telah berlaku efektif.

#### Referensi

Posisi Konvensi Indonesia dan Republik Bulgaria yang disampaikan ke Penyimpan dapat dilihat di [laman Penyimpan Konvensi \(OECD\)](#).

#### Keberlakuan Efektif Konvensi

Pokok-pokok pengaturan dalam Konvensi yang berlaku untuk P3B Indonesia-Bulgaria tidak berlaku efektif pada saat yang sama dengan ketentuan P3B Indonesia-Bulgaria. Masing-masing pengaturan dalam Konvensi dapat berlaku efektif pada tanggal yang berbeda tergantung pada jenis pajaknya (pajak-pajak yang dipotong atau dipungut di negara sumber

atau pajak-pajak lainnya) dan pilihan yang dibuat oleh Pemerintah Republik Indonesia and Pemerintah Republik Bulgaria dalam posisi Konvensinya.

Tanggal penyampaian instrumen pengesahan: 28 April 2020 untuk Indonesia dan 16 September 2022 untuk Bulgaria.

Saat berlaku Konvensi: 1 Agustus 2020 bagi Indonesia dan 1 Januari 2023 bagi Bulgaria.

Berdasarkan Pasal 35 Konvensi, ketentuan-ketentuan dalam Konvensi yang diadopsi oleh Pemerintah Republik Indonesia dan Pemerintah Republik Bulgaria yang dinyatakan dalam kotak-kotak berlaku efektif untuk P3B Indonesia-Bulgaria:

- a. sehubungan dengan pajak-pajak yang dipotong atau dipungut di negara sumber atas pembayaran kepada atau dikreditkan oleh subjek pajak luar negeri, apabila kejadian yang menimbulkan pajak terjadi pada atau setelah 1 Januari 2024; dan
- b. sehubungan dengan pajak-pajak lainnya yang dikenakan pada tahun pajak yang dimulai pada atau setelah 1 Januari 2025.

The Government of the Republic of Indonesia and the Government of the Republic of Bulgaria;

**[REPLACED by paragraph 1 of Article 6 of the MLI]** *[DESIRING to conclude an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,]*

*The following paragraph 1 of Article 6 of the MLI replaces the text referring to an intent to eliminate double taxation in the preamble of this Agreement:*

**ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT**

*Intending to eliminate double taxation with respect to the taxes covered by the Agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the Agreement for the indirect benefit of residents of third jurisdictions),*

Have agreed as follows:

**Article 1  
PERSONAL SCOPE**

*This Agreement shall apply to persons who are residents of one or both of the Contracting States.*

**Article 2  
TAXES COVERED**

1. *This Agreement shall apply to taxes on income imposed on behalf of a 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 or immovable property.*
3. *The existing taxes to which the Agreement shall apply are:*
  - (a) *in Bulgaria:*
    - (i) *the tax on total income; and*
    - (ii) *the tax on profit,*  
*(hereinafter referred to as "Bulgarian tax")*
  - (b) *In Indonesia:*  
*the income tax imposed under the Undang-undang Pajak Penghasilan 1984 (Law No. 7 of 1983).*  
*(hereinafter referred to as "Indonesian tax")*
4. *This Agreement shall also apply to any identical or substantially similar taxes, which are imposed after the date of signature of this Agreement in addition to, or in place of, those referred to in paragraph 1 of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws within a reasonable period of time after such changes. In case any doubt arises in determining whether such taxes are identical or substantially similar the competent authorities of the Contracting States may consult each other, due regard being had to the provisions of Article 24 (Mutual agreement procedure).*

**Article 3**  
**GENERAL DEFINITIONS**

1. For the purpose of this Agreement, unless the context otherwise requires:
  - (a) (i) the term "Bulgaria" means the Republic of Bulgaria, and, when used in a geographical sense, means the territory over which it exercises its State sovereignty and jurisdiction, as well as the continental shelf and the exclusive economic zone over which it exercises sovereign rights according to the international law;
  - (ii) the term "Indonesia" comprises the territory of the Republic of Indonesia as Defined in its laws and the adjacent areas over which the Republic of Indonesia has sovereign rights or jurisdiction in accordance with international law;
  - (b) the term "person" means an individual, a legal person, including company, and any other body of persons treated as an entity for tax purposes;
  - (c) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
  - (d) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean, respectively, an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
  - (e) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
  - (f) the term "competent authority" means:
    - (i) in Bulgaria, the Minister of Finance or his authorized representative;
    - (ii) in Indonesia, the Minister of Finance or his authorized representative;
  - (g) the terms "a Contracting State" and "the other Contracting State" mean Bulgaria or Indonesia, as the context requires; the term "the Contracting States" means Bulgaria and Indonesia.
2. As regards the application of the Agreement by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Agreement applies.

**Article 4**  
**RESIDENT**

1. For the purpose of this Agreement, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his nationality, domicile, residence, place of head office or registration, place of management or any other criterion of a similar nature.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:
  - (a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
  - (b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;
  - (c) if he has an habitual abode in both States or in neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. *Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, the competent authorities of the States shall settle the question by mutual agreement, taking into consideration in which State the place of effective management of such person is situated.*

#### **Article 5**

##### **PERMANENT ESTABLISHMENT**

1. *For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.*
2. *The term "permanent establishment" includes especially:*
  - (a) *a place of management;*
  - (b) *a branch;*
  - (c) *an office;*
  - (d) *a factory;*
  - (e) *a workshop or shop;*
  - (f) *a mine, an oil or gas well, a quarry or any other place of extraction of natural resources, including ships, installations or other facilities for exploration or exploitation of natural resources.*
3. *The term "permanent establishment" likewise encompasses;*
  - (a) *a building site, a construction, assembly or installation project or supervisory activities in connection therewith, but only where such site, project or activities continue in one of the Contracting States for a period of more than 6 months;*
  - (b) *the furnishing of services, including consultancy services by an enterprise through employees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue (for the same or a connected project) within the country for a period or periods aggregating more than 120 days within any 12-month period.*
4. *Notwithstanding the provisions of the preceding paragraphs of this Article, the term "permanent establishment" shall be deemed not to include:*
  - (a) *the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the enterprise;*
  - (b) *the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;*
  - (c) *the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;*
  - (d) *the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;*
  - (e) *the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities of a preparatory or auxiliary character, for the enterprise;*
  - (f) *the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (a) to (e) provided that the overall activity is of a preparatory or auxiliary character.]*
5. **[REPLACED by paragraph 1 of Article 12 of the MLI]** *[Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of an independent status to whom paragraph 6 applies - is acting on behalf of an enterprise of the other Contracting State, and has, and habitually exercises, in a Contracting State an authority to conclude*

*contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 of this Article.]*

*The following paragraph 1 of Article 12 of the MLI replaces paragraph 5 of Article 5 of this Agreement:*

**ARTICLE 12 OF THE MLI - ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE ARRANGEMENTS AND SIMILAR STRATEGIES**

*Notwithstanding the provisions of Article 5 of this Agreement, but subject to paragraph 2, where a person is acting in a Contracting State on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:*

- a) in the name of the enterprise; or*
- b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or*
- c) for the provision of services by that enterprise,*

*that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise unless these activities, if they were exercised by the enterprise through a fixed place of business of that enterprise situated in that Contracting State, would not cause that fixed place of business to be deemed to constitute a permanent establishment under the definition of permanent establishment included in the provisions of Article 5 of this Agreement.*

6. **[REPLACED by paragraph 2 of Article 12 of the MLI]** *[An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.]*

*The following paragraph 2 of Article 12 of the MLI replaces paragraph 6 of Article 5 of this Agreement:*

**ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE ARRANGEMENTS AND SIMILAR STRATEGIES**

*Paragraph 1 of Article 12 of the MLI shall not apply where the person acting in a Contracting State on behalf of an enterprise of the other Contracting State carries on business in the first-mentioned Contracting State as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.*

7. *The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.*

*The following paragraph 1 of Article 15 of the MLI applies to provisions of this Agreement:*

**ARTICLE 15 OF THE MLI – DEFINITION OF A PERSON CLOSELY RELATED TO AN ENTERPRISE**

*For the purposes of Article 5 of the Agreement, a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.*

**Article 6**

**INCOME FROM IMMOVABLE PROPERTY**

1. *Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other Contracting State.*
2. *The term "immovable property" shall have the meaning which it has under the laws of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.*
3. *The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.*
4. *The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.*

**Article 7**

**BUSINESS PROFITS**

1. *The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only in so much of them as is attributable to that permanent establishment.*

2. *Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.*
3. *In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.*
4. *For the purpose of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.*
5. *Where profits include items of income which are dealt with separately in other Articles of this Agreement, the provisions of those Articles shall not be affected by the provisions of this Article.*

#### **Article 8**

#### **SHIPPING AND AIR TRANSPORT**

1. *Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable in that Contracting State.*
2. *The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.*

#### **Article 9**

#### **ASSOCIATED ENTERPRISES**

1. *Where:*
  - (a) *an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or*
  - (b) *the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,*

*and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.*
2. **[REPLACED by paragraph 1 of article 17 of the MLI]** *[Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the first-mentioned enterprise if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of*



*the Agreement and the competent authorities of the Contracting States shall consult each other.]*

*The following paragraph 1 of Article 17 of the MLI replaces paragraph 2 of Article 9 of this Agreement:*

**ARTICLE 17 OF THE MLI – CORRESPONDING ADJUSTMENTS**

*Where a Contracting Jurisdiction includes in the profits of an enterprise of that Contracting Jurisdiction - and taxes accordingly - profits on which an enterprise of the other Contracting Jurisdiction has been charged to tax in that other Contracting Jurisdiction and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting Jurisdiction if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting Jurisdiction shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of the Covered Tax Agreement and the competent authorities of the Contracting Jurisdictions shall if necessary consult each other.*

**Article 10  
DIVIDENDS**

1. *Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.*
2. *However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15% of the gross amount of the dividends. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation. The provisions of this paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.*
3. *The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.*
4. *The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.*
5. *Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed*

*profits, even if the dividends paid or the undistributed profits, consist wholly or partly of profits or income arising in that other State.*

6. *Notwithstanding any other provisions of this Agreement where a company which is a resident of a Contracting State has a permanent establishment in the other Contracting State, the profits of the permanent establishment may be subjected to an additional tax in that other State in accordance with its law, but the additional tax so charged shall not exceed 15% of the amount of such profits after deducting therefrom income tax and other taxes on income imposed thereon in that other State.*

## **Article 11 INTEREST**

1. *Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.*
2. *However, such interest may also be taxed in the Contracting State in which it arises, and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10% of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.*
3. *Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and derived by the Government of the other Contracting State including local authorities thereof, a political subdivision, the Central Bank or any financial institution controlled by that Government, shall be exempt in the first-mentioned State.*
4. *For the purposes of paragraph 3, the terms "the Central Bank" and "financial institution controlled by that Government" mean financial institution, the capital of which is wholly owned by the Government of a Contracting State, as may be agreed upon from time to time between the competent authorities of the Contracting States, and*
  - (a) *In the case of Bulgaria:  
the "Bulgarian National Bank"; and*
  - (b) *In the case of Indonesia:  
the "Bank Indonesia" (the Central Bank of Indonesia).*
5. *The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by a mortgage, and whether or not carrying a right to participate in the debtor's profits, and, in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income assimilated to income from money lent by the taxation law of the State in which the income arises, including interest on deferred payment sales.*
6. *The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.*
7. *Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority, or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on*

*which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.*

8. *Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.*

## **Article 12 ROYALTIES**

1. *Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.*
2. *However, such royalties may also be taxed in the Contracting State in which they arise, and according to the laws of that State, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed 10% of the gross amount of the royalties. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.*
3. *The term "royalties" as used in this Article means payments of any kind received as a consideration for the sale, the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph film or films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.*
4. *The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such a permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.*
5. *Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority, or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.*
6. *Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.*

**Article 13**  
**CAPITAL GAINS**

1. *Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.*
2. *Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.*
3. *Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in that State.*
4. **[MODIFIED by paragraph 4 of Article 9 of the MLI]** *[Gains from the alienation of any property other than that referred to in the preceding paragraphs shall be taxable only in the Contracting State of which the alienator is a resident.]*

*The following paragraph 4 of Article 9 of the MLI applies and supersedes paragraph 4 of Article 13 of this Agreement:*

**ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR  
INTEREST OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM  
IMMOVABLE PROPERTY**

*For purposes of this Convention, gains derived by a resident of a Contracting State from the alienation of shares or comparable interests in a partnership or trust, may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, these shares or comparable interest derived more than 50 per cent of their value directly or indirectly from immovable property (real property) situated in that other Contracting State.*

**Article 14**  
**INDEPENDENT PERSONAL SERVICES**

1. *Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities or he is present in that other State for a period or periods exceeding in the aggregate 91 days in any taxable year.*  
*If he has such a fixed base or remains in that other State for the aforesaid period or periods, the income may be taxed in that other State but only so much of it as is attributable to that fixed base or is derived in that other State during the aforesaid period or periods.*
2. *The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.*

**Article 15**  
**DEPENDENT PERSONAL SERVICES**

1. *Subject to the provisions of Articles 16, 18, 19 and 20, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that Contracting State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.*
2. *Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:*
  - a) *the recipient is present in that other State for a period or periods not exceeding in the aggregate 183 days within any taxable year; and*
  - b) *the remuneration is paid by, or on behalf of, an employer who is not a resident of that other State; and*
  - c) *the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.*
3. *Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State shall be taxable only in that State.*

**Article 16**  
**DIRECTORS FEES**

*Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or any other similar organ of a company which is a resident of the other Contracting State may be taxed in that other State.*

**Article 17**  
**ARTISTES AND ATHLETES**

1. *Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.*
2. *Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income shall, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.*
3. *Notwithstanding the provisions of paragraphs 1 and 2, income derived from activities referred to in paragraph 1 performed under a cultural agreement or arrangement between the Contracting States, or if the visit to that State is wholly or substantially supported by funds of the Contracting State of which the entertainer is a resident, of local authority or public institution thereof, shall be exempt from tax in the Contracting State in which the activities are exercised.*

**Article 18**  
**PENSIONS**

1. *Subject to the provision of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State may be taxable in that Contracting State.*

2. *Notwithstanding the provisions of paragraph 1, any pension or other similar remuneration paid to a resident of one of the Contracting States from a source in the other Contracting State in consideration of past employment or services in that other Contracting State and any annuity paid to such a resident from such a source may be taxed in that other State.*
3. *The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.*

#### **Article 19**

##### **GOVERNMENT SERVICE**

1. (a) *Remuneration, other than a pension, paid by a Contracting State, or a local authority thereof to an individual in respect of services rendered to that State or authority shall be taxable only in that State.*  
 (b) *However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other State and the individual is a resident of that State who:*
  - (i) *is a national of that State; or*
  - (ii) *became a resident of that State not solely for the purpose of rendering the service.*
2. (a) *Any pension paid by, or out of funds created by, a Contracting State or a local authority thereof to an individual in respect of services rendered to that State or authority shall be taxable only in that State.*  
 (b) *However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that other State.*
3. *The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a local authority thereof.*

#### **Article 20**

##### **TEACHERS, RESEARCHERS AND STUDENTS**

1. *An individual who visits a Contracting State at the invitation of that State or of a university, college, school, museum or other cultural institution of that State or under an official programme of cultural exchange for a period not exceeding two years solely for the purpose of teaching, giving lectures or carrying out research at such institution and who is, or was immediately before that visit, a resident of the other Contracting State shall be exempt from tax in the first-mentioned State on his remuneration for such activity, provided that such remuneration is derived by him from outside that State.*
2. *Payments which a student, apprentice or business trainee who is or was immediately before visiting a Contracting State, a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training, receives for the purpose of his maintenance, education or training, shall not be taxed in that first-mentioned State, provided that such payments are made to him from sources outside that State.*

#### **Article 21**

##### **OTHER INCOME**

1. *Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing articles of this Agreement shall be taxable only in that State.*

2. *The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.*
3. *Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing articles of this Agreement and arising in the other Contracting State may be taxed in that other State.*

## **Article 22**

### **METHOD FOR ELIMINATION OF DOUBLE TAXATION**

1. *In Bulgaria, double taxation shall be eliminated in the following manner:*
  - (a) *Where a resident of Bulgaria derives income which in accordance with the provisions of this Agreement may be taxed in the other Contracting State, the first-mentioned State shall exempt such income or capital from tax. Such income may, nevertheless, be taken into account in calculating the amount of the tax on the remaining income or capital of such resident.*
  - (b) *Notwithstanding the provisions of subparagraph (a), where a resident of Bulgaria derives interest or royalties which, in accordance with the provisions of Articles 11 and 12 of this Agreement, may be taxed in Indonesia. Bulgaria shall allow as a deduction from the tax on the income of that resident an amount equal to the tax actually paid in Indonesia. Such deduction shall not, however, exceed that part of the Bulgarian tax, as computed before the deduction is given, which is attributable to such items of the income derived in Indonesia.*
2. *In Indonesia, double taxation shall be eliminated in the following manner:*
  - (a) *Where a resident of Indonesia derives income which in accordance with the provisions of this Agreement may be taxed in Bulgaria, the amount of Bulgarian tax payable in respect of the income shall be allowed as a credit against the Indonesian tax imposed on that resident. The amount of credit, however, shall not exceed that part of the Indonesian tax which is appropriate to such income.*
  - (b) *For the purpose of allowance as a credit referred to in subparagraph (a) of this paragraph the tax paid in Bulgaria shall be deemed to include the tax which is otherwise payable but has been reduced or waived by Bulgaria under its legal provisions for tax incentives. However, the provisions of this paragraph will be applicable in accordance with the Indonesian law in force.*

## **Article 23**

### **NON-DISCRIMINATION**

1. *Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.*

2. The term "nationals" means:
  - (a) All individuals possessing the nationality of a Contracting State;
  - (b) All legal persons, partnerships and associations deriving their status as such from the laws in force in a Contracting State.
3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State and taxation on independent personal services shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.
4. Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals resident in that State.
5. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.
6. For the purpose of determining the taxable income of a resident of one of the Contracting States interest, royalties and other disbursements paid by a resident of a Contracting State to a resident of the other Contracting State shall be deductible under the same conditions, as if they have been paid to a resident of the first-mentioned State.
7. In this Article the term "taxation" means taxes which are the subject of this Agreement.

#### **Article 24**

##### **MUTUAL AGREEMENT PROCEDURE**

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Contracting States of which he is a national. **[REPLACED by second sentence of paragraph 1 of Article 16 of the MLI]** [The case must be presented within two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.]

The following second sentence of paragraph 1 of Article 16 of the MLI replaces the second sentence of paragraph 1 of Article 24 of this Agreement:

##### **ARTICLE 16 OF THE MLI - MUTUAL AGREEMENT PROCEDURE**

The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Covered Tax Agreement.

2. **[MODIFIED by second sentence of paragraph 2 of Article 16 of the MLI]** [The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with this Agreement.]



*The following second sentence of paragraph 2 of Article 16 of the MLI applies to paragraph 2 of Article 24 of this Agreement:*

**ARTICLE 16 OF THE MLI - MUTUAL AGREEMENT PROCEDURE**

*Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting Jurisdictions.*

3. *The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.*
4. *The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. The competent authorities, through consultations, shall develop appropriate bilateral procedures, conditions, methods and techniques for the implementation of the mutual agreement procedure provided for in this Article.*

**Article 25**

**EXCHANGE OF INFORMATION**

1. *The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement, insofar as the taxation thereunder is not contrary to the Agreement in particular for the prevention of fraud or evasion of such taxes. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State. However, if the information is originally regarded as secret in the transmitting State it shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes which are the subject of the Agreement. Such persons or authorities shall use the information only for such purposes but may disclose the information in public court proceedings, or in judicial decisions.*
2. *In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation:*
  - (a) *to carry out administrative measures at variance with the laws and administrative practice of that or, of the other Contracting State;*
  - (b) *to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;*
  - (c) *to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure or which would be contrary to public policy (ordre public).*

**Article 26**

**MISCELLANEOUS RULES**

*The provisions of this agreement shall not be construed to restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded:*

- (a) *by the laws of a Contracting State in the determination of the tax imposed by that State,*  
or

(b) *by any other special arrangement on taxation in connection with the economic or technical cooperation between the Contracting States.*

#### **Article 27**

##### **DIPLOMATIC AGENTS AND CONSULAR OFFICERS**

*Nothing in this Agreement shall affect the fiscal privileges of diplomatic agents or consular officers under the general rules of international law or under the provisions of special Agreements.*

*The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Agreement:*

##### **ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE (Principal purposes test provision)**

*Notwithstanding any provisions of the Agreement, a benefit under the Agreement shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Agreement.*

#### **Article 28**

##### **ENTRY INTO FORCE**

1. *This Agreement shall enter into force on the later of the dates on which the respective Governments notify each other in writing that the formalities constitutionally required in their respective States have been complied with.*
2. *This Agreement shall have effect:*
  - (a) *in respect of tax withheld at source, on or after 1 January in the year next following that in which the Agreement enters into force;*
  - (b) *in respect of other taxes, for taxable years beginning on or after 1 January in the year next following that in which the Agreement enters into force.*

#### **Article 29**

##### **TERMINATION**

*This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving written notice of termination on or before the thirtieth day of June of any calendar year following after the period of 5 years from the year in which the Agreement enters into force.*

*In such case, the Agreement shall cease to have effect:*

- (a) *in respect of tax withheld at source, on or after 1 January in the year next following that in which the notice of termination is given; and*
- (b) *in respect of other taxes, for taxable years beginning on or after 1 January in the year next following that in which the notice of termination is given.*

*IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.*

*DONE in duplicate in Sofia on the eleventh day of January in the year 1991 in the English Language, both texts being equally authentic.*

FOR THE GOVERNMENT OF  
THE REPUBLIC OF INDONESIA

FOR THE GOVERNMENT OF  
THE REPUBLIC OF BULGARIA

Signed

Signed

### **PROTOCOL**

*At the moment of the signing of the Agreement between the Government of the Republic of Indonesia and the Government of the Republic of Bulgaria for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, the undersigned have agreed that the following provisions shall form an integral part of the Agreement:*

*1. Ad Article 3, paragraph (d):*

*It is understood that in the case of Bulgaria the term "enterprise" shall include also enterprises of individuals, whether legal persons or not.*

*2. Ad Article 5, paragraph 4, subparagraphs (a) and (b) and paragraph 5:*

*It is understood that the use of facilities solely for the purpose of mere delivery of goods or merchandise and the maintenance of a stock of goods or merchandise solely for the purpose of mere delivery shall not be treated as permanent establishment for the purposes of this Agreement. On the contrary, the regular delivery in such cases and in the case of activities of a person - other than acting as an agent of an independent status on behalf of an enterprise and who habitually maintains a stock of goods or merchandise in the other Contracting State shall be deemed to be a permanent establishment for the purposes of this Agreement.*

*3. Ad Article 5, paragraph 4:*

*It is understood that the goods exposed on the sample fair or exhibition which are to be sold after the closing of such fair or exhibition shall not be considered as permanent establishment for the purposes of this Agreement.*

*4. Ad Article 5, paragraph 6:*

*It is understood that where a broker, a general commission agent or any other agent of an independent status, acting in a Contracting State wholly or almost wholly for an enterprise of the other Contracting State, he shall not be considered to be an agent of an independent status within the meaning of the said paragraph.*

**[REPLACED by paragraph 2 of Article 12 of the MLI]** *[It is understood that where a broker, a general commission agent or any other agent of an independent status, acting in a Contracting State wholly or almost wholly for an enterprise of the other Contracting State, he shall not be considered to be an agent of an independent status within the meaning of the said paragraph.]*

<p><i>The following paragraph 2 of Article 12 of the MLI replaces paragraph 6 of Article 5 of this Agreement:</i></p>
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**ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE ARRANGEMENTS AND SIMILAR STRATEGIES**

*Paragraph 1 of Article 12 of the MLI shall not apply where the person acting in a Contracting State on behalf of an enterprise of the other Contracting State carries on business in the first-mentioned Contracting State as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.*

**5. Ad Article 7:**

- (a) *In respect of paragraph 1, the term "profits attributable to that permanent establishment" shall include profits derived by an enterprise of a Contracting State in the other Contracting State from the sale of goods or merchandise from the same kind as those sold through the permanent establishment, situated in that other State, or from other business activities from the same kind as those performed through this permanent establishment, and those profits shall be taxable in that other State provided that the permanent establishment has contributed in any manner in those sales or activities.*
- (b) *In respect of paragraph 3, it is agreed that while determining the profits of a permanent establishment, no deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or except in the case of a banking enterprise by way of interest on money lent to the permanent establishment. Likewise no account shall be taken, in the determination of the profits of a permanent establishment, for amounts charged, (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or except in the case of a banking enterprise by way of interest on money lent to the head office of the enterprise or any of its other offices.*

**6. Ad Article 10, paragraph 6:**

*The provisions of this paragraph shall not affect the provisions contained in any production sharing contract and contracts of work (or any other similar contracts) relating to oil and gas sector or other mining sector concluded by the Government of Indonesia, its instrumentality, its relevant State oil and gas company or any other entity thereof with a person who is a resident of Bulgaria.*

**7. Ad Article 19:**

*The term "services rendered to that State or authority" includes especially services rendered by individuals who receive remuneration from the State budget or from the budget of such*

authority to which the services are rendered. The provisions of paragraphs 1 and 2 of Article 19 shall likewise apply in respect of remuneration or pensions paid:

- (a) in the case of Bulgaria, by the Bulgarian National Bank, the Committee for Tourism, Committee for Radio and Television, and the Bulgarian Telegraphic Agency; and
- (b) in the case of Indonesia, by the "Bank Indonesia" (the Central Bank of Indonesia), the Tourist Promotion Board and the Broadcasting System of the Republic of Indonesia; and

for remuneration and pensions paid by any agency or institution wholly owned by the State or local authority thereof, as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States.

8. *Ad Article 21:*

Article 21 shall not apply for the taxation of fees for technical services. The last-mentioned services shall remain taxable under paragraph 3, subparagraph (b) of Article 5.

Done in duplicate in Sofia on the eleventh day of January in the year 1991 in the English language, both texts being equally authentic.

FOR THE GOVERNMENT OF  
THE REPUBLIC OF INDONESIA

FOR THE GOVERNMENT OF  
THE REPUBLIC OF BULGARIA

Signed

Signed

EXCHANGE OF NOTES  
Sofia, 11th January, 1991

Excellency,

*I have the honour to acknowledge the receipt of Your Excellency's Note of today's date which reads as follows:*

*"I have the honour to refer to the Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Indonesia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income which was signed today and to confirm on behalf of the Government of the Republic of Bulgaria the following understanding reached between the two Governments:*

*With reference to Article 5*

*Both Governments expressed different opinions as far as taxation of insurance enterprises are concerned in the case when such enterprises collect premiums in the other Contracting State or insure risks therein through an employee or through a representative who is not an agent with an independent status. The Bulgarian Government expressed the view that the present status of the development of mutual economic relations makes impossible such activities on behalf of Bulgarian insurance enterprises.*

*His Excellency  
Mr. Ivan Kostov  
Minister of Finance of the Republic of Bulgaria"*

*Herewith I would like to confirm that if the development of mutual economic relationship causes such a case to occur, an insurance enterprise of a Contracting State shall, except with regard to reinsurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in that other State or insures risks therein through an employee or through a representative who is not an agent of an independent status within the meaning of Article 5 paragraph 6 of the Agreement.*

*I have further the honour to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of Your Excellency's Government.*

*I avail myself of this opportunity to extend to Your Excellency the assurances of my highest consideration."*

*I have further the honour to confirm the foregoing understanding contained in Your Excellency's Note, on behalf of the Government of the Republic of Indonesia.*

*Please accept, Excellency, the assurances of my highest consideration.*

*A. Kobir Sasradipoera  
Ambassador of the Republic of Indonesia*

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Direktur Jenderal Pajak



Ditandatangani secara elektronik  
Suryo Utomo

