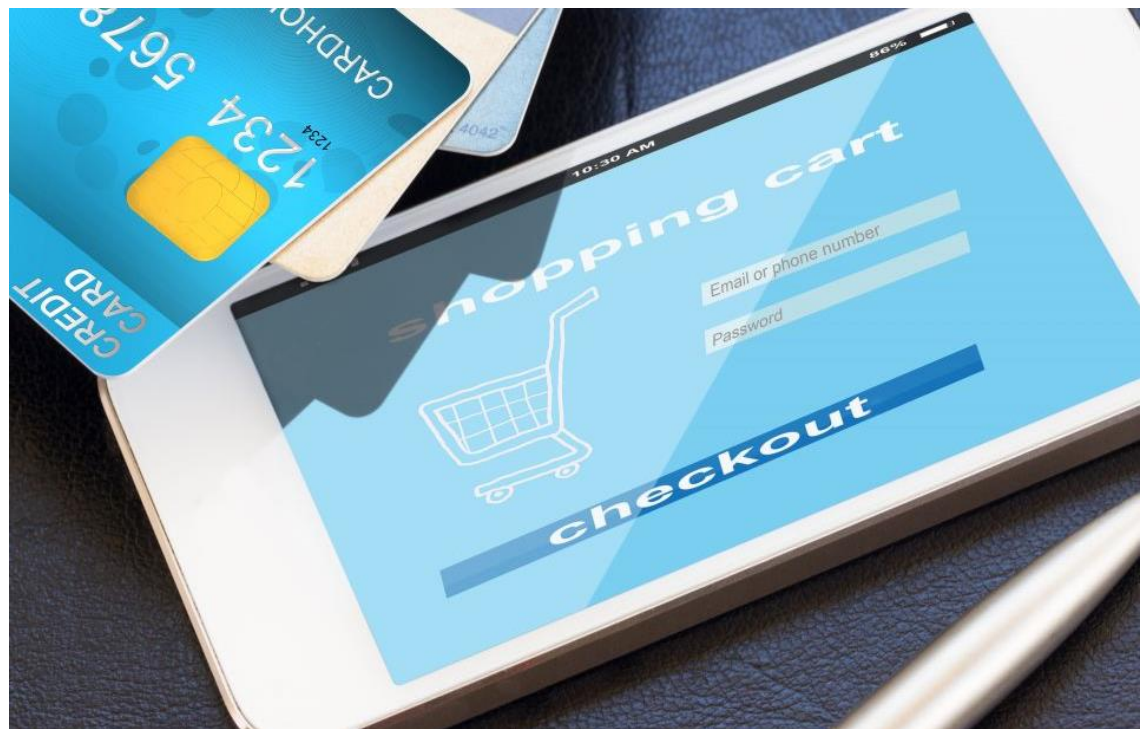


## Indonesian Tax Info July 2015



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## Update on Sales Tax on Luxury Goods

The Minister of Finance (“MoF”) has issued Regulation number 106/PMK.010/2015 (“PMK-106”) to update the types of Taxable Goods categorized as luxurious other than motor vehicles that are subject to Sales Tax on Luxury Goods (“LGST”), with tariffs ranging from the rate of 20%, 40%, and 50% up to the highest rate of 75%. This PMK-106 replaces MoF Regulation number 121/PMK.011/2013 as amended by MoF Regulation number 130/PMK.011/2013 (“PMK-130”).

The key changes stipulated under PMK-106 are:

- PMK-106 abolishes the imposition of LGST on certain categories of goods (such as household equipment, electronic goods, televisions and air conditioners, and sport equipment) that were previously subject to LGST rates of 10% and 30% under PMK-130.
- In addition, PMK-106 also removes several items from the imposition of LGST (such as leather goods, luxurious household items, perfume and precious metals).

This new rule is intended to promote the consumption of locally produced products so as to support and contribute to domestic economic growth, and to discourage the importation of luxurious goods.

**PMK-106 is effective from 9 July 2015.**



## Article 22 Income Tax (“PPh22”) on Importation and other Business Activities

The MoF has issued Regulation number 107/PMK.010/2015 (“PMK-107”) as the fourth amendment of MoF Regulation number 154/PMK.03/2010 (“PMK-154”) concerning collection of Article 22 Income Tax (“PPh22”) in connection with payments for deliveries of goods and activities in the import sector or business activities in other sectors.

There are significant changes under PMK-107, in that it has added a new category of goods which are subject to 10% PPh22 regardless of whether the importer has an Import Identification Number (API) or not.

The following table summarizes the PPh22 rates imposed on importation of goods:

Rate	Type of goods
10% (new – with or without API)	Certain Goods, including: <ol style="list-style-type: none"> <li>Perfume and liquid fragrances</li> <li>Carpets and other textile floor coverings, woven, whether finished or not</li> <li>Footwear with outer soles of rubber, plastic, leather or composition leather and uppers of leather</li> <li>Other goods from precious metals or from metal coated with precious metal</li> </ol>
7.5% (With or without API)	Certain Other Goods, including: <ol style="list-style-type: none"> <li>Cutlery, kitchen equipment, other household equipment and toilet equipment, of plastic.</li> <li>Monitor and projectors, not combined with television receivers; television receivers, whether or not combined with radio broadcast receivers or sound or video recording or replication apparatus.</li> <li>Motorcycles (including mopeds) and bicycles equipped with auxiliary motors, with or without sidecars; sidecars.</li> </ol>
2.5% (With API)	Other than Certain Goods and Certain Other Goods using API, except for imports of soybeans, wheat, and wheat flour at 0.5% of the Import Value.
7.5% (Without API)	Other than Certain Goods and Certain Other Goods not using API.

PPh22 of 1.5% is now also imposed on certain exported goods, namely, Coal, Metal Mineral and Non-Metal Mineral Mining Commodities.

The 66 mining commodities that are now objects of PPh22 on export are classified into 34 categories of mined minerals as follows:

1. Unroasted iron pyrites	18. Iron ore and its concentrates
2. Sulphur of all kinds	19. Manganese ore and its concentrates
3. Natural graphite	20. Nickel ore and its concentrates
4. Natural sand of all kinds	21. Cobalt ore and its concentrates
5. Quartz (other than natural sand) and quartzite	22. Aluminum ore and its concentrates
6. Kaolin and other kaolin clays	23. Lead ore and its concentrates
7. Other clays, andalusite, kyanite and sillimanite	24. Zinc ore and its concentrates
8. Natural calcium phosphates, natural calcium phosphates, and phosphatic chalk	25. Tin ore and its concentrates
9. Natural barium sulphate (barytes) and natural barium carbonate	26. Chromium ore and its concentrates
10. Natural magnesium carbonate	27. Tungsten ore and its concentrates
11. Gypsum, anhydrite, plasters	28. Molybdenum ore and its concentrates
12. Asbestos	29. Titanium ore and its concentrates
13. Mica	30. Niobium, tantalum, vanadium or zirconium ores and their concentrates
14. Natural steatite	31. Precious metal ores and their concentrates
15. Natural borate and its concentrates	32. Other ores and their concentrates
16. Feldspar, leucite, nepheline, and fluor spar	33. Coal, briquettes, ovoid and other similar solid fuels
17. Minerals not described or included elsewhere.	34. Lignite, not including jet

Through this policy, the government aims to collect more tax revenue in advance upon imports and exports.

This PPh22 is not of a final nature and can be credited in the same fiscal year (domestic tax credit) by the Taxpayer from which it is collected; thus it may result in tax overpayment for many importers and exporters.

**Regulation PMK-107 becomes effective 60 days from 9 June 2015.**

### **Update on Entertainment Tax in DKI Jakarta Province**

The Governor of the Jakarta Special Capital District (DKI Jakarta) Province has issued DKI Jakarta Provincial Regulation number 3 of 2015 ("Perda-3/2015") as an amendment of Regulation number 13 of 2010 ("Perda-13/2010").

The key changes are:

1. Excluding golf activity from Entertainment Tax, following the issuance of the recent decision issued by the Constitutional Court number 52/PUU-IX/2011 dated 18 July 2012 that golf activity is no longer an object of Entertainment Tax.
2. Replacing the single rate with progressive rates. Traditional entertainments can now enjoy zero or lower rates, while some national and international type of entertainments will be subject to a higher and increased rates. The objective is to promote preservation of traditional/folk arts, development of national culture, and athletic achievements by the nation's youth, which are conducted in places that can be visited by all levels of society.

The following table summarizes the Entertainment Tax rates imposed within the Province of DKI Jakarta, based on the types of entertainment (e.g. traditional, national and international):

Object		Rate	
Old	New	Old	New
Artistic, music, dance and/or fashion performances/shows	Artistic performances (music, dance, and/or fashion) of local/traditional standard	10%	0%
	Artistic performances (music, dance, and/or fashion) of national standard		5%
	Artistic performances (music, dance, and/or fashion) of international standard		15%
Beauty contests	Beauty contests of traditional/local class	10%	0%
	Beauty contests of national class		5%
	Beauty contests of international class		15%
Exhibitions	Exhibitions (non-commercial)	10%	0%
	Exhibitions (commercial)		10%
Discotheque, karaoke, nightclub, pub, bar, live music, music with Disc Jockey (DJ) and the like	Discotheque, karaoke, nightclub, pub, bar, live music, music with Disc Jockey (DJ) and the like	20%	25%
Circus, acrobat, and magician	Circus, acrobat, and magician of local/traditional standard	10%	0%
	Circus, acrobat, and magician of national and international standard		10%
Billiards and bowling	Billiards and bowling	10%	10%
Ice skating	-	10%	-
Golf (green fee)	-	15%	-
Driving range	-	10%	-
Horse racing	Horse racing (local/traditional)	10%	5%
	Horse racing (national and international)		15%
Arcade game	Arcade game	10%	10%
Massage parlor, steam bath, and spa	Massage parlor, reflexology, steam bath/spa	20%	35%
Reflexology and fitness center	Reflexology and Fitness Center	10%	10%
Sporting events	Sporting events (traditional/local)	5%	0%
	Sporting events (national)		5%
	Sporting events (international)		15%

Object		Rate	
Old	New	Old	New
Entertainment held in public places: tourism venues, recreation/ family recreation parks, night markets, fishing ponds, merry-go-rounds, excursion cars, and the like	-	10%	-
<u>Excluded as object of Entertainment Tax:</u>  Entertainment for which no payment is collected at weddings, traditional ceremonies, religious activities, and book exhibitions	<u>Excluded as object of Entertainment Tax:</u>  Entertainment for which no payment is collected	-	-

Perda-3/2015 is effective from 7 May 2015.

### New Threshold on Non-Taxable Income for Individual Taxpayers

The government has increased the Non-Taxable Income (PTKP) threshold for individual taxpayers (i.e., personal deduction in calculation of personal taxable income) through MoF Regulation Number 122/PMK.010/2015 ("PMK-122"), which was stipulated and enacted on 29 June 2015.

The previous and the new thresholds are compared as follows:

Basic of Deduction	Deductible Amount (per year)	
	Previous Threshold	New Threshold (PMK-122)
Taxpayer	IDR 24,300,000	IDR 36,000,000
Spouse	IDR 2,025,000 (additional IDR 24,300,000 for a wife whose income is combined with her husband's)	IDR 3,000,000 (additional IDR 36,000,000 for a wife whose income is combined with her husband's)
Dependents	IDR 2,025,000 each (up to a maximum of 3 individuals related by blood or marriage)	IDR 3,000,000 each (up to a maximum of 3 individuals related by blood or marriage)

The new threshold is effective as of fiscal year of 2015. In relation to the change, withholders may need to recalculate the employment income withholding tax (PPh21) for previous tax periods and amend the relevant monthly tax returns.

A further implementing guideline is expected to be issued soon.

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