



Indonesia Tax Info March 2022

Final income tax rates for construction services updated

On 21 February 2022, the Indonesian government issued Regulation Number 9 of 2022 (PP-9) to update the final income tax rates for construction services that were previously regulated under Regulation Number 51 of 2008 (as amended by Regulation Number 40 of 2009) (PP-51). PP-9 comes into effect as from 21 February 2022. In general, construction services are subject to Article 4(2) final income tax, which is withheld either by the party receiving the service or through self-assessment by the service provider.

Unlike PP-51 where construction services are divided into planning, performance, and supervision of construction work, PP-9 divides construction services as follows:

- Consultation regarding construction work, including complete or partial activities of assessment, planning, design, supervision, and management of the construction of a building;
- Performance of construction work, including the construction, operation, maintenance, demolition, and reconstruction of a building; and

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- Performance of integrated construction work, including a combination of performance of construction works and construction consultation services, which includes an engineering, procurement, and construction (EPC) model and a combined design and build model.

The applicable new final income tax rates are based on the type of construction services provided and the service provider's business classification and qualification certificate issued by certain authorized regulatory bodies. The authorized regulatory bodies include:

- A business certification institution established by a business association accredited by the Ministry of Public Work and Housing and recorded by a construction service development institute (*lembaga pengembangan jasa konstruksi*);
- A business certification institution accredited by the Minister of Energy and Mineral Resources (MoEMR);
- MoEMR; and
- Professional certification body (*lembaga sertifikasi profesi*) (for construction services provided by individuals).

The new final income tax rates are shown in the table below:

Construction service	Final income tax rate*
Performance of construction work by a service provider with a small corporate business qualification certificate (<i>sertifikat badan usaha kualifikasi kecil</i>) or certificate of work competency for individuals (<i>sertifikat kompetensi kerja untuk usaha orang perseorangan</i>)	1.75%
Performance of construction work by a service provider without a corporate business qualification certificate or certificate of work competency for individuals	4%
Performance of construction work by a service provider with a medium, large, or specialist business qualification	2.65%
Performance of integrated construction work by a service provider with a corporate business qualification certificate	2.65%
Performance of integrated construction work by a service provider without a corporate business qualification certificate	4%
Consultation regarding construction work carried out by a service provider with a corporate business qualification certificate or certificate of work competency for individuals	3.5%
Consultation regarding construction work carried out by a service provider without a business qualification certificate or certificate of work competency for individuals	6%

* If the provider of construction service is a permanent establishment (PE), the final income tax rates listed in the table do not include the branch profit tax that is applicable to a PE.

PP-9 provides that, where an agreement to provide a construction service is signed before 21 February 2022, payments made up to 20 February 2022 will be subject to final income tax rates under PP-51 while payments made on or after 21 February 2022 will be subject to new final income tax rates under PP-9.

PP-9 also stipulates that all the existing implementing regulations under PP-51 remain valid as long as they do not contradict PP-9. The implementation of final income tax rates under PP-9 will be evaluated by the Minister of Finance (MoF) three years after PP-9 comes into effect. Based on the evaluation, income from construction services may be subject to regular income tax under Article 17 of the Income Tax Law.

List of business sectors eligible for investment under voluntary disclosure program issued

Regulation Number 196/PMK.03/2021 (PMK-196) regarding the voluntary disclosure program (VDP) for unreported assets issued by the MoF in December 2021 (please refer to [Tax Alert January 2022](#)), stipulates that the MoF will determine the natural resources processing and renewable energy sectors in which taxpayers may invest to fulfill the investment requirement under the VDP. On 24 February 2022, the MoF issued Decision Letter Number 52/KMK.010/2022 (KMK-52) providing the list of eligible sectors for investment. Under the VDP schemes (VDP I and VDP II), reduced tax rates are available where assets located in Indonesia or located outside Indonesia but repatriated to Indonesia are invested in certain investment instruments. Taxpayers that have declared their intention to invest in eligible projects or instruments must make the investment by 30 September 2023.

KMK-52 provides a list of 332 Indonesian Standard Industrial Classifications (*Klasifikasi Baku Lapangan Usaha Indonesia* (KBLIs)) as the natural resources processing, renewable energy, and relevant supporting sectors that are eligible for investment under the VDP. The KBLIs cover the following business categories:

- Geothermal industry;
- Processing industry;
- Supply of electricity, gas, steam/hot water, and cold air;
- Water management, wastewater management, waste management and recycling, and remediation activities;
- Transportation and warehousing; and
- Information and communication.

Taxpayers participating in the VDP may wish to review the list of KBLIs in KMK-52 to see if the industry sectors in which they may be interested in investing are included. Otherwise, taxpayers may opt to invest in state securities (i.e., government bonds and government/state sharia securities) purchased from a primary dealer (a bank or securities company appointed by the MoF) in a primary market using the private placement mechanism as the investment instrument to fulfill the VDP requirement.

KMK-52 provides a list of natural resources processing, renewable energy, and relevant supporting sectors that are eligible for investment under the VDP.

Customs Focus

Addition of goods classification and imposition of import duty tariffs on imported goods for motor vehicle industry

The MoF has issued Regulation Number 13 of 2022 (PMK-13) to amend the provision in Regulation Number 17 of 2020 (PMK-17) regarding the Determination of Goods Classification System and Imposition of Import Duty Tariffs on Imported Goods in the transportation industry. PMK-13 aims to encourage the development of four-wheeled or more motor vehicle industry and the acceleration of battery-based electric motor vehicle program for road transportation.

Under PMK-13, there are additional tariff items on the structure of goods classification and the imposition of import duty tariffs in the 2022 Indonesian Customs Tariff Book (*Buku Tarif Kepabeanan Indonesia (BTKI)*), namely in Chapter 98 concerning Special Provisions for the Transportation Industry. The additions are listed under item 9801 **subitem 9801.90**, while the list under item 9801 in the PMK-17 was only up to subitem 9801.80.

The details of subitem 9801.90 are as follows:

No.	Tariff item	Goods description	Import duty
	9801	Motorized vehicles in an incompletely disassembled state; the chassis with the engine installed in an incompletely disassembled state	
	9801.90	- Four-wheeled or more electric motorized vehicles with only a battery-based electric motor for propulsion:	
10819a	9801.90.10	-- Road tractors for semi-trailers of subitem 8701.20	0%
10819b	9801.90.20	-- Motorized vehicles for the transport of ten people or more, including drivers, of subitem 8702.40	0%
10819c	9801.90.30	-- Motorized vehicles for the transport of other people of subitem 8704.90	0%
10819d	9801.90.40	-- Vehicles transporting goods of subitem 8704.90	0%
10819e	9801.90.50	-- Chassis equipped with an electric motor for propulsion of item 87.06	0%

PMK-13 shall apply to customs documents for imported goods registered as of the date this regulation comes into effect, i.e., 28 February 2022.

PMK-13 adds certain electric motorized vehicles to BTKI to provide import duty incentives to support the development of transportation industry in Indonesia.

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

Business Tax

Melisa Himawan
Tax & Legal Leader
mehimawan@deloitte.com

Business Tax, M&A and Tax

Management Consulting
John Lauwrenz
jlauwrenz@deloitte.com

Transfer Pricing

Roy David Kiantiong
rkiantiong@deloitte.com

Business Tax and International Tax

Cindy Sukiman
csukiman@deloitte.com

Business Tax and Business Process Solutions

Ratna Lie
ratnalie@deloitte.com

Transfer Pricing

Balim
bbalim@deloitte.com

Business Tax

Dionisius Damijanto
ddamijanto@deloitte.com

Business Tax, Business Process Solutions and Gi3

Roy Sidharta Tedja
roytedja@deloitte.com

Transfer Pricing

Shivaji Das
shivdas@deloitte.com

Business Tax

Heru Supriyanto
hsupriyanto@deloitte.com

Business Tax, Indirect Tax and Global Trade Advisory (Customs)

Turmanto
tturmanto@deloitte.com

Transfer Pricing

Sandra Suhenda
ssuhenda@deloitte.com

Business Tax

Reggy Widodo
rwidodo@deloitte.com

Global Employer Services and Business Process Solutions

Irene Atmawijaya
iatmawijaya@deloitte.com

Global Employer Services

Sri Juliarti Hariani
shariani@deloitte.com

Deloitte Touche Solutions

The Plaza Office Tower, 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 5081 8000
Fax: +62 21 2992 8303
Email: iddttl@deloitte.com
www.deloitte.com/id

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