# TaxFlash

## *Higher non-taxable income in 2015!*

The Minister of Finance (MoF) has recently released an increase in non-taxable income (*Penghasilan Tidak Kena Pajak/PTKP*) for calculating individual income tax through the issue of Regulation No.122/PMK.010/2015 (PMK-122). PMK-122 is dated 29 June 2015 and sets out new PTKP that is effective starting Tax Year 2015.

Below is the comparison between the old and new PTKP per annum (in Rupiah):

| No. | Type | PTKP | |
|---|---|---|---|
| | | Old | New |
| 1 | Individual taxpayer | 24,300,000 | 36,000,000 |
| 2 | Additional for a married taxpayer | 2,025,000 | 3,000,000 |
| 3 | Additional for a working wife whose income is combined with her husband's income | 24,300,000 | 36,000,000 |
| 4 | Addition for each dependant of blood relatives and relatives by marriage in straight lineage, and adopted children (maximum 3) | 2,025,000 | 3,000,000 |

The increase of the PTKP may reduce government's tax revenue; however, parliament finally supported this adjustment as it is aiming to increase the purchasing power of mid-level taxpayers, hence encouraging businesses to grow and economic conditions to improve.

PMK-122 will be followed by a Director General of Tax (DGT) Regulation which provides further guidance on the use of the new PTKP in the calculation of individual income tax.

## *Luxurious goods subject to Article 22 Income Tax – an update*

On 12 June 2015 the DGT issued Regulation No.PER-24/PJ/2015 (PER-24) as the implementing regulation of MoF Regulation No.90/PMK.03/2015 regarding certain very luxurious goods subject to Article 22 Income Tax (*PPh 22*). PER-24 amends the previous DGT Regulation No.PER-19/PJ/2015 (PER-19).

PER-24 changes the selling price base which was stipulated as <u>including</u> Value Added Tax (VAT) and/or Luxury-goods Sales Tax (LST) in PER-19 to become <u>excluding</u> VAT and/or LST. Therefore, this change effectively increases the threshold of luxurious goods subject to PPh 22.

For example, houses with building area of above 400 m2 are subject to 10% VAT and 20% LST and the threshold to impose PPh 22 is a selling price of above IDR 5 billion. Under PER-19, the IDR 5 billion already included VAT and LST, which meant the actual selling price before tax was approximately only IDR 3.8 billion. Now, under PER-24, these houses are only subject to PPh 22 if their actual selling price before tax is IDR 5 billion (or IDR 6.5 billion including VAT and LST).

## *VAT on video or audio recording products – an update*

On 24 June 2015, the MoF issued Regulation No.121/PMK.03/2015 (PMK-121) regarding other value as the VAT base, which removed the clause on other value for delivery of audio/video recording products.

This is also followed by the issue of MoF Regulation No.120/PMK.03/2015 which revokes MoF Decrees No.86/KMK.03/2002 (concerning the procedure for the use of stickers in collection and settlement of VAT on the delivery of video recordings) and No.174/KMK.03/2004 (concerning VAT on the delivery of audio recording products).

This means that the delivery of video recordings is now subject to normal VAT treatment, i.e. the selling price that is used is 10% from the sales price and no longer using other value. Also, the use of stickers as VAT payment tools is no longer applicable for video/audio recording products.

PMK-120 has been effective since 1 July 2015, and at the time this regulation applies:

- the Regional Tax Offices which are still authorised to serve out the application for redemption of settled VAT stickers can be conducted up to 31 December 2015; and
- the settled VAT stickers that are still owned by the producers of video and audio recording can still be used as proof in collection and settlement of VAT up to 30 June 2016.

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