

TaxFlash



More services are subject to Article 23 Withholding Tax

Article 23(1)(c) of the Income Tax Law No.36/2008 states that compensation for certain other services, in addition to the three designated services (i.e. technical, management, and consulting services), are subject to withholding tax at 2% of the gross amount (*PPh 23*). The Minister of Finance (MoF) has recently updated the implementation of this provision through the issue of Regulation No.141/PMK.03/ 2015 (PMK-141) on 27 July 2015 that now covers 62 services subject to PPh 23. PMK-141 revokes the old MoF Regulation No.244/PMK.03/2008 and will come into effect 30 days after its enactment (i.e. 26 August 2015).

Below is the complete list of taxable services based on PMK-141. Additions and changes are in bold.

- | | | |
|--|---|--|
| <ul style="list-style-type: none">• Appraisal• Actuary• Accounting, bookkeeping and attestation• Design• Drilling for oil and gas mining except for those performed by a Permanent Establishment• Support for geothermal, oil and gas mining• Support for general mining (i.e. other than geothermal, oil and gas)• Flight and airport support• Forest felling• Waste processing | <ul style="list-style-type: none">• Labour supply/ outsourcing• Intermediary/agency• Securities trading, except for those performed by stock exchanges, KSEI, and KPEI• Custodianship and storage except for those performed by stock exchanges, KSEI and KPEI• Sound dubbing• Film mixing• Computer-related (i.e. software, hardware or system)• Installation (e.g. electricity, machinery, or telephone equipment) except for those rendered by licensed construction companies | <ul style="list-style-type: none">• Maintenance and improvement (e.g. electricity, machinery, or telephone equipment) except for those rendered by licensed construction companies• Toll manufacturing (<i>maklon</i>)• Investigation and security• Event organisation• Provision of space and/or time in mass media, outdoor media and other media for the dissemination of information, and/or advertising• Pest eradication• Cleaning• Catering• Packaging |
|--|---|--|

- Legal
- Architecture
- City planning and landscape architecture
- Creation of film promotion tools, advertisements, posters, photos, slides, banners, pamphlets, and billboards
- Website development
- Internet
- Storage, processing, and/or distribution of data, information, and/or programs
- Maintenance of vehicle and/or land, marine, and air transportation means
- Suction of septic tank
- Pool maintenance
- Freight forwarding
- Logistics
- Document handling
- Loading and unloading
- Laboratory and/or testing, except for those performed by educational institutions in academic research
- Parking management
- Soil test for construction
- Land preparation and/or cultivation
- Seeding and/or seeds planting
- Plant maintenance
- Harvesting
- Processing of agricultural, plantation, fishery, livestock, and/or forestry products
- Decoration
- Printing/publishing
- Translation
- Freight/expedition, except for those subject to Article 15 Income Tax
- Port-related matters
- Transport via pipelines
- Child care
- Training and/or course
- Delivery and loading money to ATM
- Certification
- Survey
- Tester
- Services other than those mentioned above which payment is charged to central or regional government budget

PMK-141 provides a definition of freight forwarding services as business conducted to represent the interest of an owner of goods to arrange all activities necessary for successful delivery of goods by land, sea, and/or air transportation, that may include receiving, storing, sorting, packing, tagging, measuring, weighing, document handling, issuance of freight document, calculation of freight cost and insurance, as well as settlement of related costs until the entitled party receives the goods.

PMK-141 also adds new sub-services under the scope of support services for geothermal, oil and gas mining which essentially covers all services in the process of drilling, production and mining closure. There are also additions in the general mining services, i.e. mobilisation and/or demobilisation, business incorporation handling, funding, land clearing, stockpiling, and similar types of services in general mining. It is interesting that funding services is categorised as a mining support service.

Several key rules are adopted from older lower-ranked regulation (i.e. the DGT Circular Letter No.SE-53/PJ/2009). This includes exclusion of reimbursements from PPh 23 objects and the types of supporting documents that are required for such an exclusion.

Tax withholder needs to review the above list to ensure compliance with the above regulation. As for service providers who are now on the list, they need to manage their cash flow and also review their tax instalment amounts to estimate their tax position for the annual income tax return.

Your PwC Indonesia contacts

Abdullah Azis

abdullah.azis@id.pwc.com

Adi Poernomo

adi.poernomo@id.pwc.com

Adi Pratikto

adi.pratikto@id.pwc.com

Alexander Lukito

alexander.lukito@id.pwc.com

Ali Widodo

ali.widodo@id.pwc.com

Andrias Hendrik

andrias.hendrik@id.pwc.com

Anthony J. Anderson

anthony.j.anderson@id.pwc.com

Anton Manik

anton.a.manik@id.pwc.com

Antonius Sanyojaya

antonius.sanyojaya@id.pwc.com

Ay Tjhing Phan

ay.tjhing.phan@id.pwc.com

Brian Arnold

brian.arnold@id.pwc.com

Engeline Siagian

engeline.siagian@id.pwc.com

Enna Budiman

enna.budiman@id.pwc.com

Felix MacDonogh

felix.macdonogh@id.pwc.com

Gadis Nurhidayah

gadis.nurhidayah@id.pwc.com

Gerardus Mahendra

gerardus.mahendra@id.pwc.com

Hanna Nggelan

hanna.nggelan@id.pwc.com

Hendra Lie

hendra.lie@id.pwc.com

Ivan Budiarnawan

ivan.budiarnawan@id.pwc.com

Laksmi Djuwita

laksmi.djuwita@id.pwc.com

Lukman Budiman

lukman.budiman@id.pwc.com

Mardianto

mardianto.mardianto@id.pwc.com

Margie Margaret

margie.margaret@id.pwc.com

Parluhutan Simbolon

parluhutan.simbolon@id.pwc.com

Peter Hohtoulas

peter.hohtoulas@id.pwc.com

Runi Tusita

runi.tusita@id.pwc.com

Ryuji Sugawara

ryuji.sugawara@id.pwc.com

Soeryo Adjie

soeryo.adjie@id.pwc.com

Sutrisno Ali

sutrisno.ali@id.pwc.com

Suyanti Halim

suyanti.halim@id.pwc.com

Tim Watson

tim.robert.watson@id.pwc.com

Tjen She Siung

tjen.she.siung@id.pwc.com

Yessy Anggraini

yessy.anggraini@id.pwc.com

Yuliana Kurniadjaja

yuliana.kurniadjaja@id.pwc.com

Yunita Wahadaniah

yunita.wahadaniah@id.pwc.com

www.pwc.com/id

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to maria.purwaningsih@id.pwc.com.

DISCLAIMER: This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2015 PT Prima Wahana Caraka. All rights reserved. PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.