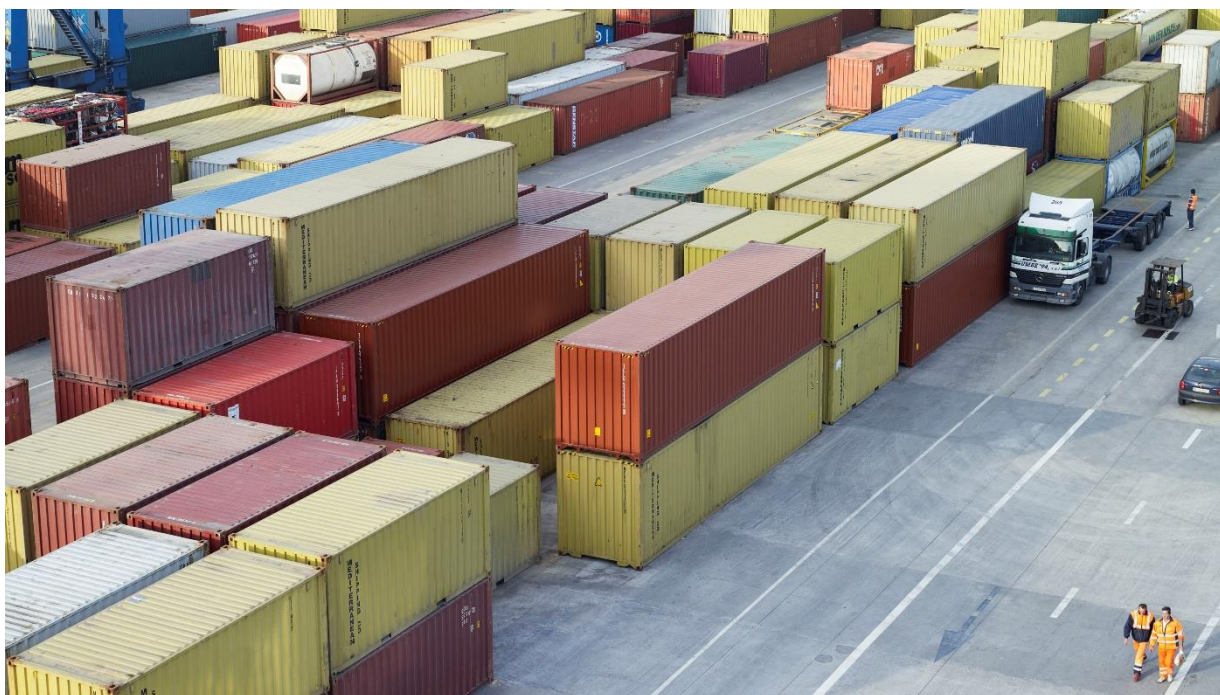


TaxFlash



Changes on imported goods subject to Article 22 Income Tax

The Minister of Finance (MoF) has issued Regulation No.110/PMK.010/2018 (PMK-110) as a new regulation on Article 22 Income Tax that will be effective starting 13 September 2018.

Article 22 Income Tax provisions on imports which are imposed on the following events:

- a. Imports of certain consumer goods as set in Article 22 Income Tax regulations. The applicable tax rate is either 10% or 7.5% depends on the type of the goods. These tax rates are applicable regardless whether the goods are imported using an Importer Identification Number (*Angka Pengenal Impor/API*) or not.
- b. Imports of soybeans, wheat, and flour wheat that are taxable at 0.5%.
- c. Imports of any goods other than (a) and (b). The tax rate is 2.5% if the goods are imported using API or 7.5% if not using API.

PMK-110 updates the list of goods covered under category (a) to move some goods within the category or include additional goods in the list, as follows:

| Imported goods | Tax rate |
|---|------------|
| <ul style="list-style-type: none">▪ Move within category (a) which was previously taxed at 7.5%, now taxed at 10%:<ul style="list-style-type: none">✓ Laptops and similar✓ Wireless phones✓ Vehicles in general, such as cars, motorcycles, bicycles, golf cars, and go karts▪ Include additional goods from category (c), now taxed at 10%:<ul style="list-style-type: none">✓ Cosmetics and toiletries, such as skin, hair, and dental care✓ House supplies and utilities, such as doors, tiles, and lightbulbs✓ Certain motor vehicles such as station wagon, ambulances, and prison vans | 10% |

| Imported goods | Tax rate |
|---|--|
| <ul style="list-style-type: none"> ▪ Include additional goods from category (c) now taxed at 7.5%: <ul style="list-style-type: none"> ✓ Food and beverages, such as sausages, meatballs, pastries, coffee, milk, liquors ✓ House utensils such as polish, candles, glue, materials from bamboo and rattan ✓ Tires for vehicles and certain rubber products ✓ Certain textile products such as sports and protective clothing ✓ Loudspeakers, cables, and other insulated electric conductors | <h1 style="font-size: 2em; margin: 0;">7.5%</h1> |

The above list is a high-level summary of the changed category. For the detailed list of goods along with its HS Code, please refer to the [Attachments of PMK-110](#).

The increase of the Article 22 Income Tax rate may affect the importers' cash flow, however it should not result in additional cost for the importer as it constitute prepayments for the current year Corporate Income Tax liability of the importer. Detailed Article 22 Income Tax provisions and their applicability on other events are still based on MoF Regulation No.34/PMK.010/2017

New taxation rules for the mineral mining sector

Under Article 31D of the Income Tax Law, income tax provisions for oil and gas, geothermal, mining including coal mining, and sharia-based businesses will be specifically ruled by a government regulation (GR). On 2 August 2018, the Government issued Regulation No.37 Year 2018 (GR-37), which specifically regulates tax and non-tax state revenue arrangements for the mineral mining sector.

GR-37 provides different tax arrangements according to the type of mineral mining concession in question. The Income Tax provisions are generally applicable from the 2019 tax year for most concession holders. Please refer to our [EU&R NewsFlash No.64](#) for a discussion of this regulation.

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

Amit Sharma

amit.xz.sharma@id.pwc.com

Andrias Hendrik

andrias.hendrik@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

Dany Karim

dany.karim@id.pwc.com

Deny Unardi

deny.unardi@id.pwc.com

Engeline Siagian

engeline.siagian@id.pwc.com

Enna Budiman

enna.budiman@id.pwc.com

Gadis Nurhidayah

gadis.nurhidayah@id.pwc.com

Gerardus Mahendra

gerardus.mahendra@id.pwc.com

Hanna Nggelan

hanna.nggelan@id.pwc.com

Hasan Chandra

hasan.chandra@id.pwc.com

Hendra Lie

hendra.lie@id.pwc.com

Hisni Jesica

hisni.jesica@id.pwc.com

Hyang Augustiana

hyang.augustiana@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

Mohamad Hendriana

mohamad.hendriana@id.pwc.com

Omar Abdulkadir

omar.abdulkadir@id.pwc.com

Otto Sumaryoto

otto.sumaryoto@id.pwc.com

Parluhutan Simbolon

parluhutan.simbolon@id.pwc.com

Peter Hohtoulas

peter.hohtoulas@id.pwc.com

Raemon Utama

raemon.utama@id.pwc.com

Runi Tusita

runi.tusita@id.pwc.com

Ryosuke R Seto

ryosuke.r.seto@id.pwc.com

Ryuji Sugawara

ryuji.sugawara@id.pwc.com

Soeryo Adjie

soeryo.adjie@id.pwc.com

Sujadi Lee

sujadi.lee@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

Turino Suyatman

turino.suyatman@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



PwC Indonesia



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