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:

<table>
<thead>
<tr>
<th>Imported goods</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Move within category (a) which was previously taxed at 7.5%, now taxed at 10%:</td>
<td>10%</td>
</tr>
<tr>
<td>✓ Laptops and similar</td>
<td></td>
</tr>
<tr>
<td>✓ Wireless phones</td>
<td></td>
</tr>
<tr>
<td>✓ Vehicles in general, such as cars, motorcycles, bicycles, golf cars, and go karts</td>
<td></td>
</tr>
<tr>
<td>• Include additional goods from category (c), now taxed at 10%:</td>
<td></td>
</tr>
<tr>
<td>✓ Cosmetics and toiletries, such as skin, hair, and dental care</td>
<td></td>
</tr>
<tr>
<td>✓ House supplies and utilities, such as doors, tiles, and lightbulbs</td>
<td></td>
</tr>
<tr>
<td>✓ Certain motor vehicles such as station wagon, ambulances, and prison vans</td>
<td></td>
</tr>
</tbody>
</table>
Imported goods | Tax rate
--- | ---
- Include additional goods from category (c) now taxed at 7.5%:
  ✓ 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 | 7.5%

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 Tjihing Phan
ay.tjihing.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

Laksni Djuwita
laksni.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

Raeon Utama
raeon.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 Kurniaadjaja
yuliana.kurniaadjaja@id.pwc.com

Yunita Wahadaniah
yunita.wahadaniah@id.pwc.com

www.pwc.com/id
PwC Indonesia
@PwC_Indonesia

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