

TaxFlash



Implementing regulation on final tax for small and medium enterprises

The Minister of Finance (MoF) issued Regulation No.99/PMK.03/2018 (PMK-99) on 27 August 2018, which serves as an implementing regulation of Government Regulation (GR) No.23/2018 (GR-23), which stipulated a new “final tax” regime for small and medium enterprises (SMEs). Please refer to our [TaxFlash No.07/2018](#) for our discussion on GR-23.

PMK-99 stipulated several administrative procedure with the following key points.

Notification letter for taxpayer who choose to apply the normal tax regime

Unlike the old final tax regime under GR No.46/2013, GR-23 provides an option for taxpayers to apply the normal tax regime although they qualify under GR-23. These taxpayers must submit a notification to the Director General of Tax (DGT) via the Indonesian Tax Office (ITO) where the taxpayer is registered. The notification template is provided in PMK-99.

The timing for a notification submission and the application of the normal tax regime will be as follows:

- a. For taxpayers that are registered between 1 July – 31 December 2018, the notification must be submitted by 31 December 2018, and the normal tax regime will be applicable starting 2018.
- b. For taxpayers that are registered starting 1 January 2019, the notification must be submitted during the tax ID registration, and the normal tax regime will be applicable starting the first fiscal year.

c. For existing taxpayers:

- If prior to 1 July 2018 they qualified under GR-46, the notification must be submitted by 31 December 2018 and the normal tax regime will be applied starting from 2019.
- If prior to 1 July 2018 they did not qualify under GR-46, the notification must be submitted by 31 December 2018 and the normal tax regime will be applied starting from 2018.

Article 25 monthly Income Tax installment

Normal Article 25 monthly income tax instalment will apply to taxpayers who:

- a. choose to apply the normal tax regime;
- b. have exceeded annual gross turnover of IDR 4.8 billion in a fiscal year; or
- c. have passed the limit of final tax regime period.

Final tax remittance via self-assessment and/or withholding

The final tax under GR-23 can be paid via self-assessment or tax withholding.

Self-assessment mechanism

The final income tax should be paid using a tax payment slip no later than the 15th of the following month. This tax payment is also considered as monthly tax reporting, which is due on the 20th of the following month. The final income tax payment is made for each place of business (if there are more than one).

Withholding tax mechanism

A taxpayer under GR-23 who is transacting with a tax withholder, 0.5% final tax should be withheld instead of the normal withholding tax (WHT) rate. Specifically for Article 22 Income Tax, no WHT should be applied to the taxpayers under GR-23.

For a tax withholder to apply this 0.5% final tax, the taxpayers under GR-23 must provide a Statement Letter from the DGT to the tax withholder.

a. Application for the Statement Letter

The application for the Statement Letter must be submitted to the ITO where the taxpayer is registered using the template provided in PMK-99.

Taxpayer must fulfil the following requirements:

- a. the application has been signed by the taxpayer or attached with a proxy letter;
- b. the taxpayer has submitted the latest of Annual Income Tax Return (AITR), except newly registered taxpayer or the taxpayer who has no obligation to submit an AITR; and
- c. the taxpayers qualify under GR-23.

The tax office must issue a Statement Letter or a rejection letter to the taxpayer within three working days after the complete application is received, otherwise the application is deemed approved and the DGT must issue an approval within one working day after the three working days deadline. In the case of a rejection, the taxpayer may re-apply for the Statement Letter.

The validity period for a Statement Letter starts from the date of issuance up to the limit of final tax regime period (i.e. seven years for individuals, four years for cooperatives, limited partnership, or firms, and three years for limited liability companies).

Statement Letter will no longer be valid when the taxpayers submit a notification to apply the normal tax regime or no longer qualify under GR-23. The ITO may also revoke the Statement Letter if it is revealed that the respective taxpayer does not qualify under GR-23.

b. Transitional provisions concerning Statement Letter

For the taxpayers who have received a Tax Exemption Letter (*Surat Keterangan Bebas/SKB*) based on GR-46, the SKB is considered equivalent with the Statement Letter until the end of 2018.

The Statement Letters that have been issued from 1 July 2018 to 26 August 2018 remain valid. The taxpayers may apply for a Statement Letter for the next fiscal year and the DGT will issue a Statement Letter based on PMK-99.

c. Tax withholder obligation

The tax withholder must pay the final income tax using a tax payment slip that has been filled with the name of taxpayer under GR-23 and signed by the tax withholder, no later than the 10th of the following month. In addition, the tax withholder must report this WHT in their monthly Article 4(2) Income Tax Return no later than the 20th of the following month.

For the taxpayers who have received a SKB based on GR-46 and can provide the self-assessed tax payment slip, the tax withholder does not need to withhold the final income tax. Otherwise, the tax withholder still needs to apply the tax withholding.

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