



LST for goods other than motor vehicles – an update ^{P1}

New royalty withholding tax rate for domestic individual taxpayers ^{P1}

LST for goods other than motor vehicles – an update

On 1 March 2023, the Minister of Finance (MoF) issued Regulation No.PMK-15¹ regarding the Luxury Goods Sales Tax (LST) on goods (other than motor vehicles) as an update to PMK-96².

In general, there are no significant changes to the facilities provided as the type of goods and LST rate remain the same. However, the updates in PMK-15 cover the following:

- changes to the administrative requirements for obtaining an Exemption Letter (*Surat Keterangan Bebas/SKB*), e.g. adding an option for a taxpayer's representative or proxy to submit an application letter, by adding a Bill of Lading or an Airway Bill as supporting document for importations, etc.
- shorter deadlines for the Director General of Taxes (DGT) to issue an SKB being five working days (previously seven working days).
- additions to the Harmonized System Codes due to the changes in the goods classification system and the imposition of import duty rates on imported goods in 2022.

New royalty withholding tax rate for domestic individual taxpayers

On 16 March 2023, the DGT issued PER-1³ regarding Article 23 Withholding Income Tax (WHT) on royalty income received/earned by certain domestic individual taxpayers (*Wajib Pajak Orang Pribadi Dalam Negeri/WPOP DN*).

PER-1 stipulates that the gross amount to be used as the WHT base is 40% of the total royalty income. This results in a new effective WHT rate of 6% (i.e. 40% x 15% (i.e. the normal WHT rate for royalty)).

This rate is only applicable for WPOP DN who calculate their income tax using the Net Income Calculation Norm (*Norma Penghitungan Penghasilan Neto/NPPN*). NPPN is only applicable to taxpayers who carry out business activity or are freelancers with an annual gross turnover below IDR 4.8 billion and notify the DGT within the first three months of the relevant fiscal year.

¹ MoF Regulation No.15/PMK.03/2023 (PMK-15) dated and effective from 1 March 2023

² MoF Regulation No.96/PMK.03/2021 (PMK-96) dated and effective from 26 July 2021

³ DGT Regulation No.PER-1/PJ/2023 (PER-1) dated and effective from 16 March 2023

To be eligible for the 6% WHT rate, the WPOP DN must provide the receipt of notification to use the NPPN to the tax withholder prior to the tax withholding.

The royalty income must still be reported in the Annual Income Tax Return (AITR) and the Article 23 WHT amount will serve as a tax credit in the AITR.

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