

Income Tax and VAT treatment on the sale of gold jewellery, gold bars, other jewellery and related services ^{P1}

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The Minister of Finance (MoF) has issued PMK-48¹ to outline the Income Tax and VAT aspects on the sale/delivery of gold jewellery, gold bars, other jewellery and related services where carried out by Gold Jewellery Manufacturers, Gold Jewellery Traders and/or Gold Bar Entrepreneurs. PMK-48 is effective from 1 May 2023.

A. Tax objects and parties involved

The tax objects stipulated in PMK-48 are as follows:

- a) Gold Jewellery, which is defined as jewellery in any form which is fully or partially made of gold, including items embedded with or containing gemstones or other materials;
- b) Other Jewellery, which is defined as:
 - jewellery whose material contains no gold; and
 - gemstones or other similar stones;
- c) Gold Bars.

The parties that are regulated under PMK-48 are as follows:

- a) Gold Jewellery Entrepreneurs, which consist of:
 - Gold Jewellery Manufacturers (“Manufacturers”), being entrepreneurs producing, trading and/or providing services related to Gold Jewellery; and
 - Gold Jewellery Traders (“Traders”), being entrepreneurs trading and/or providing services related to Gold Jewellery.
- b) Gold Bar entrepreneurs;
- c) End consumers

B. Article 22 Income Tax on the sale of gold jewellery, gold bars and other jewellery

A non-final Article 22 Income Tax is to be collected by Gold Jewellery Entrepreneurs at 0.25% of the selling price on the following transactions:

- a) the sale of gold jewellery or gold bars;
- b) the sale of other jewellery

Included in the definition of “sale” is:

- a) the delivery of gold jewellery produced by a Manufacturer to a Gold Jewellery Entrepreneur who orders the gold jewellery and provides the specifications, raw materials, semi-finished goods or auxiliary materials (either wholly or partially);
- b) the delivery of raw materials in the form of gold jewellery and/or gold bars from a Gold Jewellery Entrepreneur (who orders the gold jewellery) to a Manufacturer to produce gold jewellery;
- c) the delivery of Other Jewellery as raw materials from a Gold Jewellery Entrepreneur (who orders the gold jewellery) to a Manufacturer to produce Gold Jewellery.

The Article 22 Income Tax is not applicable on the sale of Gold Jewellery or Gold Bars:

- a) to end consumers – no Tax Exemption Letter (*Surat Keterangan Bebas/SKB*) is required;
- b) to taxpayers under the Final Tax regime as stipulated by GR-23²
- c) to taxpayers who have an Article 22 SKB;
- d) to Bank of Indonesia – no SKB is required; or
- e) through the physical market of digital gold (as stipulated in the Commodity Futures Trading Law) - no SKB is required.

C. Article 21 and Article 23 Income Tax on the services related to gold jewellery, gold bars and other jewellery

Payments for services related to gold jewellery, gold bars or other jewellery (i.e. modifications, repairs, plating, gilding and cleaning) are subject to “normal” withholding tax of Article 21 Income Tax (if received by an Individual Taxpayer) or Article 23 Income Tax (if received by a Corporate Taxpayer or a Permanent Establishment).

Exceptions to the withholding tax apply on service fees paid to:

- a) taxpayers under the Final Tax regime as stipulated by GR-23
- b) taxpayers who have an Article 21 or Article 23 SKB

Article 21 or Article 23 of withholding tax still applies if the compensation in relation to the services is provided in-kind. However, in-kind as gold jewellery, gold bars, or other jewellery provided as consideration of service fee is not subject to Article 22 Income Tax in point B.

As a transitional rule, PMK-48 stipulates that the above Article 23 rule is applicable for agreements signed before 1 May 2023 where payment is made from 1 May 2023.

D. Value Added Tax (VAT)

Sale of gold jewellery and other jewellery and the related services

All Gold Jewellery Entrepreneurs must be registered as a VAT-able Entrepreneur even if they fall under the criteria of small entrepreneurs. The sale of gold jewellery and other jewellery by these entrepreneurs is subject to VAT using certain amounts (*besaran tertentu*) whereby the prevailing VAT rate is multiplied by a designated percentage resulting in an effective VAT rate. For example, a certain rate of 10% under a prevailing VAT rate of 11% will result in an effective VAT rate of 1.1%. In addition, any Input VAT cannot be credited by the seller.

² Government Regulation No.23 Year 2018 (GR-23) dated on 8 June 2018 and effective from 1 July 2018

The designated percentages are as follows:

- a) Self-produced gold jewellery by a Manufacturer to:
 - another Manufacturer or to a Trader – 10%
 - end consumers – 15%
- b) Gold jewellery from a Trader to another Trader or to an end consumer:
 - if the Trader has a VAT Invoice when acquiring the gold jewellery – 10%
 - if the Trader does not have a VAT Invoice when acquiring the gold jewellery – 15%
- c) gold jewellery from a Trader to a Manufacturer – 0%
- d) other jewellery by a Gold Jewellery Entrepreneurs – 10%
- e) related services provided by Gold Jewellery Entrepreneurs – 10%.

The definition of a “sale” as stipulated under the Article 22 Income Tax section is also applicable for VAT purposes.

As a transitional rule PMK-48 stipulates that the delivery of gold jewellery for the period 1 April 2022 to 30 April 2023 is still under the VAT regime using the Other Value (*DPP Nilai Lain*). This is where the VAT base is deemed at 20% of the selling price, and the VAT rate is using the prevailing rate of 11%.

Sale of gold bars

Under GR-49³, gold bars other than for the Government’s forex reserve, are treated as VAT-able goods with a VAT non-collected facility. PMK-48 confirms that this treatment takes effect on 12 December 2022, i.e. the effective date of GR-49.

Others

A Gold Jewellery Entrepreneur that is newly registered (but should have been registered earlier) cannot apply the VAT rate using certain amounts for deliveries prior to being registered as a VAT-able Entrepreneur. For those periods, they must use a prevailing VAT rate. The Input VAT can therefore be credited by the seller amounting to 80% (eighty percent) of the Output VAT that should have been collected.

³ Government Regulation No.49 Year 2022 (GR-49) dated and effective from 12 December 2022

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