

Tax Indonesia / January 2013 / No. 03

*A revision of Article 22 Income Tax regulation **P1** / Import duty borne by government for certain industries in 2013 **P3** / DGT now requires several government institutions to report tax-related information **P3***

TaxFlash



A revision of Article 22 Income Tax regulation

The Minister of Finance (MoF) has amended Regulation No.154/PMK.03/2010 regarding Article 22 Income Tax Collection through the issue of Regulation No.224/PMK.011/2012 (PMK-224). PMK-224 is dated 26 December 2012 and will come into effect 60 days after its enactment (i.e., 25 February 2013). Below is the complete list of Article 22 Income Tax objects and rates based on PMK-224. Additions and changes are in bold.

No	Event	Tax rate (%)	Tax base	Notes
1	The import of goods (except goods mentioned in number 2) using an Importer Identification Number (<i>Angka Pengenal Impor/API</i>)	2.5	Import value (i.e., CIF value plus duties payable)	
2	The import of soybeans, wheat and flour wheat with an API	0.5	Import value (i.e., CIF value plus duties payable)	

No	Event	Tax rate (%)	Tax base	Notes
3	The import of goods without an API	7.5	Import value (i.e., CIF value plus duties payable)	
4	The auctioned imported goods	7.5	Auction prices	
5	The sale of goods to the Government requiring payment from the State Treasury and Proxy of Budget User (<i>Kuasa Pengguna Anggaran/KPA</i>)	1.5	Selling prices	
6	The sale of goods to State Owned Enterprises (<i>Badan Usaha Milik Negara/BUMN</i>)	1.5	Selling prices	1, 2
7	The purchase of oil fuel by state-owned gas stations	0.25	Selling prices	5
8	The purchase of oil fuel by private gas stations	0.3	Selling prices	5
9	The purchase of oil fuel by parties other than state and private gas stations	0.3	Selling prices	5
10	The purchase of gas fuel	0.3	Selling prices	5
11	The purchase of lubricants	0.3	Selling prices	5
12	The purchase of cement by local distributors	0.25	Selling prices	3
13	The purchase of paper products by local distributors	0.1	Selling prices	3
14	The purchase of steel products by local distributors	0.3	Selling prices	3
15	The purchase of automotive products by local distributors	0.45	Selling prices	3
16	The purchase of pharmaceutical products by local distributors	0.3	Selling prices	
17	The purchase of motor vehicles from Sole Agents (<i>Agen Tunggal Pemegang Merek/ATPM</i>), Agents (<i>Agen Pemegang Merek/APM</i>) and general importers	0.45	Selling prices	
18	The purchase of materials by manufacturers or exporters in forestry, plantation, agriculture, cattle breeding and fishery from wholesalers	0.25	Selling prices	4

Notes:

1. BUMN in this case shall be those enterprises that are wholly or majority owned by the Government through direct capital participation for which funds are sourced from reserved government assets. This definition is similar to that stipulated in the VAT Collector regulation (MoF Regulation No.85/PMK.03/2012).
2. In events (5) and (6), the Article 22 Income Tax collectors (State Treasury, BUMN, etc.) must withhold Article 22 Income Tax from the amount payable to a particular vendor, except payments for the use of oil fuel, gas fuel, lubricants, postal products, water and electricity. There is also an exemption for the purchase of goods with a value of

up to Rp 2 million and Rp 10 million for events (5) and (6) respectively.

In the other events, the importer or the buyer of the designated goods must pay Article 22 Income Tax in addition to the amounts payable for the goods imported or purchased.

3. Vendors of goods in events (12) to (15) now can collect Article 22 Income Tax from buyers without being appointed by the Director General of Tax (DGT) to undertake this, particularly on their sales to local distributors.
4. Manufacturers or exporters in event (18) now can collect Article 22 Income Tax from wholesalers without being appointed by the DGT to undertake this.
5. Article 22 Income Tax constitutes a pre-payment of corporate/individual income tax liabilities, except for the purchase of oil fuel, gas fuel, and lubricants by distributors/agents, which is categorised as final tax.
6. The tax does not apply, either automatically or with an Exemption Certificate issued by the DGT, on the following types of imports:
 - a) Import/purchase of goods not subject to income tax.
 - b) Import of goods exempted from import duties and/or VAT or subject to 0% import duty.
 - c) Goods that have been temporarily imported (i.e. goods for re-export).
 - d) Goods for re-importing (i.e., exported and re-imported in the same quality or to be repaired/tested for subsequent re-exporting).
 - e) The Article 22 Income Tax exemption also applies to the importing/purchase of gold bars for the production of jewellery for re-export and related to the use of the government school operations subsidy (*Bantuan Operasional Sekolah/BOS*) fund.
7. The purchase of very luxurious goods is also subject to Article 22 Income Tax at 5% of the selling prices. This is regulated in MoF Regulation No.253/PMK.03/2008.

Import duty borne by government for certain industries in 2013

On 2 January 2013, the MoF issued Regulation No.7/PMK.011/2013 (PMK-7) regarding the Import Duty Borne by the Government (*Bea Masuk Ditanggung Pemerintah/BM DTP*) on the Import of Goods and Materials for the Production of Goods and/or Services for the Public Interest and for an Increase in the Competitiveness of Certain Industries in the Year 2013.

PMK-7 was issued as part of the Government's annual procedure of providing BM DTP for certain industries that satisfy the following criteria:

- a. supplying goods and/or services for the public interest, consumed by society at large, and/or protecting consumer interests;
- b. increasing competitiveness;
- c. increasing absorption of manpower; and
- d. increasing state revenues.

BM DTP is provided on import of the following type of goods and materials:

- a. those not produced locally;
- b. those already produced locally but which do not meet the specification required; or
- c. those already produced locally but the amount of which does not cover industrial demands.

The import of goods and materials that already have other import duty facilities (e.g., exemption or 0% rate) is excluded from the Regulation.

An application for BM DTP shall be submitted by the Facilitator of the Industrial Sector from the relevant industry to the MoF. It shall be completed with certain attachments, including the realisation of BM DTP for the last two years. The Fiscal Policy Board (*Badan Koordinasi Fiskal/BKF*) will review the application and seek input from the relevant ministry or directorate in order to give a recommendation to the MoF on the application.

During the tax facility period, both the Facilitator of the Industrial Sector and the Director General of Customs and Excise (DGCE) shall deliver quarterly reports on the Realisation of BM DTP to the MoF.

The subsidy threshold was based on Law No.19/2012 regarding State Revenues and the Expenditures Budget for the Year 2013, and its amendment. Standard formats of Realisation of BM DTP reports are attached to PMK-7.

DGT now requires several government institutions to report tax-related information

The MoF released Regulation No.16/PMK.03/2013 (PMK-16) that obliges the following 14 government institutions to report certain tax-related information to the DGT:

1. Directorate General of Budgeting of the Ministry of Finance
2. Directorate General of Treasury of the Ministry of Finance
3. DGCE of the Ministry of Finance
4. Directorate General of Monetary Ratio of the Ministry of Finance
5. BKF of the Ministry of Finance
6. PT Pelabuhan Indonesia I (Persero)

7. PT Pelabuhan Indonesia II (Persero)
8. PT Pelabuhan Indonesia III (Persero)
9. PT Pelabuhan Indonesia IV (Persero)
10. Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*)
11. Ministry of Home Affairs
12. National Land Board (*Badan Pertanahan Nasional/BPN*)
13. Port Authority of the Ministry of Transportation
14. The Central Bank (*Bank Indonesia/BI*)

The information required is specific to the scope of each government institution (e.g., the import and export realisation from all companies of Pelabuhan Indonesia; list of investment approval from BKPM; and debtor

information from BI). Those institutions must submit the information in electronic format. If the information in electronic format is not yet ready, the institutions may be permitted to submit the information in non-electronic format up to two years after the first submission is scheduled.

The DGT aims to capture more taxpayers from the information provided by those government institutions. The details of the information required from each government institutions are available on request, from your usual PwC Indonesia contact.

PMK-16 is dated and has been effective since 4 January 2013.

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