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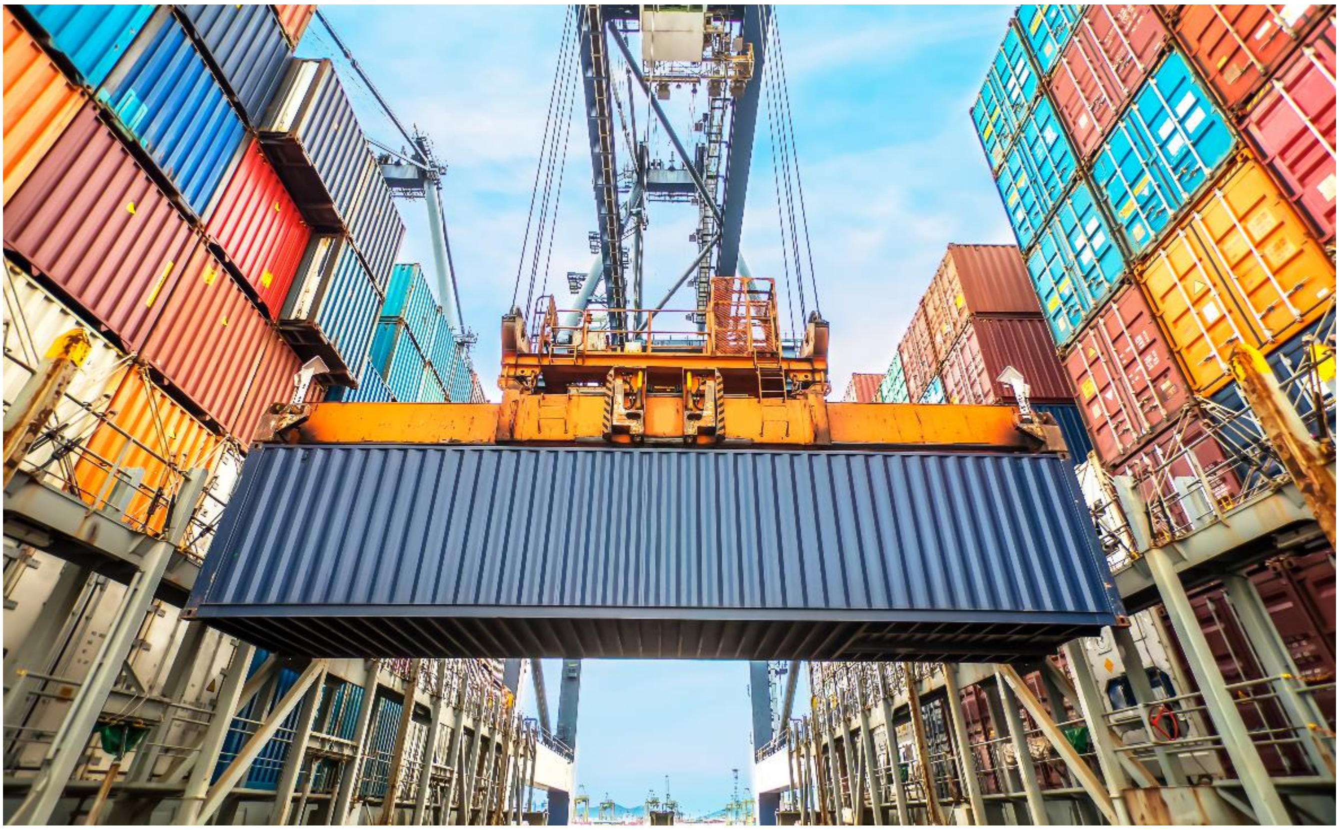

Indonesia Tax Alert

Article 22 Income Tax Rate Hike for Certain Import Goods

The Indonesian Ministry of Finance ("MoF") issued Regulation No. 110/PMK.010/2018 ("PMK-110") on 5 September 2018 to amend MoF Regulation No. 34/PMK.010/2017 ("PMK-34") regarding the collection of Art.22 Income Tax imposed on payments for delivery of goods and activities in import, or on other business activities in other sectors. PMK-110 will come into force seven days after the promulgation date (promulgation date is 6 September 2018). The Art.22 Income Tax rates ("tax rates") for several goods are now increased either from 2.5% (for importers that have import licenses) to 7.5% or to 10%, or from 7.5% to 10%. The MoF expects that with the issuance of PMK-110, the Government can overcome the country's current trade deficit.

Under PMK-110, the tax rates for at least 900 consumable imported goods are increased. The increases are mainly for imported goods with substitute products that can be manufactured by local producers in Indonesia.

As in PMK-34, the imported goods continue to be classified under three categories based on the tax rate, while exported goods remain under one category. The comparison of numbers of goods under of each tax rate category, which indicates the increase in items of goods that are now subject to 7.5% or 10%, is as follows:

Transaction	Tax Rate	Number of Items	
		PMK-34	PMK-110
Import	10%	244	672
	7.5%	568	1,077
	0.5%	7	7
Export	1.5%	70	70

Examples of goods under each category are provided below. Note that there are items that either remain in the same category as in PMK-34 or are now subject to a higher tax rate.

a. Imported goods subject to 10% tax rate: perfume, lipstick, soap, belt, floor, sporting goods, sportswear, sedan, etc.
b. Imported goods subject to 7.5% tax rate: consumables (e.g., fish and shrimp meatball and sausage, cookies, instant coffee, chicken curry, vegetable and fruit, wine, vodka, whiskey), cables, several types of apparel such as ski suit, t-shirt, etc.
c. Imported goods subject to 0.5% tax rate: soybeans, wheat, flour, etc.
d. Export mining commodities in the form of coal, metallic minerals and non-metallic minerals which are subject to Art.22 Income Tax include unroasted iron pyrites, sulphur, kaolin, manganese ore and its concentrate, nickel ore and its concentrate, aluminium ore and its concentrate, and tin ore and its concentrate.

For the detailed lists of goods under each category, please refer to PMK-110, which is available in our Deloitte website here.

Notes on Art. 22 Income Tax

Despite the tax rate hike, taxpayers are still able to claim the Art.22 Income Tax as prepaid tax against their annual corporate income tax payable. However, taxpayers will need to observe and review their Corporate Income Tax projections to determine whether there will be any tax overpayment or underpayment position by the end of the fiscal year as a consequence by the increased rates. A Corporate Income Tax Return that declares a tax overpayment position will trigger a tax audit. One way to mitigate the risk for arriving at tax overpayment is to apply for a Withholding Tax Exemption.

Contact Persons

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