



Indonesia Tax Info August 2023

Implementing regulation on depreciation and amortization issued

On 17 July 2023, Indonesia's Minister of Finance (MoF) issued Regulation Number 72 of 2023 (PMK-72) as the implementing regulation for the income tax treatment of depreciation of tangible assets and amortization of intangible assets for fiscal purposes. PMK-72 acts as the further implementing regulation on this topic that was stipulated by Government Regulation Number 55 of 2022 (PP-55) issued on 20 December 2022 (please refer to [Tax Info January 2023](#)).

PMK-72, which came into effect as from 17 July 2023, revokes the following regulations:

- MoF Regulation Number 248/PMK.03/2008 (PMK-248) regarding amortization of the acquisition cost of intangible assets and other costs for certain business sectors;
- MoF Regulation Number 249/PMK.03/2008 (as amended by MoF Regulation Number 126/PMK.011/2012) (PMK-249) regarding depreciation of the acquisition of tangible assets owned and used in certain business sectors; and

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- MoF Regulation Number 96/PMK.03/2009 (PMK-96) regarding grouping of taxable assets other than buildings for depreciation purposes.

This article highlights the most significant matters covered in PMK-72:

- Depreciation/amortization of certain assets with a useful life of more than 20 years;
- Depreciation/amortization of assets owned and used in certain industries;
- Depreciation of repair costs;
- Reimbursement for assets from insurance claims; and
- Software acquisition costs.

Depreciation/amortization of certain assets with a useful life of more than 20 years

In line with PP-55:

- A permanent building with a useful life of more than 20 years may be depreciated in equal monthly amounts over 20 years or the actual useful life; and
- An intangible asset with a useful life of more than 20 years may be amortized using the straight-line method or the double declining method over 20 years or the actual useful life.

A taxpayer that owned and utilized permanent buildings before fiscal year (FY) 2022 that have been depreciated using the straight-line method over a period of 20 years may opt to change the depreciation method to follow the actual useful life. A notification must be submitted to the Directorate General of Taxation (DGT) by 30 April 2024 for the fiscal net book value (NBV) of the buildings as at the end of FY 2021 to be depreciated over the remaining actual useful life.

The same option is available for intangible assets with a useful life of more than 20 years that were owned and being amortized before FY 2022 over a 20-year period. The taxpayer may elect for the asset to be amortized over its remaining actual useful life.

Depreciation/amortization of assets owned and used in certain industries

In general, the depreciation of tangible assets starts in the month in which the expenditure is incurred. However, the government has determined the commencement date for fiscal depreciation (and amortization) for the following industries:

- Forestry industry, that starts producing after being planted for more than one year;
- Plantation industry, that starts producing after being planted for more than one year; and
- Livestock industry, including:
 - Livestock that can reproduce several times but becomes productive only after being raised for more than one year (e.g., stud livestock); or
 - Livestock that can reproduce several times and is productive within the first year (e.g., laying hens and ducks).

Depreciation for the main productive assets for these industries (i.e., trees, perennial plants, or livestock) generally starts from the month in which the first commercial production takes place, except for livestock that can reproduce several times and is productive within the first year where the depreciation starts in the year in which the livestock is acquired.

A notification must be submitted to the DGT by 30 April 2024 for the fiscal NBV of the buildings as at the end of FY 2021 to be depreciated over the remaining actual useful life.

Livestock that can reproduce several times and is productive within the first year where the depreciation starts in the year in which the livestock is acquired.

Amortization for intangible assets acquired by enterprises operating in these industries starts from the month in which the assets are acquired or the month in which commercial production commences.

Depreciation of repair costs

PMK-72 clarifies that repair costs of tangible assets that have a useful life of more than one year are to be added to the NBV of the assets. It further clarifies that if the repair costs:

- Do not increase the useful life of the asset—the asset continues to be depreciated using the existing useful life with the adjusted NBV.
- Increase the useful life of the asset—the depreciation of the adjusted NBV is calculated based on the residual fiscal useful life plus the additional useful life due to the repairs while observing the maximum useful life based on the group of tangible assets (certain exceptions apply for permanent buildings).

If there is an upgrade in resource capacity, the costs of the upgrade are added to the NBV and amortized as from the month in which the upgrade takes place.

Reimbursement for assets from insurance claims

In line with PP-55, PMK-72 stipulates that if there is a transfer or withdrawal of assets from use in the business due to reimbursement from insurance, the total NBV of the assets transferred or withdrawn is expensed as a loss, and the selling price and/or insurance proceeds received are recognized as income, in the year in which the withdrawal occurs.

PMK-72 also stipulates specific treatment in the following circumstances:

- Where the insurance reimbursement to be received for the asset can only be determined later, the loss must be expensed in the year the insurance payment is received, provided that the taxpayer has obtained approval for this treatment from the DGT.
- Where the asset has been sold or transferred prior to receiving the insurance reimbursement, the total NBV expensed as a loss must be offset against the total selling price.

Software acquisition costs

The regulations on software acquisition costs previously contained in DGT decision number KEP-316/PJ./2002 (KEP-316) are now included in PMK-72. In general, the definition of software, types of software (specific or general application programs), and grouping of intangible assets as software remain the same.

PMK-72 emphasizes that the costs to acquire specific application programs (e.g., application programs used in banking, capital markets, hotels, hospitals, or aviation fields) with a useful life of more than one year are amortized over four years as category one intangible assets. If there is an upgrade in resource capacity, the costs of the upgrade are added to the NBV and amortized as from the month in which the upgrade takes place.

Meanwhile, the costs to acquire and upgrade general application programs are expensed directly in the year in which the costs are incurred. If the costs of general application programs are included in the purchase price of hardware, the costs are added to the acquisition cost of the hardware and depreciated accordingly.

Other matters

- Although the listing of assets in PMK-72 is broadly similar to that in PMK-96, taxpayers are encouraged to review the list as there are some minor modifications to the description of the assets in the asset category used for fiscal depreciation.
- PMK-72 provides guidance on various applications related to fiscal depreciation includes requests to:
 - Use a different useful life from that specified in PMK-72 (for assets not specifically regulated in the attachment to PMK-72);
 - Start depreciating assets when they are first utilized to earn, collect, and maintain income;
 - Postpone the recognition of a loss on the transfer or withdrawal of asset related to reimbursement for asset by the insurance company; and
 - Categorize assets differently from the categorization in PMK-72 where they are the main productive assets in certain industries.

For application requests related to the matters above that have been submitted in complete before PMK-72 comes into force, the application is to be processed using the regulation in force when the application is submitted. Otherwise, procedures under PMK-72 apply.

- Assets that have been depreciated following PMK-96 continue to be depreciated in accordance with PMK-96 until the end of their useful life. For certain assets depreciated before PMK-72 came into effect and that are not listed in the attachment to PMK-96 but are listed in the attachment to PMK-72:
 - If the asset has been depreciated not yet exceeding the useful life for asset category two, the useful life used for fiscal depreciation purposes is to be adjusted to follow PMK-72.
 - If the asset has been depreciated exceeding the useful life for asset category two, the NBV at the end of FY 2023 is to be expensed in full in FY 2023.

In general, all taxpayers using the bookkeeping (*pembukuan*) method would have some assets and claim fiscal depreciation and/or fiscal amortization expenses. Such taxpayers are encouraged to review PMK-72 thoroughly to ensure compliance with the regulation in calculating their year-end income tax liability.

Customs Focus

Regulations on Voluntary Declaration and Voluntary Payment monitoring and evaluation

The Director General of Customs and Excise has issued Regulation Number PER-12/BC/2023 (PER-12) concerning implementing guidelines for the monitoring and evaluation of Voluntary Declaration (VD) and Voluntary Payment (VP) on customs valuation, in its effort to constrict the utilization of VD and VP facilities, as well as impose repercussion for companies that do not perform VP and report it on time.

The salient points of PER-12 are as follows:

Monitoring and evaluation

The customs authority will conduct monitoring and evaluation through their new system. In the event that importers (entrepreneurs in free trade zones and free port areas or bonded storage facility owners) are found to:

- Have not performed VP for the underpaid import duty, excise, and/or import tax;
- Have not submitted the reports on the implementation of VD and VP initiatives; or
- Have provided inconsistent data/value between the implementation report of VD and VP initiatives and the evidence or documents received on the settlement date,

the Head of Customs and Excise Office (HCEO) may request for additional document and information to such importers, for their considerations. Based on the findings and/ or the additional document and information, HCEO may then recommend for a re-examination (Penelitian Ulang (PENUL)) or Customs Audit on importer's customs duty notification through VD mechanism.

PER-12 did not clearly stipulate whether other administrative penalties is applied in addition to the Customs Audit, hence clarification on this must be sought. You may contact us for more detailed information regarding this matter.

PER-12 takes effect as from 27 July 2023.

PER-12 constricts the utilization of VD and VP facilities by stipulating provisions related to the monitoring and evaluation of VD and VP schemes.

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