Indonesia Tax Info

In this issue:

Updated Procedures on Calculation of Income Tax Installment

The Ministry of Finance ("MoF") has recently issued Regulation Number 215/PMK.03/2018 ("PMK-215") to simplify the calculation of the Article 25 income tax installment ("tax installment") that are paid during the current year to be closer to the amount that will be payable at the end of the fiscal year. PMK-215 is in force as of 31 December 2018 and it revokes PMK-255/PMK.03/2008.

The key changes of tax installment calculation are summarized in the following table:

Type/Industry of Taxpayer	PMK-255 (Old)	PMK-215 (New)
Newly Registered Corporate/Individual Taxpayer	Annualized net income multiplied by normal tax rate, divided by 12 months. For Individual Taxpayer, the annualized amount should first be deducted with non-taxable income.	The tax installment amount shall be Nil except for State Owned/Regional Government Owned Companies, Listed Company, Other Certain Taxpayer, and Bank.

Type/Industry of Taxpayer	PMK-255 (Old)	PMK-215 (New)
State Owned/Regional Government Owned Companies;	Other than Bank and Financial Lease: Taxable income based on Work Plan and Revenue Budget multiplied by normal tax rate subtracted by Prepaid Taxes, divided by 12 months.	Other than Bank, Listed Company, and Others Taxpayer: No changes in the tax installment calculation. However, the Work Plan and Revenue Budget have to be reported to the Tax Office no later than the deadline for the payment of the first period of the current fiscal year.
Listed Company and Other Certain Taxpayer	Annualized taxable income based on the latest periodic FS multiplied by normal tax rate subtracted by Prepaid Taxes, divided by 12 months.	Other than Bank: • Net income based on FS reported to Stock Exchange/OJK (excluding Overseas and Final Income and expenses) subtracted by accumulation of Prepaid Taxes. • Loss compensation can be considered in the calculation. • The installment is for 3 Periods after the reported period.
Bank	Annualized taxable income based on the latest quarterly FS multiplied by normal tax rate, divided by 12 months.	• Net income based on FS reported to OJK (excluding Overseas and Final Income) subtracted by the accumulated Prepaid Taxes. • Loss compensation can be considered in the calculation.

In addition:

- PMK-215 now provides clearer definition of "New Taxpayer", "Certain Taxpayer of individual entrepreneurs", and "Other Taxpayer",
- There are no changes to the tax installment calculation for Certain Entrepreneurs Individual Taxpayer,
- The tax installment calculation for certain newly registered taxpayer shall be as follows:
  - For merger, consolidation, or acquisition of business, it shall be the accumulation of Art. 25 Income Tax Installment from all related entities before the merger, consolidation, or acquisition.
  - For business expansion, it shall be the percentage of Transferred Asset Value of each new entity multiplied by Art. 25 Income Tax Installment from entities prior to the expansion.
  - In the event of changes in the form of business entity, it shall be the same amount as the tax installment made in the last period prior to the changes in the form of business entity.

Update on Income Tax on Interests from Deposits, Savings, and Discounts of Bank Indonesia Certificates (SBI)

The MoF has recently issued Regulation Number 212/PMK.03/2018 ("PMK–212") to update the Income Tax on Interests of Deposits, Savings, and Discounts of Bank Indonesia Certificates. PMK-212 is in force as of 31 December 2018. It revokes KMK-51/KMK.04/2001 and its amendment PMK-26/PMK.010/2016, as the implementing regulation of GR123/2015.

The key changes provided in PMK-212 are summarized as follows:

- Final Withholding Income Tax Rate on Interests from Export Proceeds (Devisa Hasil Ekspor - DHE) deposit placed domestically with a bank incorporated or domiciled in Indonesia or a branch of a foreign bank in Indonesia shall be as follows:

Period	in USD currency	in IDR currency
1 month	10 %	7.5 %
3 months	7.5 %	5 %
6 months	2,5 %	0 %
> 6 months	0 %	0 %

- Deposit, from which the interest is taxed using the abovementioned tax rates originating from DHE funds received after GR-123 becomes effective, shall be placed in:

  a. The same bank where the DHE fund is received with criteria as follows:
     1. Originating from overbooked DHE funds placed in the Exporter's account from the DHE remittance bank in overseas and the said account of the Exporter is to keep DHE funds only; and
     2. Evidenced by DHE receipt from a foreign exchange bank pursuant to the applicable provisions in the Bank Indonesia Regulation regarding Receipt of DHE; or

  b. The different bank from DHE remittance bank, by enclosing a statement letter from Exporter that the fund is originating from DHE, legalized by DHE remittance bank overseas or by the last bank in which the DHE was kept.

- The above rates shall apply to DHE re-deposited at the time of maturity either in IDR currency or in USD currency.

- In the event that a bank withheld Income Tax on the interests on DHE Deposit using the abovementioned tax rates, the bank shall report the details of DHE Deposit placement to Bank Indonesia in accordance with the provisions of laws and regulations.

- Exemption of Income Tax granted for Interest of Deposits, Savings, and Discounts of Bank Indonesia Certificates provided under the previous regulations is no longer valid.

Income Tax Treatment for Feasibility Support Fund on PPP Infrastructure Project

The Directorate General of Taxation ("DGT") has issued DGT Regulation Number PER-29/PJ/2018 ("PER-29") regarding Income Tax Treatment for Feasibility Support Fund on the Public Private Partnership ("PPP") Infrastructure Project. Feasibility Support Fund is a financial contributions provided by the government for partial construction cost to support infrastructure project under a PPP scheme.

PER-29 applies to the implementing business entity (Badan Usaha Pelaksana (BUP)) of PPP Infrastructure Project in the form of limited liability company established by the auction winner or directly appointed by the government.

The government can provide Feasibility Support fund for infrastructure provision activities with PPP scheme conducted by BUP during the construction period and/or after the achievement of date of commercial operations as agreed in the partnership agreement. The PPP receiving Feasibility Support fund, which tax treatment is stipulated under PER-29, is obliged to return the infrastructure to the government at the end of the agreement period.

The tax treatment of Feasibility Support fund under PER-29 is classified based on the timing of the receipt of Feasibility Support fund by the PPP undertaking the infrastructure project.

PER-29 provides guidance for the BUP in recognizing the expenses and receivables related to the PPP scheme as follows:

1. The expenditures during the construction period are recorded as Construction-in-Progress ("CIP") account;
2. The CIP should be then reclassified into CIP-Feasibility Support proportionally. Afterwards, BUP should recognize the receivables and deferred income from the CIP-Feasibility support amount;
3. At the end of the contractual date, the BUP should reclassify the CIP into Intangible Asset and CIP-Feasibility Support into Intangible Asset-Feasibility Support;
4. The deferred income will be recognized as revenue from the Feasibility Support fund when the commercial production period starts;
5. Subsequent to the commencement of commercial production, the Intangible Asset is to be amortized according to the prevailing tax regulation, while the Intangible Asset-Feasibility Support shall be amortized at once along with the recognition of income.

PER-29 applies to Fiscal Year 2018 onwards.

Contact Persons

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