

Tax News Flash

June 2019



Clarifications of Article 25 Income Tax Installment Requirements

The Minister of Finance ("MOF") issued Regulation No. 215/PMK.03/2018 ("PMK-215") that revises the method to calculate Article 25 monthly income tax installments for certain taxpayers. PMK-215 revoked MOF Regulation No. 255/PMK.03/2008.

Definitions:

PMK-215 provides an updated definition for some taxpayer categories, namely:

- A **New Taxpayer** is an individual or entity that has just registered with the Tax Office during the tax year, including a new entity resulting from a merger, consolidation, expansion, acquisition and/or change of business structure;
- A **Certain Entrepreneur Taxpayer** is an individual providing a trade or services (excluding freelance services) at one or more business locations different from the Taxpayer's residence;
- An **Other Taxpayer** is an entity that must file periodic financial reports and carries out insurance activities or is a pension fund, financial institution or other financial services entity.





Revised Article 25 Calculation Methods:

Certain Entrepreneur Taxpayers	New Taxpayers due to			Other New Taxpayers
	Merger, consolidation and/or acquisition	Expansion	Change of business structure	
0.75% of monthly gross turnover for each business location	Total installment amounts from all previous entities	Percentage of installment amount before expansion, based on assets owned	Similar to last installment amount of previous structure	NIL

Category	Banks	Listed Companies and Other Taxpayers	State and Regional Owned Enterprises (excluding Banks, Listed companies and Other Taxpayers)
Tax base	Net income based on monthly financial statements reported to the Financial Services Authority (<i>Otoritas Jasa Keuangan/OJK</i>), consisting of balance sheets and profit and loss statements from the beginning of the tax year.	Net income based on financial statements reported every 3 months to the Stock Exchange/ OJK, consisting of balance sheets and profit and loss statements from the beginning of the tax year.	Net income based on budget plan ratified at the General Shareholders' Meeting for the related tax year. The budget plan must be submitted to the Tax Office by first Article 25 income tax installment due date for the tax year.
Excluded from tax base	Offshore income and income and expenses subject to final tax and/or non-taxable income.	Offshore income and income and expenses subject to final tax and/or non-taxable income.	NA
Tariff	Common tariff	Common tariff	Common tariff
Deductions	Article 22 and 25 income tax withheld/paid from beginning of tax year	Article 22, 23 and 25 income tax withheld/paid from beginning of tax year	Article 22, 23 and 24 income tax withheld/paid in the previous tax year
Formula	(Tax base x Tariff) – Deductions	{(Tax base x Tariff) – Deductions}/3 months	{(Tax base x Tariff) – Deductions}/12 months

If the financial statements are not yet reported or the budget plan not yet ratified, then the Article 25 monthly installment must be paid in the same amount as the previous period's installment amount.



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