

September 2018

- MoF Regulation No, 110/PMK.010/2018
- BKPM Regulation No. 5/2018



Article 22 Income Tax on Imported Goods

MoF Regulation No. 110/PMK.010/2018

In an effort to maintain the current account balance, the government has imposed or raised the tax on a large number of imported consumer goods. MoF Regulation No. 110/PMK.010/2018 (“MoF-110”), effective 6 September 2018, amends MoF Regulation 34/PMK.010/2017 regarding items which are subject to article 22 income tax on import. Certain consumer goods are subject to tax on import at the rate of 10% or 7.5%. These rates apply whether or not the importer has an Importer Identification Number (*Angka Pengenal Impor* – “API”). Soybeans, wheat and wheat flour are subject to 0.5% tax on import (unchanged from before). Goods not listed in the regulation are subject to tax at 7.5% if the importer has no API and 2.5% with an API.

MoF-110 significantly increases the number of goods subject to 10% tax (from 244 items to 672 items) and 7.5% tax (from 568 items to 1077 items). Of particular note:

- Items which are now subject to 10% tax include:
 - laptops, wireless phones and motor vehicles (e.g., cars, ATVs, go-karts) (previously subject to 7.5%)
 - large motor vehicles (e.g. trucks, buses, minivans), fans, water dispensers, CD players, LED lamps, cosmetics and toiletries.
- Items which are now subject to 7.5% tax include several types of food and beverages, clothing and accessories, loudspeakers, and insulated wires and cables.

MoF-110 also identifies 70 items for which article 22 income tax applies on export (coal, metal mineral and non-metal mineral mining). These are unchanged from the previous regulation.

The complete list of goods is contained in the Attachments to MoF-110.

The Investment Coordinating Board (BKPM) issued Regulation No.5/2018 (“BKPM-5”) as the implementing regulation to Minister of Finance Regulation No. 35/PMK.010/2018 (“MoF-35”) regarding the application requirements for taxpayers seeking a tax holiday. (See our April 2018 News Alert for a detailed discussion of MoF-35.)

Pioneer Industries

BKPM-5 identifies 153 industries, together with the corresponding Indonesian Standard Industrial Classification Code (KBLI), covered by the 17 pioneer industries stipulated in MoF-35. Of particular note, industries covered by “economic infrastructure” are:

- Road Infrastructure (*Infrastruktur Jalan*) with KBLI code 52213; and
- Electricity Infrastructure (*Infrastruktur Ketenagalistrikan*) with KBLI code 35101.

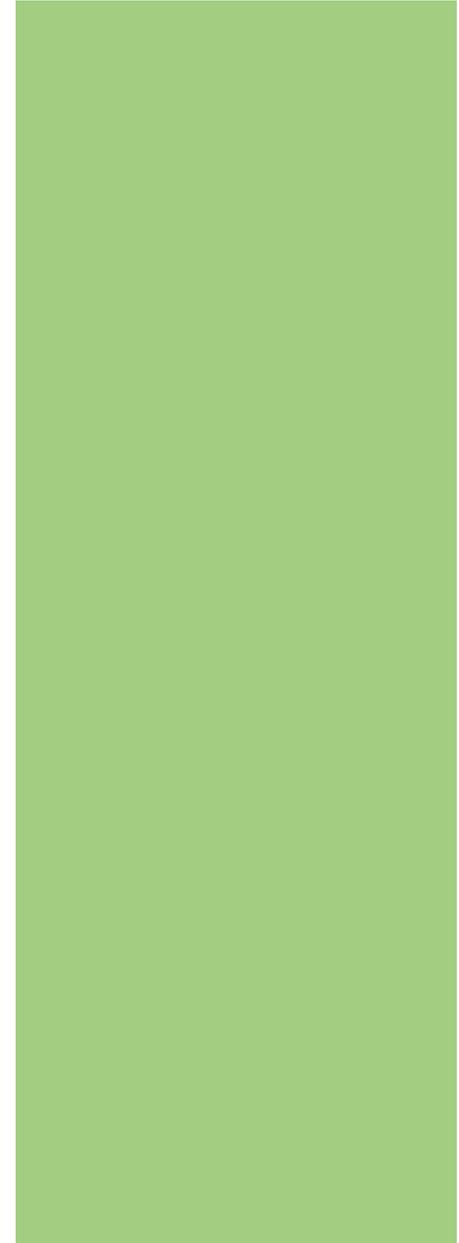
**Tax Holiday
Implementing Regulation**
BKPM Regulation No. 5/2018

In Advance Confirmation

If a taxpayer is unsure whether it will qualify for a tax holiday, it may request an In Advance Confirmation when it submits an application for a new investment to BKPM. The application for a tax holiday can be submitted together with the investment plan to BKPM and the following information:

- Business activities
- Type of production
- Explanation of fulfillment of pioneer industry criteria (i.e., a wide range of connections, provides high added value and externality, introduces new technology, and has strategic value for the national economy)
- Fixed capital investment value

If the proposed business activities are not listed as a pioneer industry, BKPM will invite the investor to attend a coordination meeting with officials from the Ministry of Finance and the Ministry of the sector relevant to the proposed business. This coordination meeting will be held within five business days from receipt of the application. BKPM is to grant or reject the In Advance Confirmation within three business days after the coordination meeting is conducted.



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