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# Course: Advanced Taxation

**Lecture 6:** Personal Income Tax (4) - PPh 23

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# WELCOME!

Personal Income Tax (4) - PPh 23

PPh 22 is a form of taxation or tax collection carried out by one party against taxpayers and is related to trading activities of goods.

Company Grabers imports goods from South Korea with an invoice price of US\$750,000. The imported goods are of a type not included in the specified categories. Insurance costs paid abroad amount to 3% of the invoice price, and freight costs amount to 6% of the invoice price. Import duty (BM) is 11%, and Additional Import Duty is 7%. The tax exchange rate at that time is Rp15,500 per US dollar. How much the Income Tax Article 22 collected by customs?

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Cost		= US\$750,000
Insurance	= (3% x US\$750,000)	= US\$22,500
Freight = (6% x US\$750,000)		= US\$45,000
Cost, Insurance, Freight (CIF)		= US\$817,500
CIF in Rupiah	= (US\$817,500 x Rp15,500)	= Rp12,671,250,000
Import Duty	= 11% x Rp12,671,250,000	= Rp1,393,837,500
Additional Import Duty	= 7% x Rp12,671,250,000	= Rp886,987,500
Import Value		= Rp14,952,075,000

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If the Company has an Importer Identification Number:

$$= 2.5\% \times \text{Import Value}$$

$$= 2.5\% \times \text{Rp}14,952,075,000$$

$$= \text{Rp}373,801,875$$

If the Company does not have an Importer Identification Number:

$$= 7.5\% \times \text{Import Value}$$

$$= 7.5\% \times \text{Rp}14,952,075,000$$

$$= \text{Rp}1,121,405,625$$

Company Weathwhy is a wheat importer with an Importer Identification Number. In March 2024, they imported wheat from the US with an invoice price of US\$300,000, insurance costs at 3% of the invoice price, freight costs at 6% of the invoice price, and an import duty of 20%. The exchange rate at the time of import is Rp15,000/US\$. How much the Income Tax Article 22?

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Cost = US\$300,000

Insurance = (3% x US\$300,000) = US\$9,000

Freight = (6% x US\$300,000) = US\$18,000

Cost, Insurance, Freight (CIF) = US\$327,000

CIF in Rupiah = (US\$327,000 x Rp15,000) = Rp4,905,000,000

Import Duty = 20% x Rp4,905,000,000 = Rp981,000,000

Import Value = Rp5,886,000,000

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$$\begin{aligned}\text{Income Tax Article 22} &= 0.5\% \times \text{Import Value} \\ &= 0.5\% \times \text{Rp5,886,000,000} \\ &= \text{Rp29,430,000}\end{aligned}$$

Company Ricers is a rice importer with an Importer Identification Number. In June 2024, they imported rice from Vietnam with an invoice price of US\$200,000, insurance costs at 2% of the invoice price, freight costs at 4% of the invoice price, and an import duty of 15%. The exchange rate at the time of import is Rp16,000/US\$. How much the Income Tax Article 22?

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$$\text{Insurance} = (2\% \times \text{US}\$200,000) = \text{US}\$4,000$$

$$\text{Freight} = (4\% \times \text{US}\$200,000) = \text{US}\$8,000$$

$$\text{Cost, Insurance, Freight (CIF)} = \text{US}\$212,000$$

$$\text{CIF in Rupiah} = (\text{US}\$212,000 \times \text{Rp}16,000) = \text{Rp}3,392,000,000$$

$$\text{Import Duty} = 15\% \times \text{Rp}3,392,000,000 = \text{Rp}508,800,000$$

$$\text{Import Value} = \text{Rp}3,900,800,000$$

$$\text{Income Tax Article 22} = 0.5\% \times \text{Import Value}$$

$$= 0.5\% \times \text{Rp}3,900,800,000$$

$$= \text{Rp}19,504,000$$

Confiscated imported goods sold at auction by the Directorate General of Customs and Excise and bought by Company Gogobox for auction sale price Rp20,000,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 7.5\% \times \text{auction sale price} \\ &= 7.5\% \times \text{Rp}20,000,000,000 \\ &= \text{Rp}1,500,000,000\end{aligned}$$

Confiscated imported goods sold at auction by the Directorate General of Customs and Excise and bought by Company Alpinsky for auction sale price Rp55,500,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 7.5\% \times \text{auction sale price} \\ &= 7.5\% \times \text{Rp}55,500,000,000 \\ &= \text{Rp}4,162,500,000\end{aligned}$$

Company Airway, based in Jakarta, supplies office supplies to the Education Agency of Jakarta. On March 1, 2024, Company Airway delivered Taxable Goods (BKP) with a contract value of Rp100,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 1.5\% \times \text{purchase price} \\ &= 1.5\% \times \text{Rp}100,000,000 \\ &= \text{Rp}1,500,000\end{aligned}$$

Company Gasjoy, a producer of oil, gas, and lubricants, delivered oil worth Rp1,200,000,000 (excluding VAT) to Company Bayoil, which is not a gas station company. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 0.3\% \times \text{sales} \\ &= 0.3\% \times \text{Rp}1,200,000,000 \\ &= \text{Rp}3,600,000\end{aligned}$$

Company Paperfly is a paper company that sells its products to Company Bookdrama worth Rp900,000,000. How much the Income Tax Article 22?

$$\begin{aligned} \text{Income Tax Article 22} &= 0.1\% \times \text{Rp}900,000,000 \\ &= \text{Rp}900,000 \end{aligned}$$

Company Cementindo sells its cement products to Company Brickly worth Rp2,000,000,000.  
How much the Income Tax Article 22?

$$\begin{aligned} \text{Income Tax Article 22} &= 0.25\% \times \text{Rp}2,000,000,000 \\ &= \text{Rp}5,000,000 \end{aligned}$$

Company Steelindo is a steel company that sells its products to Company Framely worth Rp3,000,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 0.3\% \times \text{Rp}3,000,000,000 \\ &= \text{Rp}9,000,000\end{aligned}$$

Company Grandtruck is an automotive company that sells its products to Company Miners worth Rp5,000,000,000. How much the Income Tax Article 22?

$$\begin{aligned} \text{Income Tax Article 22} &= 0.45\% \times \text{Rp}5,000,000,000 \\ &= \text{Rp}22,500,000 \end{aligned}$$

Company Chemisafe is a pharmaceutical company that sells its products to Hospital Safeyou worth Rp450,000,000. How much the Income Tax Article 22?

$$\begin{aligned} \text{Income Tax Article 22} &= 0.3\% \times \text{Rp}450,000,000 \\ &= \text{Rp}1,350,000 \end{aligned}$$

Company Beanforyou is a producer of raw coffee beans that sells its products to Company Cofeedo worth Rp150,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 0.25\% \times \text{purchase price} \\ &= 0.25\% \times \text{Rp}150,000,000 \\ &= \text{Rp}375,000\end{aligned}$$

Company Coalty is a coal company that sells its products to Company Steelshy worth Rp1,500,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 1.5\% \times \text{purchase price} \\ &= 1.5\% \times \text{Rp}1,500,000,000 \\ &= \text{Rp}22,500,000\end{aligned}$$

Company Goaldline sells gold and in May 2024 sells gold to Company Ringonme worth Rp500,000,000. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 0.45\% \times \text{purchase price} \\ &= 0.45\% \times \text{Rp}500,000,000 \\ &= \text{Rp}22,500,000\end{aligned}$$

Company Buildit is a property developer that sells apartments worth Rp70,000,000,000 to Company Wedid. How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 1\% \times \text{sell price} \\ &= 1\% \times \text{Rp}70,000,000,000 \\ &= \text{Rp}700,000,000\end{aligned}$$

Company Boatbless sells a cruise ship worth Rp900,000,000,000 to Company Cruiseworld.  
How much the Income Tax Article 22?

$$\begin{aligned}\text{Income Tax Article 22} &= 5\% \times \text{sell price} \\ &= 5\% \times \text{Rp}900,000,000,000 \\ &= \text{Rp}45,000,000,000\end{aligned}$$

- Article 23 Income Tax is a withholding tax imposed on income related to capital participation, rent and use of assets other than land and buildings, provision of services, or gifts and awards, apart from those already subject to Article 21 Income Tax.
- Income Tax 23 is levied on income received by a corporate entity, while on the other hand, Income Tax 21 is imposed on income received by individuals. Generally, this type of income occurs during transactions between two parties, namely:
  - The income recipient (service provider) will be subject to Income Tax 23, and
  - The income provider (service recipient) will withhold, pay, and report the Income Tax 23 to the tax office.

Objects of Income Tax 23 include:

- Income Paid to Other Parties / Contractors in the Form of Rent and Other Income Related to the Use of Assets (Other than Land/Buildings), Such as Vehicle Rental or Sound System Rental
- Income Paid to Other Parties / Contractors in the Form of Compensation Related to Technical Services, Management Services, Consulting Services, and Other Services (Such as: Repair Services, Cleaning Services, Catering Services, etc.)
- Dividends
- Interest
- Royalties
- Gifts, Awards, Bonuses, and Similar Items Other Than to Individuals

If there are objects of taxation subject to Income Tax 23, then there are also objects exempt from Article 23 Income Tax withholding, including:

1. Income paid or due to banks on a recurring basis;
2. Rent paid or due in connection with lease-purchase with an option;
3. Dividends or profit shares received or obtained by limited liability companies as domestic taxpayers, cooperatives, SOEs/SOBDs, from capital participation in business entities established and domiciled in Indonesia

The final Article 23 Income Tax exemption is the gross amount paid by government agencies, domestic taxpayers, event organizers, permanent establishments, or other foreign company representatives to domestic taxpayers or permanent establishments, but this does not include:

- Salary or payroll payments, wages, honorariums, allowances, and other payments as remuneration for work performed.
- Payments for the purchase of goods or materials evidenced by purchase invoices.
- Payments to second parties (intermediaries), subsequently paid to third parties.
- Reimbursement payments.

## Income Tax Withholding Agents:

- Government Entities, Domestic Taxpayers, Event Organizers, Permanent Establishments (BUT), or Other Foreign Company Representatives.
- Certain Domestic Individual Taxpayers appointed as Article 23 Income Tax Withholding Agents by the Director General of Taxes through SE-08/PJ.4/1995, namely:
- Accountants, Architects, Doctors, Notaries, Land Deed Officials (PPAT) except for PPAT who are Subdistrict Heads, Lawyers, and Independent Consultants.
- Individuals conducting businesses maintaining accounting records.

Income recipients subject to Article 23 Income Tax withholding:

- Domestic corporate taxpayers.
- Permanent Establishments.

The calculation of Article 23 Income Tax is done by multiplying the tax rate by the tax base or the gross amount of income determined.

$$\text{Income Tax Article 23} = \text{Tax Rate} \times \text{Income}$$

There are two types of tax rates applied to income subject to Article 23 Income Tax, namely a 15% rate and a 2% rate. The determination of these rates is based on the type of income. Here are the details of the Article 23 Income Tax rates:

- 15% rate for:
  - Dividends received by PTs/SOEs/SOBDs with share ownership less than 25%, except for dividend distributions to individuals subject to Final Income Tax;
  - Interest, including premium, discount, and compensation for debt repayment guarantees;
  - Royalties;
  - Gifts, awards, bonuses, and similar items other than those already subject to Article 21 Income Tax.

- 2% rate for rent and other income related to the use of assets, except for land and/or building rentals.
- 2% rate for compensation for technical services, management services, construction services, consulting services, and other services regulated or based on the Minister of Finance Regulation, other than services already subject to Article 21 Income Tax.
- 2% rate for income from other service compensations.
- Fintech tax rates or final Article 23 Income Tax rates for online loan fintech services are as follows:
  - Final Income Tax 15% rate for domestic fintech;
  - Final Income Tax 20% rate for foreign fintech.

- There are several conditions where the tax rate will be applied differently from the general rules. These exceptions specifically apply to the category of gift and award tax objects. Here's further explanation:
  - Lottery or raffle prizes are considered income and will be subject to a tax rate of 25%;
  - Other gifts and awards, including career awards, will be subject to the same rate as the prevailing tax rate according to Article 21 Income Tax;
  - If the recipient is an expatriate and not classified as an international Permanent Establishment, a tax rate of 20% will be applied;
  - If the recipient is an organization, including a Permanent Establishment, a rate of 15% will be applied.

In the case where a corporate taxpayer receiving or earning income does not have a Taxpayer Identification Number (NPWP), the withholding tax rate is increased by 100% as a penalty from the prescribed rate.

**Article 23 income tax to be paid:  $200\% \times$  Owed Article 23 income tax.**

- Therefore, the amount of the Article 23 Income Tax rate due to not having an NPWP is:
  - 30% of the Tax Base for dividend, royalty, interest, gift, and award taxes;
  - 4% of the Tax Base for other tax objects;
  - 30% for domestic fintech;
  - 40% for foreign fintech;
  - 50% of the Tax Base for special lottery and raffle prizes;
  - 40% of the Tax Base for recipients of gifts and awards who are expatriates and subject to special rates;
  - 30% of the Tax Base for income recipients who are organizations or Permanent Establishments subject to special rates.

- To request tax exemption for Article 23 Income Tax (PPH Article 23), the taxpayer must be experiencing fiscal losses or have the right to tax loss compensation, or the income tax paid or to be paid is greater than the income tax owed.
- If a tax exemption request has been submitted to the government, the taxpayer can wait for 5 days for a response, and if there is no response after 5 days, the request is considered approved.

- The Directorate General of Taxes has stipulated that tax payments starting from July 1, 2016, can only be made electronically. Tax payments are made by the withholding agent to the State Treasury using the e-Billing application by creating a billing ID first, then paying it through designated Banks (ATM, bank teller, internet banking) approved by the Ministry of Finance.
- The deadline for paying Article 23 Income Tax is the 10th of the following month. After making the payment, the employer will receive a State Revenue Receipt Transaction Number (NTPN) as proof of payment.

- Generally, the tax withholder is given the freedom to determine the form of reporting for the Article 23 Income Tax Periodic Tax Return using paper/hard copy forms or reporting it through the online tax reporting feature (e-Filing) using the e-SPT Article 23/26 Income Tax Periodic Tax Return application. The reporting deadline is the 20th of the following month to the registered Tax Office. If the 20th falls on a holiday (Saturday is included as a holiday), you can report it on the next working day.

- According to Article 15 paragraph (3) of Government Regulation No. 94 of 2010, every time Article 23 Income Tax is withheld, you as the tax withholder must issue an Article 23 Income Tax withholding certificate to the taxpayer by the end of the month when:
  - The income is paid;
  - The income is made available for payment; or
  - The payment deadline for the relevant income falls, whichever occurs first.

- In practice, issues often arise when applying the withholding tax for Article 23 Income Tax. These issues generally involve determining the gross amount, exceptions for Article 23 Income Tax objects, and when Article 23 Income Tax is due.
- Remuneration related to engineering services, management services, construction services, consulting services, and other services regulated under Minister of Finance Regulation No. 141/PMK.03/2015 is subject to a 2% withholding tax by the obligated party, calculated from the gross amount excluding Value Added Tax (VAT).

The gross amount refers to the entire amount of income paid, made available for payment, or whose payment deadline has passed by government entities, domestic taxpayers, event organizers, Permanent Establishments, or other foreign company representatives to domestic taxpayers or Permanent Establishments, excluding:

- a. payments for salaries, wages, honoraria, allowances, and other payments for work provided by taxpayer labor providers to workers under contracts with service users (evidenced by employment contracts and lists of payments for work-related salaries, wages, honoraria, allowances, and other payments);
- b. payments for procurement/purchase of goods or materials (evidenced by purchase invoices);
- c. payments to second parties (as intermediaries) for subsequent payment to third parties (evidenced by third-party billing invoices accompanied by written agreements);
- d. reimbursement payments, namely reimbursements equal to the amount actually paid by the second party to the third party (evidenced by billing invoices or payment receipts already paid by the second party to the third party).

The gross amount does not apply to:

- a. income paid for catering services;
- b. income paid for services mentioned above that have been subject to final Income Tax.

Payments must be evidenced by:

- a. Employment contracts and lists of payments for work-related salaries, wages, honoraria, allowances, and other payments;
- b. Purchase invoices for goods or materials;
- c. Third-party billing invoices accompanied by written agreements;
- d. Billing invoices or payment receipts already paid by the second party to the third party.

Income excluded from Article 23 Income Tax withholding:

1. income paid or due to banks;
2. lease payments made or due for lease agreements with options;
3. dividends or profit shares received by domestic limited liability companies, cooperatives, State-Owned Enterprises, or Regional-Owned Enterprises, from capital participation in companies established and domiciled in Indonesia.
4. bond interest received or obtained by mutual fund companies during the first 5 years since establishment or licensing;
5. profit shares received by members of limited partnership companies whose capital is not divided into shares, partnerships, associations, firms, and joint ventures;
6. remaining cooperative business results paid by cooperatives to their members;
7. savings interest not exceeding the limit set by the Minister of Finance paid by cooperatives to their members.

- Article 23 Income Tax is due at the time of payment, when made available for payment (e.g., dividends), at the due date (e.g., interest and rent), and at the time specified in the contract or agreement or invoice (e.g., royalties, compensation for technical or management services).

"When made available for payment" can be defined as follows:

- a. for non-public companies, it is when recorded as dividend liabilities to be paid, namely at the time of dividend distribution announcement or determination in the Annual General Meeting of Shareholders (AGM). Similarly, if the company distributes interim dividends during the current year, the Article 23 Income Tax is due when announced in the Board of Directors' or Shareholders' Meeting according to the Articles of Association of the respective company;
- b. for public companies, it is on the date of determining the ownership of shareholders entitled to dividends (recording date). In other words, withholding of Article 23 Income Tax on dividends can only be done after the entitled shareholders "receive or obtain" the dividends, even though the dividends have not been received in cash.

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  - b. for public companies, it is on the date of determining the ownership of shareholders entitled to dividends (recording date). In other words, withholding of Article 23 Income Tax on dividends can only be done after the entitled shareholders "receive or obtain" the dividends, even though the dividends have not been received in cash.
- "When the payment deadline falls due" is when the obligation to make payments based on agreements, whether written or unwritten in contracts or agreements or invoices.

- Article 23 withholding tax is an integral part of the taxation system in Indonesia that imposes taxes on various specific types of income. By understanding the definition, objects, rates, and general provisions of Article 23 withholding tax, taxpayers can fulfill their tax obligations more effectively and efficiently.
- Compliance with tax regulations not only aids in national development but also creates a stable and reliable business environment. Therefore, a deep understanding and awareness of Article 23 withholding tax are crucial in achieving shared financial prosperity.

- Goodconsult Company provided consulting services to Needconsult Company in March 2024 for a fee of 45 million. How much income tax 23?

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  - =2% x gross income
  - = 2% x 45.000.000
  - = 900.000

- Makemoney Company held a general meeting of shareholders and announced a dividend distribution of 5 billion Rupiah. Getmoney Company owns 10% of Makemoney Company's shares. How much income tax 23?

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Dividend for Makemoney Company =  $10\% \times 5.000.000.000 = 500.000.000$

Income tax 23

=  $15\% \times 500.000.000$

= 75.000.000

# THANK YOU

**LECTURE 6: PERSONAL INCOME TAX (4) - PPh 23**

**LECTURER: DIMAZ RAMANANDA**