
Course: Advanced Taxation

Lecture 8: Personal Income Tax (6) - PPh 26 & PPh 15

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WELCOME!

Personal Income Tax (6) - PPh 26

- Article 4 Paragraph 2 Income Tax, often known as Final Income Tax, is a tax imposed on Corporate Taxpayers or Individual Taxpayers on certain types of income obtained according to the provisions stipulated in the Income Tax Law, and its tax deduction is final in nature.
- Final in nature means that the tax deduction on this type of income cannot be credited in the calculation of Corporate Tax or Individual Tax at the end of the period. This final tax cannot be categorized as an advance payment of the tax due, but rather as a tax that has been settled and is separate, thus cannot be categorized as a tax credit.

- Income Tax (PPh) Article 4 paragraph (2) is a deduction on income paid in connection with certain services and sources, such as construction services, land and/or building rentals, lottery prizes, and so forth.
- In summary, PPh Article 4 paragraph (2) is income tax on specific types of income that is final in nature and cannot be credited with the income tax due. Therefore, PPh Article 4 paragraph (2) is also known as Final Income Tax.
- Additionally, final tax must be settled and paid within the same tax period either by deduction by another party or by self-assessment.

- Income Tax (PPh) Article 4 paragraph (2) has a specific rate scheme for each type of income, and the associated costs related to that income cannot be deducted from gross income. Payments and deductions/collections of Income Tax Article 4 paragraph (2) are not considered advance payments of the tax due, but rather settlements. Therefore, Taxpayers who have had their Income Tax Article 4 paragraph (2) withheld or have self-paid it are considered to have settled their taxes.
- Income related to Article 4 Paragraph 2 Income Tax may not be reintroduced into business circulation used for annual tax calculations.

Case 1

- Mr. Brian has a deposit at Bank and receives deposit interest amounting to Rp 10,000,000 in March 2020. What is the treatment of PPh 4(2) for this income?

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Calculation of PPh 4(2) on deposit interest

Deposit interest income is one of the taxable objects of PPh 4(2) subject to a rate of 20%.

PPh 4(2): $20\% \times \text{Rp. } 10,000,000 = \text{Rp } 2,000,000$

Payment

The bank withholds tax on the deposit interest income amounting to Rp 2,000,000, then remits it to the state treasury before April 10, 2020. This payment can be made through e-billing. Mr. Brian receives a net income of Rp 8,000,000 and does not make further tax payments on the deposit interest income, as it has already been withheld by the Bank.

Case 1

- Mr. Brian has a deposit at Bank and receives deposit interest amounting to Rp 10,000,000 in March 2020. What is the treatment of PPh 4(2) for this income?

Reporting

As the withholding agent, the Bank is required to report the PPh 4(2) withholding to the Directorate General of Taxes (DJP). Reporting can be done through e-filing. Mr. Irwana will report the deposit interest income along with the tax withheld in the annual tax return. PPh 4(2) cannot be credited by Mr. Brian, as it is considered final.

Accounting Treatment

Mr Brian upon receipt of deposit interest income

(Dr) Cash	8.000.000	
(Dr) PPh 4(2) Expense	2.000.000	
(Cr) Deposit Interest Income		10.000.000

The Bank

Upon payment of deposit interest

(Dr) Interest Expense	10.000.000	
(Cr) Cash		8.000.000
(Cr) PPh 4(2) Payable	2.000.000	

Upon remittance of PPh 4(2)

(Dr) PPh 4(2) Payable	2.000.000	
(Cr) Cash		2.000.000

Case 2

- GoodHealth Company held a lottery drawing for coupons sent by its customers on October 21, 2021, with a prize worth Rp 100,000,000. In the drawing, Mr. Tommy was drawn as the winner. What is the treatment of PPh 4 (2) for this income?

Case 2

- GoodHealth Company held a lottery drawing for coupons sent by its customers on October 21, 2021, with a prize worth Rp 100,000,000. In the drawing, Mr. Tommy was drawn as the winner. What is the treatment of PPh 4 (2) for this income?

Calculation of PPh Article 4 Paragraph 2 for lottery prizes

Income in the form of lottery prizes is one of the taxable objects of PPh 4(2) subject to a rate of 25%.

$$\text{PPh 4(2): } 25\% \times \text{Rp. } 100,000,000 = \text{Rp } 25,000,000$$

Case 2

- GoodHealth Company held a lottery drawing for coupons sent by its customers on October 21, 2021, with a prize worth Rp 100,000,000. In the drawing, Mr. Tommy was drawn as the winner. What is the treatment of PPh 4 (2) for this income?

Reporting

As the withholding agent, GoodHealth Company is required to report the PPh 4(2) withholding to the Directorate General of Taxes (DJP). Reporting can be done through e-filing. Mr. Tommy will receive proof of PPh 4(2) withholding on the lottery prize from GoodHealth Company, then include it in the annual tax return. PPh 4(2) cannot be credited by Mr. Tommy as it is considered final.

Accounting Treatment

Mr. Tommy, upon receipt of lottery prize

(Dr) Cash	75.000.000	
(Dr) PPh 4(2) Expense	25.000.000	
(Cr) Lottery Prize Income		100.000.000

GoodHealth Company

Upon awarding the lottery prize

(Dr) Lottery Prize Expense	100.000.000	
(Cr) Cash		75.000.000
(Cr) PPh 4(2) Payable		25.000.000

Upon remittance of PPh 4(2)

(Dr) PPh 4(2) Payable	25.000.000	
(Cr) Cash		25.000.000

Case 3

- On February 9, 2021, Mr. Mike (non-founder) sold 10,000 shares he owned, purchased from Telfo Company at a price of Rp 5,000 per share on the Indonesia Stock Exchange. What is the treatment of PPh 4(2) for this income?

Case 3

- On February 9, 2021, Mr. Mike (non-founder) sold 10,000 shares he owned, purchased from Telfo Company at a price of Rp 5,000 per share on the Indonesia Stock Exchange. What is the treatment of PPh 4(2) for this income?

Calculation of PPh 4 (2) for share sales

According to Articles 2 and 3 of Minister of Finance Regulation No. 282/1997, the rate applied to share sales is 0.1% of the gross amount of the share sales transaction. However, for share sales conducted by founders, an additional tax of 0.5% of the share value will be imposed:

Thus, the PPh 4(2) imposed on Mr. Mike's share sales transaction is:

$$\text{PPh 4(2)} = 0.1\% \times \text{Rp } 5,000 \times 10,000 \text{ shares} = \text{Rp } 50,000$$

Case 3

- On February 9, 2021, Mr. Mike (non-founder) sold 10,000 shares he owned, purchased from Telfo Company at a price of Rp 5,000 per share on the Indonesia Stock Exchange. What is the treatment of PPh 4(2) for this income?

Payment

Income tax is levied by deduction by the stock exchange operator through securities traders at the time of settlement of share sales transactions. The stock exchange operator must deposit the income tax to the designated bank or post office no later than the 20th day of the following month after the share sales transaction.

Case 3

- On February 9, 2021, Mr. Mike (non-founder) sold 10,000 shares he owned, purchased from Telfo Company at a price of Rp 5,000 per share on the Indonesia Stock Exchange. What is the treatment of PPh 4(2) for this income?

Reporting

The stock exchange is required to submit a report on the withholding and deposit of income tax to the tax office no later than the 25th day of the same month as the deposit month. As the withholding agent, the stock exchange must report the PPh 4(2) Annual Tax Return (SPT) to the Directorate General of Taxes (DJP) for the PPh 4(2) that has been paid. Reporting can be done through e-filing. Mr. Mike will receive proof of PPh 4(2) withholding on the share sales conducted on the stock exchange from the securities intermediary company, then include it in the annual tax return. PPh 4(2) cannot be credited by Mr. Mike, as it is considered final.

Case 3

- On February 9, 2021, Mr. Mike (non-founder) sold 10,000 shares he owned, purchased from Telfo Company at a price of Rp 5,000 per share on the Indonesia Stock Exchange. What is the treatment of PPh 4(2) for this income?

Accounting Treatment

Mr. Mike

Upon sale of shares

(Dr) Cash	49.950.000	
(Dr) PPh 4(2) Expense	50.000	
(Cr) Share Sales Income		50.000.000

- Income Tax (PPH) Article 26 concerning Work, Services, or Activities is a tax on income in the form of salaries, wages, honoraria, allowances, pensions, and other periodic payments, as well as other payments under any name and in any form related to work, services, and activities performed by non-resident individual taxpayers, as referred to in Article 26 of the Income Tax Law.

Withholding of Income Tax (PPH) Article 26 concerning work, services, and activities must be carried out by:

- Employers, namely individuals and entities, whether they are head offices, branches, representatives, or units, that pay salaries, wages, honoraria, allowances, and other payments under any name and in any form, including benefits in kind and/or enjoyment, as compensation for work;
- Government agencies, including non-ministerial government institutions, the secretariat of state institutions, the secretariat of non-structural institutions, and representatives of the Republic of Indonesia abroad, that pay salaries, wages, honoraria, allowances, and other payments under any name and in any form related to work, services, or activities;

- Pension funds, social security organizations for workers, and other bodies that pay pensions, old-age benefits, and/or other payments under any name related to pension programs, established according to the provisions of legislation;
- Individuals and entities that pay honoraria or other payments as compensation for services rendered by individuals, including expert services rendered independently and acting on their own behalf, not on behalf of their partnership; and
- Activity organizers, including entities, government agencies, national and international organizations, associations, individuals, and other institutions that organize activities and pay honoraria, prizes, or awards in any form in relation to an activity.

Those not included as employers required to withhold tax include:

- Foreign representative offices;
- International organizations:
 - as regulated in Article 3 paragraph (1) letter c of the Income Tax Law under the conditions that:
 - Indonesia is a member of the organization; and
 - They do not conduct business or other activities to earn income in Indonesia except for providing loans to the government sourced from member contributions; and
- those specifically regulated based on international agreements as referred to in the Ministerial regulation governing the implementation of income tax treatment based on international agreements determined by the Minister of Finance.

Individuals who:

- do not conduct business activities or independent work; or
- conduct business activities or independent work and employ individuals who:
- solely perform household work; or
- perform work or services unrelated to the employer's business activities or independent work.

- Withholders of PPh Article 26 concerning Work, Services, and Activities must register themselves with the Tax Service Office according to applicable regulations.
- Withholders must calculate, withhold, deposit, and report PPh Article 26 concerning Work, Services, and Activities due for each calendar month.
- Withholders must maintain records or working papers of PPh Article 26 calculations concerning Work, Services, and Activities for each income recipient, which serve as the basis for reporting PPh Article 26 due for each tax period, and must retain these records or working papers in accordance with applicable regulations.

- The obligation to report the withholding of PPh Article 21 and/or PPh Article 26 concerning Work, Services, and Activities for each calendar month remains in effect, even if the tax withheld for the month is zero or there is withholding of PPh Article 26 concerning Work, Services, and Activities at a rate of 0% (zero percent).
- The withholder must create proof of withholding PPh Article 26 concerning Work, Services, and Activities and provide this proof to the income recipient whose tax has been withheld, including in cases where PPh Article 26 is withheld at a rate of 0% (zero percent).

- In the event of overpayment of tax in a tax period, the withholder is entitled to credit the excess tax in the following month.
- In the event of errors in the calculation of the reported tax return, the withholder is entitled to submit a corrected tax return according to applicable regulations.
- In the event of overpayment in the corrected tax return, the withholder is entitled to credit the excess PPh Article 26 in the following months, without having to be sequential.

Withholding of PPh Article 26 concerning Work, Services, or Activities is carried out for each tax period, no later than the end of the month in which:the income is paid or payable;

- the income is transferred or payable, depending on which event occurs first, for compensation or benefits in kind; or
- the expense is incurred by the payer, for compensation or benefits in the form of enjoyment.

Recipients of income subject to withholding of PPh Article 26 concerning Work, Services, and Activities are non-resident individual taxpayers, including:

- Permanent Employees;
- Retirees;
- Members of the board of commissioners or supervisory board members who receive irregular compensation;
- Non-Permanent Employees;

- Non-Employees, including:

- experts who perform independent work, including lawyers, accountants, architects, doctors, consultants, notaries, land deed officials, appraisers, and actuaries;
- musicians, hosts, singers, comedians, film stars, soap opera stars, advertising stars, directors, film crews, photo models, models, drama actors, dancers, sculptors, painters, creators/producers of content on media shared online (influencers, celebgrams, bloggers, vloggers, and similar), and other artists;
- Athletes;
- advisors, teachers, trainers, speakers, counselors, and moderators;
- authors, researchers, and translators;
- service providers in all fields;
- advertising agents;
- project supervisors or managers;
- order takers or those who find clients or intermediaries;
- merchandise sales agents;
- insurance agents;
- distributors of multilevel marketing companies or direct sales and other similar activities.

- Participants in activities, including:
 - competition participants in all fields, such as sports, religious, arts, skill, science, technology, and other competitions;
 - participants in meetings, conferences, sessions, gatherings, working visits, seminars, workshops, or performances, or other specific activities;
 - participants or members in a committee as event organizers; or
 - participants in education, training, and internships.
- Participants in pension programs who are still employees; and
- Former Employees.

Not included in the definition of income recipients subject to withholding of PPh Article 26 concerning work, services, and activities are:

- Diplomatic and consular representatives or other foreign officials, and their staff who work for and reside with them as regulated in Article 3 paragraph (1) letter b of the Income Tax Law, provided that:
 - they are not Indonesian citizens and in Indonesia do not receive or earn other income outside of their position or work; and
 - the foreign country concerned provides reciprocal treatment; and

- Officials of international organizations, provided that:
 - they are not Indonesian citizens and do not conduct business or activities or work to earn income from Indonesia; or
 - they are specifically regulated based on international agreements as referred to in the Ministerial regulation governing the implementation of income tax treatment based on international agreements.
- Income subject to withholding of Income Tax Article 26 concerning Work, Services, and Activities includes:

- Income received or earned by Permanent Employees, both regular and irregular, which may include:
 - all salaries, all types of allowances, and other regular income, including overtime pay and similar income;
 - bonuses, holiday allowances, production services, tantiem, gratuities, premiums, and other irregular income;
 - compensation related to activities organized by the employer;
 - payments of accident insurance contributions and death insurance contributions to the social security organization for workers, paid by the employer;
 - payments of health maintenance insurance contributions to the social security organization for health, paid by the employer; and
 - payments of health insurance premiums, work accident insurance, life insurance, dual-purpose insurance, and scholarship insurance paid by the employer.

- Income received or earned by Retirees regularly in the form of pensions or similar income;
- Compensation to members of the board of commissioners or supervisory board members received or earned irregularly;
- Income of Non-Permanent Employees, which may include: daily wages, weekly wages, piece-rate wages, contract wages, and monthly wages;
- Compensation to Non-Employees related to independent work or services performed, which may include honoraria, commissions, fees, and similar compensation;
- Compensation to Participants in Activities, which may include allowances, representation money, meeting money, honoraria, prizes or awards, and similar compensation;
- Pension benefits or similar income partially withdrawn by participants in pension programs who are still employees; and
- Income or compensation received or earned by Former Employees, which may include: production services; tantiem, gratuities as regulated in the Income Tax Law, bonuses; and other irregular compensation.

- These incomes can be provided under any name and in any form, including benefits in kind and/or enjoyment.
- In the event that the income is received or earned in foreign currency, the calculation of Article 26 concerning Work, Services, or Activities is based on the exchange rate determined by the Minister of Finance applicable at the time of payment or at the time the income is payable, depending on which event occurs first.
- Income received/earned by resident individual taxpayers is subject to PPh Article 21, while income received/earned by non-resident individual taxpayers is subject to PPh Article 26.

- If the foreign individual taxpayer's status changes to a domestic individual taxpayer, the withholding of Article 26 Income Tax as mentioned above is not final and can be credited against the Personal Income Tax due for the tax year or part of the tax year concerned in the Annual Income Tax Return of the individual taxpayer.
- The formula for calculating Article 26 Income Tax related to employment, services, or activities is as follows: Article 26 Income Tax = 20% x Gross Income or according to the DTA.

- Calculation examples:

Mr. Michael is a foreign citizen working at Datatex Company and has been in Indonesia for less than 183 days. Mr. Michael receives or earns income in February 2024 amounting to 50,000,000.

- Calculation examples:

Mr. Michael is a foreign citizen working at Datatex Company and has been in Indonesia for less than 183 days. Mr. Michael receives or earns income in February 2024 amounting to 50,000,000.

The amount of withholding tax (Article 26) on the income received or earned by Mr. Michael is $20\% \times 50,000,000 = 10,000,000$ and is final.

Note: Datatex Company withholds Article 26 Income Tax for Mr. Michael amounting to 10,000,000 and provides a withholding tax receipt to Mr. Michael.

Mr. Thompson is a foreign citizen working at Icepod Company and has been in Indonesia for less than 183 days. Mr. Thompson receives or earns a salary in May 2024 amounting to USD 3,000 per month. The exchange rate from the Minister of Finance at the time of payment is 15,500 for USD 1.

Mr. Thompson is a foreign citizen working at Icepod Company and has been in Indonesia for less than 183 days. Mr. Thompson receives or earns a salary in May 2024 amounting to USD 3,000 per month. The exchange rate from the Minister of Finance at the time of payment is 15,500 for USD 1.

The amount of withholding tax (Article 26) on the salary received or earned by Mr. Thompson in May 2024 is $20\% \times \text{USD } 3,000 \times 15,500 = 9,300,000$ and is final.

Note: Icepod Company withholds Article 26 Income Tax for Mr. Thompson amounting to 9,300,000 and provides a withholding tax receipt to Mr. Thompson.

- Article 15 Income Tax is a type of income tax levied on taxpayers engaged in shipping, international aviation, and foreign insurance companies. Other businesses subject to Article 15 Income Tax include oil drilling companies and companies investing in build-operate-transfer (BOT) schemes, typically related to infrastructure projects such as toll roads, subways, etc.
- Article 15 Income Tax may be somewhat unfamiliar to taxpayers. Commonly known types of Income Tax are Article 21, Article 23, Article 4 paragraph (2), etc. Essentially, Article 15 Income Tax is calculated using specific norms and is final.

- Referring to the Minister of Finance Decree No.417/KMK.04/1996 and Circular Letter of the Director General of Taxes No. SE-32/PJ.4/1996, it is stated that Article 15 Income Tax is levied or taxed using specific norms for calculating the net income of the taxpayer.
- Domestic Shipping Company Taxpayers are individuals or entities residing or established and domiciled in Indonesia, conducting shipping business with ships registered in Indonesia or abroad or with other parties' ships.

Domestic shipping company taxpayers are subject to Income Tax on all income received or earned from both Indonesia and abroad. Therefore, the income subject to tax includes income received or earned from the transportation of people and/or goods, including ship rentals conducted from:

- ports in Indonesia to other ports in Indonesia;
- ports in Indonesia to ports outside Indonesia;
- ports outside Indonesia to ports in Indonesia;
- ports outside Indonesia to other ports outside Indonesia.

- The specific calculation norm for net income is 4% of gross circulation. The amount of tax due is 1.2% of gross circulation and is final. Gross circulation is all remuneration or compensation value in money or monetary value received or earned by domestic shipping company taxpayers from transporting people and/or goods loaded from one port to another in Indonesia and/or from ports in Indonesia to ports abroad and/or vice versa.

Settlement of tax due:

- In the case of income derived from leasing or charter agreements with tax withholders, tax withholding is done at the time of payment or when the remuneration or compensation value becomes due.
- In cases where income is derived other than as mentioned above, the taxpayer must deposit the tax due to a designated bank or post office no later than the 15th of the following month after the month in which the income is received or earned, using a Final Tax Payment Slip (SSP Final); reporting the payment made to the Tax Service Office no later than the 20th of the following month.

Domestic aviation company taxpayers are aviation companies domiciled in Indonesia earning income from charter agreements.

- Gross circulation for domestic aviation company taxpayers is all remuneration or compensation value in money or monetary value received or earned by the taxpayer based on a charter agreement from transporting people and/or goods loaded from one port to another in Indonesia and/or from ports in Indonesia to ports abroad.
- Net income is set at 6% of gross circulation. The amount of income tax on income from transporting people and/or goods for taxpayers is 1.8% of gross circulation. Income tax payments are tax credits that can be accounted for in the Annual Income Tax Return.
- Withholding is done by the charterer as long as the charterer is a government body, a domestic corporate taxpayer, an event organizer, a permanent establishment, or a representative of other foreign companies. Withholding is done at the time of payment or when the remuneration or compensation value becomes due.

Foreign shipping and/or aviation company taxpayers are companies domiciled abroad conducting business through a Permanent Establishment (PE) in Indonesia.

- Gross circulation for foreign shipping and/or aviation company taxpayers is all remuneration or compensation value in money or monetary value from transporting people and/or goods loaded from one port to another in Indonesia and/or from ports in Indonesia to ports abroad. Thus, it does not include remuneration or compensation received or earned by foreign shipping and/or aviation companies from transporting people and/or goods from ports abroad to ports in Indonesia.
- The specific norm for net income is 6% of gross circulation. The amount of income tax to be settled by foreign shipping and/or aviation company taxpayers is 2.64% of gross circulation and is final.

Settlement or payment of tax:

- In the case of income derived from charter agreements, the paying party or the chartering party must withhold the tax due at the time of payment or when the remuneration/compensation value becomes due.
- In cases where income is derived other than from charter agreements, foreign shipping and/or aviation company taxpayers must deposit the tax due to a designated bank or post office no later than the 15th of the following month after the month in which the income is received or earned and report the payment made to the Tax Service Office no later than the 20th of the following month.

- Taxpayers engaged in international contract manufacturing services are domestic corporate taxpayers providing manufacturing or assembly services for children's toys, with materials, specifications, technical instructions, and remuneration determined by the ordering party domiciled abroad and having a special relationship with the taxpayer.
- The specific norm for calculating net income from international contract manufacturing services received/earned by the taxpayer is set at 7% of the total cost of manufacturing or assembling goods, excluding the cost of using direct materials/
- Net income is subject to Income Tax at the highest rate under Article 17 paragraph (1) letter b of the Income Tax Law, which is 30% and is final.
- These provisions apply as long as the taxpayer does not have an Advance Pricing Agreement with the Director General of Taxes regarding the remuneration for international contract manufacturing services.

Article 15 Income Tax on domestic aviation charters:

- Article 15 Income Tax due = $30\% \times \text{Specific Norm for Net Income Calculation}$
- Specific Norm for Net Income Calculation = $6\% \times \text{Gross Circulation}$
- Effective tax rate = $1.8\% \times \text{Gross Circulation}$ (1.8% comes from $6\% \times 30\%$).
- The settlement for the 1.8% tax is a payment of Article 23 Income Tax that can be credited against the tax due in the Annual Income Tax Return for the relevant tax year.

Article 15 Income Tax on domestic shipping:

- Article 15 Income Tax due = $30\% \times \text{Specific Norm for Net Income Calculation}$.
- Specific Norm for Net Income Calculation = $4\% \times \text{Gross Circulation}$
- Effective tax rate = $30\% \times 4\% \times \text{Gross Circulation} = 1.2\% \times \text{Gross Circulation}$ and is final.

Article 15 Income Tax on foreign shipping or aviation:

- Net income is set at 6% of gross circulation.
- The amount of income tax for taxpayers is 2.64% of gross circulation and is final.

Income Tax Article 15 for taxpayers engaged in international contract manufacturing services in the field of children's toy production:

- Net income is subject to a rate of 7% of the total cost of manufacturing or assembling goods, excluding the cost of using raw materials. This applies as long as the taxpayer does not have a Transfer Pricing Agreement with the Directorate General of Taxes (DJP).
- The owed Income Tax is charged at 2.1%, calculated from the total cost of manufacturing or assembling goods, excluding the cost of using raw materials.

Income Tax Article 15 for taxpayers engaged in international contract manufacturing services in the field of children's toy production:

- Net income is subject to a rate of 7% of the total cost of manufacturing or assembling goods, excluding the cost of using raw materials. This applies as long as the taxpayer does not have a Transfer Pricing Agreement with the Directorate General of Taxes (DJP).
- The owed Income Tax is charged at 2.1%, calculated from the total cost of manufacturing or assembling goods, excluding the cost of using raw materials.

Tax objects under Income Tax Article 15 include:

- Gross export value
- Total cost of manufacturing
- All compensation or replacement value.

Specifically, the tax objects under Income Tax Article 15 for each subject are:

- Income Tax Article 15 for Domestic Flight Charters: All compensation or replacement value in the form of money or money equivalents received from domestic flight charters.
- Income Tax Article 15 for Domestic Shipping: Income derived from the transportation of people and/or goods, including ship rentals, whether from Indonesia or abroad for shipping businesses.
- Income Tax Article 15 for International Shipping and/or Aviation: All compensation or replacement value in the form of money or money equivalents from the transportation of people and/or goods loaded from one port to another in Indonesia or abroad for international shipping and/or aviation businesses.
- Income Tax Article 15 for taxpayers engaged in international contract manufacturing services in the field of children's toy production: Total cost of manufacturing or assembling goods, excluding the cost of using raw materials.

Subjects of Income Tax Article 15 include:

- Domestic/International Shipping Company Taxpayers
- Foreign Insurance Company Taxpayers
- Domestic/International Aviation Company Taxpayers
- Foreign workers in oil drilling companies in Indonesia
- Taxpayers investing in Build-Operate-Transfer (BOT) schemes
- Foreign trading companies with representative offices in Indonesia
- Taxpayers engaged in international contract manufacturing services in the field of children's toy production
- Oil and geothermal drilling company taxpayers

Safecruise Company is a domestic shipping company engaged in ship rental services. On March 7, 2023, the company signed a contract with Paperfly Company to transport raw materials for paper production. The contract value is 200,000,000, which was paid on March 29, 2023.

In May 2023 Safecruise Company signed a contract with Oilever Company for ship rental to transport oil. The agreed rental value is 400,000,000, paid on May 21, 2023. How is the calculation of Income Tax Article 15?

- For income from Paperfly Company:

Income Tax Article 15 = $1.2\% \times 200,000,000 = 2,400,000$

- For income from Oilever Company:

Not included under Income Tax Article 15 as it falls under the definition of rental.

Therefore, it falls under Income Tax Article 23:

Income Tax Article 23 = $2\% \times 400,000,000 = 8,000,000$

Obligations of Paperfly Company as the withholding agent for Income Tax Article 15:

- Withhold Income Tax Article 15 on the payment for the transportation of paper raw materials amounting to 2,400,000 and provide a withholding tax slip to Safecruise Company.
- Deposit the withheld Income Tax to the state treasury through the Post Office or a bank appointed by the Ministry of Finance no later than April 15, 2023.
- Submit the Periodic Income Tax Return for Income Tax Article 15 for the tax period of March 2023 no later than April 25, 2023.

- Calculation of Income Tax Article 15 on ship rental income of a domestic company:

Bestcargo Company pays for ship rental to Goodship Company amounting to 100,000,000.

Income = 100,000,000

Rate of Income Tax Article 15 = 1.2%

Income Tax to be withheld is: $100,000,000 \times 1.2\% = 1,200,000$

Bullseye Company rent an airplane from domestic flight company, Flybest Airline, amounting to 800.000.000.

Income = 800.000.000

Rates of Income Tax Article 15 = 1.8%

Income Tax to be withheld is: $800.000.000 \times 1.8\% = 14.400.000$

Foreign flight company, Extra Airline (BUT), rent an airplane to Tocool Company amounting to 600.000.000

Income = 600.000.000

Rates of Income Tax Article 15 = 2.64%

Income Tax to be withheld is: $600.000.000 \times 2,64\% = 15.840.000$

THANK YOU

LECTURE 8: PERSONAL INCOME TAX (6) – PPh 26 & PPh 15

LECTURER: DIMAZ RAMANANDA