

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA  
NUMBER 23 OF 2018  
ON  
INCOME TAX ON INCOME FROM BUSINESSES RECEIVED OR EARNED BY  
TAXPAYERS WITH CERTAIN GROSS TURNOVER

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that to encourage the public to participate in formal economic activities, by providing facilities and more justice to Taxpayers who have certain gross turnover for a certain period of time, it is necessary to replace Government Regulation Number 46 of 2013 on Income Tax On Income From Businesses Received or Earned By Taxpayers With Certain Gross Turnover;
  - b. that based on the considerations as referred to in point a and to implement the provisions of Article 4 section (2) point e and Article 17 section (7) of Law Number 7 of 1983 on Income Tax as amended several times, last by Law Number 36 of 2008 on the Fourth Amendment to Law Number 7 of 1983 on Income Tax, it is necessary to issue a Government Regulation on Income Tax on Income from Businesses Received or Earned by Taxpayers with Certain Gross Turnover;
- Observing :
1. Article 5 section (2) of the 1945 Constitution of the State of the Republic of Indonesia;

2. Law Number 7 of 1983 on Income Tax (State Gazette of the Republic of Indonesia of 1983 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 3263) as amended several times, last by Law Number 36 of 2008 on Fourth Amendment to Law Number 7 of 1983 on Income Tax (State Gazette of the Republic of Indonesia of 2008 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 4893);

HAS DECIDED:

To issue : GOVERNMENT REGULATION ON INCOME TAX ON INCOME FROM BUSINESSES RECEIVED OR EARNED BY TAXPAYER WITH CERTAIN GROSS TURNOVER.

Article 1

In this Government Regulation:

1. Income Tax Law means Law Number 7 of 1983 on Income Tax as amended several times, last by Law Number 36 of 2008 on the Fourth Amendment to Law Number 7 of 1983 on Income Tax.
2. Fiscal Year means a period of 1 (one) calendar year unless the Taxpayer uses a book year that is not the same as the calendar year.
3. Tax Withholder means Taxpayers who are obligated to withhold taxes in accordance with the provisions of legislation in the field of Income Tax.

Article 2

- (1) Income from business received or earned by a domestic Taxpayer with certain gross turnover is subject to final Income Tax in a certain period of time.
- (2) The Final Income Tax Rate as referred to in section (1) is 0.5% (zero point five percent).
- (3) Not including income from businesses that are subject to final Income Tax as referred to in section (1) as follows:

- a. income received or obtained by individual Taxpayers from services related to independent personal service;
  - b. income received or earned abroad where the tax is payable or paid abroad;
  - c. income that has been subject to final Income Tax with the separated provisions of tax laws; and
  - d. non-taxable income.
- (4) Services related to independent personal service as referred to in section (3) point a include:
- a. experts as independent personal service, consisting of lawyers, accountants, architects, doctors, consultants, notaries, PPAT, appraisers, and actuaries;
  - b. music players, hosts, singers, comedians, movie stars, drama series stars, advertising stars, directors, film crews, photo models, models, drama players, and dancers;
  - c. athletes;
  - d. advisors, instructors, trainers, motivators, facilitators, and moderators;
  - e. authors, researchers and translators;
  - f. advertisement agencies;
  - g. project supervisors or managers;
  - h. intermediaries;
  - i. salesmen;
  - j. insurance agents;
  - k. distributors of multilevel marketing companies or direct sales and other similar activities.

### Article 3

- (1) Taxpayers with certain gross turnover that are subject to final Income Tax as referred to in Article 2 section (1) are:
  - a. individual Taxpayers; and
  - b. Corporate taxpayers in the form of cooperatives, *commanditaire vennootschap*, firms, or limited liability companies,

that are receives or earns gross turnover that does not exceed Rp4,800,000,000.00 (four billion and eight hundred million rupiahs) in 1 (one) Fiscal Year.

- (2) Not including Taxpayers as referred to in section (1) in the event that:
  - a. Taxpayers choose to be subject to Income Tax based on the rate of Article 17 section (1) point a, Article 17 section (2a), or Article 31E of the Income Tax Law;
  - b. Corporate Taxpayers in the form of *commanditaire vennootschap* or firms formed by several individual taxpayers who have special skills that providing similar services with services related to independent personal services as referred to in Article 2 section (4);
  - c. Corporate Taxpayers obtain Income Tax facilities based on:
    1. Article 31A of Law on Income Tax; or
    2. Government Regulation Number 94 of 2010 on Calculation of Taxable Income and Payment of Income Tax in the Current Year along with amendment or substitution; and
  - d. Taxpayers in the form of a Permanent Establishment.
- (3) The taxpayers as referred to in section (2) point a, are required to submit notification to the Director General of Taxes.
- (4) The taxpayers as referred to in section (3), for the next Fiscal Year cannot be subject to Income Tax under this Government Regulation.
- (5) Further provisions regarding the procedure for notification as referred to in section (3) are regulated by Regulation of the Minister of Finance.

#### Article 4

- (1) The amount of certain gross turnover as referred to in Article 3 section (1) is the gross amount in 1 (one) year

from the last Fiscal Year before the relevant Fiscal Year, which is determined based on the overall gross turnover of the business, including gross turnover of the branch.

(2) In the event that an individual Taxpayer is a husband and wife who:

- a. wants the separation of assets and income formally; or
- b. his wife prefer administering her own tax rights and obligations,

as referred to in Article 8 section (2) point b and point c of the Income Tax Law, the amount of gross income as referred to in section (1) is determined based on the accumulation of the gross turnover of the business of the husband and wife.

#### Article 5

(1) A certain period of imposition of final Income Tax as referred to in Article 2 section (1), namely the longest:

- a. 7 (seven) Fiscal Years for individual Taxpayers;
- b. 4 (four) Fiscal Year for corporate taxpayers in the form of cooperatives, *commanditaire vennootschap*, or firms; and
- c. 3 (three) Fiscal Years for corporate Taxpayers in the form of limited liability companies.

(2) The period as referred to in section (1) is calculated from:

- a. The Fiscal Year when Taxpayers are registered, for Taxpayers who are registered as this Government Regulation comes into force, or
- b. The Fiscal Year applies to this Government Regulation, for Taxpayers who have registered before this Government Regulation comes into force.

#### Article 6

(1) The amount of gross turnover of income from business as referred to in Article 2 section (1) every month is the basis for imposing tax used to calculate final Income Tax.

- (2) Gross turnover which is used as the basis for imposing tax as referred to in section (1) is a compensation or substitute value in the form of money or value of money received or earned from the business, before deducting sales discounts, cash discounts, and / or similar discounts.
- (3) The payable Income Tax is calculated based on the rate as referred to in Article 2 section (2) multiplied by the tax base as referred to in section (1).

#### Article 7

- (1) Taxpayers as referred to in Article 3 section (1) whose gross turnover in the current Fiscal Year has exceeded Rp.4,800,000,000.00 (four billion and eight hundred million rupiahs), on income from business still subject to the Income Tax rate as referred to in Article 2 section (2) up to the end of the relevant Fiscal Year.
- (2) For income from business as referred to in Article 2 section (1) which is received or earned in the next Fiscal Year by the Taxpayer as referred to in section (1) is subject to Income Tax based on Article 17 section (1) point a, Article 17 section (2a), or Article 31E of the Income Tax Law.

#### Article 8

- (1) The payable Income Tax as referred to in Article 6 section (3) is paid off in a way:
  - a. self-payment by Taxpayers with certain gross turnover; or
  - b. withheld by the Tax Withholder in the event that the relevant Taxpayer makes a transaction with the party designated as a Tax Withholder.
- (2) Self-payment of the payable Income Tax as referred to in section (1) point a is required to be carried out every month.
- (3) The withholding of payable Income Tax as referred to in section (1) point b is required to be carried out by the Tax

Withholder for each transaction with the Taxpayer who is subject to final Income Tax based on this Government Regulation.

- (4) Further provisions regarding the procedure for payment as referred to in section (2) and the procedure for withholding as referred to in section (3) are regulated by a Regulation of Minister of Finance.

#### Article 9

- (1) In the event that Taxpayers that are subject to Income Tax based on this Government Regulation transacting with a Tax Withholder as referred to in Article 8 section (1) point b, the Taxpayers must submit a request for a statement letter to the Director General of Taxes.
- (2) The Director General of Taxes issues a statement letter that the relevant Taxpayer is subject to Income Tax based on this Government Regulation, based on the Taxpayer's application as referred to in section (1).
- (3) Further provisions regarding the procedure for submitting applications and issuance of statement letter as referred to in section (1) and section (2) are regulated by a Regulation of Minister of Finance.

#### Article 10

At the time this Government Regulation comes into force, Taxpayers who are since the beginning of Fiscal Year 2018 until before this Government Regulation comes into force are eligible to apply tax obligations based on Government Regulation Number 46 of 2013 on Income Tax on Income from Businesses Received or Earned by Taxpayers With Certain Gross Turnover but do not fulfil the provisions of Taxpayers who are subject to final Income Tax under this Government Regulation, the following provisions apply:

1. for income from business as referred to in Article 2 section (1) which is received or earned from the beginning of Fiscal Year until before this Government Regulation

comes into force, the Income Tax is imposed at the rate of 1% (one percent) of gross turnover every month;

2. for income from business as referred to in Article 2 section (1) which is received or earned since this Government Regulation comes into force until the end of the Fiscal Year 2018, Income Tax is imposed at a rate of 0.5% (zero point five percent) of gross turnover every month; and
3. for income from business as referred to in Article 2 section (1) which is received or earned from Fiscal Year 2019, subject to Income Tax based on the rate of Article 17 section (1) point a, Article 17 section (2a), or Article 31E of the Income Tax Law.

#### Article 11

At the time this Government Regulation comes into force, Government Regulation Number 46 of 2013 on Income Tax on Income from Businesses Received or Earned by Taxpayers with Certain Gross Turnover (State Gazette of the Republic of Indonesia Number 106 of 2013, Supplement to State Gazette of the Republic of Indonesia Number 5424), repealed and declared ineffective.

#### Article 12

This Government Regulation comes into force on 1 July 2018.



In order that every person may know hereof, it is ordered to promulgate this Government Regulation by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta  
on 8 June 2018

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

JOKO WIDODO

Promulgated in Jakarta  
on 8 June 2018

MINISTER OF LAW AND HUMAN RIGHTS  
THE REPUBLIC OF INDONESIA,

signed

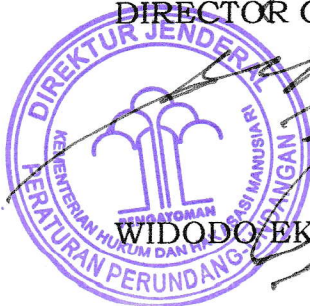
YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2018 NUMBER 89

Jakarta, 27 November 2019

Has been translated as an Official Translation  
on behalf of Minister of Law and Human Rights  
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,



WIDODO/EKATJAHJANA

ELUCIDATION  
OF  
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA  
NUMBER 23 OF 2018  
ON  
INCOME TAX ON INCOME FROM BUSINESSES RECEIVED OR EARNED BY  
TAXPAYERS WITH CERTAIN GROSS TURNOVER

I. GENERAL

In order to implement the provisions of Article 4 section (2) point e and Article 17 section (7) of Law Number 7 of 1983 on Income Tax as amended several times, last by Law Number 36 of 2008 on the Fourth Amendment to the Law Number 7 of 1983 on Income Tax (Income Tax Law), Government Regulation Number 46 of 2013 on Income Tax on Income from Businesses Received or Earned by Taxpayers with Certain Gross Turnover has been issued (Government Regulation Number 46 of 2013), which regulates the imposition of final Income Tax for Taxpayers who have a gross turnover of business to a certain amount.

By observing the evaluation results of Government Regulation Number 46 of 2013, to provide convenience and simplicity to taxpayers in carrying out their tax obligations, income from business received or earned by taxpayers with certain gross turnover is subject to final income tax with a certain period.

The application of a certain period of time is intended as a learning period for taxpayers to be able to do bookkeeping before being subject to Income Tax with the general regime.

Furthermore, to encourage the public to participate in formal economic activities, this Government Regulation regulates the provisions regarding the adjustment of the final Income Tax rate.

To give more justice to Taxpayers with certain gross turnover that have been able to do bookkeeping, in this Government Regulation Taxpayers may choose to be subject to Income Tax based on Article 17 section (1) point a, Article 17 section (2a), or Article 31E of Income Tax Law.

To refine the final Income Tax provisions on income from taxpayers with certain gross turnover, it is deemed necessary to replace Government Regulation Number 46 of 2013 on Income Tax on Income from Businesses Received or Earned by Taxpayers with Certain Gross Turnover by this Government Regulation.

## II. ARTICLE BY ARTICLE

### Article 1

Sufficiently clear.

### Article 2

#### Section (1)

Sufficiently clear.

#### Section (2)

Sufficiently clear.

#### Section (3)

Sufficiently clear.

#### Section (4)

Example:

Mr. A has expertise as a piano player. In the event that Mr. A teaches piano for and in his own name to earn income that is not bound by a work relationship, then Mr. A hands over services as independent personal services. Mr. A's income from teaching piano is excluded from business income which is subject to final Income Tax based on this Government Regulation. However, if Mr. A has a piano course business and employs other people, then the income from the business is not a service income as independent personal service.

Article 3

Section (1)

The command partnership is called a foreign term *commanditaire vennootschap*.

Section (2)

Point a

Taxpayers based on this Government Regulation are subject to final Income Tax, may choose not to be subject to Income Tax under this Government Regulation. Furthermore, the Taxpayers are subject to Income Tax on their taxable incomes based on the tariff:

- a. Article 17 section (1) point a of Law on Income Tax for individual Taxpayer; or
- b. Article 17 section (2a) and Article 31E of Law on Income Tax for corporate Taxpayers.

Point b

Example:

Mr. C is a tax consultant and together with Mr. D fellow tax consultants form a CD and Partners Firm. The firm runs a business providing tax consultant services. Considering the services provided by the firm are the same as those provided by Mr. C and Mr. D in connection with independent personal service in the form of tax consultant services, then the firm is not a corporate taxpayer which is imposed on final Income Tax based on the provisions of this Government Regulation.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

## Article 4

### Section (1)

#### Example 1:

Mr. B is an architect and has a building material store business. In Fiscal Year 2020, Mr. B earn gross turnover from providing architectural services on his own behalf in the amount of Rp1,000,000,000.00 (one billion rupiah) and from building materials stores earn gross turnover of Rp1,200,000,000.00 (one billion and two hundred million rupiah) in 1 (one) Fiscal Year. Determination of the limit of gross turnover not exceeding Rp4,800,000,000.00 (four billion and eight hundred million rupiahs) is calculated only on the gross turnover of the business of building materials stores.

Because the limit of gross turnover received by Mr. B from a building material store business does not exceed Rp4,800,000,000.00 (four billion eight hundred million rupiahs), the income from the building material store business is subject to final Income Tax based on the provisions of this Government Regulation. While income from the activities of architects are subject to Income Tax based on the rate of Article 17 section (1) point a of Law on Income Tax.

#### Example 2:

Mr. S is a doctor and has a pharmacy business. In Fiscal Year 2020, Mr. S earns gross turnover from providing doctor services on his own behalf in the amount of Rp2,000,000,000.00 (two billion rupiah) and from the pharmacy business receives gross turnover of Rp 3,000,000,000.00 (three billion rupiahs) within 1 (one) Fiscal Year. Even though the amount of Mr. S's gross turnover is Rp5,000,000,000.00 (five billion rupiahs), the determination of the limit of gross turnover is based solely on gross turnover of the pharmacy business.

Because the limit of gross turnover received by Mr. S from the pharmacy business does not exceed Rp4,800,000,000.00 (four billion and eight hundred million rupiahs), the income from the pharmacy business is subject to final Income Tax based on the provisions of this Government Regulation. While income from doctor services is subject to Income Tax based on the rate of Article 17 section (1) point a of Law on Income Tax.

Example 3:

Mr. X is a textile trader who has a place of business activities in several markets in different regions. Based on the records recorded, the details of business turnover in 2019 are as follows:

- a. Market A in the amount of Rp1,000,000,000.00 (one billion rupiah);
- b. Market B in the amount of Rp2,000,000,000.00 (two billion rupiahs);
- c. Market C in the amount of Rp2,000,000,000.00 (two billion rupiah);

Thus, Mr. X in 2020 cannot be subject to final Income Tax, because the gross turnover of Mr. X's business from all business places in 2019 exceeds Rp4,800,000,000.00 (four billion and eight hundred million rupiahs).

Section (2)

Example:

Mr. G and Mrs. H are a couple who want an agreement to separate property and income in writing. In Fiscal Year 2019, Mr. G owns a grocery store business with gross turnover of Rp4,000,000,000.00 (four billion rupiahs) and Mrs. H owns a salon business with gross turnover of Rp1,000,000,000.00 (one billion rupiah). Although the gross turnover of each business is less than Rp4,800,000,000.00 (four billion and eight hundred million rupiahs), however, because the gross turnover of Mr. G's business plus gross turnover from Mrs. H's business in Fiscal Year 2019 is Rp5,000,000,000.00 (five billion rupiah), then for income from business Mr. G and Mrs. H cannot be subject to final Income Tax based on the provisions of this Government Regulation.

Article 5

Example 1:

Mr. L has a coffee shop business and has been registered as a Taxpayer since 16 October 2018. Mr. L is subject to final Income Tax in accordance with the provisions of this Government Regulation.

The gross turnover earned by Mr. L from his business:

- a. In 2018: Rp100,000,000.00 (one hundred million rupiah);
- b. In 2019: Rp500,000,000.00 (five hundred million rupiahs);
- c. In 2020: Rp800,000,000.00 (eight hundred million rupiahs);
- d. In 2021: Rp1,000,000,000.00 (one billion rupiah);
- e. In 2022: Rp1,200,000,000.00 (one billion and two hundred million rupiahs);
- f. In 2023: Rp1,500,000,000.00 (one billion and five hundred million rupiahs);
- g. In 2024: Rp1,800,000,000.00 (one billion and eight hundred million rupiahs).

Mr. L can be subject to final Income Tax based on the provisions of this Government Regulation within a period of 7 (seven) Fiscal Years, that is since the registration of The Taxpayer until Fiscal Year 2024. For Fiscal Year 2025 and the next Fiscal Years, the Taxpayer is subject to Income Tax based on rates on Article 17 section (1) point a of Law on Income Tax.

Example 2:

JK command partnership (CV) has a pottery sales business and it is registered as a Taxpayer on 4 August 2016.

Gross turnover earned by CV JK:

- a. In 2018: Rp1,000,000,000.00 (one billion rupiah);
- b. In 2019: Rp2,000,000,000.00 (two billion rupiahs);
- c. In 2020: Rp2,500,000,000.00 (two billion and five hundred million rupiahs);
- d. In 2021: Rp3,000,000,000 (three billion rupiah).

JK CV is subject to final Income Tax based on the provisions of this Government Regulation within a period of 4 (four) Fiscal Years, which as of this Government Regulation comes into force to Fiscal Year 2021. For Fiscal Year 2022 and the next Fiscal Years, it is subject to Income Tax based on rates on Article 17 section (2a) or Article 17 section (2a) and Article 31E of the Law on Income Tax.

Example 3:

PT ABC has a car repair business and is registered as a Taxpayer on 24 January 2019.

Gross turnover earned by PT ABC:

- a. In 2019: Rp100,000,000.00 (one hundred million rupiah);
- b. In 2020: Rp200,000,000.00 (two hundred million rupiahs);
- c. In 2021: Rp300,000,000.00 (three hundred million rupiahs);
- d. In 2022: Rp400,000,000.00 (four hundred million rupiahs).

PT ABC is subject to final Income Tax based on the provisions of this Government Regulation within a period of 3 (three) Fiscal Years, i.e. from Fiscal Year 2019 to Fiscal Year 2021.

For Fiscal Year 2022 and the next Fiscal Year is subject to Income Tax based on the rate of Article 17 section (2a) or Article 17 section (2a) and Article 31E of the Law on Income Tax.

#### Article 6

Sufficiently clear.

#### Article 7

Example:

Mr. I owns a restaurant business and is subject to final Income Tax based on the provisions of this Government Regulation since Fiscal Year 2019, because Mr. I's gross Turnover in 2018 is less than Rp4,800,000,000.00 (four billion and eight hundred million rupiahs). In August 2019, Mr. I's gross turnover has reached Rp5,000,000,000.00 (five billion rupiah).

Although Mr. I's gross turnover has exceeded Rp4,800,000,000.00 (four billion and eight hundred million rupiahs), Mr. I will still be subject to final Income Tax at a rate of 0.5% (zero point five percent) until the end of Fiscal Year 2019.

For income received or earned by Mr. I in Fiscal Year 2020 and so on, subject to Income Tax with general provisions based on the tariff of Article 17 section (1) point a Law on Income Tax.

#### Article 8

Example:

Mr. R has an electronic store business and eligible to be subject to final Income Tax based on the provisions of this Government Regulation. In September 2019, Mr. R earns income from the sale of electronic equipment with gross turnover of Rp80,000,000.00 (eighty million rupiah). Of this amount, sales with gross turnover of



Rp60,000,000.00 (sixty million rupiahs) are made on September 17, 2019 to the Transportation Agency of DKI Jakarta Province which is a Tax Withholder, the remaining Rp20,000,000.00 (twenty million rupiah) is earned from sales to buyers of individuals who directly come to his shop. Mr. R has a statement letter of taxpayers subject to final income tax based on the provisions of this Government Regulation.

The final income tax payable for September 2019 is calculated as follows:

- a. Final income tax that withheld by the DKI Jakarta Transportation Agency:  
=  $0,5\% \times \text{Rp}60.000.000,00$   
=  $\text{Rp}300.000,00$
- b. Final income tax that is paid by himself: =  $0,5\% \times \text{Rp}20.000.000,00 = \text{Rp}100.000,00$

#### Article 9

Sufficiently clear.

#### Article 10

Example:

The AS firm conducts business activities in legal consulting services formed by Mr. A and Mr. S, who work as legal consultants. AS Firm is registered as a Taxpayer since 2017. AS firm uses bookkeeping based on calendar years.

Gross turnover obtained by AS Firm:

- a. In 2017: Rp1,000,000,000.00 (one billion rupiah);
- b. In 2018: Rp1,500,000,000.00 (one billion and five hundred million rupiahs);
- c. In 2019: Rp2,000,000,000.00 (two billion rupiahs).

Based on Government Regulation Number 46 of 2013, AS Firm in Fiscal Year 2018 fulfils the requirements subject to final Income Tax based on the provisions of the Government Regulation. However, the AS Firm does not eligible for final Income Tax based on the provisions of Article 3 section (2) point b of this Government Regulation, even though the gross turnover of the AS Firm does not exceed Rp4,800,000,000.00 (four billion and eight hundred million rupiahs).

For Fiscal Year 2018 AS Firm meets its Income Tax obligations as follows:

1. In January 2018 until before this Government Regulation comes into force, AS Firm is subject to final Income Tax at a rate of 1% (one percent) based on the provisions of Government Regulation Number 46 of 2013;
2. As of this Government Regulation comes into force until December 2018, the AS Firm is subject to final Income Tax at a rate of 0.5% (zero point five percent) based on the provisions of this Government Regulation.

For Fiscal Year 2019 onwards, the income received or earned by the AS Firm is subject to Income Taxes based on the Article 17 section (2a) or Article 17 section (2a) and Article 31E of the Law on Income Tax.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.