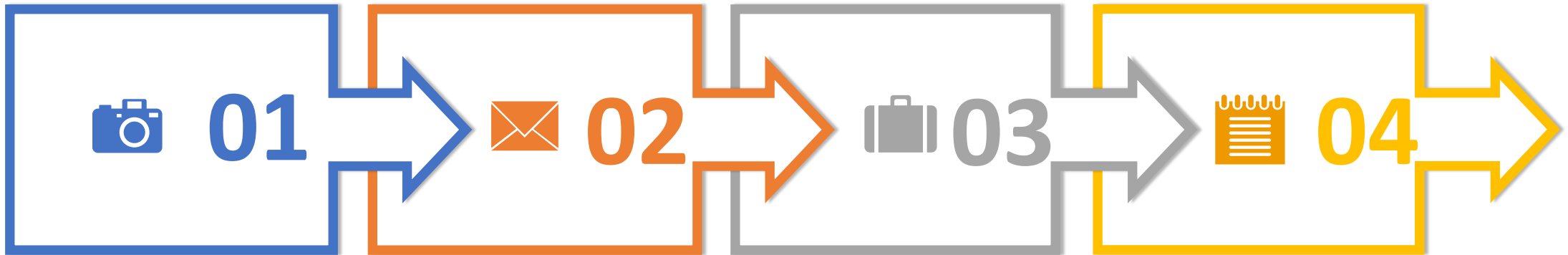


Ministry of Finance Regulation No. 72 / 2023

**DEPRECIATION OF TANGIBLE ASSETS AND/OR
AMORTIZATION OF INTANGIBLE ASSETS**

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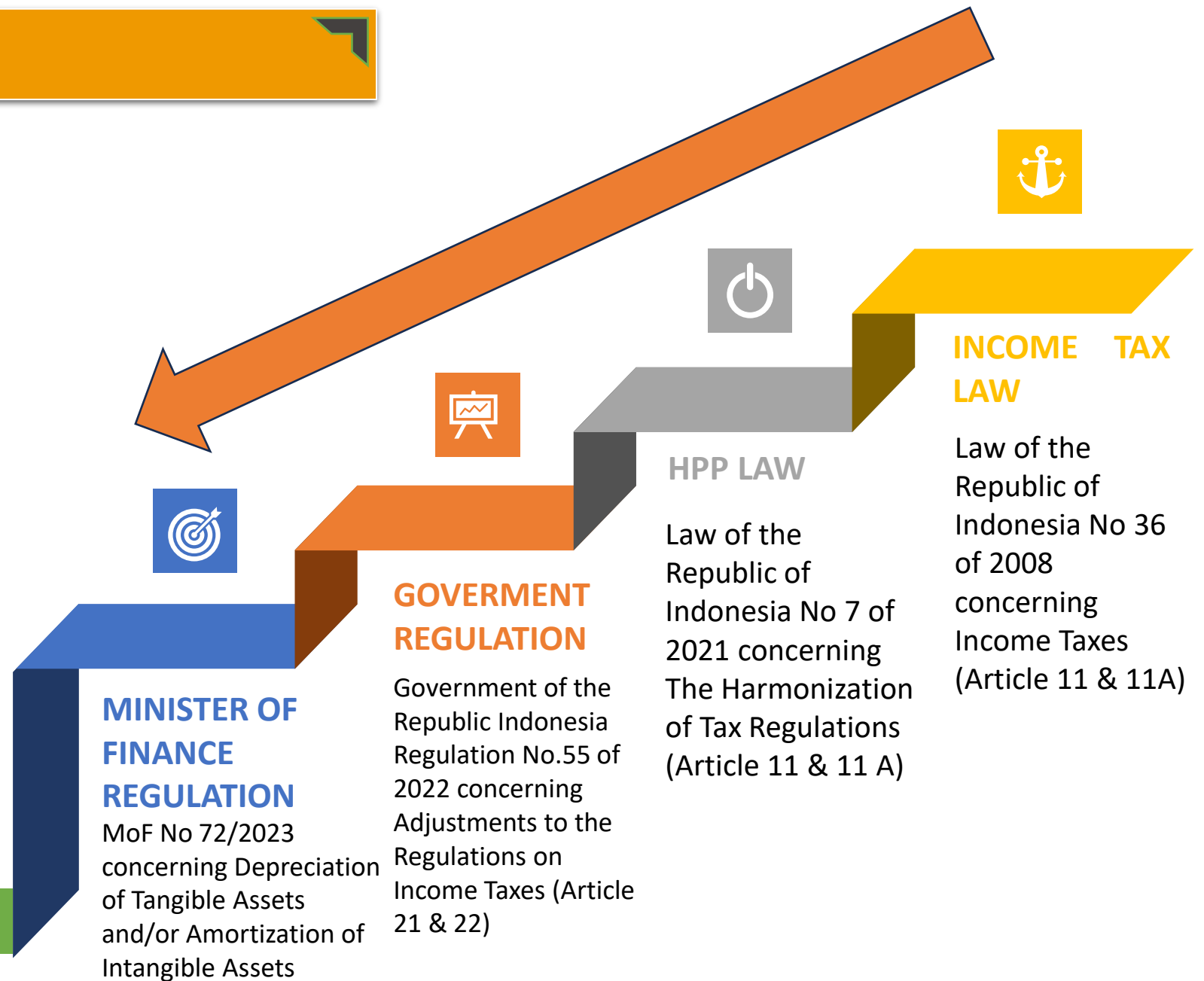
01 Depreciation of Tangible Assets

02 Amortization of Intangible Assets

03 Depreciation of Tangible Assets and/or Amortization of Intangible Assets in **Certain Business Fields**

04 Procedures for Application for Approval and/or Notification to the Director General of Taxes

BACKGROUND



BACKGROUND

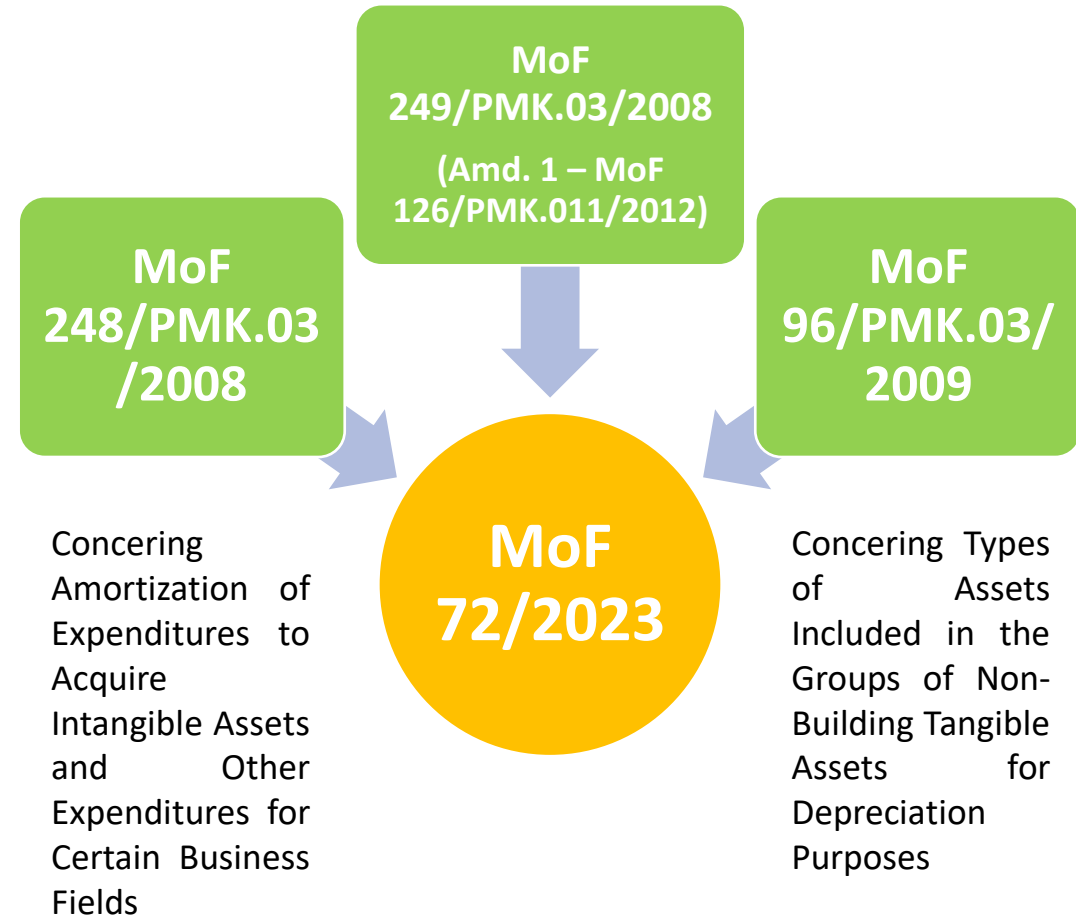
MoF 72/2023 is a simplification of laws and regulations related to depreciation and amortization that were previously spread across several regulations, including:



PURPOSES

To provide more legal certainty, fairness, and convenience in calculating depreciation of tangible assets and/or amortization of intangible assets for tax purposes, and to be in line with regulatory simplification programs.

Concerning Depreciation on Expenditures to Acquire Tangible Assets Owned and Used in Certain Business Fields



THE BIG PICTURE of MoF 72/2023

UPDATED MATERIALS

- **Addition of Types of Business and Types of Assets** on Groups for Non-Building Tangible Assets in the attachment to MoF 72/2023;
- Addition of Certain Business Fields specifically: **livestock business sector that quickly harvests or produces after being reared for ≤ 1 year**;
- **Adjustment on procedures for filing approval request letters** to the Tax Office / Regional Tax Office. Filing can be done **manually** or **electronically** according to the availability of the DGT system.

NEW MATERIALS

- **Repair costs with a useful life of >1 year** are charged through depreciation of the related tangible assets;
- Recognition of book residual value of insurance reimbursement;
- Application mechanism for postponement of recognition of book residual value as a loss on insurance reimbursement;
- Notification mechanism if the Taxpayer chooses to use the actual useful life of >20 years for buildings owned before FY 2022.

REGULATORY FRAMEWORK MoF 72/2023

DEPRECIATION

- 1.General (Depreciation)
- 2.Groups and Types of Non-Building Tangible Assets
- 3.Commencement of Depreciation for Tangible Assets
- 4.Depreciation of Buildings
- 5.Depreciation on Repair Costs of Tangible Assets
6. Insurance Loss Recognition, loss recognition delay
- 7.Certain Business Fields

AMORTIZATION

- 1.General (Amortization)
- 2.Software
- 3.Amortization of Intangible Assets owned & used in Certain Business Fields

PROCEDURES

- 1.Application for Useful Period
- 2.Application for Commencement of Depreciation
3. Application for Postponement of Recognition of Insurance Loss
- 4.Application for the Useful Life of Certain Business Fields
5. Notification for using Useful Life >20 years for Depreciation, and Actual Usefull Life for Amortization
- 6.Follow-up on Application
- 7.Delegation of Authority

Remarks : Red fonts are new materials.

1. DEPRECIATION OF TANGIBLE ASSETS

Depreciation of tangible assets is

- a. on expenditures for purchase, establishment, addition, repair, or alteration on tangible assets includes, including of buildings;
- b. owned and used to earn, collect, and maintain income;
- c. which has useful life of more than 1 (one) year.

Tangible assets itself is divided into 2 (two) categories: **non-building** tangible assets and buildings.

The useful life and depreciation rates of tangible assets are set as follows: **(Article 2)**

Group of Tangible Assets	Useful Life	Depreciation Rate	
		Straight Line	Declining Balance
I. Non-Building			
Group 1	4 years	25%	50%
Group 2	8 years	12,5%	25%
Group 3	16 years	6,25%	12,5%
Group 4	20 years	5%	10%
II. Building			
Permanent	20 years	5%	
Non-Permanent	10 years	10%	

1. DEPRECIATION OF TANGIBLE ASSETS

A. TYPES OF ASSETS INCLUDED IN THE GROUP OF NON-BUILDING TANGIBLE ASSETS FOR THE PURPOSE OF DEPRECIATION

- Details regarding the Types of Non-Building Tangible Assets are listed in the Attachment to MoF 72/2023 (**Attachments sections A-D**).
Article 3
- If there are Non-Building Tangible Assets that are not listed in the Attachment to MoF 72/2023, then: *Article 4*
 - a) Taxpayers are to use useful life in Group 3; or
 - b) If not using Group 3, the Taxpayer must submit an approval request for determination of useful life to the Director General of Taxes. (The procedure for application is in Article 19 and example of application form is in **Attachment section E**)

1. DEPRECIATION OF TANGIBLE ASSETS

B. COMMENCEMENT OF DEPRECIATION FOR TANGIBLE ASSETS

Depreciation on tangible assets begins in the month in which **the expenditure** to acquire the tangible assets **is made**, except:

- a) For tangible assets that are still **in the process of being built or assembled**, depreciation starts in the month of completion.
- b) For tangible assets that **have never been used or have not yet produced**, depreciation starts in the month the asset is used or in the month the asset begins to produce. Taxpayers must **submit approval request** to the Director General of Taxes to obtain a determination letter of commencement of depreciation. (The procedure for application is in Article 19 and example of application form is in **Attachment section F**).

1. DEPRECIATION OF TANGIBLE ASSETS

C. DEPRECIATION OF BUILDINGS *(ARTICLE 6)*

Building as tangible assets is divided into 2 (two) kinds:

NON-PERMANENT BUILDING

- Useful Life of 10 Years

PERMANENT BUILDING

- Useful Life 20 Years or >20 Years

1. DEPRECIATION OF TANGIBLE ASSETS

C. DEPRECIATION OF BUILDINGS *(ARTICLE 6)*

- In accordance with Article 6 Paragraph 3, if the Taxpayer has depreciated a permanent building that :
 - a) Owned and used before tax year 2022; and
 - b) Depreciated for 20 (twenty) years, the taxpayer can choose to depreciate the building in accordance with the actual useful life no later than the end of 2022, by submitting a Notification to the Director General of Taxes (Notification procedures are discussed in Article 19 and example of notification form can be found in **Attachment section I**).
 - c) If the Taxpayer has not submitted Notification in point b, then the Notification can be submitted no later than April 30, 2024.

EXAMPLE OF CALCULATION OF DEPRECIATION OF A PERMANENT BUILDING ACCORDING TO THE ACTUAL USEFUL LIFE

Attachment to letter R MoF 72/2023

- In January 2017, Taxpayer A purchased a building worth Rp.1.000.000.000. Depreciation starts in January 2017 with a useful life of 20 years and a depreciation rate of 5% / year. However, based on the Taxpayer bookkeeping, the useful life is 30 years.
- Thus, the taxpayer can choose to use the actual useful life by submitting a Notification to the Director General of Taxes. The calculation of depreciation on the building starting in tax year 2022 is carried out according to the remaining actual useful life based on the taxpayer's bookkeeping at the depreciation rate calculated based on the fiscal residual value.
- In December 2022, the taxpayer submitted a Notification of choosing to use the 30-year useful life according to the bookkeeping. As per the bookkeeping, the building has been depreciated for 5 years with the remaining actual useful life at the beginning of the 2022 tax year (December 2021) being 25 years.

EXAMPLE OF CALCULATION OF DEPRECIATION OF A PERMANENT BUILDING ACCORDING TO THE ACTUAL USEFUL LIFE *(continued)*

Attachment to letter R MoF 72/2023

Year	Rate	Depreciation	Fiscal Residual Value
Acquisition Cost			1.000.000.000
2017	5%	50.000.000	950.000.000
2018	5%	50.000.000	900.000.000
2019	5%	50.000.000	850.000.000
2020	5%	50.000.000	800.000.000
2021	5%	50.000.000	750.000.000
2022	4%	30.000.000	720.000.000
2023	4%	30.000.000	690.000.000
2024	4%	30.000.000	660.000.000
2025	4%	30.000.000	630.000.000
2026	4%	30.000.000	600.000.000
2027	4%	30.000.000	570.000.000
2028	4%	30.000.000	540.000.000
2029	4%	30.000.000	510.000.000
2030	4%	30.000.000	480.000.000
2031	4%	30.000.000	450.000.000

= 4% x Rp. 750 Mil.

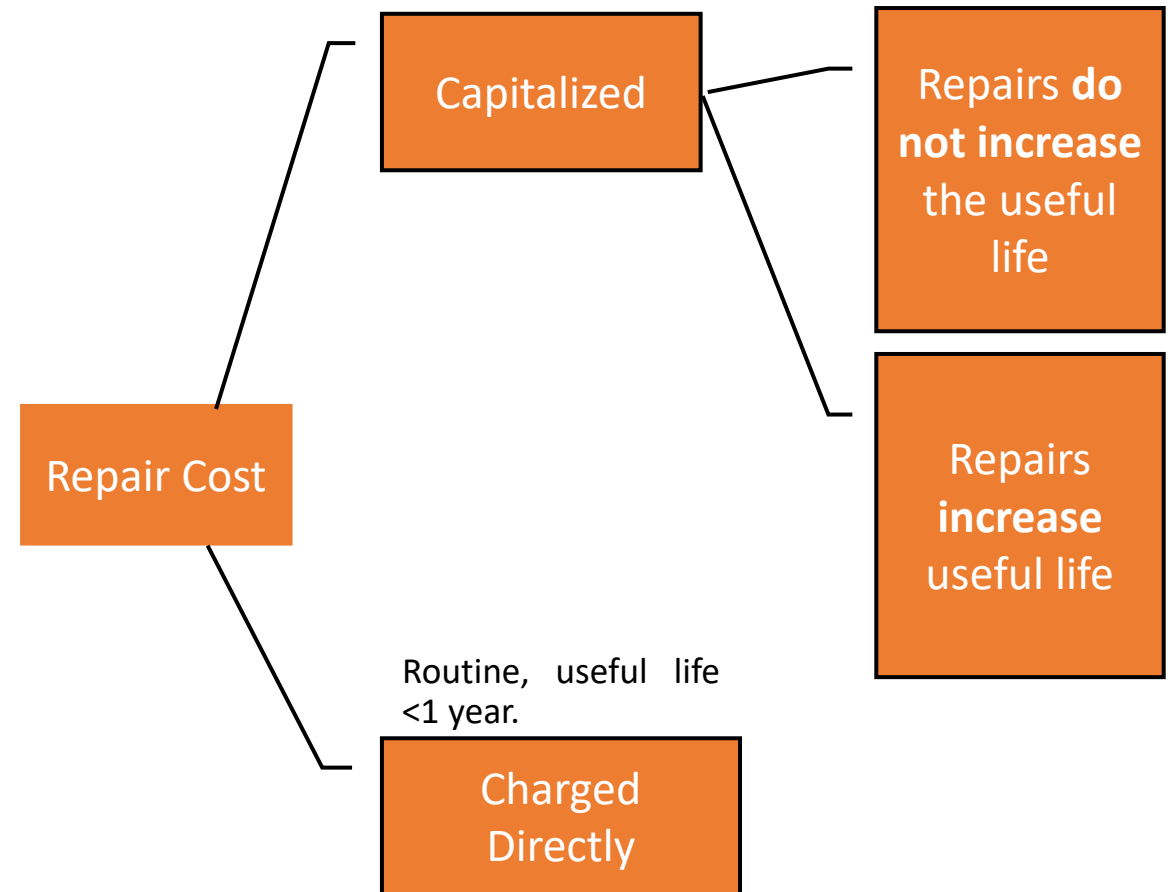
Depreciation Rate
$= \frac{1}{25 \text{ years}} \times 100\%$
= 4% per year

Year	Rate	Depreciation	Fiscal Residual Value
2032	4%	30.000.000	420.000.000
2033	4%	30.000.000	390.000.000
2034	4%	30.000.000	360.000.000
2035	4%	30.000.000	330.000.000
2036	4%	30.000.000	300.000.000
2037	4%	30.000.000	270.000.000
2038	4%	30.000.000	240.000.000
2039	4%	30.000.000	210.000.000
2040	4%	30.000.000	180.000.000
2041	4%	30.000.000	150.000.000
2042	4%	30.000.000	120.000.000
2043	4%	30.000.000	90.000.000
2044	4%	30.000.000	60.000.000
2045	4%	30.000.000	30.000.000
2046	4%	30.000.000	-

1. DEPRECIATION OF TANGIBLE ASSETS

D. DEPRECIATION ON THE COST OF REPARATION (ARTICLE 7)

- The cost of repairing tangible asset that has a useful life of >1 (one) year is charged through depreciation;
- Repair costs are added to the fiscal residual value of the tangible asset;
- Depreciation begins in the month in which the expenditure is made for the repair of the tangible asset. Except for tangible asset that is still in the process of repair, depreciation begins in the month in which the repair work is completed;
- Repair costs that can increase the useful life of a tangible asset, the additional useful life maximum can only increase according to the group of the tangible asset, except for permanent building.



EXAMPLE OF CALCULATING DEPRECIATION ON THE REPAIR COST OF A TANGIBLE ASSET

Attachment to letter S MoF 72/2023

- An expense is not categorized as a capitalized repair cost if it is a routine maintenance. (For example, a car must be serviced regularly every year. During the service, there are parts that must be replaced regularly every year.)
- Capitalized expenditures are expenditures that provide economic benefits in the future in the form of capacity, production quality, improvement in performance standards or that can extend the useful life.
- Expenditures for the purchase of boats A and B amounted to Rp. 500.000.000 in October 2020. Both boats belong to group 2 with a fiscal useful life of 8 years. After 5 years of usage, engine replacements were made to the two boats for Rp.100,000,000 each, which caused **boat A to be able to be used 2 years longer than the initial useful life. While for boat B, the expenditure does not add the useful life of the boat.**
- The cost of replacing an engine is capitalized for **boat A** and depreciated according to the remaining useful life of the boat after repair.

Useful Life = $(8 - 5 \text{ years}) + 2 \text{ years} = 5 \text{ years}$.

Depreciation Rate = $1/5 \text{ years} \times 100\% = 20\% \text{ per year}$.

- The cost of replacing an engine is capitalized for **boat B** and depreciated according to the remaining useful life of the boat.

Useful Life = $8 - 5 \text{ years} = 3 \text{ years}$.

Depreciation Rate = $1/3 \text{ years} \times 100\% = 33.33\% \text{ per year}$.

EXAMPLE OF CALCULATING DEPRECIATION ON THE COST OF REPAIRING TANGIBLE ASSETS *(continued)*

Attachment to letter R MoF72/2023

BOAT A				
Year	Proportional	Rate	Depreciation	Residual Value
Acquisition Cost				500.000.000
2020	3/12	12,5%	15.625.000	484.375.000
2021		12,5%	62.500.000	421.875.000
2022		12,5%	62.500.000	359.375.000
2023		12,5%	62.500.000	296.875.000
2024		12,5%	62.500.000	234.375.000
2025	9/12	12,5%	46.875.000	187.500.000
Repair Cost (+)				100.000.000
				287.500.000
2025	3/12	20,0%	14.375.000	273.125.000
2026		20,0%	57.500.000	215.625.000
2027		20,0%	57.500.000	158.125.000
2028		20,0%	57.500.000	100.625.000
2029		20,0%	57.500.000	43.125.000
2030	9/12	20,0%	43.125.000	-

= 20% (x 3/12) x
Rp. 287.500.000

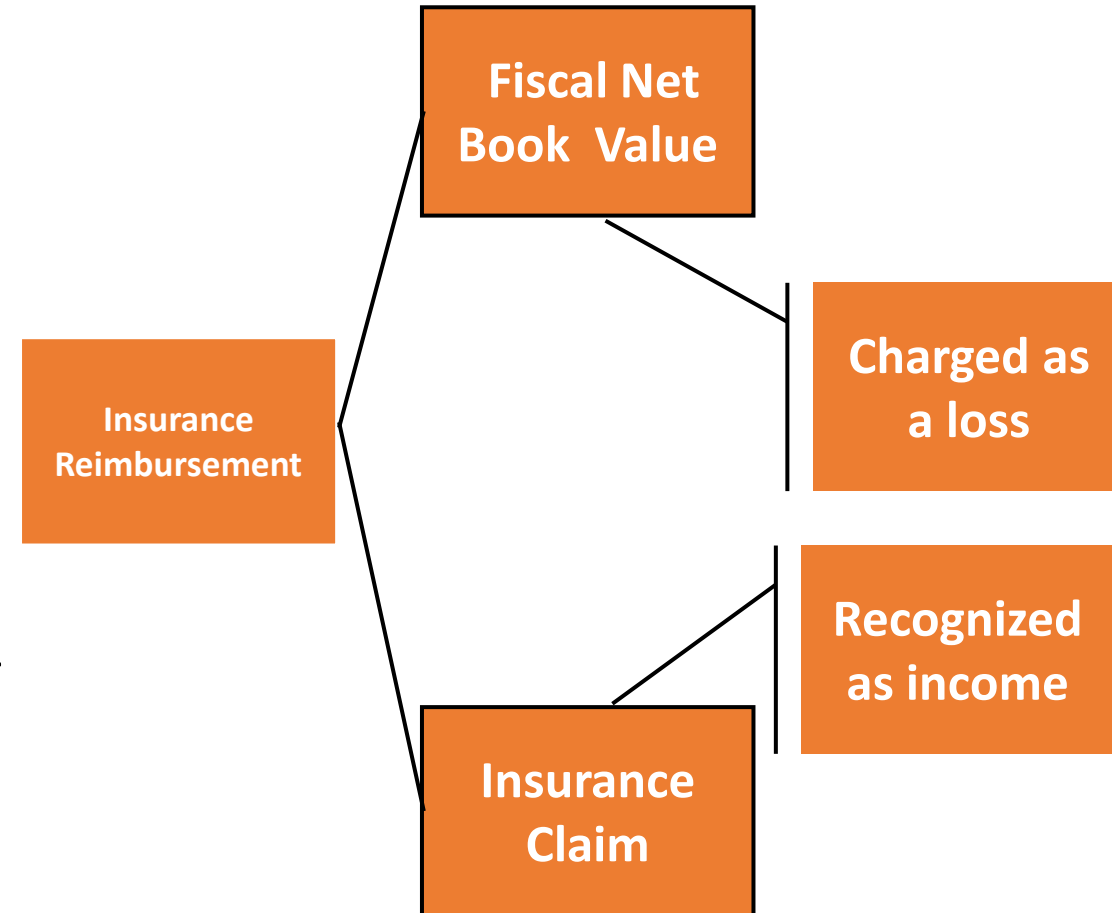
BOAT B				
Year	Proportional	Rate	Depreciation	Residual Value
Acquisition Cost				500.000.000
2020	3/12	12,5%	15.625.000	484.375.000
2021		12,5%	62.500.000	421.875.000
2022		12,5%	62.500.000	359.375.000
2023		12,5%	62.500.000	296.875.000
2024		12,5%	62.500.000	234.375.000
2025	9/12	12,5%	46.875.000	187.500.000
Repair Cost (+)				100.000.000
				287.500.000
2025	3/12	33,3%	23.958.333	263.541.667
2026		33,3%	95.833.333	167.708.333
2027		33,3%	95.833.333	71.875.000
2028	9/12	33,3%	71.875.000	-

= 33,33% (x 3/12) x
Rp.187.500.000

1. DEPRECIATION OF TANGIBLE ASSETS

E. INSURANCE REIMBURSEMENT *(ARTICLE 8)*

- In the event of a transfer or withdrawal of assets that is covered by an insurance payment, the following provisions apply:
 - a) **The remaining fiscal NBV of the assets at the end of the month the event occurred is booked as a loss;** and
 - b) **The amount of the selling price and/or insurance claim received or obtained, is to be recorded or recognized as income.**
- Taxpayers can postpone the recognition of losses if fulfilling certain conditions by submitting an approval request to the Director General of Taxes (**Attachment section P**)



2. AMORTIZATION OF INTANGIBLE ASSET

The useful life and amortization rates for intangible assets are determined as follows:

(Article 9)

Group of Intangible Assets	Useful Life	Amortization Rate based on method	
		Straight Line	Declining Balance
Group 1	4 years	25%	50%
Group 2	8 years	12,5%	25%
Group 3	16 years	6,25%	12,5%
Group 4	20 years	5%	10%

2. AMORTIZATION OF INTANGIBLE ASSETS

A. COMMENCEMENT OF AMORTIZATION FOR INTANGIBLE ASSETS

- Amortization begins in the month of expenditure, except for certain **business fields**. Including the cost of extending building right to use (HGB), business right to use (HGU), right to use (Hak Pakai), and goodwill (muhibah) that has a useful life of more than 1 (one) year.
- If there is an intangible asset that has a useful life exceeding 20 years, then:
 - a) Taxpayer uses useful life in group 4; or
 - b) Taxpayer uses the useful life in accordance with the actual useful life based on the taxpayer bookkeeping by submitting the actual useful life notification to the Director General of Taxes.

2. AMORTIZATION OF INTANGIBLE ASSETS

A. COMMENCEMENT OF AMORTIZATION FOR INTANGIBLE ASSETS

- In accordance with Article 9, paragraph 5, if the taxpayer has amortized intangible assets that:
 - a) Owned and used before tax year 2022; and
 - b) Amortized for 20 (twenty) years, taxpayer may choose to amortize in accordance with the actual useful life no later than the end of 2022, by submitting a Notification to the Director General of Taxes (Application procedures for notification are discussed in Article 19 and example of application form can be found in **Attachment section J**);
 - c) If the Taxpayer has not submitted Notification in point b, then the Notification can be submitted no later than April 30,2024.

2. AMORTIZATION OF INTANGIBLE ASSETS

B. SOFTWARE

- Special Application Program = a program that is specifically designed for the automatization of admin system, certain jobs or business activities, which are not an integral part of the hardware;
- Special Application Programs can be: application programs in banking, capital markets, hospitality, hospitals, or aviation;
- If there is an expenditure for capacity building, the cost is added to the remaining fiscal book value and amortized in group 1 at the time when capacity building begins.

Software in the form of
**Special Application
Programs**



- Common Application Program = a program that can be used by general users for processing certain activities with computer;
- Recognized as routine operating expenses or expenses charged at once in the relevant year;
- If an application program is included in the hardware purchase price, the expense is calculated as depreciation of the hardware.

Software in the form of
**Common Application
Programs**



3. DEPRECIATION OF TANGIBLE ASSETS AND/OR AMORTIZATION OF INTANGLE ASSETS IN CERTAIN BUSINESS FIELDS

Business Field Classification	Forestry	Plantation	Farm	
Category	Yield after planted for more than 1 year	Yield after planted for more than 1 year	Yield after planted for more than 1 year	Produce even raised for less than/or 1 year
Tangible Assets	forestry crops	perennials, including herbs and refreshments	livestock, including stud livestock	livestock, can be laying hens and laying ducks
Group of Tangible Assets	Group 4	Group 4	Group 2	Group 1
When depreciation begins	Month of sale	Month of sale	Month of sale	Year when the expenditure to acquire the tangible assets is made
Depreciation Value	Tangible assets + Expenses (which have a useful life of >1 Year) (excluding labor-related costs)	Tangible assets + Expenses (which have a useful life of >1 Year) (excluding labor-related costs)	Tangible assets + Expenses (which have a useful life of >1 Year) (excluding labor-related costs)	Tangible assets + Expenses (which have a useful life of 1-4 Years) (excluding labor-related costs)

Amortization of Intangible Assets In **Certain Business Fields**

Amortization of tangible assets owned or used in certain business fields starts in the month the expenditure to acquire the intangible assets is made OR in the month in which the sale begins.

4. PROCEDURE FOR REQUESTING APPROVAL AND/OR NOTIFICATION TO THE DIRECTOR GENERAL OF TAXES

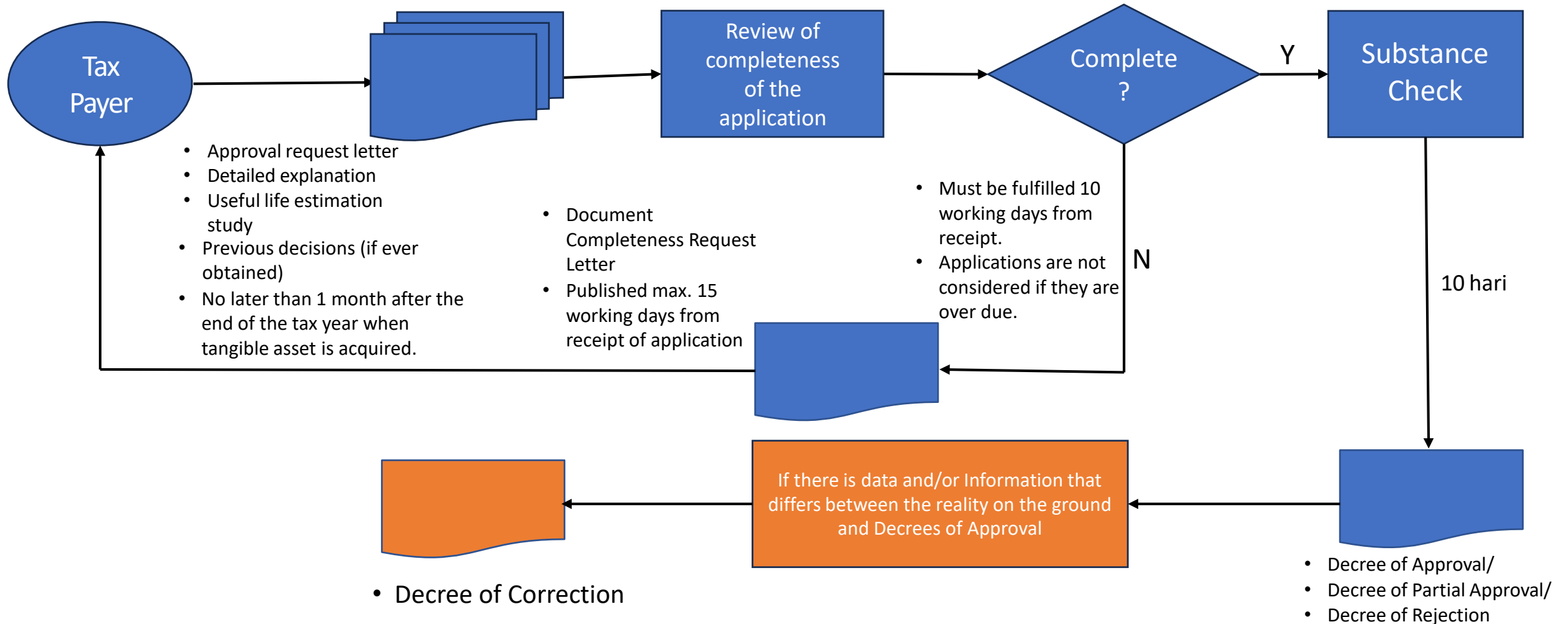
Procedures regarding approval and/or notification to the Director General of Taxes on:

1. Determination of the useful life group of non-building tangible assets for depreciation purposes;
2. Determination of depreciation commencement of tangible assets in the month of use or the month of yield;
3. Delay in charging losses for the transfer or withdrawal of assets that receive insurance reimbursement;
4. Determination of the actual useful life group of tangible assets owned and used in certain business fields;
5. Notification of the actual life of tangible assets for permanent buildings;
6. Notification of the actual life of tangible assets.

are discussed in Articles 19 – 24 and Article 30.

4. PROCEDURE FOR REQUESTING APPROVAL AND/OR NOTIFICATION TO THE DIRECTOR GENERAL OF TAXES

APPLICATION FOR DEPRECIATION USEFUL LIFE GROUP (CERTAIN BUSINESS FIELDS)



CLOSING PROVISION

Revocation of MoF Regulation 248/PMK.03/2008

Revocation of MoF Regulation 249/PMK.03/2008 and
126/PMK.011/2012

Revocation of MoF Regulation 96/PMK.03/2009

MoF Regulation 72/2023 is effective on 17 July 2023



If you have any questions or would like to inquire more about **MoF 72/2023**, please contact us at :

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A B A C U S

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