



# TAX ALERT

## Minister Of Finance Regulation Number 164 Of 2023

**PROCEDURES FOR THE IMPOSITION OF  
INCOME TAXES ON BUSINESS INCOME  
RECEIVED OR OBTAINED BY  
TAXPAYERS WITH CERTAIN GROSS  
TURNOVER AND BUSINESS REPORTING  
OBLIGATION TO BE REGISTERED AS  
TAXABLE ENTREPRENEUR**



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# GENERAL DESCRIPTION OF REGULATION OF THE MINISTRY OF FINANCE NUMBER 164 YEAR 2023

## BACKGROUNDS

Minister Of Finance Regulation Number 164 Of 2023 is a derivative from Government Regulation Number 55 Year 2022 regarding "Adjustments of Arrangements in the Income Tax Sector". In chapter X of Government Regulation Number 55 Year 2022 contains of Income Tax of Income from Businesses Received or Obtained by Taxpayers Who Have a Certain Gross Turnover. Therefore, Minister Of Finance Of The Republic Of Indonesia Regulation Number 164 Of 2023 is present as a complement to The Government Regulation Number 55 Year 2022

## IMPORTANT POINTS

- Taxpayers with certain gross turnover can choose to be subject to Income Tax based on General Provisions of Taxation,
- Total annual turnover of MSME individual taxpayers up to IDR 500.000.000 are exempt from imposition of Income Tax and Withholding Income Tax when making transactions if making a statement letter,
- Taxpayers whose gross turnover exceeds IDR 4,800,000,000 must become a taxable entrepreneur no later than the end of the financial year when the gross turnover exceeds this limit.

## Chapter II Taxable Objects and Tax Subject



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Taxable Objects (Article 3 Paragraph 1) “**Income from business** that has been received or obtained by domestic taxpayers who have a **certain gross turnover** is subject to **Final Income Tax** within a certain period of time.”.

**Tax Rate :0,5% Final (Article 3 Paragraph 2)**

**Not an Object of Final Income Tax (Article 3 Paragraph 3)**



- Self-Employment Related Services
- Income from Abroad
- Which have been subject to other Final Income Tax with the provisions of the Taxation Constitution itself.
- Non-Taxable Object Income



Individual



Corporate

**Tax Subject (Article 4 Paragraph 1):**

- Individual Taxpayers (7 years)
- Corporate Taxpayers:
  - Limited Liability Companies (3 years)
  - Limited Partnerships, Firms, Cooperatives, Village-Owned Enterprises/Joint Village-Owned Enterprises, and Individual Companies (4 Years)

# Chapter III Notification Procedures of Taxpayers that Choose to be Subject to Income Taxes Based on General Provisions on Income Taxes

Minister of Finance Regulation  
Number 99 of 2018

Article 5 “Submission of Taxpayer notification to elect to be subject to income tax in accordance with general income tax provisions, can be submitted via **Tax Counseling and Consultation Office** or **Micro Tax Office** and **Tax Office** where the taxpayer is registered



**Change**

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Article 5 “Taxpayers with certain gross turnover referred to in Article 4 Paragraph (2) Subparagraph a\*), must submit the notification\*) in writing to **The Director General of Taxes** through the head of **The Tax Office** where **The Taxpayer of Head Office Status** is registered.



**MSME**

\*)The notification can be submitted (Article 5 Paragraph 2):  
a. directly;  
b. by post, a forwarder or courier service company with proof of postage; or  
c. electronically.

## Does Not Include Taxpayers Who Have Certain Gross Turnover



MSME



Individual



Corporate

Taxpayers who choose to be subject to income tax.

Corporate Taxpayers in the form of limited partnerships or firms formed by **“several individual taxpayers who have special similar to services related to independent personal services in article 3 paragraph (4)”**.

Corporate Taxpayers obtain income tax facilities based on:

1. Article 31A of The Income Tax Law
2. Government Regulation Number 94 of 2010 concerning Calculation of Taxable Income and Payment of Income Tax in the Current Year along with Amendments or Replacements; or
3. Article 75 and Article 78 Government Regulation Number 40 of 2021 concerning The Implementation of Special Economic Zones and Their Amendments or Replacements; and

Permanent Establishments Taxpayers

## Chapter IV Procedures for The Calculation of Income Taxes



### Final Income Tax Payable

Article 6

**Income Tax Payable = 0,5% x Gross Turnover**

For the individual's gross turnover of up to IDR 500 million in 1 tax year, is **not taxable**. Calculated **cumulatively** from the first tax period.

**For the Individual Taxpayers who are husband and wife that desire a written prenuptial agreement on the separation of assets and income and the wife chooses to exercise tax rights and obligations on her own, then the gross turnover shall apply to each of the husband and wife.**

# Chapter V Procedures for Remittance, Withholding or Collecting and Filing

“Latest”

## ARTICLE 7

- Income Tax is final and can be self-remittance (maximum 15<sup>th</sup> of the following month) by the Taxpayers or withholding/collecting by Income Tax Withholding or Collecting Agents.
- Must submit Unification Periodic Income Tax Returns no later than 20 (twenty) days after the end of the Taxable Period Pursuant to statutory tax provisions.
- Excluded from the obligation to file Unification Periodic Income Tax Returns if the Taxpayers do not have obligation to remit caused by certain reasons in article 5 paragraph 4.

## ARTICLE 8

Taxpayers with certain gross turnover with income  $\leq$  500 millions who do:

- a. Purchases/imports are not subject to Tax Income Article 22 (tax collection receipt with nil value), and
- b. Sales of goods/supplies of services  $\leq$  500 millions :
  - Individual Taxpayers with statement letter of nil Income Tax Withholding or Collection Receipt.
  - Other than The Individual Taxpayers with the Certificate of 0,5% Income Tax Withholding or Collection Receipt.

## ARTICLE 9

Taxpayers who utilize Final Income Tax must submit the reports of business income in Annual Income Tax Return. And if the Final Income Tax Payment is overpaid, then Taxpayers can apply for a refund.



# Chapter VI Procedures for The Submission of The Application and Issuance of The Certificate

“Article 10- 15”



Application Letter



Requirements :

1. Signed by Taxpayers or The authority from Taxpayers (must attach a special power of attorney);
2. Having filed the Annual Income Tax Return for the last Tax Year, except the new Taxpayers;
3. Fulfilling the criteria of article 4 (The taxpayers according to Government Regulations Number 55/2022).

Electronically



On DJP Online website, in the menu of Confirmation of Taxpayer Status

Written



- Directly made at The Tax Service Office where The Taxpayer of Head Office Status is registered ;
- By post/ a forwarder service/ a courier service with proof of postage.

The head of the Tax Office may issue a cancellation or revocation letter of the Certificate that has been issued based on verification results when issuing the Certificate.

#### **For Taxpayers:**

- A. That choose to be subject to Income Taxes based on General Provisions on Income Taxes referred to in Article 4 paragraph (2) subparagraph a;
- B. Whose gross turnover of business income has exceeded IDR4.800.000.000,00 (four billion and eight hundred million rupiah) in a Tax Year; or
- C. The certain period has elapsed,

Must pay Article 25 Income Tax Instalments starting the first Tax Year the Taxpayers are subject to Income Taxes Pursuant to General Provisions of Article 17 of the Income Tax Law)

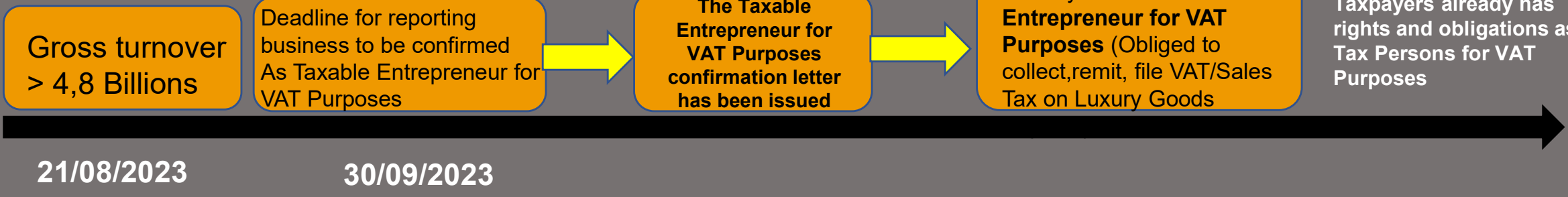


# Chapter VIII Business Reporting Obligations To Be Registered As Taxable Entrepreneur For VAT Purposes

## Old Regulation:

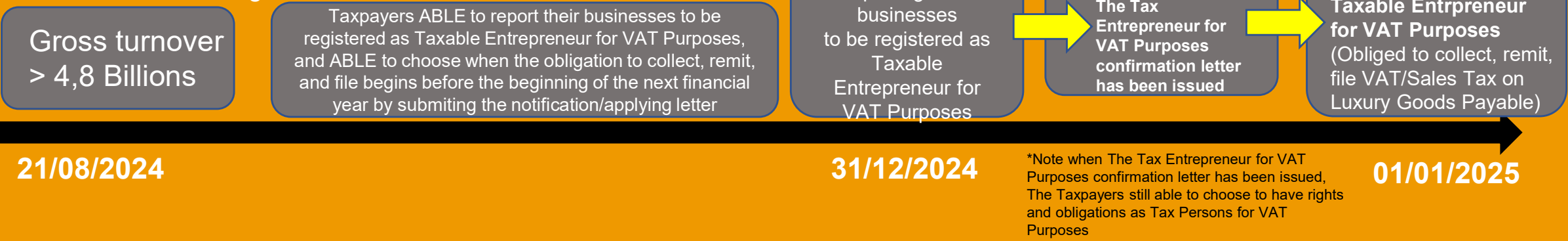
Minister Of Finance Regulation Number 68/Minister Of Finance Regulation Number 03/2010 as amended by Minister Of Finance Regulation Number 197/Minister Of Finance Regulation Number 03/2013

\*Note when The Taxable Entrepreneur for VAT Purposes confirmation letter has been issued, The Taxpayers already has rights and obligations as Tax Persons for VAT Purposes



## New Regulation:

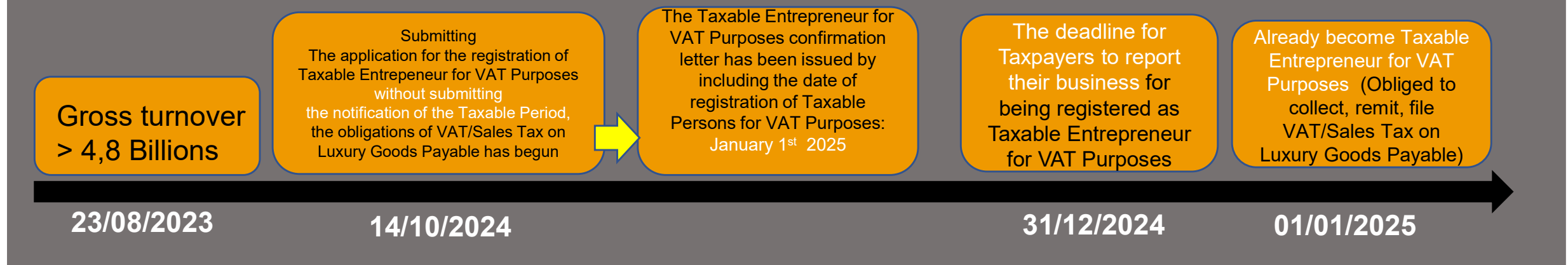
Minister Of Finance Regulation Number 164 of 2023



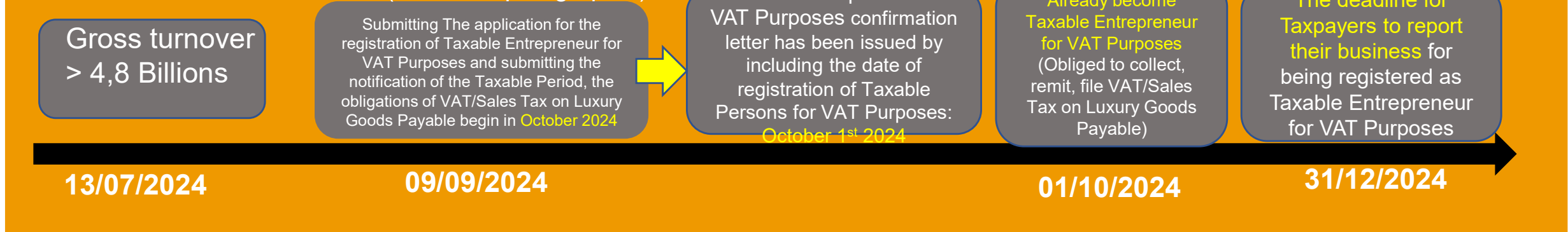
\*Note when The Tax Entrepreneur for VAT Purposes confirmation letter has been issued, The Taxpayers still able to choose to have rights and obligations as Tax Persons for VAT Purposes

# Chapter VIII The Obligation To Report Business To Be Registered As Taxable Entrepreneur for VAT Purposes “Example Case 01”

Entrepreneurs with January – December financial year reporting their business before the end of the financial year, but without submitting the notification of the Taxable Period (Article 18 paragraph 1):

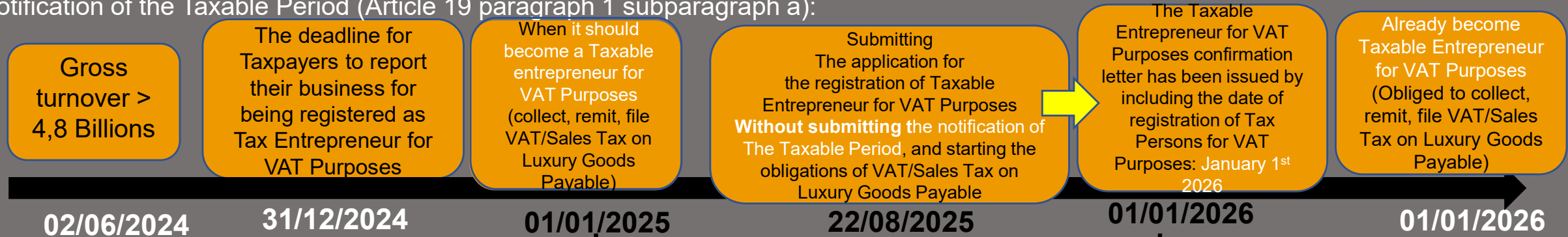


Entrepreneurs with January – December financial year reporting their business before the end of the financial year and submitting the notification of the Taxable Period (Article 20 paragraph 4):



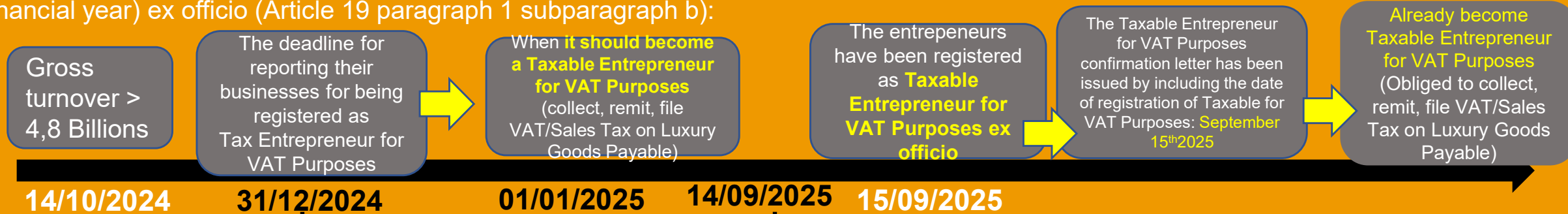
# Chapter VIII The Obligation To Report Business To Be Registered As Taxable Entrepreneur for VAT Purposes “Example Case 02”

Entrepreneurs with January – December financial year reporting their business after the end of the financial year and without submitting the notification of the Taxable Period (Article 19 paragraph 1 subparagraph a):



The period when they should have already collected, remitted, and filed VAT

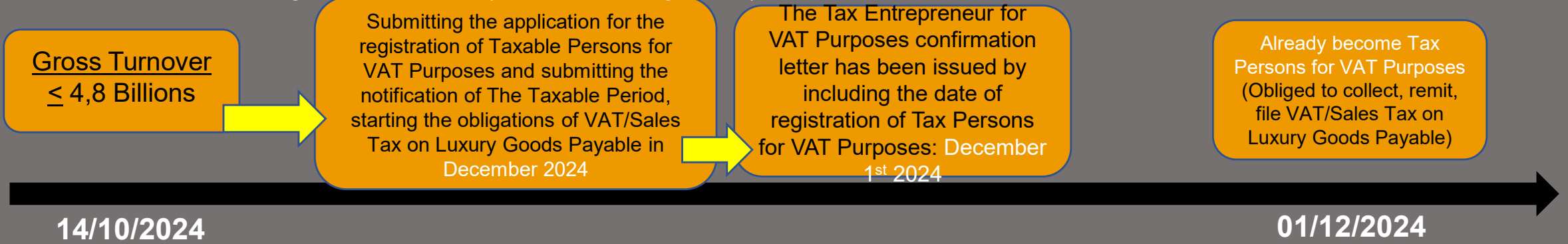
Entrepreneurs with January – December financial year are registered as Taxable Entrepreneur for VAT Purposes (after the end of the financial year) ex officio (Article 19 paragraph 1 subparagraph b):



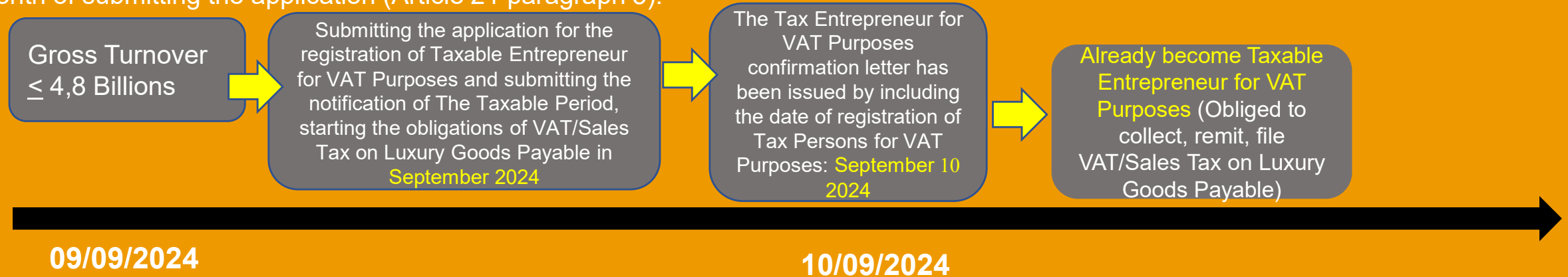
The period when they should have already collected, remitted, and filed VAT

# Chapter VIII The Obligation To Report Business To Be Registered As Taxable Entrepreneur For VAT Purposes “Example Case 03”

Small-scale Entrepreneurs taxpayers reporting their businesses and submitting the notification of Taxable Period **are not the same** with the month of submitting the application (Article 21 paragraph 5):



Small-scale Entrepreneurs taxpayers reporting their businesses and submitting the notification of Taxable Period **same** with the month of submitting the application (Article 21 paragraph 5):



## Chapter IX Transitional Provisions



For entrepreneurs who:

1. has **gross turnover > IDR 4,8 Billions in the last month** before the month when the Minister of Finance Regulation Number 164 of 2023 comes into force\*; and
2. **haven't been registered as Taxable Persons for VAT Purposes** until before the Minister of Finance Regulation Number 164 of 2023 comes into force, then the obligation of reporting their businesses for being registered as Taxable Entrepreneur for VAT Purposes as well as the implementation of rights and fulfillment of obligations to start collecting, remitting and filing value added tax or value added tax and sales tax on luxury goods payable, the provisions stipulated under this Ministerial Regulation shall apply.



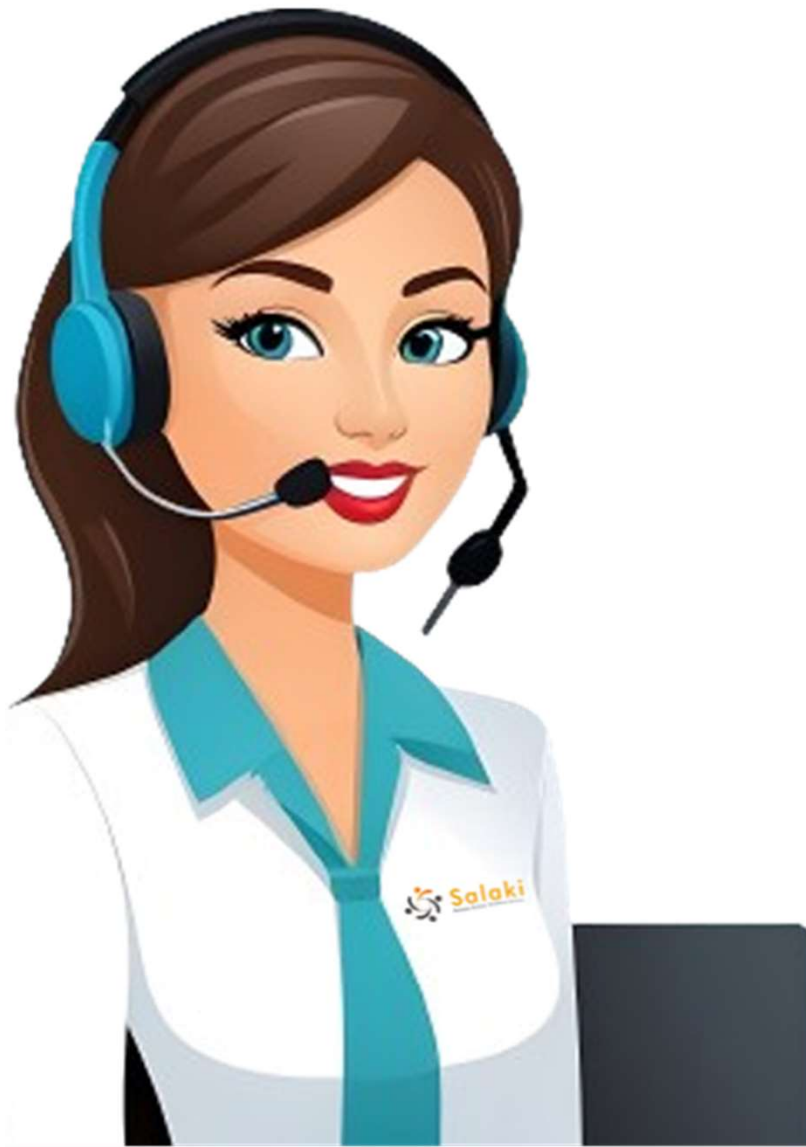
PT ABC has been registered as a Taxpayer, but hasn't been registered as Taxable Entrepreneur for VAT Purposes until December 28<sup>th</sup> 2023. PT ABC has gross turnover exceed Rp4,8 billions in November 2023. The financial year of PT G is April 1<sup>st</sup> until March 31<sup>st</sup>. Therefore, PT G obligate to report their business for being registered as Taxable Entrepreneur for VAT Purposes no later than the end of the 2023 financial year, which is March 31<sup>st</sup> 2024 (not December 31<sup>st</sup> 2023). –”**Source :Sosialisasi DJP PMK 164 Tahun 2023**”.

## CHAPTER X CLOSING PROVISIONS

- Article 4 and Article 5 Minister Of Finance Regulation Number 68/Minister Of Finance Regulation Number 03/2010 as amended by Minister Of Finance Regulation Number 197/Minister Of Finance Regulation Number 03/2013 are revoked.
- Minister Of Finance Regulation Number 99/Minister Of Finance Regulation Number 03/2018 concerning the Implementation of Government Regulation Number 23/2018 is revoked.
- Minister Of Finance Regulation Number 164/2023 comes into force on the date of promulgation (**December 29<sup>th</sup> 2023**).







If you have any questions or want to find out more about **The Minister Of Finance Regulation Number 164 Year 2023**, please contact us at :



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