



Tax Newsletter

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Latest Income Tax and VAT
Regulation on Gold and/or Jewelry

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Latest income tax and VAT regulation on gold and/or jewelry

The Ministry of Finance has issued a new regulation No. 48 Year 2023 concerning the income tax and VAT on the sales of gold and/or jewelry (“PMK-48”). PMK-48 has effectively applied on 1 May 2023.

PMK-48 stipulates the latest tax treatment on the delivery/sale of gold jewelry, gold bars, jewelry not entirely made of gold, gemstones and/or other similar stones, as well as the related services, conducted by Gold Jewelry Manufacturer (“Manufacturer”), Gold Jewelry Trader (“Trader”), and/or Gold Bar Entrepreneur.

Sales of Gold Jewelry

According to PMK-48, the Manufacturer and Trader of gold jewelry have the obligation to collect Income Tax Article 22 of 0.25% from the gold jewelry sales price. However, Income Tax Article 22 will not be collected for the sales to end customers; or taxpayers subject to final income tax under Government Regulation No. 55 Year 2022; or taxpayers having Income Tax Article 22 exemption letter.

For VAT purposes, PMK-48 stipulates:

- Manufacturer (VAT-able Entrepreneur)
 - Effective VAT Rate of 1.1% of Selling Price for sales of self-produced gold jewelry to other Manufacturer and/or Trader
 - Effective VAT Rate of 1.65% of Selling Price for sales of self-produced gold jewelry to End Customer
- Trader (VAT-able Entrepreneur)
 - Effective VAT Rate of 1.1% of Selling Price for sales of gold jewelry to other Trader and/or End Customer if the Trader has a complete Tax Invoice for the acquisition of gold jewelry and/or certain documents on the import of gold jewelry. Otherwise, the effective VAT Rate would be 1.65%.
 - Effective VAT Rate of 0% x Selling Price for sale of gold jewelry to Manufacturer.

Sales of Gold Bar.

Under PMK-48, Gold Jewelry Manufacturer (“Manufacturer”), Gold Jewelry Trader (“Trader”), and/or Gold Bar Entrepreneur has the obligation to collect Income Tax Article 22 of 0.25% from the gold bar sales price. However, Income Tax Article 22 will not be collected for the sales to end customers; or taxpayers subject to final income tax under Government Regulation No. 55 Year 2022; or taxpayers having Income Tax Article 22 exemption letter; Bank Indonesia; or through the digital gold physical market in accordance with the prevailing regulation on commodity futures trading.

For VAT purposes, PMK-48 stipulates that sales of gold bar for the benefit of the state foreign exchange reserves would be considered non-VAT-able. Other than that, the VAT treatment would follow the prevailing VAT law and regulation.

Sales of Jewelry not entirely made of gold, Gemstones and/or Other similar stones

According to PMK-48, the Manufacturer and Trader of jewelry not entirely made of gold, gemstones and/or other similar stones have the obligation to collect Income Tax Article 22 of

0.25% from the sales price. However, Income Tax Article 22 will not be collected for the sales to end customers; or taxpayers subject to final income tax under Government Regulation No. 55 Year 2022; or taxpayers having Income Tax Article 22 exemption letter.

For VAT purposes, PMK-48 stipulates that Manufacturer and Trader have obligation to collect the VAT of 1.1% (effective rate) of sales price.

Services related to Gold Jewelry, Gold Bars, Jewelry not entirely made of gold, Gemstones and/or Other similar stones.

The type of services mentioned in this PMK-48 are as follows:

- A. Modification services;
- B. Repair services;
- C. Coating services;
- D. Gilding services;
- E. Cleaning services; and
- F. Other services which are the other name of those mentioned in point A to E.

The payor has the obligation to withhold Income Tax Article 21 (if the service provider is individual) or Income Tax Article 23 (if the service provider is corporate entity). However, there is exception for service provider which is subject to final income tax under Government Regulation No. 55 Year 2022; or taxpayers having Income Tax Article 21 or Income Tax Article 23 exemption letter.

For VAT purposes, PMK-48 stipulates that Manufacturer and Trader has obligation to collect the VAT of 1.1% (effective rate) of service price.

The content of this newsletter is for the purpose of general guidance on matters of interest and is not meant as advice. The implementation and impact of laws/regulations can vary widely based on the specific facts involved. Readers are advised to consult their tax advisors before making any business decisions.

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