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Attractive Revisions to Taxes Payable on the Purchase of Ultra Luxury Properties

The Minister of Finance issued Regulation No. 92/PMK.03/2019 on 19 June 2019 regarding Certain Corporate Taxpayers as Income Tax Collectors on Purchase of Ultra Luxury Goods.

This Regulation reduced the Article 22 withholding tax rate on luxury residential purchase transactions from 5% to 1% of the sale price and substantially increased the purchase price exemption level.

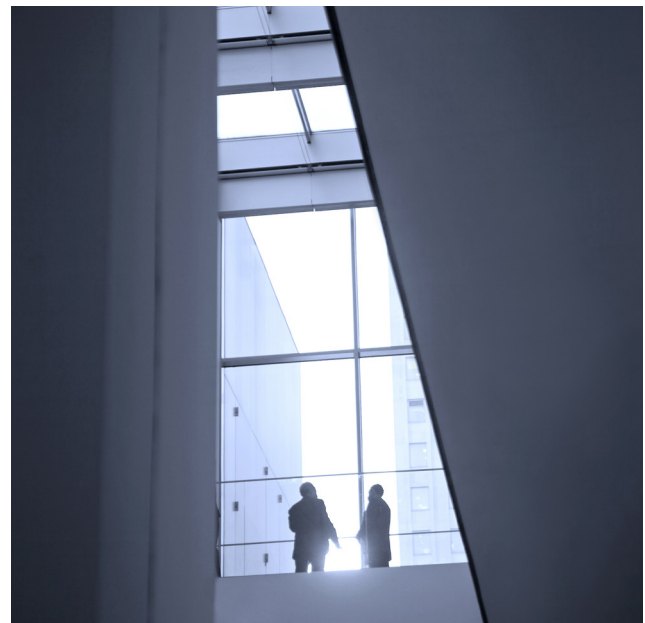
The purchase price of residences, apartments and condominiums subject to Article 22 withholding tax was revised upward to only transactions with purchase prices of IDR 30 billion or more from IDR 5 billion or more.

For transactions with purchase prices of IDR 30 billion or more, the 1% tax rate is applied to the entire purchase price.

The taxable property sizes however remain the same, i.e., Article 22 income tax (now at 1%) must be withheld if the size of the residence (building only) is more than 400 m² or the size of the apartment/condominium is more than 150 m², regardless of the purchase price.

The Article 22 withholding tax rate on all other ultra luxury goods remains at 5%.

In addition, a related Regulation was issued regarding the 20% Sales Tax on Ultra Luxury Properties. It revised upward its applicability to only transactions with purchase prices of residences, apartments and condominiums of IDR 30 billion or more. Previously it was applicable to house and town house with non-strata title with purchase prices of IDR 20 billion or more and apartment/condominium/town house with strata title and the likes with purchase price of IDR 10 billion or more.



KPMG Note:

These changes are clearly a “Win-Win” for those involved in these transactions and are hoped to encourage growth in the property sector, which in recent years has been stagnant, and have a multiplier effect in other sectors.

It remains to be seen how effective these revisions will be in boosting the domestic property market, given that luxury residences only represent a small market segment.

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