



Friday, 27th May 2022

INFORMATION

Update Government Regulation (PP) No. 15 Year 2022 concerning Treatment of Taxes and or Non-Tax State Revenues in the Coal Mining Business Sector

The President Joko Widodo (Jokowi) issued the Government Regulation (PP) No. 15 Year 2022 concerning Treatment of Taxes and or Non-Tax State Revenues in the Coal Mining Business Sector. This regulation orders the determination of a coal royalty rate for domestic sales of 14% on April 11th 2022. This Government Regulation (PP) No. 15 Year 2022, stipulates:

- a. Providing legal business certainty for mining business and special mining business license holders as a continuation of contract/agreement operations.
- b. Providing regulations for coal mining concession holders in carrying out tax obligations and/or non-tax state revenues taking into account the increase in state revenues.
- c. Providing provisions of Article 31D of Law No. 7 Year 1983 concerning Income Tax as amended several times, the latest by Law No. 7 Year 2021 concerning Harmonization of Tax Regulations, as well as Article 4 Paragraph 3, Article 7 Paragraph 3, and Article 10 Paragraph 2 of Law No. 9 Year 2018 concerning Non-Tax State Revenue

The Director of Coal Business Development at the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources (ESDM), Lana Sharia elaborates that according to the regulation, the price of coal is divided into two prices range;

- a. Coal Mining Concession Work Agreement Generation 1 (Perjanjian Karya Pengusahaan Pertambangan Batubara Generasi 1/PKP2B).

Generation 1 PNB rates are in the range of 14% to 28% according to each Reference Coal Price or Harga Batubara Acuan (HBA).

- b. Coal Mining Concession Work Agreement Generation 1 Plus (Perjanjian Karya Pengusahaan Pertambangan Batubara Generasi 1 Plus/PKP2B).

Generation 1 Plus rate is in the range of 20% to 27%, but the rates specifically for domestic coal sales is 14%. This consideration was determined by the domestic selling price of coal, which was likewise set at USD 70 per ton for power production.

The PNB rate is the same for Generation 1 PKP2B and Generation 1 Plus, however the difference is the tax imposition. According to the contract, the PKP2B Generation 1 tax reaches 45%, while the Generation 1 Plus tax is prevailing legislation or follows the regulations.

In addition, the Ministry of Energy and Mineral Resources published the 'April 2022 Reference Coal Price' (Harga Batubara April/HBA). The HBA increased 41.5 % to USD 288.40 per tonne in April, up from USD 203.69 per tonne in March. With this update, it is said that Indonesian government has supposedly set the non-tax revenue for domestic coal sales is 14%.

For your reference, please check the Government Regulation/Peraturan Pemerintah (PP) No. 15 Year 2022 concerning Treatment of Taxes and or Non-Tax State Revenues in the Coal Mining Business Sector in Bahasa Indonesia and Unofficial English translation in the link [here](#).

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