

Musician

A. Legal Basis

The legal sources underlying this tax guide are as follows.

- (i) Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended several times, most recently by Law Number 7 of 2021 (UU KUP);
- (ii) Law Number 7 of 1983 concerning Income Tax as amended several times, most recently by Law Number 7 of 2021 (PPH Law);
 - (iii) Government Regulation Number 23 of 2018 concerning Income Tax on Income from Business Received or Obtained by Taxpayers with Certain Gross Circulation (PP No. 23/2018);
- (iv) Regulation of the Minister of Finance Number 252/PMK.03/2008 concerning Instructions for Implementing Withholding Tax on Income in Relation to Work, Services, and Activities of Individuals (PMK 252/2008);
- (v) Regulation of the Minister of Finance Number 102/PMK.010/2016 concerning Determination of the Income Section in connection with the work of Daily and Weekly Employees as well as Other Non-Permanent Employees who are not subject to Income Tax Withholding, it is necessary to stipulate a Regulation of the Director General of Taxes concerning Technical Guidelines for Withholding, Depositing and Reporting Income Tax Article 21 and/or Income Tax Article 26 in Relation to Work, Services, and Activities of Individuals (PMK 102/2016);
- (vi) Regulation of the Director General of Taxes Number PER-16/PJ/2016 concerning Technical Guidelines on Procedures for Withholding, Depositing and Reporting Income Tax Article 21 and/or Income Tax Article 26 in Relation to Work, Services, and Activities of Individuals (PER 16/2016) ; and
- (vii) Regulation of the Director General of Taxes Number PER-17/PJ/2015 concerning Norms for Calculation of Net Income (PER-17/2015).

B. Definitions and Tasks

According to the provisions in Article 3 paragraph c number 2 PER-16/PJ/2016 several professions such as *music* players , presenters, singers, comedians, film stars, soap opera stars, commercials, directors, photo models, film crews, model/model Drama players, dancers, sculptors, painters, and other artists are individual taxpayers who receive or earn income in connection with the provision of services that are deducted from Article 21 Income Tax. As for what is meant by musicians in this article, they are professions that are closely related to music, for example. singer, musician , songwriter, etc.

Meanwhile, according to the Indonesian Standard Classification of Positions (KBJI), it is stated that musicians, singers and composers are in charge of writing, arranging, executing, and performing musical compositions. The duties of musicians, singers, and composers in detail are as follows:

- (i) Creating melodic, harmonic, and rhythmic structures to express ideas and emotions in musical form;
- (ii) Translate ideas and concepts into standard musical signs and symbols *for* reproduction and performance;
- (iii) Customize or arrange *music* for a specific instrumental or vocal group, equipment or event;
- (iv) Performing instrumental or vocal groups;
- (v) Selecting music for performances and arranging instrumental parts for musicians;

- (vi) Plays one or more musical instruments as a solo singer or as a member of an *orchestra* or musical group;
- (vii) Sing as a soloist or member of another vocal group or *band* ;
- (viii) Practice to maintain high performance standards.

C. Income Object

Based on the provisions contained in Article 4 paragraph (1) of the Income Tax Law, the following are the income of musicians that are included in the object of income tax:

- (i) Musical income earned from work. For example as an employee of a television station or artist management;
- (ii) Musician income earned from free work. For example, *fees* from concerts and compensation for *off air* performances ;
- (iii) Musician income earned from royalties;
- (iv) Musician income earned from business activities. For example a musician who opens an instrumental editing business or singing and playing music lessons;
- (v) The income of musicians who are subject to final income tax in accordance with Government Regulation no. 23 of 2018.

D. Musician's Rights in Tax Scope

The right of musicians in the scope of taxation is to get the right to credit taxes on the amount of income tax (PPH) Article 21 that has been deducted. This is in accordance with the provisions of PER 16/PJ/2016. Not only that, musicians are also entitled to a tax refund right for overpaid tax payments, the right to file legal remedies for a tax dispute, get the right to make tax installments, the right to postpone the submission of Annual Notification Letters (SPT); and obtain a preliminary refund of the tax overpayment.

E. Obligations of Musicians in the Scope of Taxes

Some of the obligations that must be fulfilled by musicians in order to comply with taxes include:

- (i) Musicians are required to make a taxpayer identification number (NPWP) if it meets the subject and objective requirements;
- (ii) Musicians must be confirmed as taxable entrepreneurs (PKP) if the musicians concerned are running a business with a gross turnover of more than Rp. 4.8 billion.
- (iii) Musicians who have plans to keep records are obliged to make a notification to the nearest tax service office. The recording obligation is only allowed if the musician has a turnover of less than Rp. 4.8 billion. In addition, the notification must state that the musician will use the method of calculating the net income calculation norm (NPPN) and the notification must be submitted no later than 3 months from the start of the tax year;
- (iv) Musicians are required to keep proof of income tax withholding;
- (v) Musicians must report their annual tax returns on time.

F. Basis of Tax Imposition

F.1 Musicians Earnings from Employers

The income received by musicians is generally in the form of wages, salaries, rewards, and allowances that are given regularly according to a specified period. This is in accordance with the provisions in Article 1 number 15 PER-16/PJ/2016. In this case, the employer is the management and the musician is included in the employee category because he earns a certain amount of income on a regular basis. In addition, musicians who work on a contract basis for a certain period also receive regular income in a certain amount. Thus, the applicable income tax rate (PPH) is the rate as regulated in Article 17 of the Income Tax Law (UU PPh), namely:

Lapisan Penghasilan Kena Pajak	Tarif Pajak
Sampai dengan Rp50.000.000	5%
Rp50.000.000 - Rp250.000.000	15%
Rp250.000.000 - Rp500.000.000	25%
di atas Rp500.000.000	30%

In addition, there are permissible deductions that apply to Article 21 income tax payable. *First*, the position fee is 5% of gross income. So musicians are allowed to reduce the portion of office fees by 5% of gross income and the highest office fee allowed is IDR 500,000 per month or IDR 6,000,000 per year. *Second*, pension contributions whose establishment has been approved by the Minister of Finance. After deducting these 2 components, net income will be obtained. Only from here, musicians can reduce the portion of non-taxable income (PTKP) as mandated in the Income Tax Law. The amount of PTKP in accordance with the provisions of tax legislation is as follows:

Keterangan	Besaran PTKP (Rp)
Atas diri sendiri wajib pajak orang pribadi	54.000.000
Tambahan untuk wajib pajak kawin	4.500.000
Tambahan untuk istri yang penghasilannya digabung dengan penghasilan suami	54.000.000
Tambahan untuk setiap tanggungan	4.500.000

F.2 Musician's income from business activities

If musicians earn income from business activities, musicians are allowed to use the recording method on condition that they notify the Director General of Taxes in advance through the nearest tax service office. The procedure for calculating net income is as follows:

$$\text{Penghasilan Netto} = \text{Norma} \times \text{Penghasilan Bruto}$$

Then, the norm reference stated in the formula above is the norm for calculating net income (NPPN). The NPPN referred to as stated in PER-17/PJ/2015, namely for musicians who open a musical instrument course or vocal course business will be subject to the following percentage:

KLU: 85420 (Cultural Education Service)

- (i) Percentage of 10 provincial capitals: 30%
- (ii) Percentage of other capitals: 27.5%
- (iii) Percentage for other regions: 25%

F.3 Income from Royalties

According to the provisions of tax laws, it is explained that individual taxpayers who receive royalties will be subject to income tax. The amount of the PPh rate imposed on royalties is 15% of gross income, and the income is not final.

G. Case Illustration

- (i) Mr. Darren is a musician who often creates songs and already owns the copyright to his recordings. As for every sale of records in the form of DVDs and cassettes, Darren will get a

20% royalty. The sales of recorded songs belonging to Mr. Darren in April 2019 were Rp. 1,000,000,000. The following is the calculation of Income Tax Article 23 withheld:

Uraian	Jumlah (Rp)
Royalti Tuan Darren	20% x 1.000.000.000
	200.000.000
PPH Pasal 23	15% x 200.000.000
	30.000.000

(ii) Miss Dian is a musician who also has vocal lessons. Dian's gross turnover in a year reaches Rp. 3 billion. Because Dian's turnover is still below Rp. 4.8 billion, Dian is allowed to use a final tax of 0.5% as regulated in PP. 23/2018. The following is the tax calculation:

Uraian	Jumlah (Rp)
PPH terutang	0,5% x 3.000.000.000
	15.000.000