Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 1 | January 2026 -Peer-Reviewed Journal

ACCOUNTING IN THE PALM OIL PLANTATION INDUSTRY AND ITS TAXATION ASPECTS IN INDONESIA

Zuhandi[1], Sarwo Edy Handoyo[2]
[1]*Professional Accounting Education, Tarumanagara University, Jakarta*
[2]*Corresponding Author, Tarumanagara University, Jakarta*

Article DOI: https://doi.org/10.36713/epra25716
DOI No: 10.36713/epra25716

ABSTRACT

The agricultural sector is an industrial sector that supports food security in Indonesia. Global disasters like COVID-19 are examples of how strong food security can help a country address consumer demand for goods. Palm oil plantations are a subsector of the agricultural sector. Overall, by 2025, the financial performance growth of palm oil plantation companies listed on the Indonesia Stock Exchange (IDX) is expected to have a positive impact and contribute to state revenue through tax collection.

The same treatment as in other industrial business sectors, that palm oil plantation industry companies in carrying out their bookkeeping administration are also guided by the same accounting standards, namely the Indonesian Financial Accounting Standards. Business processes in palm oil plantation industry companies go through the stages of licensing, land clearing, nursery, new planting, maintenance of immature plants, maintenance of mature plants, processing of palm fruit from the plantation and sales of crude oil (CPO) and palm kernel (PK) products.

The acquisition cost of fixed assets for productive plants is the accumulation of all costs capitalized at each stage up to the productive-immature plant phase. Furthermore, the accumulation of all costs capitalized at the immature plant phase is carried out by a reclassification journal from productive-immature plants to productive-mature plants when they have been declared productive plants and are ready for harvest.

In general, the taxation aspects regulated in the tax provisions and regulations applicable in Indonesia include Income Tax Article 21, Income Tax Article 22, Income Tax Article 23, Annual Corporate Income Tax, Value Added Tax.

KEYWORDS :*Fixed Assets of Immature – Bearer Plants, Fixed Assets of Mature – Bearer Plants, Income Tax and Value Added Tax.*

1. INTRODUCTION

Business development in the agricultural sector has had a positive impact on food security in Indonesia and is expected to increase state revenue through tax collection. The agricultural sector is a sector that can grow during the Covid-19 pandemic. While the government implemented large-scale social restrictions on human activities and movement to prevent the spread of Covid-19, demand and consumption of agricultural products did not decline. The palm oil plantation industry is a component or subsector of the agricultural sector itself. The main products produced by this industry are Crude Palm Oil (CPO) and Palm Kernel (PK). Both products are semi-finished products (raw materials) that are then further processed into finished goods, providing added value to the products used for consumption, chemicals, cosmetics, and other purposes.

By 2025, it is estimated that more than 20 issuers from palm oil plantation companies will be listed on the Indonesia Stock Exchange (IDX) (source: www.idx.co.id). Overall, the financial performance of palm oil plantation companies shows a positive trend. The increasing demand for products from palm oil plantation industry companies to meet domestic and export needs Sacontributes to the achievement of profits generated by issuers, thus having a positive impact on state revenue through Income Tax collection. In general, the business process in the Palm Oil Plantation industry includes several processes and stages, including licensing, land clearing, nursery, planting, caring for immature plants, caring for mature plants, processing of palm oil fruit (Palm Oil Processing), and sales of CPO and PK products.

Oil palm trees have unique characteristics, namely productive plants classified as fixed assets that continue to grow and develop, producing oil palm fruit in the form of Fresh Fruit Bunches (FFB) for a period of time ranging from 25 to 30 years. The recording and recognition mechanism in accounting for oil palm plantations separates

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the recognition of acquisition costs between oil palm trees and the resulting oil palm fruit. Oil palm trees are recognized as fixed assets while oil palm fruit is recognized as a biological asset.

That in PSAK 216 concerning Fixed Assets
The definition of paragraph 06 explains that:
Fixed assets are tangible assets that:

a) *Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and*
b) *Expected to be used for more than one period.*

Productive plants (bearer plants) are living plants that:

a) *used in the production or supply of agricultural product;*
b) *is expected to produce products for a period of more than one period; and*
c) *have a very rare possibility of being sold as agricultural products, except for incidental scrap sales.*

Thus, this explains that in accounting, oil palm trees are productive plants (bearer plants) which are recorded and recognized as fixed assets.

Further details in PSAK 241 on Agriculture
Paragraph 05C. Products grown on productive plants (bearer plants) are biological assets.

From the explanations of the two PSAKs above, there are different treatments and recognitions for oil palm trees and oil palm fruit (fresh fruit bunches). Oil palm fruit growing on oil palm trees is recognized and recorded as a biological asset.

2. DISCUSSION

Recognition of Acquisition Value of Fixed Assets in Productive Plants

The classification of fixed asset accounts for productive plants represents the recognition of acquisition costs from the immature plant (TBM) stage to the mature plant (TM) stage. These acquisition costs occur at every stage of plantation operations, including land clearing, nursery operations, planting, and maintenance of immature plants. Recognition of the acquisition value of fixed assets for mature productive plants occurs when the immature productive plants have been declared mature and ready for harvest. All costs that have been capitalized on productive plants that have not yet produced are reclassified in a journal at the capitalized value to productive plants that produce.

Land Clearing

In general, recording costs for land clearing activities and activities include work on blocking areas and piling, selective imas, tree felling, stacking path stakes, mulching, (1) for mineral areas: making main roads, making collection roads and planting point stakes, (2) for lowland areas: making main drain, making collection drain, making boundary drain, (3) for sloping and hilly areas: making terrace stakes, making contour terraces, making horseshoes and planting point stakes. The journal illustration is as follows:

Journal entries are recorded for each activity and activity during land clearing:

Land Clearing – Activities and Procedures (…)	**XXX**	
Value Added Tax (VAT) – (If using a contractor)	**XXX**	
Cash/Bank		**XXX**

Nursery

In general, recording costs for nursery activities and activities include land preparation work for the nursery location, making roads and nursery drainage, installing nursery water installations, purchasing seedlings, using small polybag materials, using large polybag materials, filling small polybag soil, filling large polybag soil, shunting and arranging polybags, selecting and planting seedlings, eradicating pests and seedling diseases, fertilizing seedlings, watering seedlings, grazing and weeding seedlings, selecting nursery seedlings, consolidating seedlings, rotating pruning and tying seedlings, transferring seedlings and other nursery activities. The journal illustration is as follows:

Journals are recorded for each activity and activity in the oil palm nursery:

Nursery – Activities and Procedures (…)	**XXX**	
Cash/Bank		**XXX**
Inventory (Material Usage)		**XXX**

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Next, oil palm seedlings that are old enough and ready to be planted are recorded and journaled into seed inventory with the following journal illustration:

Inventory – Oil Palm Nursery Tree	**XXX**	
Nursery		**XXX**

To calculate the acquisition cost per oil palm seedling in the Inventory – Oil Palm Seedlings account, the calculation is carried out by dividing the accumulated capitalization costs in the oil palm nursery account by the number of live oil palm seedlings ready for planting. The calculation illustration is as follows:

$$\textit{Acquisition Cost per Unit Oil Palm Seedling} = \frac{\textit{Accumulation of capitalization costs in the oil palm nursery account}}{\textit{Number of oil palm seedlings ready to plant}}$$

Planting Palm Trees – New Planting

In general, recording costs for activities and activities in preparation for new planting and post-planting include, among others, the work of staking the planting point, digging planting holes, fertilizing planting holes, shunt oil palm seedlings, planting oil palm trees, census of planting points, planting legumes (cover crops), legume maintenance, legume fertilizer and consolidation of oil palm trees. All costs for activities and activities from the preparation for new planting and post-planting are capitalized in the New Planting account post. The journal illustration is as follows:

Journal entries are recorded for each activity and activity on new planting:

New Planting – Activities and Events (…)	**XXX**	
Cash/Bank		**XXX**
Inventory (Material Usage)		**XXX**

All costs capitalized in the new plant account are then reclassified to the immature plant at their capitalized value.
The journal illustration is as follows:

Immature Plants	**XXX**	
New Planting		**XXX**

Maintenance of Immature Plants – TBM

In general, recording costs for activities and activities on immature plants (TBM) include the work of making and maintaining oil palm discs, maintaining trellises, pruning and sanitation of oil palm trees, fertilizing oil palm trees, castration, weed control, oil palm tree census, leaf analysis, eradication of plant pests and diseases, construction of harvest/production roads, maintenance of roads and bridges, construction of collection points and consolidation of trees. The journal illustration is as follows:

Journal entries are recorded for each activity and activity on immature plants:

Immature Plants – Activities and Events (…)	**XXX**	
Cash/Bank		**XXX**
Inventory (Material Usage)		**XXX**

In addition to the costs briefly outlined above, there are other costs that affect the acquisition value of immature productive plants. Borrowing costs incurred while the productive plants are still immature are also costs that, according to accounting, must be capitalized, thus increasing the acquisition value of the immature plants.

According to PSAK 223 on Borrowing Costs

Paragraph 08. An entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset.

Paragraph 09. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that future economic benefits will flow to the entity and can be measured reliably.

Paragraph 05 explains that qualifying assets are assets that require a significant period of time to be ready for their intended use or sale. Immature productive plants are an example of a qualifying asset, so borrowing costs are capitalized and increase the acquisition value of the plant asset. In addition, there are allocations of other indirect

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costs that are capitalized, which will increase the acquisition value of the plant asset. Capitalization of borrowing costs and allocations of other indirect costs will cease when the plant asset has begun producing.

Furthermore, when the immature productive plants have been declared as productive plants and can be harvested, all acquisition costs recorded in the immature productive plants account are recorded in the reclass journal in the productive plants account. The journal illustration is as follows:

Mature - Bearer Plants XXX
Immature - Bearer Plants XXX

Thus, the recognition of the acquisition cost or recorded amount of fixed assets of Mature – Bearer Plants is from the mutation/reclassification of the capitalization of all acquisition costs of fixed assets of Immature – Bearer Plants based on predetermined criteria.

Accounting Treatment for Mature – Bearer Plants
The cost accounts for activities and activities for mature and immature crops are almost identical. Activities and activities that increase for mature crops include trellis maintenance, oil palm fruit harvesting, and transportation and handling of the harvested oil palm fruit
Some of the accounting provisions and treatments for productive plants include:
- recognition of acquisition costs in the productive plants account post is obtained from the journal reclassification of productive plants that have not yet produced which have fulfilled the requirements as productive plants;
- all plant maintenance costs and harvesting/production costs are treated as production costs in the profit (loss) report;
- since productive plants have been declared as productive plants, then depreciation is carried out on their acquisition costs (recorded costs) with a useful life of 20 years or more based on the estimated productive life of the plant;
- Mature plants will be derecognized when no future economic benefits are expected or released as a result of the sale. Gains and losses from derecognition are included in the income statement for the current year.

Cost Items in the FFB Production Cost
In general, the classification of cost items in forming the cost of production of a plantation includes the cost of materials, wages/salaries, equipment usage costs, allocation of indirect costs (general cost allocation), and allocation of plantation depreciation costs. All of these costs are costs related to the production activities of fresh oil palm fruit bunches. To determine the amount of the cost of production per kilogram of fresh fruit bunches, namely by dividing all accumulated costs recorded in the cost of production account post by the quantity of fresh fruit bunches harvested in the relevant period/month. The illustration of the calculation is as follows:

$$\textit{Cost of production per kg of fresh fruit bunches} = \frac{\textit{Costs Accumulation in the cost of goods manufactured account}}{\textit{Quantity of fresh fruit bunch production}}$$

TAXATION ASPECTS IN THE PALM OIL PLANTATION INDUSTRY
Aspects of Article 22 Income Tax on Purchases by Certain Industries
Legal basis:
- PMK 34/PMK.010/2017
  Regarding the collection of Article 22 Income Tax in connection with payments for the delivery of goods and activities in the import sector or business activities in other sectors.
  Effective from August 31, 2010.

- PMK 110/PMK.010/2018
  Regarding amendments to Minister of Finance Regulation No. 34/PMK.010/2017.
  Effective September 13, 2018.

- PMK 41/PMK.010/2022
  Regarding the second amendment to Minister of Finance Regulation No. 34/PMK.010/2017.
  Effective April 1, 2022.

- PMK 81 of 2024
  Concerning Tax Provisions for the Implementation of the Core Tax Administration System.
  Effective January 1, 2025.

Collection of Article 22 Income Tax: Industrial business entities or exporters operating in the sector
- Forestry
- **Plantations**
- Agriculture
- Livestock
- Fisheries

for the purchase of materials in the form of forestry, plantation, agricultural, livestock and fishery products that have not undergone industrial manufacturing processes, for industrial/export purposes.

Value Added Tax (VAT) Aspects of Plantation Products in the Form of Fresh Fruit Bunches (FFB)
Chronology of Regulations:
PP No.12 of 2001 *s.t.d.t.d.* PP No. 31 of 2007
The PP stipulates that plantation products are determined as strategic BKP which are exempt from VAT.

SE 24/PJ/2014
This Circular Letter was issued to implement Supreme Court Decision No. 70P/HUM/2013, which was issued on February 25, 2014. The Supreme Court Decision stipulates, among other things: that plantation products, which were previously exempt from VAT, are now subject to VAT. This provision has been in effect since July 22, 2014.

Tax Base Certain Amounts for the Delivery of Certain Agricultural Products:
Legal basis:
- PMK 89/PMK.010/2020
  Value Added Tax is imposed on the delivery of Taxable Goods in the form of certain agricultural products by Taxable Entrepreneurs.
  Effective July 27, 2020.

- PMK 64/PMK.03/2022
  Taxable Entrepreneurs engaged in the delivery of certain agricultural products may use specific amounts to collect and remit Value Added Tax due.
  Effective April 1, 2022.

- PMK 11 of 2025
  Regarding Provisions on Other Values as the Basis for Tax Imposition and Certain Value Added Tax Amounts.
  Effective February 4, 2025.

Value Added Tax Aspects of Plantation Seeds
Legal Basis:
- Government Regulation Number 81 of 2015 as last amended by Government Regulation Number 48 of 2020 – Strategic Taxable Goods Exempt from VAT.

- Government Regulation Number 49 of 2022
  Regarding Value Added Tax Exemption and Value Added Tax or Luxury Goods Sales Tax Not Collected on the Import and/or Delivery of Certain Taxable Goods and/or the Delivery of Certain Taxable Services and/or the Utilization of Certain Taxable Services from Outside the Customs Area. Certain strategic Taxable Goods whose delivery is exempt from VAT include:

  "***seeds and/or seedlings from*** *agricultural,* ***plantation****, forestry, livestock or fishery products*"

The VAT exemption mentioned above does not require a VAT exemption certificate.

Other Tax Aspects in the Palm Oil Plantation Industry
Withholding Tax Article 21
The special Article 21 Income Tax deduction related to the palm oil plantation industry is Article 21 Income Tax on:
- Wages for non-permanent workers/employees: unit, daily, weekly and piecework wages.

- Other services performed by Individual Taxpayers

Legal Basis:
- PMK No. 168 of 2023
- PER 16/PJ/2016

Withholding Tax Article 23
In the palm oil plantation industry, there may be costs that are subject to Article 23 Income Tax deductions, for example:
- Rental of equipment, machinery, and other services;
- Land preparation and/or processing services;
- Nursery and/or seedling planting services;
- Harvesting services;
- Processing services for agricultural, plantation, fishery, livestock, and/or forestry products;
- Laboratory services;
- Waste processing services;
- Installation/setup services for machinery, equipment, and other services;
- Maintenance/repair/upkeep services for machinery, equipment, and other services;
- Transportation/expedition services, except those regulated in Article 15 of the Income Tax Law;
- And others

Legal Basis:
- PMK No. 141/PMK.03/2015

3. CONCLUSION AND SUGGESTIONS

The accounting treatment for palm oil plantation companies is generally similar to that of other industrial sectors, except for the profit-oriented agricultural sector. The recording and recognition of costs are governed by the generally applicable Indonesian Accounting Standards (SAK). Recognizing the acquisition value of fixed assets, particularly for productive plants, requires a process that may be more lengthy than in other industrial sectors. Producer plant fixed assets are unique compared to other types of fixed assets recorded. The uniqueness of producer plant fixed assets lies in their continuous change in form over time due to growth and development, which can impact productivity during production.

When a palm oil plantation industry company operates, there are tax provisions and treatments that regulate it. In general, in the operation of the palm oil plantation industry, there are tax aspects that need to be considered, namely Article 21 Income Tax, Article 22 Income Tax, Article 23 Income Tax, Corporate Income Tax, Article 4 (2) Income Tax and Value Added Tax and other tax aspects that regulate it so that the sustainability of the palm oil plantation industry company is expected to provide a real contribution to state revenue through tax collection.

The recommendation in this regard is the need to gain a comprehensive understanding of the business processes in palm oil plantation companies. Knowledge of each phase and stage of the palm oil plantation company's business process can assist in the reliability of accounting records for fixed assets of productive plantations. Furthermore, further analysis and study of other tax aspects are necessary to optimize state tax revenue.

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