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## Tax incentives in relation to COVID-19

The COVID-19 pandemic has been declared as a national disaster that has impacted the economic stability and productivity for certain sectors in Indonesia. The government has deemed it necessary to provide relief to those operating in these sectors. In light of this, the Minister of Finance (MoF) has issued MoF Regulation No.23/PMK.03/2020 (PMK-23), which will be effective from 1 April 2020.

PMK-23 provides a number of tax incentives for companies and employees operating in the designated sectors, as set out below.

### Article 21 Employee Income Tax

The government will bear the cost of Article 21 Employee Income Tax for the months of April – September 2020 for employees who:

1. Receive income from an employer who:
  - has a Business Classification (*Klasifikasi Lapangan Usaha/KLU*) stated in the 2018 Corporate Income Tax Return (CITR) that is among those listed in [Attachment A](#) of PMK-23; or
  - is declared as a company granted with Import Facility for Export Purposes (*Kemudahan Impor Tujuan Ekspor/KITE*);
2. Have a Tax ID number; and
3. Receive an annualised regular income not exceeding IDR 200 million (approximately IDR 16.7 million per month).

To begin utilising the incentive, the employer must submit a notification to the Indonesian Tax Office (ITO) where the taxpayer is registered. If the tax authorities have a different view than the taxpayer (about eligibility), they must issue a rejection within five working days.

The incentive is valid from the fiscal period when the notification is submitted until September 2020 fiscal period.

The income tax borne by the government must be paid directly to the employee according to the following mechanism:

- The tax calculation is done based on a normal formula. However, the tax amount related to the eligible employees will be paid to the employees instead of the government.
- Thus, if the remuneration package is on a gross basis, the eligible employees must be paid the gross amount (with no tax deduction).
- If the remuneration package is on a net basis, the tax usually paid by the employer to the tax authorities must be paid to the employee.
- The tax amount paid to the employees should not be included as taxable income of the employee.

The notification template, examples of calculations performed using the above mechanism, and detailed administrative reporting requirements that must be fulfilled by the employer are provided in PMK-23 (which also includes examples of cases where there are hybrid gross/net packages).

### **Article 22 Income Tax on Imports**

Article 22 Income Tax on Imports can be exempted for the following companies:

1. Those who have a KLU stated in the 2018 CITR that is among those listed in the [Attachment F](#) of PMK-23; or
2. Those who have been declared as a company granted with KITE.

The exemption is granted in the form of Tax Exemption Letter (*Surat Keterangan Bebas/SKB*) for which an application must be submitted to the ITO where the taxpayer is registered. The ITO must issue either an approval or rejection within three working days.

The exemption is valid from the issuance date of the SKB until 30 September 2020.

The application form and the detailed administrative reporting requirements that must be fulfilled by the taxpayer are provided in PMK-23.

### **Article 25 Income Tax**

The government grants a 30% reduction in the Article 25 Income Tax monthly instalment amount for the following taxpayers:

1. Those who have a KLU stated in the 2018 CITR that is among those listed in the [Attachment F](#) of PMK-23; or
2. Those who have been declared as a company granted with KITE.

The taxpayer must submit a notification to the ITO where the taxpayer is registered. If an ITO takes a view that the taxpayer does not fulfil the requirements, the ITO must issue a rejection within five working days.

The reduction is valid from the fiscal period when the notification is submitted until September 2020 fiscal period.

The notification template, examples of the reduction calculations, and detailed administrative reporting requirements that must be fulfilled by the taxpayer are provided in PMK-23.

## Value Added Tax (VAT)

The government will automatically consider the following taxpayers as low-risk and provide a preliminary VAT refund facility (previously these types of taxpayers had to apply to be considered low risk for this purpose):

1. Those who have a KLU stated in the 2018 CITR that is among those listed in [Attachment F](#) of PMK-23; or
2. Those who have been declared as a company granted with KITE.

In addition, the amount of preliminary VAT refunds available for these taxpayers has been increased from IDR 1 Billion to IDR 5 billion.

Taxpayers meeting the above criteria do not need to submit an application. Moreover, the Directorate General of Taxation (DGT) does not need to declare the taxpayer as low-risk as long as the KLU or KITE status is valid when the refund request is submitted.

This facility is valid for VAT returns (including amendments) for the fiscal periods of April to September 2020 that are submitted by 31 October 2020 at the latest.

## DGT concessions in response to COVID-19

Following the issuance of the DGT Circular Letter No.SE-13/PJ/2020 (please refer to our [Tax Flash No. 04/2020](#)), the DGT issued Decision No.KEP-156/PJ/2020 on 20 March which stipulates that the period of 14 March 2020 up to 30 April 2020 is to be treated as a *force majeure* period as a result of COVID-19.

The concession will be in the form of sanction waivers in relation to certain late tax reporting and payments as set out below.

### Individual taxpayers

#### *Reporting and payment for individual Annual Income Tax Return (AITR)*

The DGT will waive the administrative sanction for the submission and payment of AITR for Fiscal Year 2019 which is to be carried out by individual taxpayers up to 30 April 2020.

The DGT will not issue a Tax Collection Letter for this administrative sanction. In the event that the DGT has already issued the Tax Collection Letter, the DGT will waive the administrative sanction ex-officio.

#### *Tax Amnesty annual reporting*

Tax Amnesty annual reporting for individuals (set to be submitted by 31 March 2020) can be submitted by 30 April 2020 at the latest.

### Taxpayers in general

#### *Reporting of Monthly Withholding Tax Return for February 2020*

The DGT will also waive the administrative sanction for late reporting of the Monthly Withholding Tax Return for the February 2020 period that is carried

out between 21 March 2020 up to 30 April 2020. The payment, however, still needs to be completed on time.

The DGT will not issue a Tax Collection Letter for this administrative sanction. In the event that the DGT has already issued the Tax Collection Letter, the DGT will waive the administrative sanction ex-officio.

#### *Submission of legal effort requests*

Taxpayers who apply legal effort in relation to:

- objections;
- second requests for reduction or waiver of administrative sanction; or
- second requests for reduction or cancellation of tax assessment letter or Tax Collection Letter,

for which the application submission due date ends with the period 15 March 2020 up to 30 April 2020, will be given an application submission extension up to 31 May 2020.

### **Administrative sanction waivers due to DGT system disruption**

On 20 March 2020, the DGT issued Decision No.KEP-157/PJ/2020 (KEP-157) and Decision No.KEP-158/PJ/2020 (KEP-158) with regards to administrative sanction waivers due to DGT system disruptions.

#### *VAT compliance issues*

Electronic Certificate applications for VATable Entrepreneurs could not be approved during a certain period (i.e. 29 January – 3 February 2020) due to disruption in the DGT system.

Therefore, under KEP-157, the DGT provides waivers on the:

- late reporting sanctions for VAT Return reporting for the December 2019 period (due on 31 January 2020) that was submitted through the e-Filing system between 1-7 February 2020; and
- administrative sanctions for VATable Entrepreneurs who were obliged to issue a VAT Invoice between 29 January 2020 up to 3 February 2020, but only issued the VAT Invoice dated 3-7 February 2020 through the e-Faktur application.

The above waivers are applicable for VATable Entrepreneurs who are obliged to submit a Monthly VAT Return for the December 2019 period through the e-Filing system, and for which:

- the Electronic Certificate validity period ended on 31 January 2020; and
- a new Electronic Certificate was requested between 29 January 2020 up to 7 February 2020.

The DGT will not issue a Tax Collection Letter for these administrative sanctions. In the event that the DGT has already issued the Tax Collection Letter, the DGT will waive the administrative sanction ex-officio.

*Reporting of Article 21/26 and 4(2) monthly tax returns for January 2020 through the e-filing channel*

On 20 February 2020, there was DGT application disruption which resulted in tax return submission issues in the e-Filing system on the DGT Online website.

Under KEP-158, the DGT will waive the administrative sanction for late reporting of the Article 21/26 and 4(2) Monthly Withholding Tax Return for the January 2020 period (which was due on 20 February 2020) that is carried out between 21-28 February 2020 either through the e-Filing system, directly via the tax office, or by a post/courier service with proof of delivery.

This waiver is applicable for taxpayers who were obliged to submit an Article 21/26 and Article 4(2) Monthly Income Tax Return through the e-Filing system, but who could not submit it through the DGT Online website on 20 February 2020.

The DGT will not issue a Tax Collection Letter for this administrative sanction. In the event that the DGT has already issued the Tax Collection Letter, the DGT will waive the administrative sanction ex-officio.

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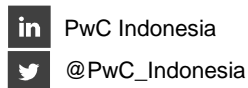
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