

Tax Facilities in the
Medical Field to Handle
the COVID-19 Pandemic
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Tax Facilities in the Medical Field to Handle the COVID-19 Pandemic

The Ministry of Finance has issued Regulation No.28/PMK.03/2020 (PMK-28) that provides tax facilities on the supply of goods and services in relation to handling the COVID-19 pandemic. PMK-28 is dated and effective on 6 April 2020.

The recipients of these tax facilities are:

- a) Government agencies;
- b) Hospitals; or
- c) Other Parties that have been appointed by parties in point a) and b) to assist the handling of the COVID-19 pandemic; and herein forward referred to as a "Certain Party".

The highlights are as follows:

1. Value Added Tax (VAT) incentive

A VAT incentive will be provided to Certain Parties on the import or domestic purchase of Taxable Goods and the utilisation of Taxable Services from local or overseas providers that are considered necessary in handling the COVID-19 pandemic. This facility is applicable from April until September 2020.

Necessary Taxable Goods comprise:

- a) Medicine;
- b) Vaccines;
- c) Laboratory equipment;
- d) Detection equipment;
- e) Self-protection equipment;
- f) Equipment for treating patients; or
- g) Other supporting equipment to handle COVID-19.

Necessary Taxable Services comprise:

- a) Construction services;
- b) Consultation, technical, and management services;
- c) Rental services; or
- d) Other supporting services to handle COVID-19.

VAT facilities will be in the form of:

- a) Import VAT is not collected;
- b) VAT on domestic deliveries of Taxable Goods and Services (including free gifts) is borne by the Government; and
- c) VAT on the utilisation of Taxable Services from overseas providers is borne by the Government.

The import of Taxable Goods by a Certain Party to be used by overseas providers under this incentive scheme will not be subject to VAT as long as the Certain Party has a certificate of utilisation of Taxable Services from outside the Customs Area within the Customs Area (*Surat Keterangan Pemanfaatan Jasa Kena Pajak dari Luar Daerah Pabean di dalam Daerah Pabean/ SKJLN*).

Taxable Entrepreneurs that deliver necessary Taxable Goods or Services to Certain Parties must follow tax compliance:

- a) to prepare a VAT Invoice stamped with "PPN Ditanggung Pemerintah EKS PMK No.28/PMK.03/2020";
- b) to prepare a Tax Payment Slip (*Surat Setoran Pajak/SSP*) or a print-out of ID Billing stamped with "PPN Ditanggung Pemerintah EKS PMK No.28/PMK.03/2020"; and
- c) to prepare a realisation report on VAT borne by the Government.

Certain Parties that utilise Taxable Services from overseas providers must follow tax compliance:

- a) to prepare an SSP or a print-out of ID Billing stamped with "PPN Ditanggung Pemerintah EKS PMK No.28/PMK.03/2020"; and
- b) to prepare a realisation report on VAT borne by the Government.

2. Article 21 Income Tax facility

PMK-28 provides exemption from Article 21 Income Tax for income received by domestic individuals from a Certain Party for services provided in relation to handling the COVID-19 pandemic. This exemption is applicable from April until September 2020. The individual taxpayer does not need a Tax Exemption Letter (*Surat Keterangan Bebas/SKB*) to enjoy this facility.

3. Article 22 Income Tax facility

Article 22 Income Tax is exempted on the import or domestic purchase of Necessary Taxable Goods (as mentioned in point 1 above) by Certain Parties. This facility is available from April until September 2020.

Article 22 Income Tax exemption on imports is automatically granted by the Directorate General of Customs and Excise and applicable from 6 April 2020 without the need of an SKB.

However, an SKB is still required for Article 22 Income Tax exemption on domestic purchases. The collector of the Article 22 Income Tax on domestic purchases may vary depending on the type of transaction. It can be either the Certain Party or a local supplier. The SKB must be

requested by the Article 22 Income Tax Collector, either the Certain Party or the local supplier, to the Indonesian Tax Office (ITO) where the Article 22 Income Tax Collector is registered. The ITO must respond with an approval or rejection within five working days, otherwise the request is deemed approved and the ITO must issue an SKB within two working days from the deemed approval date. This SKB is applicable from the date of issuance until 30 September 2020.

4. Article 23 Income Tax facility

PMK-28 provides exemption from Article 23 Income Tax for income received by domestic corporate taxpayers and Permanent Establishment from a Certain Party for services provided in relation to handling the COVID-19 pandemic. This facility is available from April until September 2020.

The respective taxpayers need an SKB to enjoy this facility. Taxpayers need to apply for the SKB by submitting a written request to the ITO where the taxpayer is registered. The ITO must respond with an approval or rejection within five working days, otherwise the request is deemed approved and the ITO must issue an SKB within two working days from the deemed approval date. This SKB is applicable from the date of issuance until 30 September 2020.

5. Realisation reporting

Taxpayers enjoying the VAT, Article 22 Income Tax, and Article 23 Income Tax facilities must submit a realisation report by:

- 20 July 2020 for the April to June 2020 fiscal period; and
- 20 October 2020 for the July to September 2020 fiscal period.

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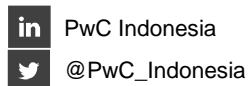
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