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Tax Administration Services during *Force Majeure* period

The Ministry of Finance (MoF) has issued Regulation No.29/PMK.03/2020 (PMK-29), effective from 7 April 2020, to extend the allowed time periods for tax administration services, during the COVID-19 “*force majeure*” period as declared by the Head of National Disaster Management Authority (*Badan Nasional Penanggulangan Bencana*) regulations (currently until 29 May 2020, but subject to potential additional extension).

For matters requiring the tax authorities to respond to taxpayer requests within a certain time frame, such time frame is extended during the *force majeure* period as follows:

Normal timeframe	<i>Force majeure</i> timeframe
Maximum one to seven days	Maximum 15 days
More than seven days but less than one month	Maximum one month
More than one month	No extension

The time extension is applicable both for taxpayer requests submitted, but not completed before 7 April 2020 or those submitted after 7 April 2020.

In addition, for cases where a taxpayer needs to extend or reapply for previously granted tax administrative permissions which expire during the *force majeure* period, the existing permissions will continue to be applicable during the *force majeure* period and will only need to be extended or reapplied for once the *force majeure* period ends.

However, the above concessions are not available for the following:

- For the processing of tax facility for Article 22 Income Tax exemption and Value Added Tax (VAT) not-collected/exempted on the import of taxable goods; or
- If the timeline is already governed under the Law, Government Regulation in lieu of the Law, or Government Regulation, and if the *force majeure* timeframe is set to breach the governed timeline; or
- If completion of the tax administration services can be carried out electronically.

During the *force majeure* period, any applications or any further additional data/clarifications, should be submitted by taxpayers electronically.

Relaxation for Excise Tape settlement

The MoF has issued Regulation No.30/PMK.04/2020 (PMK-30), effective from 9 April 2020, to relax the rules regarding excise tape settlement deadlines, in order to maintain productivity and support manufacturer cashflow during the COVID-19 pandemic.

PMK-30 provides a 90-day postponement period for manufacturers to settle the excise tape payment which is ordered during the period between 9 April – 9 July 2020. This is applicable only for manufacturers who have an existing two months excise postponement facility.

Additional Incentives for Bonded Zone and KITE taxpayers in response to COVID-19

On 13 April 2020, the MoF issued Regulation No.31/PMK.04/2020 (PMK-31) providing additional incentives for taxpayers in Bonded Zones and taxpayers that have an Import Facility for Export Purposes (*Kemudahan Impor Tujuan Ekspor/KITE*).

PMK-31 is dated and effective from 13 April 2020. The key highlights are as follows:

Bonded Zone Facility

To support the productivity of Bonded Zones and to prevent the spread of COVID-19, taxpayers in Bonded Zones can enjoy additional facility on the delivery of disinfectants, masks, personal protective equipment, thermo guns, and/or other items for the purpose of handling COVID-19 to be consumed in Bonded Zones.

The facilities are as follows:

1. Import duty postponement and Import Taxes (i.e. Import VAT/Luxury goods Sales Tax/LST) and Article 22 Income Tax on Import not collected for goods originating from outside the customs area; and
2. VAT/LST not collected for goods originating from Other Places in the Customs Area (*Tempat Lain Dalam Daerah Pabean/TLDDP*).

In addition, the sale of goods to TLDDP will not reduce the local sales quota (i.e. generally 50% of last year's export value).

KITE Facility

KITE companies are taxpayers who have been granted import facilities to be used for export purposes, which can be categorised based on the import facility, namely: KITE Exemption, KITE Refund, and KITE Small and Medium Industry (*KITE Industri Kecil Menengah/KITE IKM*). PMK-31 provides different facilities depending on the type of transaction entered into by the KITE companies.

1. Facility for domestic purchases

Under PMK-31, VAT/LST is not collected on the delivery of goods originating from TLDDP to KITE Exemption or KITE IKM for further processing or to be combined with the products of the KITE companies.

This is applicable for KITE companies whose production is 100% exported. The KITE companies are still obliged to make a VAT invoice with a statement "VAT Not-Collected" and cannot use a Combined VAT invoice (*Faktur Pajak Gabungan*).

The KITE companies must export the results of processing, assembly, and/or installation within 12 months of the material goods being imported. This deadline can be extended for a maximum period of 12 months if:

- a. There are export delays from buyers;
- b. There is an export cancellation or buyer replacement; and/or
- c. In the event of *force majeure* such as war, natural disaster, or fire.

The deadline to submit the export realisation report (i.e. 30 days from the export deadline) will follow the above time extension whenever applicable.

VAT/LST which was originally not collected must be repaid if the KITE companies fail to finish the goods to be exported. The VAT imposition base is the entry price of material goods, or the selling price if they are being sold to TLDDP. The VAT/LST paid can be credited during the payment period.

2. Facility for the sale of goods to Bonded Zone

The sale of goods from KITE Exemption or KITE Refund to Bonded Zone for further processing or to be combined with the products of the Bonded Zone can be considered as export for KITE companies. Import Duty postponement and Not-Collected Import VAT/LST are applicable on sales to Bonded Zones.

3. Facility for the sale of goods from KITE Exemption to KITE IKM

The sale of goods from KITE Exemption to KITE IKM for further processing or to be combined with the products of the KITE IKM can be considered as export and, therefore, the facilities of Import Duty exemption and Not-Collected VAT/LST are applicable on these sales.

4. Facility for the sale of goods to TLDDP

KITE Exemption and KITE IKM are now allowed to have a local sales quota amounting to a maximum of 50% of the last year's export realisation value, on which the Import Duty and Import VAT/LST (previously not collected) will be payable and domestic VAT must be collected.

In order to prevent the spread of COVID-19, the KITE Companies can also deliver their product to the government or eligible parties in TLDDP without reducing the local sales quota and will enjoy Import Duty and Import Taxes exemption.

Unlike other COVID-19-related regulations, PMK-31 does not state the validity period for the above incentives. We will provide further updates once there is clarity on this matter.

Update on Limitation of Tax Court Services in response to COVID-19

The Tax Court issued several Circular Letters as part of the Government's efforts to contain the spread of COVID-19 by suspending Tax Court services during the prevention period. Please refer to our [TaxFlash No.05/2020](#),

[TaxFlash No.06/2020](#), and [TaxFlash No.10/2020](#) for our discussion on those Circular Letters.

On 16 April 2020, the Tax Court issued a further Circular Letter No.SE-04/PP/2020 (SE-04) to extend the prevention period to **23 April 2020**. This period will be subject to further evaluation in accordance with direction from the Government.

Your PwC Indonesia contacts:

Abdullah Azis
abdullah.azis@id.pwc.com

Gerardus Mahendra
gerardus.mahendra@id.pwc.com

Peter Hohtoulas
peter.hohtoulas@id.pwc.com

Adi Poernomo
adi.poernomo@id.pwc.com

Hasan Chandra
hasan.chandra@id.pwc.com

Raemon Utama
raemon.utama@id.pwc.com

Adi Pratikto
adi.pratikto@id.pwc.com

Hendra Lie
hendra.lie@id.pwc.com

Runi Tusita
runi.tusita@id.pwc.com

Alexander Lukito
alexander.lukito@id.pwc.com

Hisni Jesica
hisni.jesica@id.pwc.com

Ryosuke R Seto
ryosuke.r.seto@id.pwc.com

Ali Widodo
ali.widodo@id.pwc.com

Hyang Augustiana
hyang.augustiana@id.pwc.com

Ryuji Sugawara
ryuji.sugawara@id.pwc.com

Amit Sharma
amit.xz.sharma@id.pwc.com

Kianwei Chong
kianwei.chong@id.pwc.com

Soeryo Adjie
soeryo.adjie@id.pwc.com

Andrias Hendrik
andrias.hendrik@id.pwc.com

Laksmi Djuwita
laksmi.djuwita@id.pwc.com

Sujadi Lee
sujadi.lee@id.pwc.com

Anton Manik
anton.a.manik@id.pwc.com

Lukman Budiman
lukman.budiman@id.pwc.com

Sutrisno Ali
sutrisno.ali@id.pwc.com

Antonius Sanyojaya
antonius.sanyojaya@id.pwc.com

Mardianto
mardianto.mardianto@id.pwc.com

Suyanti Halim
suyanti.halim@id.pwc.com

Ay Tjhing Phan
ay.tjhing.phan@id.pwc.com

Margie Margaret
margie.margaret@id.pwc.com

Tim Watson
tim.robert.watson@id.pwc.com

Brian Arnold
brian.arnold@id.pwc.com

Mohamad Hendriana
mohamad.hendriana@id.pwc.com

Tjen She Siung
tjen.she.siung@id.pwc.com

Dexter Pagayonan
dexter.pagayonan@id.pwc.com

Oki Octabiyanto
oki.octabiyanto@id.pwc.com

Turino Suyatman
turino.suyatman@id.pwc.com

Engeline Siagian
engeline.siagian@id.pwc.com

Omar Abdulkadir
omar.abdulkadir@id.pwc.com

Yessy Anggraini
yessy.anggraini@id.pwc.com

Enna Budiman
enna.budiman@id.pwc.com

Otto Sumaryoto
otto.sumaryoto@id.pwc.com

Yuliana Kurniadjaja
yuliana.kurniadjaja@id.pwc.com

Gadis Nurhidayah
gadis.nurhidayah@id.pwc.com

Parluhutan Simbolon
parluhutan.simbolon@id.pwc.com

Yunita Wahadaniah
yunita.wahadaniah@id.pwc.com

www.pwc.com/id



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