

Expansion of tax incentives in response to COVID-19 ^{P1}

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The government has expanded the tax incentives previously introduced in response to COVID-19. The Ministry of Finance (MoF) Regulation No.44/PMK.03/2020 (PMK-44) is effective from 27 April 2020, and revokes MoF Regulation No.23/PMK.03/2020 (PMK-23) that originally introduced this series of tax incentives.

The main impact of PMK-44 is the expansion of the list of eligible taxpayers to take advantage of the Article 21 Employee Income Tax (EIT), Article 22 Income Tax on imports, Article 25 Income Tax and Value Added Tax (VAT) incentives. The regulation also introduces an additional incentive for Small and Medium Enterprises (SMEs) who are subject to the 0.5% final income tax regime.

The original incentives covering Article 21 EIT, Article 22 Income Tax on imports, Article 25 Income Tax, and VAT remain the same, as follows:

1. For eligible taxpayers, Article 21 EIT for employees earning annual regular income not exceeding IDR 200 million will be borne by the government.
2. Article 22 Income Tax on imports by eligible taxpayers will be exempted.
3. Article 25 monthly Income Tax instalment of eligible taxpayers will be reduced by 30%.
4. Preliminary VAT refund will be available for eligible taxpayers requesting a refund for a maximum IDR 5 billion.

These incentives are available for the period of April – September 2020, but generally applicable from the time of notification or application of the incentive by the taxpayer.

The Directorate General of Taxation (DGT) has subsequently issued Circular Letter No.SE-29/PJ/2020 (SE-29) on 30 April 2020 as a guidance to implement PMK-44. Based on SE-29, Article 25 Income Tax incentive which notification is submitted by 15 May 2020 and Article 21 EIT incentive which notification is submitted by 20 May 2020 can still be utilised starting April 2020 fiscal period. This is considering that PMK-44 is issued at the end of April 2020.

The notification or application process also remains the same. The realisation report requirements also remain the same except for Article 21 EIT which must be reported on a monthly basis (previously quarterly basis).

Expansion of eligible taxpayers under Article 21 EIT, Article 22 Income Tax on imports, Article 25 Income Tax, and VAT incentives

The list of eligible taxpayers for the above incentives has been expanded to include taxpayers who:

- have a Business Classification (*Klasifikasi Lapangan Usaha/KLU*) that is among those listed in the Attachments of PMK-44;
- is declared as a company granted with Import Facility for Export Purposes (*Kemudahan Impor Tujuan Ekspor/KITE*); or
- has a licence as an operator and/or entrepreneur in the Bonded Zone (BZ) area. – *new*

PMK-44 has expanded the list of eligible industries (previously mainly processing/manufacturing industries) to include the following categories:

1. Attachment A (consisting of 1062 KLUs) for Article 21 EIT incentive, which includes:
 - ✓ Agriculture, Forestry and Fishery
 - ✓ Mining and Excavation
 - ✓ Processing/manufacturing
 - ✓ Procurement of Electricity, Gas, Steam/Hot Water and Cold Air
 - ✓ Procurement of Water, Garbage Treatment and Recycle, Waste and Garbage Disposal and Cleaning
 - ✓ Construction
 - ✓ Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorcycles
 - ✓ Transportation and Warehouse
 - ✓ Furnishing of Accommodation and Furnishing of Meal-Drink
 - ✓ Information and Communication
 - ✓ Financial and Insurance Service
 - ✓ Real Estate
 - ✓ Professional, Scientific and Technical Service
 - ✓ Rental, Manpower, Travel Agency and Other Business Supporting Service
 - ✓ Education Service
 - ✓ Health and Social Activity Service
 - ✓ Culture, Entertainment and Recreation
 - ✓ Other Service Activities
2. Attachment I (consisting of 431 KLUs) for Article 22 Income Tax on imports and VAT incentives, which includes:
 - ✓ Agriculture, Forestry and Fishery
 - ✓ Mining and Excavation
 - ✓ Processing/manufacturing
 - ✓ Procurement of Electricity, Gas, Steam/Hot Water and Cold Air
 - ✓ Procurement of Water, Garbage Treatment and Recycle, Waste and Garbage Disposal and Cleaning
 - ✓ Construction
 - ✓ Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorcycles
 - ✓ Transportation and Warehouse
 - ✓ Real Estate

3. Attachment N (consisting of 846 KLUs) for Article 25 Income Tax incentive which includes:
- ✓ Agriculture, Forestry and Fishery
 - ✓ Mining and Excavation
 - ✓ Processing/manufacturing
 - ✓ Procurement of Electricity, Gas, Steam/Hot Water and Cold Air
 - ✓ Procurement of Water, Garbage Treatment and Recycle, Waste and Garbage Disposal and Cleaning
 - ✓ Construction
 - ✓ Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorcycles
 - ✓ Transportation and Warehouse
 - ✓ Furnishing of Accommodation and Furnishing of Meal-Drink
 - ✓ Information and Communication
 - ✓ Financial and Insurance Service
 - ✓ Real Estate
 - ✓ Professional, Scientific and Technical Service
 - ✓ Rental, Manpower, Travel Agency and Other Business Supporting Service
 - ✓ Education Service
 - ✓ Health and Social Activity Service
 - ✓ Culture, Entertainment and Recreation
 - ✓ Other Service Activities

Taxpayers should check their eligibility based on the specific KLU listed in each Attachment to PMK-44. Please refer to the official version of [PMK-44](#) for the complete list.

Final Tax incentive for SMEs

The 0.5% final tax regime under Government Regulation No.23 Year 2018 (GR-23) is applicable for taxpayers with annual gross turnover of not more than IDR 4.8 billion. Under PMK-44, the government will bear the final tax under this regime for the months of April – September 2020.

This final tax can be paid via self-assessment or tax withholding. For transactions with a tax withholder under normal conditions, GR-23 requires the eligible taxpayers to provide a Statement Letter from the ITO to the tax withholder to apply a 0.5% withholding tax rate. Under PMK-44, the tax withholder does not need to withhold the tax for eligible SME taxpayers during the period of April – September 2020.

The eligible taxpayers must prepare a monthly realisation report on final tax borne by the Government to be submitted by the 20th of the following month. More detailed administrative procedures for both the eligible taxpayers and the tax withholder is stipulated in PMK-44.

Transitional provisions

- Taxpayers that have submitted notifications on the utilisation of Article 21 EIT and Article 25 Income Tax incentives under PMK-23 do not need to re-submit the same notification under PMK-44.
- Taxpayers that have applied or granted with an SKB of Article 22 Income Tax on imports under PMK-23 do not need to reapply for SKB under PMK-44.
- Taxpayers that have been granted with tax incentives under PMK-23 can continue to enjoy the tax incentives.

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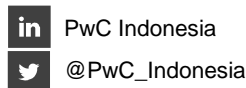
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