



Income Tax facilities in  
handling COVID-19 <sup>P1</sup>

## Income Tax facilities in handling COVID-19

On 10 June 2020, the Government issued Regulation No. 29 Year 2020 (GR-29). GR-29 covers Income Tax facilities to support COVID-19 related donations, health workers, medical equipment and hygiene supplies, as well as measures to maintain stock market stability.

More details on the facilities are set out below.

### 1. Additional tax deduction for COVID-19 supplier production

Additional income tax deduction is granted to domestic taxpayers who produce medical equipment and/or Household Health Supplies (*Perbekalan Kesehatan Rumah Tangga*/"PKRT") that are necessary to handle COVID-19 risk.

The additional deduction is 30% of the production costs of producing medical equipment and/or PKRT that is incurred starting 1 March – 30 September 2020. For joint costs, the amount should be allocated on a proportional basis.

This facility is applicable on the production costs for the following products:

- a) Medical equipment in the form of:
  - surgical mask and N95 respirator;
  - personal protective clothing in the form of medical coverall, disposable gowns, heavy duty apron, cap, shoe cover, goggles, face shield, and waterproof boots;
  - surgical gloves;
  - examination gloves;
  - ventilator; and
  - diagnostic test reagent for COVID-19; and/or
- b) PKRT in the form of antiseptic hand sanitizer and disinfectant.

The Ministry of Finance (MoF) can change the list of medical equipment and PKRT covered by this tax incentive by issuing a Ministerial Regulation based on a proposal from the Minister of Health.

## 2. Deductible donations

Donations are generally non-deductible for income tax purposes. However, donations given by taxpayers between 1 March – 30 September 2020 to help support COVID-19 efforts, that fulfil certain criteria, may be deducted for tax purposes.

The criteria are as follows:

- a) The donation deduction is given for donations to the following donation collection organisers (who must have Tax ID):
  - National Board for Disaster Management (*Badan Nasional Penanggulangan Bencana/BNPB*);
  - Regional Disaster Management Board (*Badan Penanggulangan Bencana Daerah/BPBD*);
  - Ministry of Health;
  - Ministry of Social Affairs; or
  - Donation Collection Organiser Institution.
- b) The donation is supported by receipt which at least includes information on:
  - name, address, and Tax ID of the donor and the donation collection organiser; and
  - date, form, and value of donation.

Donations can be given in the form of cash, goods, services, or free use of assets. The value of the non-cash donation will be based on:

- a. For goods:
  - ✓ acquisition value, if the donated goods have not been depreciated;
  - ✓ fiscal book value, if the donated goods have been depreciated; or
  - ✓ Cost of Goods Sold (COGS), if the donated goods are self-produced goods;
- b. For services – the COGS value of the services; and/or
- c. For the free use of assets – the COGS value of the use of assets.

COVID-19 donations which have already been claimed as deductible under Government Regulation Number 93 Year 2010 cannot be claimed as a deduction under GR-29.

## 3. 0% Article 21 Final Income Tax on additional income received by health workers from the Government

GR-29 stipulates 0% Article 21 Final Income Tax is applicable on the additional income provided by the Government from 1 March – 30 September 2020 in the form of honorarium or other benefits received or obtained by individual taxpayers who get an assignment to become human resources in the health sectors (including health support staffs) to handle COVID-19. This includes compensation received by their heirs.

## 4. 0% Final Income Tax on rental income from the Government

Rental income for the period of 1 March – 30 September 2020 received from the Government in the context of handling COVID-19 for:

- a. Land and/or building (L&B) rental; and/or
  - b. Rent and other income for the use of asset other than L&B
- is subject to Final Income Tax of 0%. Consequently, all related expenses are also non-deductible.

If the rental income is applicable for the periods:

- a. Before 10 June until 30 September 2020; or
  - b. Starting 10 June until after 30 September 2020,
- the income subject to the 0% Final Income Tax will be calculated proportionally in accordance with the applicable periods.

## 5. Special treatment for shares buy-back of publicly listed company

Government Regulation in Lieu of Law No.1 Year 2020 which has been passed into law under Law No.2 Year 2020 stipulates that the Corporate Income Tax (CIT) rate for Limited Liability Companies with at least 40% of their paid-in shares listed on the Indonesia Stock Exchange would be reduced by a further 3% (i.e. the CIT rate will become 19% for fiscal year 2020-2021 and 17% starting fiscal year 2022) if certain conditions are met.

GR-29 stipulates the requirements (mainly similar to the existing rules) to enjoy the facility as follows:

- a. Shares must be owned by a minimum of 300 parties;
- b. Each party may only have shares of less than 5% of the entire issued and fully paid-up shares;
- c. The provisions as intended above must be met within a minimum period of 183 calendar days within one fiscal year;
- d. The fulfilment of these requirements is conducted by submitting a report to the Directorate General of Taxes (DGT).

GR-29 also requires that the parties as mentioned in point (a) and (b) above do not have special relationships as regulated in the Income Tax Law.

Specifically for Limited Liability Companies who buy back their shares within the period 1 March – 30 September 2020 based on a Government policy to manage fluctuating market conditions, they will still be considered to meet the requirements (a) and (b) above for bought back shares, provided that the repurchased shares can only be owned until 30 September 2022. These taxpayers can enjoy the reduced CIT rate facility for fiscal year 2020 and 2021. For fiscal year 2022, the taxpayer can enjoy the facility if they can meet the default requirements after 30 September 2022.

## 6. Administrative requirements

Taxpayers using facilities described above in point 1 (additional deduction for suppliers) and point 2 (donation deductions) must submit:

- a production cost for the relevant products – for point 1;
- a donation nominative list – for the donor in point 2;
- a donation collection report – for the collection organiser in point 2.

These must be submitted online through the DGT system along with the submission of the Annual Income Tax Return of the relevant tax year. If the online system is not available, the taxpayers may submit the report offline to the DGT via the Head of the Indonesian Tax Office where the taxpayers are registered. The templates of the reports are available in the appendix of GR-29.

In the event that the taxpayers do not submit the report or submit it past the given time period, the facilities cannot be enjoyed.

## 7. Extension rules

If necessary, the implementation of the facilities under point 1 to 4 can be extended by the MoF.

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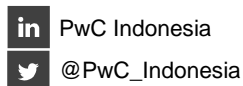
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