

Additional Income Tax incentives related to COVID-19 ^{P1}

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On 14 August 2020, the Ministry of Finance (MoF) issued Regulation No.110/PMK.03/2020 (PMK-110). PMK-110 increases reduction of monthly estimated Corporate Income Tax payments and also introduces a special tax facility related to construction income on certain irrigation projects.

Further reduction on Article 25 monthly Income Tax

PMK-110 has increased the Article 25 monthly Income Tax instalment reduction from 30% to 50%. This 50% reduction is applicable starting from the Article 25 monthly Income Tax payment for the month of July 2020 for taxpayers that have previously submitted notification under the previous regulation (please refer to our previous [TaxFlash No. 30/2020](#)). Taxpayers that did not previously submit notification may do so now and apply the reduced rate from the month of the notification submission. Please refer to the Attachment N of PMK-110 for further guidance on the calculation of Article 25 Income Tax incentive.

Final Tax incentive for certain construction service

Generally, income from construction service is subject to Final Income Tax, which is either withheld by the service recipient (if the service recipient is a tax withholder) or self-remitted by the service providers (if the service recipient is not a tax withholder).

Under PMK-110, the Government will bear the Final Income Tax on construction income received by taxpayers under an Acceleration Program to Improve the Utilisation of Irrigation Water (*Program Percepatan Peningkatan Tata Guna Air Irigasi/P3-TGA*). This facility is applicable from 14 August – December 2020.

Under the implementation of this facility, the tax withholder does not need to withhold the tax from eligible taxpayers but must prepare a monthly realisation report on Final Income Tax borne by the Government to be submitted by the 20th of the following month. More detailed administrative procedures are stipulated in PMK-110.

PMK-110 defines P3-TGAI as a program of reparation, rehabilitation or improvement of irrigation networks with a community-based participation that is carried out by the recipients of P3-TGAI (essentially the farmers utilising the water) which have been appointed by the authorised Government body.

Transitional provisions

- Taxpayers that have submitted notifications or application of the incentives under MoF Regulation No.23/PMK.03/2020 (PMK-23), or MoF Regulation No.44/PMK.03/2020 (PMK-44) or MoF Regulation No.86/PMK.03/2020 (PMK-86) do not need to re-submit the same notification or application under PMK-110.
- Taxpayers that have been granted with tax incentives under PMK-23 or PMK-44 or PMK-86 can continue to enjoy the tax incentives.

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