

Extension of Tax Court suspension in response to COVID-19 ^{P1}

Update on tax facilities related to COVID-19 ^{P1}

Extension of Tax Court suspension in response to COVID-19

The Tax Court issued Circular Letter SE-022¹ to extend the previously implemented Tax Court suspension period (please refer to previous [TaxFlash No. 39/2020](#)).

SE-022 extends the suspension of all Tax Court hearings (including electronic hearings) and Tax Court administrative services from 5 October – 9 October 2020. Unless extended through the issuance of additional Circulars, the Tax Court administrative services and hearings are expected to resume from 12 October 2020.

The impacted administrative services and the available alternative avenues remain the same as in the previous suspension period.

Update on tax facilities related to COVID-19

The Minister of Finance (MoF) has issued regulation PMK-143² to replace and extend previous regulation PMK-28² regarding tax facilities in the medical field and extending Income Tax facilities under GR-29².

Below are the key changes resulting from PMK-143:

1. Value Added Tax (VAT) facilities

On top of VAT facilities provided under PMK-28 for government agencies, hospitals, or other parties appointed by the previous parties (collectively referred to as “Certain Parties”), PMK-143 added the following facilities:

- a. VAT on the import or domestic purchase of raw materials for the production of vaccines or drugs for COVID-19 by Pharmaceutical Industry is borne by the Government; and

¹ Circular Letter No.SE-022/PP/2020 issued on 2 October 2020

² MoF Regulation No.143/PMK.03/2020 (PMK-143) issued 1 October 2020, replacing MoF Regulation No.28/PMK.03/2020 (PMK-28) and extending Government Regulation No. 29 Year 2020 (GR-29). Please refer to [TaxFlash No. 11/2020](#) and [TaxFlash No. 25/2020](#) respectively for detailed discussion on these previous regulations.

- b. VAT on the domestic deliveries of vaccines or drugs by the Pharmaceutical Industry is borne by the Government.

The eligible Pharmaceutical Industry must obtain a letter of recommendation from the Head of National Disaster Management Authority (*Badan Nasional Penanggulangan Bencana/BNPB*) to enjoy these facilities.

PMK-143 also set additional limitation that the VAT on domestic purchase and utilisation of taxable services from overseas providers by Certain Parties will be borne by the Government only if those goods and services will be passed on to Government Agencies or hospitals to handle COVID-19 without any compensation, and not for own use of the Certain Parties.

Administrative requirements mostly remain the same, except for realisation report for domestic deliveries which is now done by normal reporting of the VAT Invoice in the VAT return (no longer need separate reporting) and the realisation report for the utilisation of taxable services from overseas must use a new format provided under PMK-143.

These VAT facilities are applicable up to December 2020. The applicable Necessary Taxable Goods and Services covered under these facilities remain the same.

2. Article 22 Income Tax facility

PMK-143 added the Pharmaceutical Industry as a recipient of the Article 22 Income Tax exemption on import or domestic purchase of Necessary Taxable Goods.

The incentive period for this facility is also extended up to December 2020. Specifically, for Pharmaceutical Industry, the Article 22 Income Tax exemption on the import or domestic purchase of raw materials for the production of COVID-19 vaccines or drugs is applicable from October until December 2020. The Pharmaceutical Industry must also obtain a letter of recommendation from the Head of BNPB to enjoy this facility.

All parties enjoying this facility must prepare a monthly realisation report to be submitted by the 20th of the following month (previously quarterly under PMK-28).

3. Article 21 Income Tax facility

PMK-143 extends the Article 21 Income Tax exemption on income received by domestic individuals from Certain Parties for services provided in relation to handling the COVID-19 pandemic up to December 2020. In addition, the Certain Parties must now prepare a realisation report to be submitted by the 20th of the following month.

4. Article 23 Income Tax facility

PMK-143 extends the Article 23 Income Tax exemption for income received by domestic corporate taxpayers and Permanent Establishment from Certain Parties for services provided in relation to handling the COVID-19 pandemic up to December 2020. The realisation report which previously must be submitted on a quarterly basis, now must be submitted by the 20th of the following month.

5. Period extension for Income Tax facilities under GR-29

GR-29 provides tax facilities in the form of additional tax deduction for COVID-19 supplier production, deductible donations, 0% Article 21 Final Income Tax on additional income received by health workers from the Government and 0% Final Income Tax on rental income from the Government. These facilities are now extended up to December 2020.

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