

Extension of COVID-19 incentives^{P1}

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On 1 February 2021, the Ministry of Finance (MoF) issued PMK-9¹ which extends the COVID-19 incentives which were provided under previous MoF regulations² (please refer to [TaxFlash No. 30/2020](#) and [TaxFlash No. 33/2020](#) for discussion on this).

The original incentives remain the same, as follows:

1. For eligible taxpayers, Article 21 Employee Income Tax (EIT) for employees earning annual regular income not exceeding IDR200 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 50%.
4. The 0.5% final tax regime under Government Regulation No.23 Year 2018 will be borne by the Government.
5. 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*) will be borne by the Government.
6. Preliminary Value Added Tax (VAT) refund will be available for eligible taxpayers requesting a refund for a maximum IDR5 billion.

Whilst the general rules and administrative procedures remain the same, PMK-9 updates the following provisions.

Extension of the tax incentive period

The incentive period, which was previously until December 2020, is now extended until **June 2021, but action must be taken immediately** to take advantage of the extended incentives.

¹ MoF Regulation No.9/PMK.03/2021 dated and effective on 1 February 2021

² MoF Regulation No.86/PMK.03/2020 and MoF Regulation No.110/PMK.03/2020

Notification or application to be eligible for the continued incentives

Taxpayers that have submitted notifications or application of the incentives under PMK-23³, PMK-44⁴, PMK-86, or PMK-110 need to re-submit the notification or application under PMK-9 to be eligible for the Article 21, 22, and 25 Income Tax incentives.

The tax office will now issue a response letter to the requesting taxpayers to confirm eligibility status or rejection letter (previously response letter is only issued in the case of rejection).

For taxpayers who want to start applying the Article 21 and 25 Income Tax incentive from January 2021, the **notification must be submitted by 15 February 2021** at the latest.

Monthly reporting required

The eligible taxpayers for all types of tax incentives (other than VAT) must prepare a monthly realisation report to be submitted by the 20th of the following month. PMK-9 now allows taxpayers to revise the realisation report at the latest by the end of the month following the month of reporting deadline.

PMK-9 now emphasise that failure to submit the realisation report will result in the Article 21 and Final Income Tax (i.e. the 0.5% Final Tax regime and the Final Tax for P3-TGAI construction income) incentives being invalid. Consequently, the unpaid tax must be repaid for the periods where the reports were not submitted. PMK-9 provides a grace period by allowing taxpayers who have not submitted the 2020 realisation reports to submit the reports by 28 February 2021 before the tax incentive will be invalid and the unpaid tax must be repaid.

Expanded list of eligible taxpayers

The list of eligible taxpayers as provided in the attachment of PMK-9 for the following tax incentives have been added:

- a. Article 21 EIT – 1,189 KLUs (no additional KLU) – see Attachment A.
- b. Article 22 Income Tax on imports – from 721 KLUs to 730 KLUs – see Attachment J; the additions include: time measurement industries, precious metal goods for technical/laboratory purposes industries, eyewear industries, etc.
- c. Article 25 Income Tax – from 1,013 KLUs to 1,018 KLUs – see Attachment O; the additions include: eyewear industries, stationery and drawing equipment industries, typing/drawing machine tape industries, etc.
- d. VAT – from 716 KLUs to 725 KLUs – see Attachment R; the additions include: street vendor and market booths for the commodity of rice and *palawija*, fruits, vegetables, and ornamental plants and other agricultural products industries, etc.

Taxpayers should check their eligibility based on the specific KLU listed in each Attachment to PMK-9. Please refer to the official version of [PMK-9](#) for the complete list.

³ MoF Regulation No.23/PMK.03/2020

⁴ MoF Regulation No.44/PMK.03/2020

In addition, PMK-9 updated the administrative requirements with regards to eligible KLU, whereby:

- For taxpayers who have Annual Corporate Income Tax Return (CITR) obligation, the KLU is based on the 2019 CITR, which must have been submitted for the taxpayers to be eligible for the incentive.
- For taxpayers who:
 - do not have the 2019 CITR obligation;
 - have the 2019 CITR obligation but did not or incorrectly filled out the KLU;
 - or
 - Government agencies,the KLU is based on the taxpayer master file data in the tax administration records.

Article 25 monthly Income Tax calculation guidance

PMK-9 provides additional guidance for general taxpayers who have enjoyed the incentive in 2020, as follows:

- The 2021 Article 25 Income Tax installment amount for the periods prior to the month of the CITR submission (if submitted before the deadline) follows the after-incentive amount of the last period of Fiscal Year 2020 (e.g. if the December 2020 after-incentive installment is IDR50 million and the taxpayer submit the 2020 CITR in April 2021, then this installment amount also applies for January - March 2021 installment).
- The Article 25 Income Tax incentive will start to apply on the subsequent 2021 installment on the month:
 - when the 2020 CITR is submitted – if the notification is submitted before or together with the 2020 CITR submission; or
 - when the notification is submitted – if the notification is submitted after the 2020 CITR submission.

For taxpayers who have periodic financial reporting obligation, the 2021 Article 25 Income Tax incentive will start to apply on the month when the notification is submitted.

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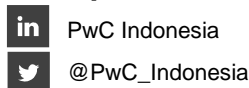
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