

Update on COVID-19 tax facilities in medical field and extension of some facilities under GR-29 ^{P1}

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On 31 December 2021, the Minister of Finance (MoF) issued Regulation No.PMK-226¹ regarding tax facilities in the medical field and the extension of Income Tax facilities under GR-29². The facilities stipulated in PMK-226 are applicable up to June 2022.

Below are the key changes stipulated in PMK-226. Please refer to the previous TaxFlashes³ for a detailed discussion on the facilities.

Tax facilities in medical field related to COVID-19

PMK-226 revokes the previous regulations⁴ and decreases the types of previously available tax facilities which are now limited to:

- Value-Added Tax (VAT) borne by the Government for the delivery of certain medical supplies to Certain Parties;
- Article 22 Income Tax exemption on the purchase of certain medical supplies by Certain Parties.

This means that the Article 21 and 23 Income Tax exemption on income received from Certain Parties for services provided in relation to handling the COVID-19 pandemic are no longer available.

The recipients of these tax facilities referred to as “Certain Parties” remain the same. However, PMK-226 no longer includes other supporting equipment to handle COVID-19 in the scope of necessary taxable goods.

¹ MoF Regulation No.226/PMK.03/2021 (PMK-226) dated on 31 December 2021 and effective from 1 January 2022

² Government Regulation No.29 Year 2020 (GR-29) dated and effective on 10 June 2020

³ [TaxFlash No.11/2020](#), [TaxFlash No.25/2020](#), [TaxFlash No.40/2020](#), [TaxFlash No.02/2021](#), and [TaxFlash No.13/2021](#)

⁴ MoF Regulation No.239/PMK.03/2020 as lastly amended by MoF Regulation No.83/PMK.03/2021

Updated rules on the VAT facility

The VAT borne by the Government facility will only be applicable to certain goods and no longer be available on the utilisation of taxable services from local or overseas providers by Certain Parties.

PMK-226 also emphasises that Certain Parties who are VATable Entrepreneurs and enjoy the VAT borne by the Government incentive when purchasing the taxable goods, cannot credit the VAT borne by the Government in the calculation of VAT payable when submitting Monthly VAT Report.

Electronic submission of realisation report or its amendment of VAT borne by the Government incentive on the utilisation of taxable services from outside the customs area within the customs area as stipulated in the previous regulations⁴ can still be done until 30 June 2022 and still be eligible to enjoy the incentive.

Extension of tax facilities under GR-29

Only the Article 21 Final Income Tax facility in the form of 0% tax rate on additional income received by health workers from the Government is extended up to June 2022.

The rest of the tax facilities under GR-29, i.e. additional tax deduction for COVID-19 supplier production, deductible donations, 0% Final Income Tax on rental income from the Government, and special treatment for shares buy-back of publicly listed company, are not extended by PMK-226.

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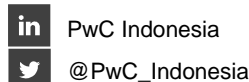
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