

Extension of COVID-19 incentives ^{P1}

Update on COVID-19 related LST incentive on cars ^{P3}

Update on COVID-19 related VAT incentives on landed houses and residential units ^{P4}

Exemption of Stamp Duty ^{P5}

Extension of COVID-19 incentives

On 25 January 2021, the Minister of Finance (MoF) issued PMK-3¹ which extends the COVID-19 incentives that were provided under previous MoF regulations² (please refer to [TaxFlash No. 04/2021](#) and [TaxFlash No. 21/2021](#) for discussion on this).

Only three incentives are extended in PMK-3, as follows:

1. Article 22 Income Tax on imports by eligible taxpayers will be exempted.
2. Article 25 monthly Income Tax instalment of eligible taxpayers will be reduced by 50%.
3. Final Income Tax on construction income received by taxpayers under an Acceleration Programme to Improve the Utilisation of Irrigation Water (*Program Percepatan Peningkatan Tata Guna Air Irigasi/P3-TGAI*) will be borne by the Government.

The rest of the incentives, i.e. Article 21 Employee Income Tax, the 0.5% final tax for Small and Medium Enterprises, and preliminary Value-Added Tax (VAT) refund are not extended by PMK-3.

Whilst the general rules and administrative procedures remain the same, PMK-3 updates the following provisions.

Extension of the tax incentive period

The incentive period, which was previously until December 2021, is now extended until **June 2022, but action must be taken immediately** to take advantage of the extended incentives.

¹ MoF Regulation No.3/PMK.03/2022 (PMK-3) dated and effective from 25 January 2022

² MoF Regulation No.9/PMK.03/2021 (PMK-9) as lastly amended by MoF Regulation No.149/PMK.03/2021 (PMK-149)

Notification or application to be eligible for the continued incentives

Taxpayers that have submitted notifications or application of the incentives under PMK-9 as lastly amended by PMK-149 need to re-submit the notification or application under PMK-3 to be eligible for the Article 22 and 25 Income Tax incentives.

For taxpayers who want to start applying the Article 25 Income Tax incentive from January 2022, the **notification must be submitted by 24 February 2022** at the latest.

Monthly reporting required

The eligible taxpayers for Article 22 and 25 Income Tax incentives must prepare a monthly realisation report to be submitted by the 20th of the following month. Moreover, the eligible taxpayers for Final Income Tax for P3-TGAI construction income must also prepare a monthly realisation report along with its amendment to be submitted by 30 September 2022.

PMK-3 provides a grace period by allowing taxpayers who have not submitted the 2021 realisation reports to submit the reports along with their amendments by 31 March 2022.

For submission of realisation report (and its amendment as stipulated in PMK-9 as lastly amended by PMK-149) to the Directorate General of Taxes (DGT)'s electronic channel, taxpayers can still enjoy the incentives although they do not create a billing code.

Eligible taxpayers

Taxpayers are eligible to enjoy the incentives as long as:

- Their Business Classification (*Klasifikasi Lapangan Usaha/KLU*) codes are registered in the DGT's Masterfile and listed in the Attachment of PMK-3;
- They have submitted the 2020 Annual Income Tax Return if they have the obligation to submit one (specifically for the Article 22 or Article 25 incentives).

The list of eligible taxpayers as provided in the attachment of PMK-3 for the following tax incentives have been reduced:

- a. Article 22 Income Tax on imports – from 397 KLUs to 72 KLUs – see Attachment A of PMK-3.
- b. Article 25 Income Tax – from 481 KLUs to 156 KLUs – see Attachment F of PMK-3.

Taxpayers should check their eligibility based on the specific KLU listed in each Attachment to PMK-3. Please refer to the official version of [PMK-3](#) for the complete list.

Other provisions

If there is any change in the KLU resulting in a taxpayer not meeting the above provisions (i.e. not registered in the DGT's Masterfile and not listed in the Attachment of PMK-3), the previously enjoyed incentives will no longer be available as of the date of the change of the KLU.

Update on COVID-19 related LST incentive on cars

The MoF has issued Regulation No.PMK-5³ which revamps the Luxury-goods Sales Tax (LST) incentive on cars which was previously stipulated under PMK-31⁴. This update will be applicable for the period of January to December 2022. Please refer to [TaxFlash No.09/2021](#) for discussion on PMK-31.

Eligibility

The types of motor vehicles that are eligible for the LST incentive are as follows:

- a. 4-wheel motor vehicle in the category of low-cost green car as determined by the Ministry of Industry, with:
 - A fire ignition engine with a fuel consumption of minimum 20 km/liter or CO² emission of 120 gr/km with a cylinder capacity of up to 1,200 CC.
 - A compression ignition engine (diesel or semi-diesel) with a fuel consumption of minimum 21.8 km/liter or CO² emission of 120 gr/km with a cylinder capacity of up to 1,500 CC.
- b. Motor vehicle for the transportation of less than 10 people with a cylinder capacity of up to 1,500 CC, with:
 - A fire ignition engine with a fuel consumption of minimum 15.5 km/liter or CO² emission of 150 gr/km.
 - A compression ignition engine (diesel or semi-diesel) with a fuel consumption of minimum 17.5 km/liter or CO² emission of 150 gr/km.

All the above motor vehicles must fulfill a requirement to have local content of a minimum of 80%, and the on-the-road price must be:

- Maximum of IDR 200 million for motor vehicle in point a; or
- Within the range of IDR 200 - 250 million for motor vehicle in point b.

The motor vehicles that currently fulfil this requirement are determined under the Ministry of Industry Decree.

Facility

The facility is given in the form of LST borne by the Government. The percentage of the LST borne by the Government for:

1. Motor vehicle in point a are:
 - 100% for the period of January to March 2022
 - 66 ²/₃ % for the period of April to June 2022
 - 33 ¹/₃ % for the period of July to September 2022
2. Motor vehicle in point b is 50% for the period of January to March 2022.

Others

The administrative requirements mainly remain the same as under the previous MoF Regulations. The tax invoices that have already been created for January 2022 period which is not in line with the provisions under this regulation are required to be replaced. The overpaid LST that has been collected must be refunded by the VATable Entrepreneur who collects it.

³ MoF Regulation No.5/PMK.010/2022 (PMK-5) dated and effective from 2 February 2022

⁴ MoF Regulation No.31/PMK.010/2021 (PMK-31) as lastly amended by MoF Regulation No.120/PMK.010/2021

Update on COVID-19 related VAT incentives on landed houses and residential units

The MoF has recently issued Regulation No.PMK-6⁵ to extend the VAT incentives on the delivery of landed houses and residential units (*unit hunian rumah susun*). PMK-6 revokes MoF Regulation No.PMK-103⁶ which has been discussed in [TaxFlash No.16/2021](#).

The facility, eligibility, and administrative requirements mainly remain the same as with the previous MoF Regulations, with the following updates:

- The facility period is extended from 1 January – 30 September 2022.
- An Individual who has utilised the incentive in 2021 can utilise this incentive again in 2022.
- VAT on the eligible property will be borne by the Government for deliveries conducted during the incentive periods, in the amount of:
 - a. 50% (previously 100%) of the VAT payable for property with a selling price of IDR 2 billion or less; and
 - b. 25% (previously 50%) of the VAT payable for property with a selling price of more than IDR 2 billion up to IDR 5 billion.
- The facility is applicable on the remaining instalments and settlements paid starting March 2021 until the end of the incentive period.
- The seller must have registered to the Ministry of Public Works and Housing by 31 March 2022, detailing the stock of the finished landed houses and residential units, the work in progress that will be finished and ready to be handed over during the incentive period, and the retail price of those properties.
- Eligible properties under PMK-103 which has not actually been handed over by 31 December 2021, can enjoy the incentive under PMK-6 as long as the actual handover is carried out by 30 September 2022. The relevant VAT invoice which needs to be replaced to accommodate the incentive change under this regulation must be reported in a revised VAT return by 31 October 2022.

⁵ MoF Regulation No.6/PMK.010/2022 (PMK-6) dated and effective from 2 February 2022

⁶ MoF Regulation No.103/PMK.010/2021 (PMK-103) dated and effective from 30 July 2021

Exemption of Stamp Duty

On 12 January 2022, the Government issued GR-3⁷ which provides further details on the four categories of documents that are exempted from Stamp Duty under the Stamp Duty Law⁸, as follows:

Documents on the transfer of L&B due to natural disasters

Documents required for the transfer of Land and Building (L&B) rights through Government programmes for natural disaster management that have obtained the status of a disaster emergency can enjoy an exemption of Stamp Duty.

The exemption of Stamp Duty is given according to the implementation period of Government programmes in the land sector for natural disaster management.

Documents on the transfer of L&B for religious and non-commercial activities

Documents required for the transfer of L&B rights by waqf, grants or grant of probate to religious/social agencies, or purchases made by religious/social agencies can enjoy an exemption of Stamp Duty. GR-3 defines religious agency as a non-profit legal entity in which its main activities are to take care of places of worship or organise religious-related activities, whilst social agency is defined as a non-profit legal entity in which its main activities are to organise certain activities including care for the elderly or orphans, compensation for disaster victims, etc.

Documents on the implementation of Government programmes and monetary/financial policies

Documents in the form of securities transactions with a small value can be exempted from Stamp Duty if the value is:

- a. Maximum IDR 5 million for documents that are:
 - carried out on the primary market in the form of a securities allotment confirmation form;
 - conducted through alternative market operators;
 - conducted through crowdfunding services.
- b. Maximum IDR 10 million for documents that are:
 - carried out on the stock exchange in the form of transaction confirmations;
 - confirming the purchase/resale of investment product participation units in the form of collective investment contracts.

Documents related to the implementation of International Agreements

Stamp Duty exemption can be applied for documents in relation to:

- International Organisations and their Representatives; or
- Representatives and Official Representatives of Foreign Countries.

Exemption of Stamp Duty is given if the Organisations and Representatives are not Income Tax subjects.

⁷ Government Regulation No.3 Year 2022 (GR-3) dated and effective from 12 January 2022

⁸ Law No.10 Year 2020 dated on 26 October 2020 and effective from 1 January 2021

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