

Update on COVID-19 tax incentives in medical field and for taxpayers impacted by COVID-19 pandemic ^{P1}

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On 11 July 2022, the Minister of Finance (MoF) issued two Regulations:

1. No.PMK-113¹ – to update PMK-226² regarding tax incentives in the medical field and Income Tax incentives under GR-29³.
2. No.PMK-114⁴ – to update PMK-3⁵ regarding tax incentives for taxpayers impacted by COVID-19 pandemic.

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

We highlight below the changes under PMK-113 and PMK-114. Please refer to the previous TaxFlashes⁶ for a detailed discussion on the incentives.

The incentives

1. Tax incentives in medical field (PMK-113):
 - a) Value-Added Tax (VAT) borne by the Government for the delivery of certain medical supplies to Certain Parties;
 - b) Article 22 Income Tax exemption on the purchase of certain medical supplies by Certain Parties;
 - c) Article 21 Final Income Tax incentive in the form of 0% tax rate on additional income received by health workers from the Government.
2. Tax incentives for taxpayers impacted by COVID-19 pandemic (PMK-114):
 - a) Article 22 Income Tax on imports by eligible taxpayers will be exempted.

¹ MoF Regulation No.113/PMK.03/2022 (PMK-113) dated and effective on 11 July 2022

² MoF Regulation No.226/PMK.03/2021 (PMK-226) dated on 31 December 2021 and effective from 1 January 2022

³ Government Regulation No.29 Year 2020 (GR-29) dated and effective on 10 June 2020

⁴ MoF Regulation No.114/PMK.03/2022 (PMK-114) dated and effective on 11 July 2022

⁵ MoF Regulation No.3/PMK.03/2022 (PMK-3) dated and effective on 25 January 2022

⁶ [TaxFlash No.11/2020](#), [TaxFlash No.25/2020](#), [TaxFlash No.40/2020](#), [TaxFlash No.02/2021](#), [TaxFlash No.13/2021](#), [TaxFlash No.03/2022](#), and [TaxFlash No.05/2022](#)

- b) Article 25 monthly Income Tax instalment of eligible taxpayers will be reduced by 50%.
- c) 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.

Updated rules on the VAT incentives under PMK-113

If the VAT Invoice of the domestic deliveries under incentive 1a) contains typo or is not in line with the requirements under PMK-226 and PMK-113, the VATable Entrepreneur (*Pengusaha Kena Pajak/PKP*) must issue a Revised VAT Invoice and report it at the latest by 31 December 2022 and 31 January 2023 for 2021 and 2022 deliveries, respectively. Otherwise, the VAT incentive cannot be enjoyed.

The PKP must also collect the VAT payable if there is any information that the deliveries enjoying the incentive are not qualified.

Certain taxable goods which already enjoyed a VAT exemption incentive, cannot enjoy the VAT borne by the Government incentive as stipulated in PMK-113.

For taxable goods delivered from 1 July up to 10 July 2022, the granting of tax incentives is carried out in accordance with the PMK-226.

Notification or application to be eligible for the continued incentives

To enjoy the incentives under PMK-113 and PMK-114, taxpayers need to:

- reapply for a Tax Exemption Letter (*Surat Keterangan Bebas*) from the collection of Article 22 Income Tax;
- reapply for a letter of recommendation to enjoy the VAT and Article 22 Income Tax incentives under PMK-113;
- resubmit a notification for applying Article 25 Income Tax incentive under PMK-114. For taxpayers who want to continue applying the Article 25 Income Tax incentive from July 2022, the notification must be submitted by 9 August 2022 at the latest.

Realisation report on tax incentive on Final Income Tax for P3-TGAI construction income

Under PMK-3, a realisation report on Final Income Tax for P3-TGAI construction income must be submitted by the tax withholder to the Directorate General of Taxes (DGT)'s electronic channel.

However, under PMK-114, the submission realisation report is carried out by the tax withholder to the Authorised Party (AP), which is the Director General of Water Resources in the Ministry of Public Works and Public Housing. Afterwards, the AP submit the realisation report to the DGT's electronic channel no later than 31 January 2023.

Regardless of whether the tax withholder has or has not submitted a realisation report under PMK-3, to enjoy the continued incentives, a realisation report must be resubmitted by:

- The AP for the period of January – June 2022;
- The tax withholder for the period of 2021, at the latest by 31 Dec 2022.

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