



Tax Newsletter

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Update on Tax Incentive Extension in
Response to the COVID-19 Outbreak

mazars

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Finally, the regulation that has been waiting by many Taxpayers regarding the extension of tax incentive related to Covid-19 outbreak was released earlier this month. The Ministry of Finances (“MoF”) has issued Regulation No.82/PMK.03/2021 (PMK82/2021) dated July 1, 2021. PMK82/2021 revises several Articles of the previous MoF Regulation No.9/PMK.03/2021 that can be summarised as follows:

- The tax incentive scheme is extended for tax period of July up to December 2021.
- Taxpayers need to resubmit Notification Letter before utilising the tax incentive.
- Taxpayers who want to utilise the tax incentive for Withholding (“WHT”) Article 21 and Instalment of Article 25 should submit Notification Letter by August 15, 2021 at the latest.
- Final Tax Exemption Letter (PP23 SKB) from Tax Office is no longer required.
- The amount of Business Classification Code/KLU (as per FY2019 CITR submitted) entitled to tax incentive is reduced for WHT Article 22 Import, Instalment of Article 25, and VAT refund.
- Taxpayers with KITE facility and/or license to operate in Bonded Zone or Special Economic Zone are no longer included as the tax incentive receiver’s criteria.
- Taxpayers who already utilised the tax incentive for WHT Article 21, Final Tax PP23, and/or Final Tax on certain construction services for period of January to June 2021, but not yet submitted the Realisation Report can submit the Realisation Report by October 31, 2021 at the latest.

The summary of tax incentives are as follows:

Tax	Facility	Criteria	Requirement	Reporting	Notes
WHT Article 21	Tax will be borne 100% by Government for 12 months (January to December 2021).	Employees who have Tax ID, received annualised fixed income of no more than IDR 200 million (THR not included) and work for an employer that is in industry with certain KLU (There are 1,189 KLU listed in Appendix A PMK82/2021).	Submit Notification Letter Form (as per Appendix C PMK82/2021) to Tax Office, which could be rejected. For branches, the Notification Letter will be submitted by Head Office. Taxpayer need to create ID Billing Code which should be mention “Tax is borne by Government per PMK82/2021”.	Submit Realisation Report (Appendix F PMK82/2021) to Tax Office along with ID Billing Code at the latest 20th of the following month.	Effective from the Notification Letter submission month. The tax should be add the employee’s take home pay.

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Tax	Facility	Criteria	Requirement	Reporting	Notes
Final Tax PP23	Final tax will be borne 100% by Government for 12 months (January to December 2021).	Taxpayer's that gross income meet the requirement of Government Regulation (PP23/2018).	Taxpayer need to create ID Billing Code which should be mention "Final Tax is borne by Government per PMK9/2021".	Submit Realisation Report (Appendix F PMK82/2021) to Tax Office along with ID Billing Code at the latest 20th of the following month.	Final tax borne by Government will not be considered as Taxable Income.
Final Tax on Certain Construction Service	Final tax will be borne 100% by Government for 12 months (January to December 2021).	Taxpayers who operating the Acceleration Program to Improve the Utilisation of Irrigation Water (<i>Program Percepatan Peningkatan Tata Guna Air Irigasi/P3-TGAI</i>).	Taxpayer need to create ID Billing Code which should be mention "Final Tax on Construction is borne by Government per PMK82/2021".	Submit Realisation Report (Appendix I PM82/2021) to Tax Office along with ID Billing Code at the latest 20th of the following month.	Final tax borne by Government will not be considered as Taxable Income.
WHT Article 22 Import	Article 22 of Import Exemption applicable from 1 January up to 31 December 2021.	Taxpayer's operating in industry with certain KLU (There are 132 KLU listed in Appendix J PMK82/2021).	Submit Request for Exemption Letter (Appendix K PMK82/2021) to Tax Office. The Tax Office could approve by issuing SKB (Exemption Letter) or giving a rejection.	Submit Realisation Report (Appendix N PMK82/2021) to Tax Office at the latest 20th of the following month.	Effective from the date of SKB issuance.
Installment of Article 25	50% reduction of Instalment Article 25 for 12 months (January to December 2021).	Taxpayer's operating in industry with certain KLU (There are 216 KLU listed in Appendix O PMK82/2021).	Submit Notification Letter Form (as per Appendix C PMK82/2021) to Tax Office. It could be rejected by Tax Office.	Submit Realisation Report (Appendix Q PMK82/2021) to Tax Office the latest 20th of the following month.	Effective from the Notification Letter submission month.
VAT Refund	Accelerated VAT refunds are granted for 12 months (January to December 2021).	Taxpayer's operating in industry with certain KLU (There are 132 KLU listed in Appendix R PMK82/2021). Further the maximum VAT overpayment refund is IDR 5 billion.	Request through monthly VAT Return and the process will follow VAT Law Article 9 (4)c and MoF Regulation.	None	Any VAT carried forward balance prior to April 2020 shall be subject to normal tax audit. Any VAT input claimed that are not in line with counter parties' VAT output reporting, is not refundable.

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In addition, the Government is also extending the period of Income Tax Facility in handling Covid-19 outbreak as stipulated in Government Regulation No. 29 Year 2020 (GR29/2020) up to 31 December 2021. The Income Tax Facility mentioned are as follows:

1. 30% increase on the net income deduction for Taxpayer who produce health equipment and/or household health supply.
2. Donation in order to handling Covid-19 outbreak in Indonesia (with certain requirement) can be treated as deductible expense of gross revenue.
3. Any additional income received by health worker is subject to 0% Final Tax.
4. Income received in relation with compensation of asset used for handling Covid-19 outbreak is subject to 0% Final Tax.
5. Lower rate for Taxpayers who buy-back listed shares with certain requirement.

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