

# EXTENSION OF TAX INCENTIVES FOR TAXPAYERS AFFECTED BY COVID-19 (PMK-9)

RSM INDONESIA CLIENT ALERT - 5 February 2021

In recognition of the need for continued fiscal support, the Minister of Finance ("MoF") has issued Regulation No.9/PMK.03/2021 ("PMK-9") that extends the applicable period and slightly expands the business sectors that can access the tax incentives previously provided under MoF Regulation No.44/PMK.03/2020, as amended by MoF Regulation No.86/PMK.03/2020 and MoF Regulation No.110/PMK.03/2020 dated 14 August 2020.

## WHAT TAX INCENTIVES ARE PROVIDED?

There are no changes to the type of tax incentives that were provided by PMK-110. That is:

- Article 21 tax to be borne by the Government ("ditanggung" – PPh 21 DTP) for employees of businesses in specified sectors, subject to the employee's gross employment income not exceeding IDR 200 million for the year.
- 0.5% Final Tax due under Government Regulation No. 23/2018 will be borne by the Government (PPh Final DTP).
- Article 22 on imports will be exempted ("dibebaskan") for businesses in specified sectors.
- Article 25 corporate income tax instalments can be reduced by 50% for businesses in specified sectors.
- Advance restitution of VAT for businesses in specified sectors, to a maximum refund request of IDR 5 billion.
- Tax borne by Government for final tax on construction services income relating to the Program to Accelerate the Improvement of Water Use for Irrigation (P3-TGAI).

However, the number of eligible business sectors (KLU) have been increased for some of these incentives as follows:

|  | Eligible KLU<br>(NOW –<br>PMK-9)  | Eligible LKU<br>(BEFORE –<br>PMK-110) |
|--|-----------------------------------|---------------------------------------|
| Article 21 Income Tax Borne by the Government (PPh 21 DTP) | 1,189                             | 1,189                                 |
| Final Income Tax Borne by the Government (PPh Final DTP)   | Any taxpayer eligible under GR-23 | Any taxpayer eligible under GR-23     |
| Exemption for Article 22 Income Tax                        | 730                               | 721                                   |
| Reduction of Article 25 Income Tax                         | 1,018                             | 1,013                                 |
| Advance refund of VAT                                      | 725                               | 716                                   |

Do note that taxpayers that are a Bonded Zone Organizer, are designated as a KITE, or are operating in a Bonded Zone also remain eligible as per PMK-110.

Please refer our earlier Client Alerts for further details:

- Further Improvements of Tax Incentives (PMK-110) – **28 August 2020**.
- Extension & Expansion of Tax Incentives for Taxpayers Affected by COVID-19 (PMK-86) – **14 August 2020**.
- Tax Incentives for Taxpayers Affected by COVID-19 – Expansion (PMK-44) – **8 May 2020**.

#### WHEN IS IT EFFECTIVE?

PMK-9 is effective on 1 February 2021; however, it also covers relevant taxes for January 2021. Please refer to the following section regarding Transition/Implementation.

The effective period is January - June 2021.

#### TRANSITION/IMPLEMENTATION

- The deadline for submission of realization reports for utilization of the tax incentives during 2020 for PPh 21 DTP, PPh Final DTP and final tax on construction services income relating to P3-TGAI are extended until 28 February 2021.
- Employers and/or taxpayers may utilize the tax incentive for PPh 21 DTP and/or Article 25 reduction for January 2021 if they submit the notification of utilization of the tax incentive no later than 15 February 2021.
- Employers and/or taxpayers that obtained a tax exemption letter (SKB) or submitted a notification in 2020 to obtain a tax incentive using the previous PMK, must re-submit the request for SKB or notification to access the tax incentives under PMK-9.

#### RSM Comment

- The extension of the tax incentives is a welcome initiative to assist employees and their employers during the continued pandemic; the current expiry of June 2021 suggests the Government is hopeful the roll-out of vaccines and other measures might allow a transition to a post-COVID business environment by July.
- Employers and/or taxpayers that have utilized the tax incentives during 2020 for PPh 21 DTP, PPH PPh Final DTP and/or final tax on construction services income relating to P3-TGAI must remember to lodge the realization reports no later than 28 February 2021 otherwise the right to access the incentives is lost.

For further information please contact:

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