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FURTHER EXTENSION OF PERIOD OF CERTAIN VAT AND INCOME TAX FACILITIES RELATED TO HANDLING COVID-19 (PMK-239)

RSM INDONESIA CLIENT ALERT - 29 January 2021

On 30 December 2020, the Minister of Finance (“MoF”) issued regulation No. 239/PMK.03/2020 (“PMK-239”) concerning certain tax facilities for providing goods and services to handle COVID 19. This regulation effectively extends the period for the income tax and VAT facilities provided by MoF Regulation No. 143/PMK.03/2020 (“PMK-143”) and the income tax facilities provided by Government Regulation No. 29 of 2020 (“GR-29”) as follows:

- The income tax and VAT facilities provided by PMK-143 are now also available from 1 January 2021 – 31 December 2021, and
- The income tax facilities provided by GR-29 are now also available from 1 January 2021 – 30 June 2021.

The facilities provided by these regulations were summarized in our Client Alert dated 12 November 2020 ([Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19](#)). However, PMK-239 has removed the VAT facility that was previously provided for the import of raw materials to be used for production of vaccines or medicines to handle COVID-19, while expanding some of the objects for the facilities that were provided by PMK-143. For convenient reference we have summarized all the facilities below.

VAT FACILITIES

PMK-239 provides VAT facilities on acquisitions of goods and services by the following parties:

Subject	Government entities/ agencies, hospitals, and Other Parties.	Pharmaceutical manufacturers producing vaccines or medicine.	
Object	Medicine, vaccines & equipment supporting vaccinations, laboratory equipment, detection equipment, personal protection equipment, equipment for treating patients or other supporting equipment to handle COVID-19, and construction services, consulting, technical & management services, rental services or other supporting services to handle COVID-19.	Raw materials to produce vaccines or medicine to handle COVID-19.	Sales of vaccines or medicine to handle COVID-19.
Facility if goods imported/ services utilized from overseas	VAT not collected (“tidak dipungut”) for the import of goods; VAT borne by the Government (“ditanggung pemerintah”) for the utilization of services from overseas.	No facility for imports.	-
Facility if goods/ services acquired within Indonesia	VAT borne by the Government (“ditanggung pemerintah”).	VAT borne by the Government (“ditanggung pemerintah”).	VAT borne by the Government (“ditanggung pemerintah”).


“Other Parties” are defined as parties that are appointed by government entities/agencies or hospitals to assist for handling COVID-19. The VAT facility for Other Parties only applies for transactions involving the delivery of taxable goods or services and/or the utilization in Indonesia of services from outside the customs area (i.e., it does not include the import of goods) if the party will deliver the goods/services to the government entity/agency or hospital without any compensation and the goods/services are not for the own use of the Other Party.

“Equipment supporting vaccinations” is defined as including, at a minimum, syringes, alcohol swabs, personal protection equipment, cold chain, gensets, waste disposal for dangerous and poisonous materials, and alcohol-based liquid antiseptic.

Administration. To utilize the VAT facility for purchases of raw materials, the pharmaceutical manufacturer of vaccines/medicine must obtain a recommendation letter from the Minister of Health (previously the BNPB / National Disaster Management Authority).

Government entities/agencies, hospitals and Other Parties that wish to use the VAT facilities for the import of goods related to the provision of services for handling COVID-19, must obtain a Statement Letter for Utilization within the Customs Area of Taxable Services from Outside the Customs Area (Surat Keterangan Pemanfaatan Jasa Kena Pajak dari luar Daerah Pabean di dalam Daerah Pabean /SKJLN) from the Director-General of Taxation (“DGT”) and:

- Prepare the ID Billing affixed with a stamp or the words "PPN DITANGGUNG PEMERINTAH EKS PMK NOMOR 239 /PMK.03/2020"; and

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- Prepare a monthly realization report for VAT borne by the Government in accordance with the sample format as contained in the Appendix to PMK-239. This should be submitted through the e-filing process no later than the end of the following month.

Taxpayers that are delivering goods or services related to handling COVID-19 must:

- Prepare a Tax Invoice (Faktur Pajak, or other document stipulated as equivalent to a Tax Invoice) and must contain the statement "PPN DITANGGUNG PEMERINTAH EKS PMK NOMOR 239/PMK.03/2020."
- Report the Tax Invoice/other document in the monthly VAT Return no later than the end of the following month. This is considered as a realization report for the VAT borne by the Government.

INCOME TAX FACILITIES

The income tax facilities provided under PMK-239 are income tax exemptions for:

- Article 22 income tax for imports and/or domestic purchases of goods (as per table above) required to handle COVID-19 by government entities/agencies, hospitals, and Other Parties;
- Article 22 on the sale of goods by the seller who transacts with government entities/agencies, hospitals, and Other Parties;
- Article 22 income tax for imports and/or domestic purchases of raw materials to produce vaccines or medicine to handle COVID-19 by pharmaceutical manufacturers;
- Article 21 on income received by individual domestic taxpayers as compensation paid by government entities/agencies, hospitals, and Other Parties for services needed to handle COVID-19, and
- Article 23 for income received by domestic corporate taxpayers and permanent establishments as compensation paid by government entities/ agencies, hospitals, and Other Parties for technical, management, or other services subject to Article 23, that are required to handle COVID-19.

Administration. Any party that wishes to obtain the Article 22 exemption for domestic transactions shall obtain an SKB (Tax Exemption Letter) from the DGT. The exemption will be effective from the date of issue of the SKB until 31 December 2021.

No SKB is required to access the Article 22 exemption for imports.

Pharmaceutical manufacturers are also required to obtain a recommendation letter from the Minister of Health (previously the BNPB).

The exemption from Article 21 income tax is available without requiring an SKB, however, the government entities/agencies, hospitals or Other Parties that make payments to the individuals must prepare the NIL Article 21 withholding tax slip. The payer must then submit the realization report to the DGT no later than the 20th of the following month.

To utilize the exemption from Article 23 income tax the taxpayer should obtain an SKB by completing the form as per the Appendix of PMK-239 and submitting this through the DGT portal. The exemption will then be effective from the date of issue of the SKB until 31 December 2021.

All parties utilizing an exemption must provide realization reports. These must be submitted to the DGT no later than the 20th of the following month.



OTHER INCOME TAX FACILITIES

In addition to these exemptions, PMK-239 extends the income tax facilities provided through GR-29 that specifically relate to handling COVID-19. Our previous Client Alert dated 23 July 2020 provides details of these facilities (refer to [Client Alert - Additional Income Tax Facilities during COVID-19](#)). In summary these are:

- An additional deduction for costs to produce medical equipment or household health supplies used for handling COVID-19.
- A deduction for donations related to handling COVID-19.
- NIL tax for income earned by individuals from providing health services to the Government related to handling COVID-19.
- NIL tax for income earned by taxpayers from the Government for rental of assets used for handling COVID-19.

RSM Comments:

- PMK-239 recognizes that additional support is required for the fight against COVID-19. That said, it is not clear why the Government has decided to delete the VAT facility for the import of raw materials.
- The same as for PMK-143, to reduce administration PMK-239 requires reporting of the tax invoices and other documents in the monthly VAT Return instead of using a specific quarterly realization report.
- Similarly, the realization report for use of Article 22 and Article 23 must be submitted monthly.
- Existing SKB obtained under PMK-143 are not valid after 31 December 2020 and applications for new SKB are required if the taxpayer wishes to access the facilities under PMK-239.

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