



## Extension & Expansion of Tax Incentives for Taxpayers Affected by COVID-19

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On 16 July 2020, the Minister of Finance (“MoF”) issued Regulation No. 86/PMK.03/2020 (“PMK-86”) that extends the applicable period and expands the business sectors that can access the tax incentives previously provided under MoF Regulation No. 44/PMK.03/2020 (“PMK-44”) of 27 April 2020 that was an expansion of the initial tax incentives offered by MoF Regulation No. 23/PMK.03/2020 (“PMK-23”) dated 21 March 2020. In addition, PMK-86 simplifies the administrative requirements to access the incentives.

### When is it effective?

PMK-86 is effective starting 16 July 2020. PMK-44 is revoked on this date.

### Tax incentives offered

There are no changes to the type of tax incentives offered by PMK-86 compared to PMK-44. That is:

- Article 21 tax to be borne by the Government (“ditanggung” – PPh 21DTP) 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 30% for businesses in specified sectors.
- Advance restitution of VAT for businesses in specified sectors, to a maximum refund request of IDR 5 billion.

For more details of these incentives, please refer to our [Client Alert dated 8 May 2020 re PMK-44](#).

The differences relate to the increased number of business sectors (based on the KLU, or Business Classification Code used by the Tax Office), the extended period and simplified procedures to access the tax incentives, including a clarification that a branch is now included under the head office for the purposes of determining eligibility for the PPh 21DTP incentive.

The tables below compare between PMK-86, PMK-44, and PMK-23 for each of the incentives:

Article 21 Income Tax Borne by the Government (PPh 21DTP)			
	PMK-23	PMK-44	PMK-86
Eligible business	Employer whose KLU is included within the listing of 440 KLU or is designated as a KITE.	Employer whose KLU is included within the listing of 1,062 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.	Employer whose KLU is included within the listing of 1,189 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.
Period of incentive	1 April – 30 September 2020.	1 April – 30 September 2020.	1 April – 31 December 2020.
Administrative procedure to utilize the incentive	Written notification is submitted by the employer.	Written notification is submitted by the employer (separately for the head office and for each branch).	<ul style="list-style-type: none"> <li>• Written notification is submitted (via online portal) by the employer (including the Licence/SK for a KITE company or Bonded Zone Organizer).</li> <li>• The notification by a head office is also applicable for any branches.</li> </ul>

### Article 21 Income Tax Borne by the Government (PPh 21DTP)

	PMK-23	PMK-44	PMK-86
Realization reporting requirement	Every 3 months, and shall be submitted not later than: a. 20 July 2020, for April – June 2020; b. 20 October 2020, for July – September 2020.	Monthly, no later than the 20 <sup>th</sup> day of the following month.	No change.
Transitional provision	N/A.	<ul style="list-style-type: none"> <li>Employer who has submitted a notification of use of the tax incentive under PMK-23 is not required to re-submit the notification.</li> <li>Employer who is already approved to utilize PPh 21DTP under PMK-23 may continue to utilize the incentive.</li> <li>The procedure for submission of realization report shall comply with PMK-44.</li> </ul>	<ul style="list-style-type: none"> <li>Employer who has submitted a notification under PMK-44 is not required to re-submit the notification.</li> <li>Employer who is already approved to utilize PPh 21DTP under PMK-44 may continue to utilize the incentive until December 2020.</li> <li>The procedure for submission of realization report shall comply with PMK-86.</li> </ul>

### Final Income Tax Borne by the Government (PPh Final DTP)

	PMK-23	PMK-44	PMK-86
Eligible business	No incentive provided.	Any taxpayer eligible under Government Regulation No. 23 year 2018 ("GR-23").	Any taxpayer eligible under GR-23.
Period of incentive	N/A.	1 April – 30 September 2020.	1 April – 31 December 2020.
Administrative procedure to use the incentive	N/A.	Apply for Statement Letter ("SK") online. Taxpayers that already have obtained an SK under GR-23 must follow the application process to obtain a new SK issued in accordance with PMK-44.	No application required to obtain an SK. The submission of the realization report is deemed to be an application for the SK and the SK will be issued if the taxpayer fulfills the requirements under GR-23.
Realization reporting requirement	N/A.	Monthly, no later than the 20 <sup>th</sup> day of the following month.	No change.

## Final Income Tax Borne by the Government (PPH Final DTP)

	PMK-23	PMK-44	PMK-86
Transitional provision	N/A.	N/A.	<ul style="list-style-type: none"> <li>• Taxpayer who has submitted an application under PMK-44 is not required to re-submit an application.</li> <li>• Taxpayer who is already approved to utilize PPH Final DTP under PMK-44 may still utilize the incentive until December 2020.</li> <li>• Any SK issued under PMK-44 continues to be valid.</li> <li>• The procedure for submission of realization report shall comply with PMK-86.</li> </ul>

## Exemption for Article 22 Income Tax

	PMK-23	PMK-44	PMK-86
Eligible business	Taxpayer whose KLU is included within the listing of 102 KLU or is designated as a KITE.	Taxpayer whose KLU is included within the listing of 431 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.	Taxpayer whose KLU is included within the listing of 721 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.
Period of incentive	1 April – 30 September 2020.	1 April – 30 September 2020.	1 April – 31 December 2020.
Administrative procedure to use the incentive	Online application for Certificate of Exemption ("SKB").	No change.	No change.
Realization reporting requirement	Every 3 months, and shall be submitted not later than: <ol style="list-style-type: none"> <li>20 July 2020, for April – June 2020, and</li> <li>20 October 2020, for July – September 2020.</li> </ol>	No change.	Monthly, no later than the 20 <sup>th</sup> day of the following month.
Transitional provision	N/A.	<ul style="list-style-type: none"> <li>• Taxpayer who has submitted an application under PMK-23 is not required to re-submit the application.</li> <li>• Taxpayer who was approved to utilize the incentive under PMK-23 may still utilize the incentive.</li> <li>• The procedure for submission of realization report shall comply with PMK-44.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxpayer who has submitted an application under PMK-44 is not required to re-submit the application.</li> <li>• Taxpayer who was approved to utilize the incentive under PMK-44 may still utilize the incentive until December 2020.</li> <li>• The realization report for April – June 2020 shall be submitted no later than 20 July 2020 (i.e. comply with PMK-44).</li> <li>• The procedure for submission of realization reports for July – December 2020 shall comply with PMK-86.</li> </ul>

### Reduction of Article 25 Income Tax

	PMK-23	PMK-44	PMK-86
Eligible business	Taxpayer whose KLU is included within the listing of 102 KLU or is designated as a KITE.	Taxpayer whose KLU is included within the listing of 846 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.	Taxpayer whose KLU is included within the listing of 1,013 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.
Period of incentive	1 April – 30 September 2020.	1 April – 30 September 2020.	1 April – 31 December 2020.
Administrative procedure for use of incentive	Written notification shall be submitted by taxpayer.	No change.	No change.
Realization reporting requirement	Every 3 months, and shall be submitted: a. 20 July 2020, for April – June 2020, and b. 20 October 2020, for July – September 2020.	No change.	Monthly, no later than the 20 <sup>th</sup> day of the following month.
Transitional provision	N/A.	<ul style="list-style-type: none"> <li>• Taxpayer who has submitted a written notification under PMK-23 is not required to re-submit the notification.</li> <li>• Taxpayer who is already approved to utilize the incentive under PMK-23 may still utilize the incentive.</li> <li>• The procedure for submission of realization report shall comply with PMK-44</li> </ul>	<ul style="list-style-type: none"> <li>• Taxpayer who has submitted the notification under PMK-44 is not required to re-submit the notification</li> <li>• Taxpayer who is already approved to utilize the incentive under PMK-44 may still utilize the incentive until December 2020.</li> <li>• The submission of realization report for tax period of April – June 2020 shall be conducted no later than 20 July 2020 (as per PMK-44).</li> <li>• The submission of realization reports for July – December 2020 shall comply with PMK-86.</li> </ul>

### Advance refund of VAT

	PMK-23	PMK-44	PMK-86
Eligible business	Taxpayer whose KLU is included within the listing of 102 KLU or is designated as a KITE.	Taxpayer whose KLU is included within the listing of 431 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.	Taxpayer whose KLU is included within the listing of 716 KLU, is designated as a KITE, is a Bonded Zone Organizer or operates in a Bonded Zone.

Advance refund of VAT			
	PMK-23	PMK-44	PMK-86
Period of incentive	1 April – 30 September 2020 and shall be submitted by 31 October 2020.	1 April – 30 September 2020 and shall be submitted by 31 October 2020.	1 April – 31 December 2020 and shall be submitted by 31 January 2021.
Realization reporting requirement	No specific realization report, only the VAT Return requesting the refund.	No change.	No change.
Transitional provision	N/A.	Taxpayer who is already approved to obtain the preliminary VAT refund under PMK-23 may still utilize the incentive.	Taxpayer who is already approved to obtain preliminary VAT refund under PMK-44 may still utilize the incentive until 31 December 2020.

Furthermore, PMK-86 clarifies that a taxpayer may include within a claim for advance refund any overpaid VAT carried forward from March 2020.

## Comments & Actions

- The incentive for advance refund of VAT is welcome, provided the taxpayer is confident their tax documentation is complete and will not result in any adjustments during the subsequent post-refund audit undertaken by the Tax Office. If there are adjustments, then these will be subject to a penalty of 100% in addition to interest penalties.
- Taxpayers that do not have an SK but wish to utilize the incentive for Final Tax should apply for an SK during the month otherwise the SK will only be issued after lodgement of the monthly realization report.

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