

## Fiscal and Non-Fiscal Incentives to Tackle the Spread of Covid-19

As part of the effort to prevent and reduce the spread of Covid-19, President Joko Widodo has established the Task Force for the Acceleration of COVID-19 Mitigation, led by the Head of the National Disaster Management Authority (“**BNPB**”) under the Presidential Decree No. 7 of 2020 (as amended by Presidential Decree No. 9 of 2020) (“**Decree**”).

Based on the Decree, BNPB is now mandated to provide a recommendation to exempt certain goods from import procedures if such goods are imported to be used in Covid-19’s mitigation effort. This authority was previously held by various ministries or agencies, depending on the type of goods.

In addition, BNPB and the Directorate General of Customs and Excise (“**DGCE**”) has issued the Joint Standard Operational Procedure No. 01/BNP/2020 or No. KEP-113/BC/2020 on Accelerated Service for the Import of Goods for Covid-19’s Mitigation (“**Regulation**”). The Regulation is effective from 20 March 2020 until an expiration date yet to be determined by the government. It is likely that the Regulation is the first of many tax and customs incentives that will be issued by the government amidst the Covid-19 outbreak.

### Key Points

The Regulation covers the following fiscal and non-fiscal incentives:

1. exemption from import duty and excise;
2. non-collection of VAT and/or sales tax on luxury goods;
3. non-collection of Article 22 Income Tax on imports; and
4. exemption from certain import procedures.

The above incentives are available to the following parties:

1. government institutions or public service agencies;
2. foundations or non-profit institutions (i.e. social and religious institutions); and
3. individuals or private legal entities, both non-profit oriented or profit-oriented.

The first step to obtain these incentives is for the relevant party to submit a recommendation request to BNPB. The next step will depend on the type of party submitting the request. For government institutions and public service agencies, once they obtain the recommendation letter from BNPB, they would need to obtain the incentives from the Head of DGCE at the Main Service Office or Regional Office at the place of importation. Meanwhile, foundations or non-profit institutions can obtain the incentives from the Directorate of Customs Facility.

For individuals and private legal entities, if the imported goods are for non-commercial purposes, it must be donated to the government through BNPB or to a foundation/non-profit institution. This must be

evidenced by a gift certificate, which must be submitted by the individual or private legal entity to BNPB. If the goods are donated to BNPB, the individual or private legal entity can obtain the incentives from the Head of DGCE at the Main Service Office or Regional Office at the place of importation. Likewise, if the goods are donated to a foundation or non-profit institution, then the incentives can be obtained from the Directorate of Customs Facility.

However, if the goods are for commercial purposes, then the granting of the incentives will depend on BNPB's discretion. The individual or private legal entity must first pay the applicable import duty, excise or import tax, and can then submit an exemption request to BNPB.

### **Release of Goods**

Upon the arrival of the goods, the relevant party must submit an import declaration form (*pemberitahuan impor barang*), attached to the BNPB's recommendation letter, to the DGCE. The DGCE will then release the goods from holding.

Individuals and private legal entities must also submit an import realisation and distribution of goods report if the imported goods are donated to BNPB.

### **Conclusion**

The recommendation request to BNPB can be submitted electronically to the Indonesian National Single Window's website (<https://intr.insw.go.id/>). As of the date of this update, the government has selected three points for the implementation of the Regulation, namely Soekarno Hatta International Airport, Tanjung Priok Port and Halim Perdanakusumah Airport.

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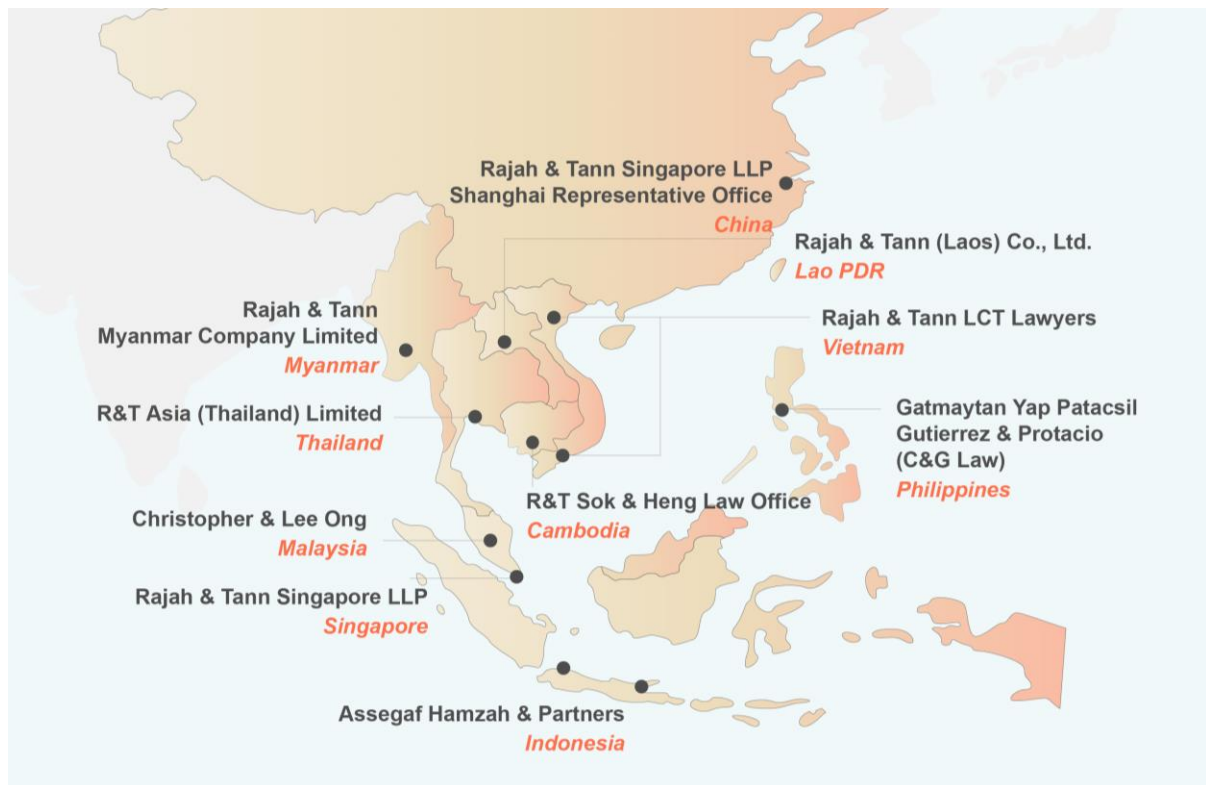
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