

Tax Incentives and Measures

Regulation of the Minister of Finance No. 23/PMK.23/2020

In response to the rapid spread of Covid-19, the Coordinating Minister of Economic Affairs announced a stimulus package, covering tax and non-tax programs. This brief will focus on the tax program under Regulation of the Minister of Finance No. 23/PMK.23/2020 on Tax Incentives for Taxpayers affected by COVID-19 (“**Regulation**”), which will be effective from 1 April 2020.

Under the Regulation, companies and employees operating in the following sectors receive several tax incentives:

1. Certain business sectors that are listed in Appendix A and Appendix F of the Regulation, which covers 440 and 102 industrial and services sectors, respectively; and/or
2. taxpayers receiving an import facility for export purposes (*kemudahan impor tujuan ekspor*) (“**KITE**”), which include small and medium entrepreneurs who receive a KITE facility (“**KITE taxpayers**”).

To obtain any of the incentives described below, a taxpayer must submit an application to the tax office where the employee (for Article 21 Income Tax) or employer (for other incentives) is registered. KITE taxpayers must also show that they have received the KITE facility. The tax office will then assess the application and issue an approval or rejection within three to five business days (depending on the incentive) of the submission date.

Article 21 Income Tax for employees

The government will now bear the full amount of Article 21 Income Tax for six months, starting from April to September 2020. The employer paying the income must conduct a business listed in Appendix A of the Regulation, and the employee’s annual gross income must be IDR 200 million or less.

The Article 21 Income Tax borne by the government must be paid in cash to the employees by the employer, including if the employer provides an Article 21 Income Tax allowance or bears such income tax.

This incentive is available for employees working in business sectors listed in Appendix A of the Regulation and/or is deemed as a KITE taxpayer.

Article 22 Income Tax on import

To ensure that certain industrial sectors and/or KITE taxpayers can maintain their import activities, the government will exempt Article 22 Income Tax for six months, starting from April to September 2020. To qualify for this exemption, the taxpayer must conduct a business listed in Appendix F of the Regulation and/or is deemed as a KITE taxpayer.

Article 25 Income Tax

A 30% reduction of corporate income tax instalment will be given to certain industrial sectors and/or KITE taxpayers, starting from April to September 2020. This incentive is available for taxpayers who conduct a business listed in Appendix F of the Regulation and/or is deemed as a KITE taxpayer.

Preliminary VAT refund

The preliminary VAT refund facility will be provided for six months from April to September 2020 for certain industrial sectors or KITE taxpayers (without applying as a low-risk taxpayer). The maximum VAT returns that can be refunded is IDR 5 billion.

This incentive is available for taxpayers who conduct a business listed in Appendix F of the Regulation or is deemed as a KITE taxpayer.

Decree of the Directorate General of Taxes No. KEP-156/PJ/2020

Concurrently, the Directorate General of Taxes has issued the Decree No. KEP-156/PJ/2020 on Tax Policy in relation to the Spread of Covid-19 ("**Decree**"), which followed the announcement by the Directorate General of Taxes that declared a force majeure period from 14 March 2020 to 30 April 2020. Under this decree, individual taxpayers receive an extension for tax filing and payments up to 30 April 2020.

Decrees of the Directorate General of Taxes No. KEP-157/PJ/2020 and KEP-158/PJ/2020

The Directorate General of Taxes has also issued two additional decrees i.e. KEP-157/PJ/2020 and KEP-158/PJ/2020 to waive administrative sanctions on late submission of VAT return for December 2019 tax period and Articles 21 and/or 26 and Article 4(2) Withholding Tax Returns for January 2020 tax period. These decrees were issued as a response to technical issues in the e-Filing system.

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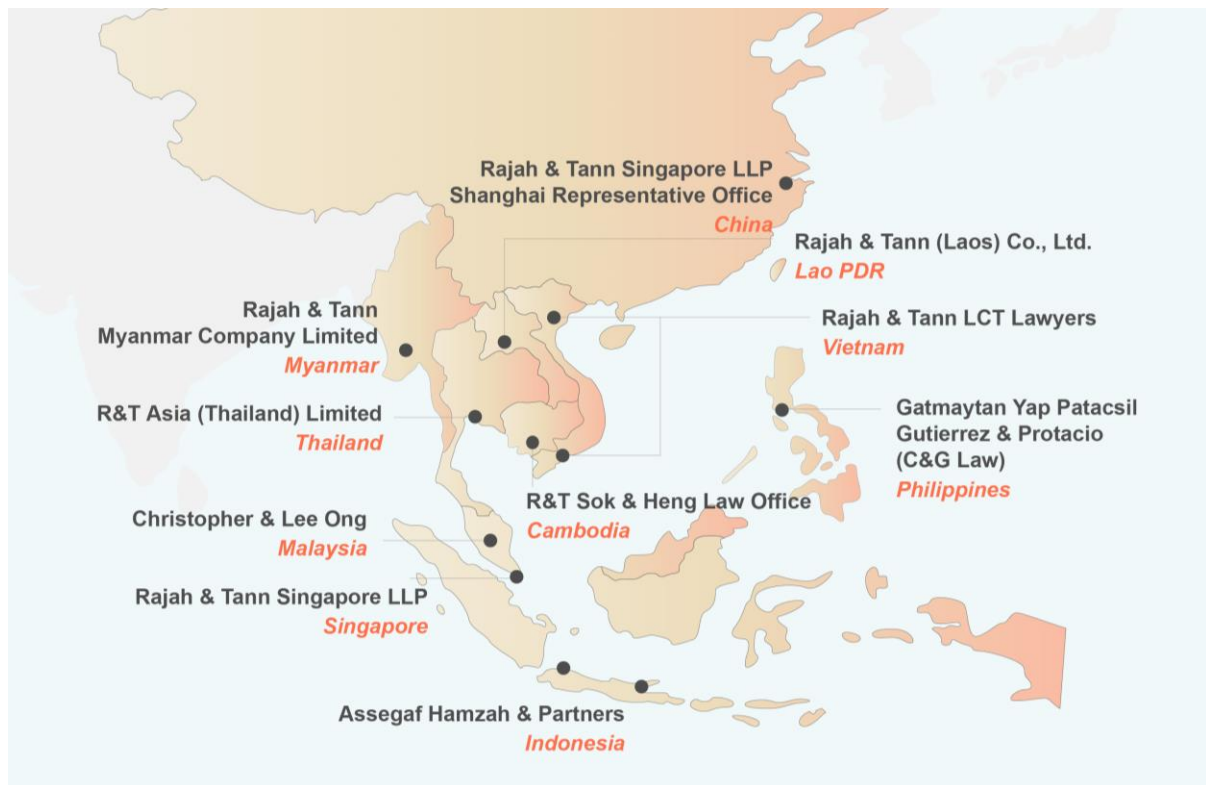
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