



## Indonesia Tax Alert March 2020

### New Fiscal Measures Announced in response to COVID-19

The COVID-19 pandemic has severely affected the global economy, including Indonesia. On 21 March 2020, the Minister of Finance issued Regulation Number 23/PMK.03/2020 (“PMK-23”) introducing a number of tax reliefs designed to support businesses and individuals.

PMK-23 will come into force as from 1 April 2020 and provides the following tax reliefs to certain selected sectors:

Article 21 Employee Income Tax (“EIT”) will be borne by the government;

1. An exemption for Article 22 Income Tax on imports;
2. A 30% reduction of Article 25 Income Tax (“monthly tax installment”); and
3. Preliminary refund of VAT overpayments.

The following table summarizes the reliefs:

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Relief Terms	EIT	Article 22 Income Tax on Imports	Monthly Tax Installments	VAT
<i>Tax relief</i>	<ol style="list-style-type: none"> <li>1. EIT will be borne by the government on income received by employees who fulfil the following criteria: <ol style="list-style-type: none"> <li>a. The income is received from: <ol style="list-style-type: none"> <li>(i) An employer whose Business Classification (<i>Klasifikasi Lapangan Usaha</i> ("KLU")) is included in the list provided in Attachment A of PMK-23 (there are a total of 440 KLUs for manufacturing industries), and the KLU was reported in employer's fiscal year ("FY") 2018 Corporate Income Tax Return ("CITR"); and/or</li> <li>(ii) The employer who is a KITE company (i.e., a company who is entitled to relaxation of conditions for import of goods for export purposes); and</li> </ol> </li> <li>b. The employee has a tax identification number; and</li> <li>c. The annual equivalent of the fixed and regular gross employment income for the month is not more than IDR 200 million</li> </ol> </li> <li>2. The amount of EIT borne by the government must be paid to the employee, and is not regarded as part of the employee's taxable income</li> </ol>	<p>The exemption facility for Article 22 Income Tax on imports will be available to taxpayers that fulfil the following criteria:</p> <ol style="list-style-type: none"> <li>1. The KLU is included in the list provided in Attachment F of PMK-23 (there are a total of 102 KLUs for manufacturing industries), and the KLU was reported in the FY 2018 CITR; and/or</li> <li>2. A KITE company</li> </ol>	<p>A 30% reduction of monthly tax installments for taxpayers who fulfil the following criteria:</p> <ol style="list-style-type: none"> <li>1. The KLU is included in the list provided in Attachment F of PMK-23; and/or</li> <li>2. A KITE company</li> </ol>	<ol style="list-style-type: none"> <li>1. Preliminary VAT refund following low-risk VAT entrepreneur ("PKP") procedures (i.e., one-month refund process) where the PKP fulfils the following criteria: <ol style="list-style-type: none"> <li>a. The KLU is included in the list provided in Attachment F of PMK-23; or</li> <li>b. A KITE company</li> </ol> </li> <li>2. The maximum amount of VAT overpayment stated in the VAT return for which preliminary VAT refund may be made is IDR 5 billion</li> <li>3. The refund request must be submitted by 31 October 2020 at the latest</li> </ol>

Relief Terms	EIT	Article 22 Income Tax on Imports	Monthly Tax Installments	VAT
<i>Period covered under the reliefs</i>	From the fiscal period stated in the notification letter, for which the earliest is April 2020, until September 2020	From the date of issuance of the tax exemption letter ( <i>Surat Keterangan Bebas</i> ("SKB")), for which the earliest date is April 2020, until 30 September 2020	From the fiscal period stated in the notification letter, for which the earliest is April 2020, until September 2020	Applies to original and amended VAT returns for fiscal periods from April to September 2020
<i>How to apply</i>	Submit a notification letter directly to the tax office where the employer is registered	Submit a request letter for SKB directly to the tax office where the taxpayer is registered	Submit a notification letter directly to the tax office where the taxpayer is registered	Request for refund via submission of VAT return
<i>Approval/rejection of tax relief by tax office</i>	The tax office issues a non-eligibility notification letter within five working days if the employer: <ol style="list-style-type: none"> <li>Does not meet the KLU requirement; or</li> <li>Is not a KITE company</li> </ol>	The tax office issues a decision to grant or reject the provision of the exemption facility within three working days	The tax office issues a non-eligibility notification letter within five working days if the taxpayer: <ol style="list-style-type: none"> <li>Does not meet the KLU requirement; or</li> <li>Is not a KITE company</li> </ol>	
<i>Reporting requirement</i>	The employer must submit the EIT borne by the government realization report, enclosed with the tax payment slip ( <i>Surat Setoran Pajak</i> ("SSP")) or billing code print-out stamped/written with "EIT borne by the government as per PMK-23"	Taxpayer must submit the import realization report	Taxpayer must submit the realization report for monthly tax installment reduction	
<i>Reporting deadline</i>	Reports must be submitted to the tax office quarterly by the following dates: <ol style="list-style-type: none"> <li>20 July 2020, for the fiscal period April to June 2020; and</li> <li>20 October 2020, for the fiscal period July to September 2020</li> </ol>			

Based on an initial high-level review of PMK-23, we would make the following observations:

1. The tax reliefs mainly are targeted at selected industrial sectors and are not available for certain sectors that also are directly impacted by COVID-19 (e.g., tourism/hospitality industries as the number of tourists decrease significantly, and other service industries (except for selected repair services eligible for EIT relief)).
2. The notification letters for the tax reliefs for EIT and monthly tax installments have to be submitted directly to the relevant tax office. However, the document submission desk (*Tempat Pelayanan Terpadu* (“TPT”)) currently is closed until 5 April 2020 and no further announcements have been made whether the closure period will be extended.
3. For EIT and Article 22 Income Tax on imports, employers and taxpayers who wish to utilize the tax reliefs under the KLU criteria must already have submitted their FY 2018 CITR. Those who have not, or who registered for their tax ID number after FY 2018 may not be able to meet the KLU criteria.

The tax reliefs generally should ease the cash flow burden for taxpayers affected by COVID-19.

### Further Policy on Tax Compliance Procedures Announced in response to COVID-19

In order to ease the burden on taxpayers caused by COVID-19, the Directorate General of Taxation on 20 March 2020 issued Decision Number KEP-156/PJ/2020 (“KEP-156”), that defines the period between 14 March and 30 April 2020 as a “force majeure” period for tax purposes.

KEP-156 confirms that the tax penalties will not be imposed in the following cases:

Tax Obligation	Tax Payment	Tax Return Filing Deadline
FY 2019 individual Annual Income tax return	Payment period is extended to 30 April 2020	Deadline is extended to 30 April 2020
February 2020 withholding tax returns	No extension	Deadline is extended to 30 April 2020
FY 2019 individual Tax Amnesty reporting	N/A	Deadline is extended to 30 April 2020

Taxpayers should anticipate that late payment or submission after 30 April 2020 will be subject to tax penalties.

KEP-156 also confirms that an extension until 31 May 2020 will be granted for the following applications, where the deadline otherwise would fall between 15 March and 30 April 2020:

1. Tax objections;
2. Second requests for reduction or annulment of administrative sanctions; and
3. Second requests for reduction or cancellation of a Tax Assessment Letter and Tax Collection Letter.

This article should be read in conjunction with [Tax Alert March 2020 – 1<sup>st</sup> edition](#), since the arrangements under the previous Circular Letter remain valid.

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