



## Indonesia Tax Alert November 2021

### Update on tax incentives related to COVID-19 pandemic

Although business sectors in Indonesia have begun to recover from the impact of the COVID-19 pandemic, some sectors still require assistance from the government. As such, on 25 October 2021, the Minister of Finance (MoF) issued Regulation Number 149/PMK.03/2021 (PMK-149) to update MoF Regulation Number 9/PMK.03/2021 that was amended by MoF Regulation Number 82/PMK.03/2021 (PMK-9) (please refer to [Tax Info February 2021](#) and [Tax Alert July 2021](#)). PMK-149 starts come into effect as from 26 October 2021.

PMK-9 provided the following tax incentives for certain business sectors:

- Article 21 employee income tax borne by the government;
- 0.5% final tax for small and medium enterprises borne by the government;
- Article 4(2) final income tax on certain construction services borne by the government;
- Exemption from Article 22 income tax on import;
- 50% reduction of monthly tax installments; and
- Preliminary refund of VAT overpayment.

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PMK-149 does not change the tax incentives or the requirements to qualify for the incentives under PMK-9. However, it expands the number of more Business Classifications (*Klasifikasi Lapangan Usaha* (KLU)) eligible for some of the incentives, as follows:

Topic	Exemption from Article 22 income tax on imports	50% reduction of monthly tax installments	Preliminary refund of VAT overpayment
<i>Number of KLUs eligible for the incentives</i>	Increased from 132 KLUs to 397 KLUs.	Increased from 216 KLUs to 481 KLUs.	Increased from 132 KLUs to 229 KLUs.
<i>Further requirement needed to be fulfilled by KLUs added in PMK-149 to be eligible for the incentives in addition to the requirements specified under PMK-9</i>	The taxpayer must first file a request for a tax exemption letter ( <i>Surat Keterangan Bebas</i> (SKB)) via the Directorate General of Taxation (DGT) online channel. The incentive will apply as from the date the SKB is issued.	To apply the incentive for the October 2021 fiscal period, the taxpayer must file a notification letter via the DGT online channel by 15 November 2021.	The incentive under PMK-149 only applies for VAT returns (including amended returns) for the October to December 2021 fiscal period, and the refund request must be made by 31 January 2022.

PMK-149 also extends the deadline for taxpayers wishing to amend their incentive utilization report for employee income tax borne by the government, the 0.5% final tax for small and medium enterprises borne by the government, or Article 4(2) final income tax on certain construction services borne by the government for the period of January to June 2021, for which the deadline for submitting an amended report is 30 November 2021.

It is recommended that taxpayers who previously did not qualify for the incentives under PMK-9 check whether they are now eligible for the reliefs.

PMK-149 is issued to provide assistance to some business sectors that still need support to recover from the COVID-19 pandemic.

## Promulgation of Law on Harmonization of Tax Regulations

On 29 October 2021, the Draft Law on Harmonization of Tax Regulations (*Harmonisasi Peraturan Perpajakan*) was signed by the Indonesian President as Law Number 7 of 2021 (HPP Law). The provisions in HPP Law come into effect in accordance with the following schedules:

- Income tax provisions: as from fiscal year 2022;
- VAT provisions: as from 1 April 2022;
- Carbon tax provisions: as from 1 April 2022 for coal-fired power plants with a tariff of IDR 30/kg CO<sub>2e</sub>; and
- Other provisions: as from 29 October 2021.

Please refer to our [Tax Info October 2021](#) for key points on provisions on existing tax laws affected by the HPP Law.

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