



Indonesia Tax Alert April 2020

Tax Reliefs for Medical Goods and Activities during the COVID-19 Pandemic

In order to support the quick provision of medicines, medical equipment, and other supplies essential for handling the COVID-19 pandemic, the Minister of Finance (“MoF”) has issued Regulation Number 28/PMK.02/2020 (“PMK-28”). PMK-28 provides tax reliefs in the form of Value Added Tax (“VAT”) facilities and Article 21, 22, and 23 withholding taxes (“WHT”) exemptions to Certain Parties”, and other third parties with whom the Certain Parties transact.

Certain Parties are defined as:

- a. Appointed governmental bodies or institutions (central or local) that handle the COVID-19 pandemic;
- b. Hospitals appointed as referral hospitals for COVID-19 patients; or
- c. Other parties appointed by governmental bodies or institutions, or hospitals to assist in handling the COVID-19 pandemic.

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1. VAT Facilities

PMK-28 defines the following as “essential goods and/or services”:

Taxable Goods	Taxable Services
<ol style="list-style-type: none"> 1. Medicines; 2. Vaccines; 3. Laboratory equipment; 4. Testing kits; 5. Personal protective equipment; 6. Nursing equipment; and/or 7. Other supporting equipment declared necessary to handle the COVID-19 pandemic. 	<ol style="list-style-type: none"> 1. Construction services; 2. Consulting, technical, and management services; 3. Rental services; and/or 4. Other supporting services declared necessary to handle the COVID-19 pandemic.

The VAT facilities available to Certain Parties in relation to the provision of essential goods and/or services are as follows:

Topic	VAT-Not-Collected	Government-Borne VAT	VAT Exempt
Eligible activities	<p>Import of essential taxable goods by Certain Parties</p> <p>Procedures must follow existing regulations</p>	<ol style="list-style-type: none"> 1. Delivery of essential taxable goods and/or services by VATable entrepreneurs (“PKPs”) to Certain Parties, including free gifts; and 2. Utilization within the Customs Area by Certain Parties of essential taxable services from outside the Customs Area. <p>PKPs that deliver essential taxable goods and/or services to Certain Parties must issue VAT invoices, stamped/affixed with the statement “<i>PPN ditanggung Pemerintah Eks PMK 28/PMK.03/2020</i>”.</p>	<p>Import of essential taxable goods used for the utilization of essential taxable services, provided that the importer has obtained a Statement Letter on Utilization of Offshore Taxable Services within Customs Area (<i>Surat Keterangan Jasa Luar Negeri</i> (“SKJLN”)) before importation.</p>
Tax Payment Slip (<i>Surat Setoran Pajak</i> (“SSP”)) requirement		<p>SSP or billing code printout must be stamped/affixed with the statement “<i>PPN ditanggung Pemerintah Eks PMK 28/PMK.03/2020</i>”.</p>	
Reporting requirement		<p>Reports of the reliefs that have been utilized must be submitted quarterly by the following deadlines:</p> <ol style="list-style-type: none"> 1. 20 July 2020 (covering the tax period from April 2020 to June 2020); and 2. 20 October 2020 (covering the tax period from July 2020 to September 2020). 	

2. WHT Exemptions

PMK-28 provides an exemption for the following taxes:

Topic	Article 21 WHT	Article 22 WHT	Article 23 WHT
Eligible activities	Income received by domestic individuals from Certain Parties related to the provision of services essential for handling the COVID-19 pandemic (other than services subject to Article 4 (2) Income Tax).	<ol style="list-style-type: none"> Certain Parties who import goods essential for handling the COVID-19 pandemic; and Sale of goods essential for handling the COVID-19 pandemic to Certain Parties. 	Income received by domestic corporate taxpayers or permanent establishments from Certain Parties related to services that are essential for handling the COVID-19 pandemic.
How to apply		<ol style="list-style-type: none"> Certain Parties who import essential goods automatically are exempt from Article 22 Income Tax by the Directorate General of Customs and Excise. There is no requirement to apply for a tax exemption letter (<i>Surat Keterangan Bebas</i> ("SKB")) Certain Parties who purchase essential goods or sellers of essential goods to Certain Parties who wish to be exempt from Article 22 WHT must apply to the tax office for an SKB via the appropriate channel. The tax office will issue a decision letter within five working days. 	<p>Parties delivering essential services to Certain Parties must apply to the tax office for an SKB via the appropriate channel.</p> <p>The tax office will issue a decision letter within five working days.</p>
Period covered	Tax period from April 2020 to September 2020.	<ol style="list-style-type: none"> For imports, the exemption facility applies from 6 April 2020 to 30 September 2020 For domestic sales exempt from Article 22 WHT under PMK-28, exemption starts from the date of issuance of the SKB (for which the earliest tax period open for the facility is April 2020), until 30 September 2020. 	Starting from the date of issuance of SKB (for which the earliest tax period open for the facility is April 2020), until 30 September 2020.
Reporting requirement	<p>Reports of the exemptions that have been utilized must be submitted quarterly by the following deadlines:</p> <ol style="list-style-type: none"> 20 July 2020 (covering the tax period from April 2020 to June 2020); and 20 October 2020 (covering the tax period from July 2020 to September 2020). 		

On 21 April 2020, the Directorate General of Taxation ("DGT") issued Circular Letter Number SE-24/PJ/2020 ("SE-24") providing implementation guidance for PMK-28. SE-24 provides detailed administrative guidance on how the VAT invoices, SSPs, and tax returns should be completed where the taxpayer utilizes the facilities under PMK-28. SE-24 also provides examples of various transactions that may be eligible for the facilities.

PMK-28 and SE-24 entered into effect as from 6 April 2020. Taxpayers delivering goods and/or services that are essential to handling the COVID-19 pandemic should consider the new tax facilities provided under PMK-28.

Updated Deadlines for Tax Administrative Services during the “Force Majeure” Period Declared in Response to the COVID-19 Pandemic

The COVID-19 pandemic has severely affected the provision of tax administrative services by tax offices. To provide guidance on the provision of such services during the force majeure period declared in response to COVID-19, the MoF issued Regulation Number 29/PMK.03/2020 (“PMK-29”), after which the DGT issued Decision Letter Number KEP-178/PJ/2020 (“KEP-178”).

PMK-29 provides that during the force majeure period, the DGT is authorized to extend the deadline for tax administration processes whose regular deadlines are regulated by MoF regulations, DGT regulations, or circular letters. However, the DGT is not authorized to extend deadlines stipulated by laws, government regulations in lieu of laws, or government regulations; or deadlines for the issuance of letters/certificates from DGT to taxpayers regarding tax administrative services that could be performed online. Furthermore, if the letters/certificates of the tax administrative services expire during the force majeure period, the current letters/certificates remain applicable until the force majeure period ends, at which time the taxpayer may request an extension, or reapply.

Under KEP-178, the deadlines for tax administrative processes during the force majeure period (currently this is set to expire on 29 May 2020, but may be extended further by the Government depending on the situation) are extended as follows:

Regular Processing Deadline	Processing Deadline during COVID-19
One to seven working days	Maximum 15 working days
More than seven working days but less than one month	Maximum one month
One month or more	Unchanged

The above extensions do not apply to services related to:

1. Article 22 Income Tax exemption on imports; or
2. VAT-Not-Collected, and VAT exemption on import of taxable goods.

During the force majeure period, requests for tax administrative services must be submitted electronically. Applications must be signed by taxpayers, either in the form of a hand-written signature, stamped signature, or electronic/digital signature in accordance with the existing regulations on information and electronic transactions.

Temporary Relaxation for Submission of 2019 Annual Income Tax Returns

As a follow-up measure to the issuance of PMK-29, the DGT has also issued Regulation Number PER-06/PJ/2020 (“PER-06”) on 17 April 2020 to provide guidance on the submission of Annual Income Tax Return (“ITR”) for Fiscal Year 2019 (“FY 2019”).

Several salient features related to the submission of FY 2019 ITR covered by PER-06 are:

- a. The signing of ITR;
- b. The deadline for submission of ITR;
- c. The procedures for submission of ITR; and
- d. The simplification of documents and/or information required to be attached to ITR.

1. Signing of ITR

- a. The signature affixed on the ITR can be in the form of hand-written signature, stamped signature, or electronic/digital signature, which all will have the same legal standing.
- b. The digital signature can be in the form of:
 - (i) Electronic certificate issued by the DGT or other authorized electronic certificate issuer;
 - (ii) Verification code issued by the DGT; or
 - (iii) Other electronic signature determined by the DGT.

2. Deadline for submission of ITR

PER-06 confirmed that:

- a. For individual ITR whose original submission deadline falls on 31 March 2020, the submission deadline is extended to 30 April 2020; and
- b. For corporate ITR whose original submission deadline falls on 30 April 2020, the deadline remains the same.

3. Procedures for Submission of ITR

- a. FY 2019 ITR has to be submitted through the following channels:
 - (i) E-filing system;
 - (ii) Post office; or
 - (iii) Courier services.
- b. The postal delivery receipt from post office or courier services is treated as tax return submission receipt.

4. The simplification of documents and/or information required to be attached to ITR

In order to accommodate tax obligation fulfilment during force majeure period, the DGT provides temporary relaxation on the minimum documentation that have to be submitted by 30 April 2020 for certain individual and corporate taxpayers, with the detail as follows:

FY 2019 Individual ITR	FY 2019 Corporate ITR
<ul style="list-style-type: none">1. Form 1770 and 1771-I;2. Simplified balance sheet (using the format provided in PER-06); and3. Settlement receipt of income tax underpayment (if applicable).	<ul style="list-style-type: none">1. Form 1771 and Attachment 1771-I to 1771-VI;2. Special Attachment on Transcript of Financial Statements (if the Financial Statements are unaudited or the audit is in process); and3. Settlement receipt of income tax underpayment (if applicable).

Taxpayers who wish to submit their FY 2019 ITR with minimum documentation as mentioned above will have to inform the tax office prior to the submission of the ITR, preferably through online channel.

The temporary relaxation facility above is not applicable for:

- 1. Taxpayers who submit FY 2019 ITR with overpayment position and request for preliminary refund; or
- 2. Taxpayers who submit FY 2019 ITR after 30 April 2020.

Nevertheless, taxpayers who have utilized the temporary relaxation facility above are still required to submit the rest of the required documentation/information (i.e. audited financial statements and/or other documents required for ITR submission) by 30 June 2020 through amendment to FY 2019 ITRs. If the taxpayers fail to submit an amendment to FY 2019 ITRs or the documentation submitted along with the amended FY 2019 ITRs are incomplete, the DGT may deem their FY 2019 ITR as not yet submitted and will impose administrative sanction accordingly.

Further Extension of COVID-19 Prevention Period in the Tax Court and Supreme Court

On 21 April 2020, the Tax Court issued Circular Letter Number SE-05/PP/2020 to extend the COVID-19 prevention period in the Tax Court, initially from 17 March 2020 to 21 April 2020 (please refer to [Tax Alert March 2020](#) and [Tax Alert April 2020 – 2nd edition](#)), to 13 May 2020. All other arrangements under SE-03/PP/2020 are unchanged.

The Supreme Court issued Circular Letter Number 3 Year 2020, extending the prevention period in the Supreme Court also until 13 May 2020.

Further Extension of COVID-19 Prevention Period in the DGT

On 17 April 2020, the DGT issued Circular Letter Number SE-23/PJ/2020 (“SE-23”) to extend the COVID-19 prevention period in relation to the implementation of the DGT’s services that previously was governed by Circular Letter Number SE-13/PJ/2020, as amended by SE-21/PJ/2020. SE-23 extends the prevention period to 29 May 2020. During this period, the services available in tax offices that require direct contact will continue to be limited (please refer to [Tax Alert March 2020](#) for the list of tax office services affected by the prevention measures).

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