

Client Update: Taxation Law

28 April 2020

Tax incentive relief for certain businesses affected by Covid-19 crisis

On 23 March 2020, the Indonesian Minister of Finance (**MoF**) issued Regulation Number 23/PMK.03/2020 of 2020 on Tax Incentives for Taxpayers Affected by the Coronavirus Outbreak (**MoF 23**) in response to the rapidly evolving Covid-19 situation. MoF 23 sets out tax incentives for qualified taxpayers in certain industries to help them overcome the immediate challenges presented by the crisis, including cash flow concerns.

These incentives and their requirements are set out below.

| Tax Incentive | Eligibility | Procedure | Notes |
|---|---|--|---|
| <p>Article 21 income tax relief for employees in certain businesses for the period April 2020 until September 2020.</p> | <p>Employees with a valid tax identification number and a gross annualized regular gross income not exceeding IDR 200 million (approximately 12,500 USD), who:</p> <ul style="list-style-type: none"> are employed by an employer operating within certain business classification codes (<i>Klasifikasi Lapangan Usaha, KLU</i>), including the food and beverage, trade, electricity, oil and gas, mining and coal, forestry, tourism and the creative economy, telecommunications, logistics, transportation and construction sectors; and/or work for a qualified small or medium-sized entrepreneur that has obtained an "Ease of Imports for Export Purpose" facility for Small and Medium Entrepreneurs (<i>Kemudahan Import Tujuan Ekspor – Industri Kecil dan Menengah, KITE</i>). | <p>The employer is required to submit a written notice to the relevant Tax Office head (with appropriate attachments).</p> <p>The Tax Office head will notify the employer if it is ineligible for the tax incentive within five working days.</p> | <p>The incentive will run from the fiscal month in which the written notice was first submitted through until September 2020.</p> <p>The employer must submit an Article 21 "realisation report" to the Tax Office.</p> |
| <p>Exemption of Article 22 import tax for the period April 2020 until</p> | <p>Taxpaying entities (Taxpayers) that:</p> <ul style="list-style-type: none"> are operating within certain KLU, including the food | <p>The Taxpayer is required to submit a <u>written application to obtain a tax exemption letter</u> (<i>Surat</i></p> | <p>The incentive takes effect starting from the Exemption Letter</p> |

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| September 2020. | and beverage, trade, electricity, oil and gas, mining and coal, forestry, tourism and the creative economy, telecommunications, logistics, transportation and construction sectors; and/or <ul style="list-style-type: none"> • have KITE status, (together, Article 22 Eligible Taxpayers) | <p><u>Keterangan Bebas, Exemption Letter</u>) to the Tax Office (with appropriate attachments).</p> <p>The Tax Office approve/reject the Exemption Letter within three business days.</p> | <p>issuance date until 30 September 2020.</p> <p>The Taxpayer is required to submit an Article 22 “realisation report” to the Tax Office every three months.</p> |
| 30% reduction of Article 25 estimated corporate income tax payment for the period April 2020 until September 2020. | The same eligibility criteria as Article 22 Eligible Taxpayers. | <p>The Taxpayer must submit a <u>written notice</u> to the Tax Office head expressing its intention to reduce the company’s estimated corporate income tax.</p> <p>The Tax Office is required to respond within five business days if the company is ineligible to receive the Article 25 incentive.</p> | <p>The incentive is effective starting from the fiscal period in which the written notification is submitted until September 2020.</p> <p>The Taxpayer is required to submit an Article 25 “realisation report” to the tax office every three months.</p> |
| Payment of VAT refunds in advance. | Article 22 Eligible Taxpayers who file a VAT Overpayment Report (<i>SPT Masa PPN LB, VAT Report</i>) in which the refund amount does not exceed IDR 5 billion (approximately USD 320,000). | The Taxpayer is required to submit a VAT report (with appropriate attachments). | <p>The incentive is effective for six months, from April 2020 until September 2020.</p> <p>The Taxpayer is required to submit an application for the decree of a preliminary return of excess tax/tax overpayment (<i>Surat Keputusan Pengembalian Pendahuluan Kelebihan Pajak, SKPPKP</i>).</p> <p>The Tax Office will issue a notification or, SKPPKP to the Taxpayer, no later</p> |



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| | | | than one month after receiving a completed application from the Taxpayer. |

S&T has been publishing regular updates on legal and regulatory aspects of the Covid-19 crisis on our website at www.soemath.com.

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If you would like to discuss any aspect of this update or your industry activities or plans, please feel free to contact us.



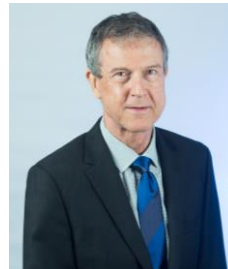
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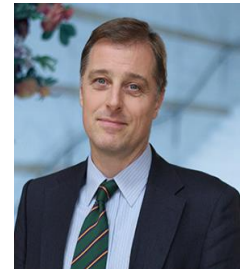
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