

May 2020

- Minister of Finance Regulation No. 44/PMK.03/2020
- Director General of Tax Circular Letter SE-29/PJ/2020



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Regulation No.
44/PMK.03/2020
and
Director General of Tax
Circular Letter SE-
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To further lighten the adverse effects of the COVID-19 pandemic, the tax incentives offered under Minister of Finance Regulation No. 23/PMK.03/2020 (“MoF-23”) have been expanded under MoF Regulation No. 44/PMK.03/2020 (“MoF-44”) to include a greater number of taxpayers.

MoF-44, issued on 27 April 2020, also provides an additional incentive for small and medium enterprises. (See our News Alert No. 2 for details of MoF-23.) DGT Circular Letter SE-29/PJ/2020, issued on 30 April 2020, provides further guidance on the procedures and reporting requirements of MoF-44.

Incentives

The incentives under MoF-44 are essentially the same as under MoF-23, with one addition:

1. Article 21 Employee Income Tax: Employee income tax payable on the regular and fixed income received by employees who earn less than IDR 200 million annually is borne by the government.
2. Final income tax of 0.5% for taxpayers with annual gross income of no more than IDR 4.8 billion (based on Government Regulation No. 23/2018) is borne by the Government. **new**
3. Article 22 Income Tax on Imports: Taxpayers are granted an exemption from this tax.
4. Article 25 Monthly Corporate Income Tax: The income tax installment is reduced by 30%.
5. Value Added Tax: A VATable taxpayer (PKP) can apply for a preliminary refund as a low-risk PKP.

To apply for these incentives, the taxpayer submits an on-line application or notification. The above incentives apply through the September 2020 tax period and the taxpayer must submit periodic realization reports.

Taxpayers eligible for incentives

The above incentives are provided to qualifying taxpayers which meet one of the following criteria:

- It has a business classification (*Klasifikasi Lapangan Usaha* (“KLU”)) listed in the applicable appendix (A, I, or N) to the regulation;
- It is a KITE (*Kemudahan Impor Tujuan Ekspor*) company; or
- It has a license as a bonded zone operator, a bonded zone entrepreneur, or entrepreneur in a bonded zone (PDKB). **new**

The industries which may take advantage of these incentives have been expanded from those under MoF-23 (Art. 21 expanded from 440 to 1,062 KLUs; Art. 22 expanded from 102 to 431 KLUs; Art. 25 expanded from 102 to 846 KLUs).

The list of specific KLU codes is extensive and now includes certain businesses in the following categories:

| KLU categories for Art. 21 employee income tax and Art. 25 corporate income tax incentives | KLU categories for Art. 22 tax on imports incentive |
|---|--|
| <ul style="list-style-type: none"> ▪ Agriculture, Forestry and Fishery ▪ Mining and Excavation ▪ Processing Industry ▪ Procurement of Electricity, Gas, Steam/Hot Water and Cold Air ▪ Procurement of Water, Garbage Treatment and Recycle, Waste and Garbage Disposal and Cleaning ▪ Construction ▪ Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorbikes ▪ Transportation and Warehouse ▪ Furnishing of Accommodation and Furnishing of Meal/Drink ▪ Information and Communication ▪ Financial and Insurance Service ▪ Real Estate ▪ Professional, Scientific, and Technical Service ▪ Rental, Manpower, Travel Agency, and Other Business Supporting Service ▪ Education Service ▪ Health and Social Activity Service ▪ Culture, Entertainment and Recreation ▪ Other Service Activities | <ul style="list-style-type: none"> ▪ Agriculture, Forestry and Fishery ▪ Mining and Excavation ▪ Processing Industry ▪ Procurement of Electricity, Gas, Steam/Hot Water and Cold Air ▪ Procurement of Water, Garbage Treatment and Recycle, Waste and Garbage Disposal and Cleaning ▪ Construction ▪ Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorbikes ▪ Transportation and Warehouse ▪ Real Estate |

KLU

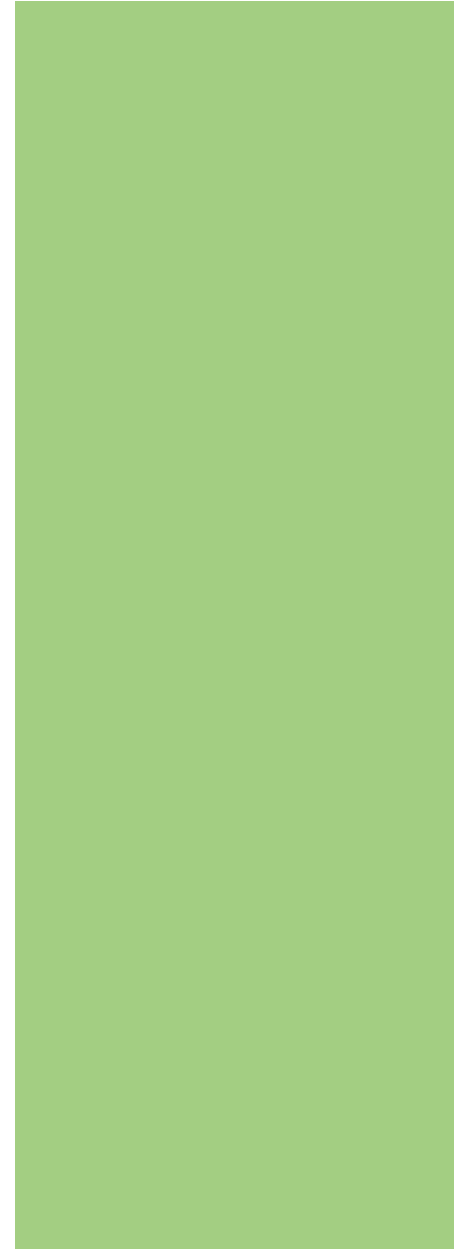
Cases where the KLU of the employer or the taxpayer do not reflect the correct KLU or type of business may be due to:

- Not providing the KLU code in the 2018 CIT return
- Not having submitted the 2018 CIT return
- Incorrectly stating the KLU code in the 2018 CIT return

If an employer or taxpayer believes it qualifies for the KLU or type of business under MoF-44, the employer/taxpayer can change the KLU by submitting an amendment to the 2018 CIT return (if already submitted), as long as the return has not been audited. If a tax audit has been started or completed, the employer/taxpayer can submit a notification of change of identity to change the KLU code.

Other

- MoF-44 revokes MoF-23.
- Taxpayers who have already submitted the necessary notification or application for the Article 21, 22 or 25 incentives under MoF-23 do not need to resubmit or reapply.
- Taxpayers who have been granted a tax incentive under MoF-23 can continue to take advantage of the incentive.



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