



**July 2020**

- Minister of Finance Regulation No. 86/PMK.03/2020
- Director General of Tax Regulation 11/PJ/2020

**COVID-19 Tax Incentives (Minister of Finance Regulation No. 86/PMK.03/2020)**

Minister of Finance Regulation No. 86/PMK.03/2020 (“MoF-86”), regarding tax incentives to help alleviate the impact of COVID-19, increases the types of taxpayers who can take advantage of the tax incentives offered under MoF Regulation No. 44/PMK.03/2020 (“MoF-44”). (See our News Alert No. 4/2020 for details of MoF-44.) MoF-86 was issued on 16 July 2020 and extends the incentive period from September to December 2020.

Highlights of the incentives and changes are set out below.

**Summary of Incentives**

The type of incentives are the same as under MoF-44:

- 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.
- 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.
- Article 22 Income Tax on Imports: Taxpayers are granted an exemption from this tax.
- Article 25 Monthly Corporate Income Tax: The income tax installment is reduced by 30%.
- Value Added Tax: A VATable entrepreneur (“PKP”) can apply for a preliminary refund as a low-risk PKP.

Taxpayers in industries which may take advantage of these incentives have been expanded. The eligible business classifications (*klasifikasi lapangan usaha* (“KLU”)) are listed in the applicable attachment to MoF-86.

Tax Incentive	Number of Eligible Industries (KLUs)		Attachment and Examples of Added KLU Categories
	MoF-44	MoF-86	
Art. 21	1,062	1,189	Attachment A: life insurance, legal and accounting services
Art. 22	431	721	Attachment H: tobacco processing, various food and beverage industries, various sectors in wholesale and retail trade
Art. 25	846	1,013	Attachment M: tobacco processing, various food and beverage industries, various sectors in wholesale and retail trade, legal and accounting services
VAT	431	716	Attachment P: tobacco processing, various food and beverage industries, various sectors in wholesale and retail trade

Similar to the obligation mentioned in MoF-44, monthly realization reports must be submitted by the 20th of the following month for all incentives except VAT.

### Other

1. MoF-86 revokes MoF-44.
2. Taxpayers who have already submitted the necessary notification or application for the Article 21, 22 or 25 incentives under MoF Regulation No. 23/PMK.03/2020 (“MoF-23”) or MoF-44 do not need to resubmit or reapply. Taxpayers who have been granted a tax incentive under MoF-23 or MoF-44 can continue to take advantage of the incentive until December 2020.

However, it should be noted that the current online Article 22 exemption letter issued by the DGT (SKB/*surat keterangan bebas*), which is required by the customs office at the time of importation, states it is valid until September 2020. Although it is expected this form will be changed to be in accordance with MoF-86, in practice, a taxpayer should consider submitting a new application to extend the validity period until 31 December 2020 in order to ensure that the exemption also applies on imports after September.

Centralization for VAT administration purposes is allowed for VATable entrepreneurs/PKP with more than one place of business where VAT is collected. In order to provide greater legal certainty and better administration, Director General of Tax Regulation No. 11/PJ/2020 (“DGT-11”) changes some of the VAT centralization rules provided under DGT Regulation No. 19/PJ/2010 (“DGT-19”). DGT-11 also revokes DGT-19.

Highlights of the main changes, which take effect 1 July 2020, are discussed below.

1. New applications or changes to business locations to be centralized are **to be submitted electronically** to the head of the regional tax office where VAT is to be centralized, with a copy to the head of the tax service office in each registered VAT location to be centralized. If electronic submission is not available, the application can be submitted manually.
2. DGT-11 expands the number of locations where VAT centralization is not permitted. These are now:
  - Bonded stockpiling areas, including bonded zones
  - Special economic zones
  - Free trade zones (*new*)
  - Other locations with tax facilities (*new*)
  - Locations with KITE (*kemudahan impor tujuan ekspor*) facilities
  - Locations for business activities in the field of transfer of land or buildings (*new*)

In addition, VAT centralization does not apply to a place which has no business activities and/or does not carry out delivery (sales) and financial administration.

3. A five-year validity period is no longer stated for a new application, suggesting that centralization applies indefinitely under the new regulation.
4. A PKP which has already obtained VAT centralization approval must submit a “re-notification” (*pemberitahuan kembali*) electronically to the regional tax office by 31 December 2020 in order to obtain the VAT centralization approval under DGT-11. Below are the validity periods for PKPs which apply for re-notification and for those which do not apply.

Situation	Validity Period	
	Re-notification submitted by 31 December 2020	No re-notification submitted
A PKP with an unexpired VAT centralization approval based on DGT-19	Issued a new decision applicable retroactively from the date of the existing decision	Valid until the existing expiration date
A PKP with an unexpired VAT centralization approval, or one which will expire during the Covid-19 pandemic period, which was automatically extended based on MoF Regulation No. 29/PMK.03/2020	Issued a new decision applicable retroactively from the month the existing decision was automatically extended	Valid for 5 years from the month of the existing expiration date
A PKP whose VAT centralization decision expired in January or February 2020	Issued a new decision applicable from the date the existing decision expires	Valid until the existing expiration date

Taxpayers with an existing VAT centralization approval should submit the re-notification using the standard form attached to DGT-11 before the end of the year.

**For additional information, please contact us:**

**Sony B. Harsono**, Managing Partner  
sony.harsono@harsono-strategic.com

**Dwi Ary Retnani**, Senior Partner  
dwiary.retnani@harsono-strategic.com

**Julius Hardianto**, Senior Partner  
julius.hardianto@harsono-strategic.com

**Suhartono Maridjan**, Senior Partner  
suhartono.maridjan@harsono-strategic.com

**Budi Harnata**, Partner  
budi.harnata@harsono-strategic.com

**Richard William**, Partner  
richard.william@harsono-strategic.com

**Roedy Andrianto**, Director  
roedy.adrianto@harsono-strategic.com

**Terri Shreve**, Technical Advisor  
terri.shreve@harsono-strategic.com

**Toshihiro Asai**, Technical Advisor  
toshihiro.asai@harsono-strategic.com



**Harsono Strategic Consulting**  
Sudirman Plaza, Plaza Marein 9th Floor  
Jl. Jend. Sudirman Kav. 76-78  
Jakarta 12910, Indonesia  
ph. +62 21 5793 6777  
fax. +62 21 5793 6778  
[www.harsono-strategic.com](http://www.harsono-strategic.com)