

## Further extension of tax incentives in response to COVID-19 crisis



The Minister of Finance ("MoF") issued MoF Regulation No 9/PMK.03/2021 ("PMK-9"), dated 2 February 2021. PMK-9 expands the business sectors that are eligible to obtain the COVID-19 tax incentives, and extends the tax incentives period by six months, through to 30 June 2021.

PMK-9 replaces MoF Regulation No 86/PMK.03/2020 ("PMK-86"), which was amended by MoF Regulation No 110/PMK.03/2020 ("PMK-110") regarding the tax incentives given to taxpayers impacted by the COVID-19 crisis.

**PMK-9 is effective on the date of issue.**

Taxpayers should review the full list of eligible industry codes<sup>1</sup>, to determine whether they are now eligible for incentives, under the third expansion of business sectors.

### A. Tax incentives given under PMK-9

The tax incentives given under PMK-9 are essentially the same as tax incentives given by PMK-86 as amended by PMK-110<sup>2</sup>, which are:

1. Article 21 income tax (withholding from salaries etc.) that is 100% borne by the Government ("DTP"). The eligible business sectors under PMK-9 are still the same 1,189 sectors listed in PMK-110;
2. Exemption on Article 22 withholding tax ("WHT") on imports. There are now 730 eligible business sectors, up from 721 business sectors under PMK-110;
3. 50% reduction on Article 25 monthly income tax installments. There are now 1,018 eligible business sectors, up from 1,013 business sectors under PMK-110;
4. Accelerated preliminary refund for overpaid VAT, which is deemed as a low risk VAT-able Entrepreneur. There are now 725 eligible business sectors, up from 716 business sectors under PMK-110;

<sup>1</sup> Please see complete list of industry sector codes in: 60b9e432-e111-4a92-a65f-7e760bb67750 (kemenkeu.go.id)

<sup>2</sup> Please kindly refer to our tax alert: Extension of tax incentives in response to COVID-19 crisis dated 3 August 2020.

5. Final income tax based on Government Regulation No 23/ 2018 ("GR-23) borne by the Government ("Final income tax DTP"); and
6. Final income tax for construction services income received by taxpayers under the program to accelerate the improvement of irrigation water use ("P3-TGAI") borne by the Government ("Construction service final income tax DTP").

## B. Transitional provisions

At the time PMK-9 is enacted:

1. An employer or a taxpayer that has submitted a notification to utilize the Article 21 income tax DTP and/ or a reduction on Article 25 monthly income tax installments and/ or has submitted an application to obtain an tax exemption letter ("SKB") on Article 22 WHT on imports based on:
  - a) MoF Regulation No 23/ PMK.03/2020 ("PMK-23");
  - b) MoF Regulation No 44/PMK.03/2020 ("PMK-44"); and/ or
  - c) PMK-86 as amended by PMK-110;

is required to re-submit its application and/or notification based on PMK-9 to utilize the Article 21 income tax DTP, reduction on Article 25 monthly income tax installments and/ or Article 22 WHT on imports incentives.
2. An employer that has submitted a notification to utilize the Article 21 income tax DTP based on PMK-23, PMK-44 and/ or PMK-86 as amended by PMK-110 but has not yet submitted its realization report, can submit its realization report no later than 28 February 2021 to utilize Article 21 income tax DTP for fiscal year 2020.
3. Taxpayer with certain annual gross turnover (i.e. SME businesses subject to 0.5% final income tax) that has not yet submitted its realization report on Final income tax DTP based on PMK-86 as amended by PMK-110, can submit its realization report no later than 28 February 2021 to utilize Final income tax DTP for fiscal year 2020.
4. A tax withholder that has not yet submitted a Construction service final income tax DTP realization report based on PMK-86 as amended by PMK-110, can submit its realization report no later than 28 February 2021 to utilize Construction service final income tax DTP for fiscal year 2020.
5. An employer, a taxpayer, or a tax withholder, which did not submit its realization reports as stated in item B (2), B (3) and B (4) cannot utilize Article 21 income tax DTP, Final income tax DTP, or Construction service final income tax DTP for tax periods that have not been reported in fiscal year 2020.
6. An employer or a taxpayer can utilize Article 21 income tax DTP and reduction on Article 25 monthly income tax installments incentives from January 2021 by submitting a notification to utilize Article 21 income tax DTP and reduction on Article 25 monthly income tax installments no later than 15 February 2021.
7. PMK-86 as amended by PMK-110 is revoked and no longer valid.

## Our Values

### Who we are:

At EY, everything starts with our people:

- ▶ People who demonstrate integrity, respect and teaming.
- ▶ People with energy, enthusiasm and the courage to lead.
- ▶ People who build relationships based on doing the right thing.

## Our Purpose

At EY, our purpose is **Building a better working world.**

We believe a better working world is one where economic growth is sustainable and inclusive. We work continuously to improve the quality of all of our services, investing in our people and innovation - to use our knowledge, skills and experience to fulfill our purpose and create positive change.

## Sectors we serve in Indonesia

- ▶ Advance Manufacturing & Mobility
- ▶ Banking & Capital Market
- ▶ Insurance
- ▶ Wealth & Asset Management
- ▶ Government & Public Sector
- ▶ Health Science & Wellness
- ▶ Mining & Metals
- ▶ Oil & Gas
- ▶ Power & Utilities
- ▶ Private Equity
- ▶ Real Estate, Construction & Hospitality
- ▶ Technology, Media & Entertainment, Telecommunication (TMT)
- ▶ Agribusiness & Plantation
- ▶ Retail

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