

## Income tax

# Super deduction facility rolled out for apprenticeship programs

Qualifying apprenticeship programs (QAPs) carried out by taxpayers engaged in certain industry sectors may soon get the super deduction facility provided by the Government recently. Details of the privileged sectors are set out in Minister of Finance Regulation (MoF) No. 128/PMK.010/2019 (PMK 128) issued in early September which broadly include manufacturing (construction, chemical, electronics, machinery, ship buildings, etc.), health, agribusiness, tourism and creative industry, and digital economy.

Apprenticeship is just one of the four strategic priorities encouraged by the Government through Regulation No. 45/209 (GR 45) which include investments in pioneer industries, R&D activities in Indonesia, and labor-intensive investments, to be carried out by taxpayers to get the facility (ITNH No. 5/2019). The other three priorities along with the features of the respective tax incentives may soon be addressed in other separate MoF regulations.

The tax facility attached to a QAP is an extra deduction of up to 100% of the apprenticeship program cost spent by the taxpayer. The cost not only covers compensation payable to the apprentices, but also includes the depreciation expense of the assets used for the program, instructors expenses, and the materials consumed for the program. An allocation method applies if an asset is used for the program and for normal operational activities of the taxpayer.

The extra deduction is applicable only to the extent that the taxpayer carrying out the QAP generates (fiscal) profit in the year concerned. Incurrence of fiscal loss may trim the claimable extra deduction. To put in a nutshell, if a claim of the extra deduction would lead a taxpayer to a loss position, only an amount of up to the nil profit/loss position is claimable as an extra deduction. The actual QAP cost, though, remains fully deductible.

To qualify as a QAP, an apprenticeship program should satisfy certain criteria. First, the program should be available only for students or instructors of vocational high school or diploma universities with programs aligned with the privileged sectors. Non-student individuals may join the program only through government institutions overseeing labor force trainings. Second, a cooperation agreement should be in place between the taxpayer and relevant high school or universities concerned setting out details of the apprenticeship program. Third, the taxpayer should submit a notification to the Government of its participation in the program through the online single submission (OSS) before the commencement of the program. The cooperation agreement and the applicable tax clearance certificate should be attached to the notification letter. Immediate response will be issued by the OSS system to you. If the OSS is unreachable, the notification it to be addressed to the Director General of Taxes (DGT). Finally, a summary of the actual QAP costs should be submitted to the DGT together with the submission of your annual corporate income tax return. Missing any of the requirements may result in the denial of the facility.

PMK 128 has come into force right now in September 2019.

## WHT 23/26 obligations

# End-to-end e-compliance – mandatory for certain taxpayers

When it comes to WHT obligations, reference should be made to DGT Reg. No. PER-53/PJ/2009 (Reg. 53). It governs the WHT return and WHT slip format of all WHT obligations provided by the Income Tax Law other than payroll tax (WHT 21). These include WHT 4(2), WHT 15, WHT 22, and WHT 23/26. Each WHT return consists of one main tax notification letter and at least two supplementary schedules for the relevant WHT slips made during the month and the corresponding WHT payments. While companies (taxpayers) are left free as withholding agents to produce their own forms including WHT slips, all should be patterned after the models specified in Reg. 53, and crucially be scanner-readable.

In March 2017, the DGT issued Reg. No. PER-04/PJ/2017 (Reg. 04) to deal specifically with WHT 23/36 compliance. The WHT return and WHT slip format change a little from that of Reg 53. There is also refinement of the procedure to revise WHT 23/26 returns.

Though there is a limited room to stay with the conventional mode of compliance (using hard copy documents manually), Reg. 04 aims to adopt end-to-end e-compliance system for WHT 23/26 obligations from preparing WHT slips and

supplementary schedules to preparing WHT returns and filing. The system is supported by *e-Bupot* application which taxpayers can download from the DGT website. However, instead of requiring *all* taxpayers to move to the new system, it sets just a limited target of taxpayers, possibly as pioneers, i.e., taxpayers registered with certain tax service offices (KPPs) (Fig. 1). Even so, the targeted taxpayers were not called upon once altogether but rather in phases using a series of DGT decrees.

**Tax offices (KPPs) the taxpayers of which are targeted for PER- 04/PJ/2017-governed WHT 23/26 compliance**

Fig. 1

1. Large Tax Office 1 (LTO 1)	10. PMA 6 Tax Office
2. Large Tax Office 2 (LTO 2)	11. Go Public Tax Office
3. Large Tax Office 3 (LTO 3)	12. "Badora" Tax Office
4. Large Tax Office 4 (LTO 4)	13. Oil & Gas Tax Office
5. PMA 1 Tax Office	14. Middle Tax Office – Central Jakarta
6. PMA 2 Tax Office	15. Middle Tax Office – Western Jakarta
7. PMA 3 Tax Office	16. Middle Tax Office – Southern Jakarta
8. PMA 4 Tax Office	17. Middle Tax Office – Eastern Jakarta
9. PMA 5 Tax Office	18. Middle Tax Office – Northern Jakarta

At the outset, Reg. 04 started only with 15 taxpayers. By the passage of time, lots of the targeted taxpayers were called upon one after another. (ITNH 4/2019). Another lot have just been added by the DGT through DGT Decree. No. KEP 599/PJ/2019 issued on 5 September 2019 (Decree 599) based on which, by **October 2019**, all targeted taxpayers registered with the targeted KPPs (Fig. 1). Taxpayers not required to move to the new system, despite being registered with targeted KPPs, are those not qualified as VATable companies. KEP 599 PJ/2019 also cancelled the appointment of 27 companies as WHT 23/26 withholders.

Please note that to perform end-to-end e-compliance for your tax obligations, your will need to have a digital certificate. So, please ensure you have got one if you are one of the taxpayers called upon to move to the new WHT 23/26 compliance system governed by Reg. 04.

Though not required to adopt the end-to-end e-compliance, as far as WHT 23/26 is concerned, if you are registered with the targeted KPPs, two provisions of Reg. 04 are binding on you: WHT return and WHT slip format and WHT return revisions. Other provisions should follow Reg. 53. With regard to other

taxpayers not registered with the targeted KPPs, reference should be made to Reg. 53 for all aspects of WHT 23/26 obligations.

**PT PreciousNine Consulting**

Cyber 2 Tower, 18th Floor  
Jl. HR Rasuna Said Blok X-5 Kav. 13,  
Jakarta Indonesia  
Phone: +62 21 5799 8778, +62 21 2935 2500

**Your PreciousNine Contacts**

Anindita Hayuningtyas  
[anindita.hayuningtyas@preciousnine.com](mailto:anindita.hayuningtyas@preciousnine.com)

Fillyanto Sembiring  
[fillyanto.sembiring@preciousnine.com](mailto:fillyanto.sembiring@preciousnine.com)

Lili Tjitadewi  
[lili.tjitadewi@preciousnine.com](mailto:lili.tjitadewi@preciousnine.com)

Martias  
[martias@preciousnine.com](mailto:martias@preciousnine.com)

Noviana Tan  
[noviana.tan@preciousnine.com](mailto:noviana.tan@preciousnine.com)

Randy Adirosa  
[m.adirosa@preciousnine.com](mailto:m.adirosa@preciousnine.com)

Dian Kusuma  
[dian.kusuma@preciousnine.com](mailto:dian.kusuma@preciousnine.com)

Inge Jahja  
[inge.jahja@preciousnine.com](mailto:inge.jahja@preciousnine.com)

Lina Rosmiana  
[lina.rosmiana@preciousnine.com](mailto:lina.rosmiana@preciousnine.com)

Nandha  
[nandha@preciousnine.com](mailto:nandha@preciousnine.com)

Nuryadi Mulyodiwarno  
[nuryadi.mulyodiwarno@preciousnine.com](mailto:nuryadi.mulyodiwarno@preciousnine.com)

Robertus Winarto  
[robertus.winarto@preciousnine.com](mailto:robertus.winarto@preciousnine.com)

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