

Covid-19 and tax

Incentives available for certain industries

The Government recently announced a tax incentives package for certain taxpayers hampered by the severity of covid-19 outbreak in MoF regulation No. 23/PMK.03/2020 (PMK 23) issued on 23 March 2020, consisting of:

- Government-borne employee income tax (WHT21) for employees with a maximum annualized gross regular income or Rp200 million
- Article 25 (PPh 25) reduction by 30% of the amount otherwise due;
- Import tax (PPh 22) exemption; and
- Early VAT refund.

The incentives are available only for certain companies (taxpayers) which:

- Engage in certain industries specified by PMK 23, mostly manufacturing sectors, to be justified by the business area code ("KLU") designated to the company concerned; and/or
- Have a "KITE" facility, i.e. an import facility for export-oriented companies.

PMK 23 provides as attachments the relevant lists of KLUs to confirm eligibility. However, questions about the appropriate KLU for the incentives abound as there has been inconsistency between the KLU a company actually has and the one reported in its corporate income tax return.

The DGT circular letter of No. SE-19/PJ/2020 (SE 19) issued on 31 March 2020 sets out the implementing procedures for PMK 23 and clarifies certain issues including the questions on the appropriate KLU. A FAQs corner regarding the tax incentives is also provided by the DGT on its website (www.pajak.go.id).

What follows is some highlights of the above materials.

Appropriate KLU

By default, it must be the KLU stated in the 2018 corporate income tax return (CITR) filed with the tax office. If you believe you have stated an incorrect KLU in the CITR or have not stated any, you will need to revise your CITR with the correct KLU stated therein. If you have not filed the 2018 CITR, then you need to file it immediately stating therein the correct KLU.

If your 2018 CITR has been or being audited by the tax office, you can no longer revise the CITR. If you believe the CITR did not state the correct KLU, you will need to request a change of KLU through a Taxpayer Data Update application. In this regard, reference for the correct KLU should be made to the taxpayer master file (held by the DGT).

There could yet be a situation where inconsistency persists between KLU stated in the 2018 CITR, the one covered in the master file, and the one stated in the Taxpayer Registration Certificate (“*Surat Keterangan Terdaftar*”). In such a situation the DGT is to rectify the KLU by its official authority (ex-officio).

To avoid missing out on some parts of the tax incentives, any of the above measures (filing or revising 2018 CITR or applying for Taxpayer Data Update) should be done as soon as possible in April 2020. This is because any tax incentive will take into effect only from the month you file a relevant notification or the date of the relevant certificate.

Incentives available and applicable periods

Incentive	Remarks
1. Government-borne WHT21	<ul style="list-style-type: none"> • Ultimate beneficiaries are registered employees (with NPWP) with a maximum annualized <i>regular</i> gross income, including overtime but excluding THR allowance, of IDR200 million. • Companies (Employers) submit a notification to the DGT through the DGT online that it will take the benefit of PPh 21 incentive. • The company who has submitted such notification, is required to prepare tax payment slip with note “PPh 21 borne by the Government ex PMK No. 23/PMK/2020”. • Each of a company units (head office, branches), has to pursue separately in accordance to which units the eligible employees belong. • Applicable starting from period of the submission of the notification until to September 2020
2. PPh 25 reduction	<p>Monthly installment is cut by 30% of the amount legally due for each month, which can be:</p> <ul style="list-style-type: none"> • PPh 25 as per the submitted 2019 corporate income tax return (CITR); • PPh 25 for December 2019 if the 2019 has not yet been submitted; • Reduced PPh 25 installment based on DGT approval; • PPh 25 due to be specifically calculated (e.g. due to a quarterly report requirement).

Incentive	Remarks
	<ul style="list-style-type: none"> Company submit a notification that it will take the benefit of PPh 25 incentive through the DGT online. Applicable starting from period of the submission of the notification until to September 2020
3. PPh Art 22 on Import tax exemption	<ul style="list-style-type: none"> Applicable for any goods, i.e. capital goods or materials; Company is required to submit application for Import PPh 22 exemption through DGT online. Incentive takes effect from the date of the exemption certificate up to the end of September 2020 or the KITE facility cancellation if the incentive is granted exclusively based on the KITE facility and the cancellation comes earlier than September 2020
4. Early VAT refund	<p>The request for VAT refund will be treated as preliminary refund following procedure for Low Risk tax payer if satisfying :</p> <ul style="list-style-type: none"> Applicable for any company whose KLU is in the Attachment F of PMK 23//PMK.03/2020 or KITE company; the overpayment requested in the tax return is a maximum amount cumulatively of IDR5 billion; The tax period that entitle for preliminary refund is April-September 2020 Application filed no later than 31 October 2020.

Notification and application

A notification about your intent to make use of the incentives is required for the government-borne WHT21 and PP 25 reduction. The notification should be submitted to the DGT electronically (on line) using the DGT-developed application available at the DGT website. Assuming you are qualified for the incentives, either by virtue of you KLU or your KITE facility, the DGT system will give an electronic notification that you have succeeded to submit your notification, suggesting you are entitled to the incentives. If you are not entitled to the incentives, the system will tell you so by an electronic notification, too.

Import PPh 22 tax exemption incentive should be based on an exemption certificate (SKB) issued by the DGT. Get the certificate by submitting an application to the DGT electronically. Once you have managed to submit the application, you will get an immediate response which could be an approval (issuance of exemption certificate) if the system finds you entitled to the incentive or a rejection you are found not entitled to the import tax exemption incentive.

An application also applies to the early VAT refund incentive of which you have two options: by ticking the “early refund” box in your VAT return or filing a specific application. If your KLU matches with the business areas designated in PMK 23 or you have a KITE facility, your application, to the extent it pertains to the VAT periods of April to September 2020, will be processed in accordance with PMK 23 rules. Please note that the application should be submitted no later than 31 October 2020.

Realizations Report

The realization of the use of tax incentive in the form of PPh 21 Borne by the Government ; Exemption from PPh 22 on Import, and reduction of PPh 25 must be reported at DGT online with the following deadline

Period	Deadline
April – June 2020	20 July 2020
July-September 2020	20 October 2020

Please contact us to for more detailed elaboration about this matter.

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