

## Expanded Scope of Covid-19 Tax Incentive

On 14 August 2020, the Ministry of Finance issued Regulation No PMK-110/PMK.03/2020. This regulation updates the Covid-19 Tax Incentive previously stipulated under MoF Regulation No. PMK-44/PMK.03/2020 as last amended by PMK-86/PMK.03/2020.

- **The new regulation provides 6 (six) types of Covid-19 Tax Incentive from the previous 5 (five) types of Covid-19 Tax Incentive as listed below:**
  1. Article 21 Employee Income Tax borne by the government (DTP) for employees earning annual regular income up to IDR 200 million employed by eligible taxpayers.
  2. Article 22 Import Tax exemption for eligible taxpayers
  3. Article 25 Income Tax monthly instalment of 50% reduction (Updated: Previously only 30%).
  4. Final Tax 0,5% MSME under GR 23/2018 borne by the government (DTP)
  5. Final Tax for P3-TGAI Program Construction Service borne by the government (New Incentive)
  6. Preliminary VAT refund up to IDR 5 billion for eligible taxpayers
  
- **The update on the new regulation are as follows:**
  1. **Article 25 Income Tax monthly instalment of 50% reduction**  
Applicable for 1.013 Business Classification Code (kindly refer to attachment M of the regulation) that includes, life insurance, law and accounting services, certain food and beverage industries, textile industries, etc. The previous regulation only provides 30% reduction.
  
  2. **Final Tax for P3-TGAI Program Construction Service borne by the government (DTP)**  
Taxpayer engaging in Construction Service business in relation with *Program Percepatan Peningkatan Tata Guna Air Irigasi (P3-TGAI)* or Accelerated Enhancement on Irrigation Use Program is entitled to obtain tax borne by the government (DTP) incentive. Tax Withholders that issue the payment in relation to P3-TGAI are required to submit monthly report on the utilization of the incentive. This incentive is applicable until December 2020 period.
  
- **Transitional Provisions**
  1. Taxpayers that have submitted notification or application on the utilization of these incentives (other than VAT) under previous regulation are not required to re-submit the same notification or application under this new regulation.
  
  2. Taxpayers that have been granted with tax incentives under previous regulation can continue to benefit from the tax incentives.

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