



Aid or Donations and Grants Not Subject to Income Tax

On 21 July 2020, the Ministry of Finance has issued Regulation No. PMK-90/PMK.03/2020 on aid or donations and grants not subject to Income Tax. The regulation provides the tax impact on these transactions as summarized below:

- **Eligible Recipients**

The exclusion on Income Tax will be applicable to the following eligible recipients:

1. first-degree vertical biological relatives (i.e. parents and children);
2. non-profit religious organizations;
3. non-profit educational organizations;
4. non-profit social organizations including foundations;
5. cooperatives; or
6. Individual owning micro and small businesses.
 - Net Asset up to IDR 500.000.000 excluding Land and Building used for business operation
 - Annual Turnover up to IDR 2.500.000.000

- **Special Relationship**

1. A “business” relationship is deemed to exist if there are routine transactions between the donor and the recipient.
2. An “employment” relationship is deemed to exist if there is direct or indirect employment, the provision of a service, or the implementation of activities between the donor and the recipient.
3. An “ownership” relationship is deemed to exist if there is a direct or indirect capital investment between the donor and the recipient, as stipulated under Article 18 paragraph (4) letter a. of the Income Tax Law.
4. A “control” relationship is deemed to exist if there is any control between the donor and the recipient as governed under Article 18 paragraph (4) letter b. of the Income Tax Law.

- **Tax Impact for Donator**

- Aid or donations and grants can be deducted in compliance with the Income Tax Law and relevant regulations.
- Any gains resulting from a transfer of assets due to aid or donations and grants are taxable for the donor.
- These gains will be calculated according to the difference between the market value of the asset and:
 - a. the fiscal book value if the donor is obliged to maintain bookkeeping; or
 - b. the acquisition value if the donor is not obliged to maintain bookkeeping.
- The treatment on the Final Income Tax on transfers of Land and/or Buildings aid or donation and grants shall comply to the prevailing tax regulations.
- These gains may be excluded as a taxable object if:
 - a. the aid or donations and grants are given to eligible recipients; and



b. there is no business, employment, ownership or control relationship between the donator and the recipient.

If ownership or control relationship exists, the gain is still treated as a non-taxable object if both the donator and the recipient are religious, educational or social organizations.

- **Tax Impact for Recipient**

- Aid or donations and grants are non-taxable for eligible recipients under the condition that business, employment, ownership or control relationship does not exist. If ownership or control relationship exists, the aid or donations and grants is still treated as a non-taxable object if the recipient are religious, educational or social organizations.
- Acquisition value of aid or donations in the form of fixed asset shall be recorded by the recipient using:
 - a. Fiscal book value if the donator is required to maintain bookkeeping
 - b. Other value if the donator is not required to maintain bookkeeping as follows:
 1. For Land or Building Assets – Tax Object Sale Value (NJOP) as stated in the Tax Payable Notification Letter (SPPT) in the year of transfer; or if no SPPT exist, value as stated in a statement letter from Regional Government in charge of Regional Tax on which the Land or Building is located.
 2. For Non Land or Building Assets – Market Value at the time of transfer.
- Assets with useful life more than one year used for obtaining, collecting and maintaining income shall be deductible through either depreciation or amortization.



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