

Extension and Expansion of Covid-19 Tax Incentive

On 1 February 2021, the Ministry of Finance issued Regulation No PMK-9/PMK.03/2021. This regulation extends the period and expands the industry coverage of the Covid-19 Tax Incentive previously stipulated under MoF Regulation No. PMK-44/PMK.03/2020 as last amended by PMK-110/PMK.03/2020.

The regulation provides 6(six) 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.
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 (DTP).
6. Preliminary VAT refund up to IDR 5 billion for eligible taxpayers

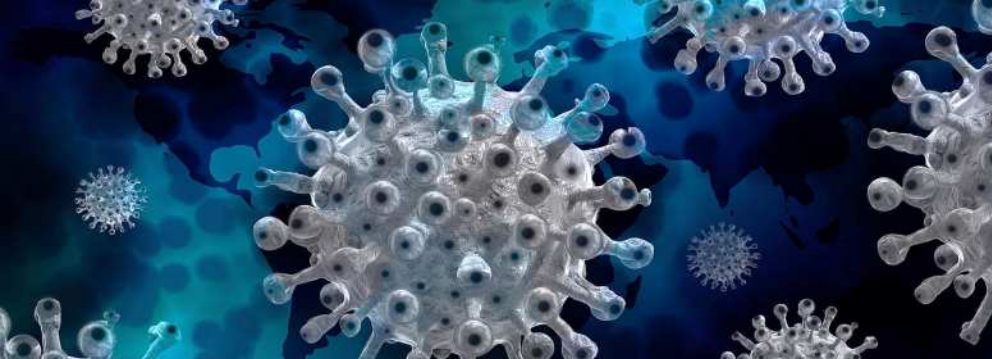
There is no difference on the type of incentive compared to the previous regulations.

The update on the new regulation are as follows:

1. Extension of the Covid-19 Tax Incentive period until June 2021. The previous regulation only applicable until December 2020.
2. Expanded list of eligible taxpayers
 - a. Article 22 Import Tax exemption – 730 Business Classification Code (kindly refer to attachment H of the regulation) that includes certain food and beverage industries, tobacco industries, textile industries, etc. The previous regulation only covers 721 Business Classification Code.
 - b. Article 25 Income Tax reduction - 1.018 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 covers 1.013 Business Classification Code.
 - c. Preliminary VAT Refund – 725 Business Classification Code (Kindly refer to attachment P of the regulation) that includes certain retail industry (non-automotive), certain sports industry, etc. The previous regulation only covers 716 Business Classification Code.

Transitional Provisions

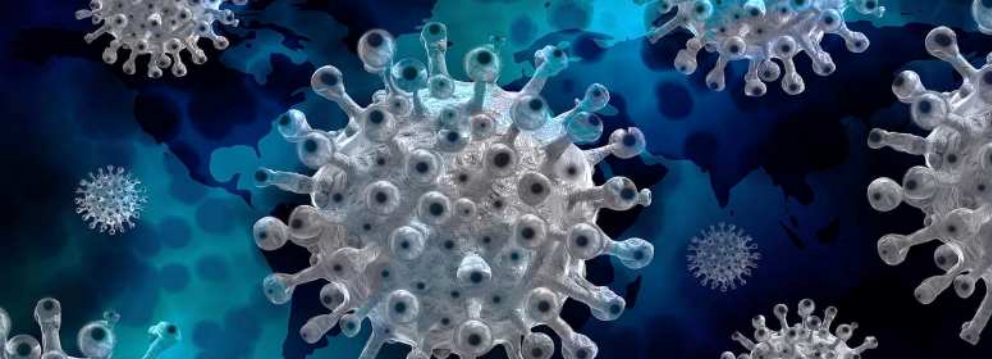
1. Taxpayers that have submitted notification or application on the utilization of these incentives (other than VAT) under previous regulation are required to re-submit the same notification or application under this new regulation to obtain the incentive for Fiscal Year 2021.
2. Employers utilizing Article 21 Employee Income Tax borne by the government (DTP) incentive for employees that has yet to submit their Article 21 Utilization Report to the Tax Office, is required to submit the report by 28 February 2021 to benefit from the incentive for FY 2020.
3. Taxpayers with Gross Turnover not exceeding IDR 4,8 Billion that has yet to submit their incentive utilization report to the Tax Office, is required to submit the report by 28 February 2021 to benefit from the incentive for FY 2020.



SDS TAX ALERT

February 2021 / No. 8

4. Tax Withholder utilizing Final Tax for P3-TGAI Program Construction Service borne by the government incentive that has yet to submit their incentive utilization report to the Tax Office, is required to submit the report by 28 February 2021 to benefit from the incentive for FY 2020.
5. Failure on Employers, Taxpayers, or Tax Withholders to submit their incentive utilization report as per the deadline stipulated above, will not be eligible to apply the tax incentive on periods covered within Fiscal Year 2020.
6. Employers utilizing the Article 21 Employee Income Tax borne by the government (DTP) incentive or Taxpayers utilizing the 50% reduction on Article 25 Monthly Installment should be able to utilize the incentive for January 2021 period by submitting a notification by 15 February 2021 at the latest.



SDS TAX ALERT

February 2021 / No. 8

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