



Income Tax Treatment on Benefit in Kind (PMK 66/2023)

On 27 June 2023, the Ministry of Finance issued MoF Regulation No. 66/2023 regarding “Income Tax Treatment on Benefit In Kind” as mandated in Article 31 Government Regulation No. 55/2022. Effective since 1 July 2023, this regulation revokes and replaces MoF Regulation No. PMK-167/PMK.03/2018 regarding the “Provision of Meals and Drinks for All Employees and Benefits in Kind on Certain Region Deductible from Employer Gross Income”. The summary of the regulation are as follows:

A. Tax Treatment on Benefit-in-Kind

- **Stipulation under HPP Income Tax Law No.7/2021**
 - a. Benefit-in-Kind **should be deductible** as long it is related to cost of obtaining, collecting, and maintaining income and included as an **Income Tax Object** for the employee/recipient.
 - b. **Non-Taxable Benefit-in-Kind** for the recipient:
 - 1) Provision of meals/drinks/foodstuff/beverage ingredients for all employees
 - 2) Benefit-in-kind for a certain region
 - 3) Benefit-in-Kind due to job necessity
 - 4) Benefit-in-Kind funded by State/Regional/Village treasury budget; and
 - 5) Benefit-in-Kind of a certain types and threshold
 - c. Further stipulated under a Government Regulation
- **Stipulation under Government Regulation No.55/2022**
 - a. Taxable Benefit-in-Kind
 - 1) Compensation in the form of goods provided such as an ex-corporate vehicle gifted to employee
 - 2) Compensation in the form of facility/service such as corporate vehicle provided by the employer
Given in relation to employment or service
 - b. Non-Taxable Benefit-in-Kind
 - 1) Provision of meals/drinks/foodstuff/beverage ingredients for all employees
Meals/drinks on the workplace, meals/drinks coupon for marketing personnel, and foodstuff/beverage ingredients for all employees under a certain threshold.
 - 2) Benefit-in-kind for a certain region
Housing, health services, education, worship, transportation, and public sports are provided in remote areas and undeveloped areas through the determination of business locations in certain areas
 - 3) Benefit-in-Kind due to job necessity
Job necessity related to security, health, and work safety as required by the authorized agency (MoH, MoL) such as uniforms, vaccines, etc
 - 4) Benefit-in-Kind funded by State/Regional/Village treasury budget; and
 - 5) Benefit-in-Kind of a certain types and threshold
With consideration on the BIK value received and/or the recipient's criteria



- c. Cost of BIK should be deductible from gross income if related to the cost of obtaining, collecting, and maintaining income
- d. BIK is subject to Withholding Tax (WHT)
- e. Income Tax on BIK effective since 1 January 2022
- f. WHT on BIK effective since 1 January 2023

B. Deductibility Treatment Of Benefit-in-Kind And Benefit-in-Kind as Income Tax Object

- Scope of Deductible Expense
 - a. Reimbursement or Compensation in the form of BIK in relation to employment or service and is included as cost to obtaining, collect, and maintaining income
 - b. Work-related costs are costs related to the relationship between the employer and the employee
 - c. Costs related to services are costs due to inter-taxpayer service transactions
- Technical Stipulation
 - a. Expenditures for BIK expenses which have a useful life of > 1 year are charged through depreciation/amortization
 - b. Expenditures for BIK that have a useful life of \leq 1 year are charged in the year the expenditure is incurred
 - c. The employer/provider of reimbursement or compensation reports the BIK costs in the Annual Income Tax Return
 - d. Conditions applicable:
 - 1 January 2022, for provider with a 2022 financial year starting prior 1 January 2022
 - Beginning of the 2022 financial year, for provider with the 2022 financial year starting on 1 January 2022 or thereafter.

C. Non-Taxable Benefit-in-Kind

- **Provision of meals/drinks/foodstuff/beverage ingredients for all employees**
 - a. Meals/drinks in the workplace provided by the employer
 - b. Meals/drinks coupon for marketing, transportation, and other outstation personnel
 - 1) Coupon definition includes:
 - Non-cash transaction tool to be exchanged for food/drinks
 - Reimbursement of food/drink expenses by the employer
 - 2) The value of the coupon excluded from the income tax object is IDR 2 million/employee/month or the amount of expenses for eating and drinking at work per employee per month, if the expenditure is greater than IDR 2 million/employee/month
 - 3) The excess amount between the actual coupon value – the coupon value that is excluded from the Income Tax object = Income Tax object
 - c. Foodstuff/beverage ingredients for all employees **under a certain threshold**
Exception includes the holiday and non-holidays gift/parcel threshold which are stipulated in BIK with certain types and/or threshold



- **Benefit-in-kind for a certain region**
 - a. Certain Region Criteria
 - 1) Areas that have economic potential that is feasible to develop but the condition of the economic infrastructure is generally inadequate and difficult to reach by public transportation either by land, sea or air, so in order to convert the available economic potential into real economic strength, investors bear risks that relatively high and the return period is relatively long, including areas of seawater that have a depth of more than 50 (fifty) meters where the seabed has mineral reserves, including remote areas
 - 2) Based on the unavailability or inappropriateness of 6 types of 11 types of economic infrastructure as follows:
 - Electricity
 - Clean water
 - Housing rented by employees
 - Hospital/Clinic
 - School
 - Sports/Entertainment
 - Places of worship
 - Market; and
 - Public road/bridge
 - Seaport/Riverport or Airport
 - Land/Sea/Air transportation excluding those built by the employer
 - b. BIK provided in certain region includes infrastructure, and/or facilities at work locations for employees and their families in the form of:
 - 1) residence, including housing
 - 2) health services
 - 3) education
 - 4) worship
 - 5) transportation and/or
 - 6) sports excluding golf, motorboat racing, horse racing, gliding, or motorsports,
 - c. Infrastructure, and/or facilities organized by
 - 1) employer independently and/or
 - 2) other parties who cooperate with employers and employers bear the costs of implementing the said infrastructure and/or facilities
 - d. Facilities, infrastructure and/or facilities in the form of health and/or education services provided by other parties including facilities, infrastructure and/or facilities in the form of those located in the district or city where the business is located and/or in the regency or city area directly adjacent to the area district or city where the business is located
 - e. Transportation infrastructure and facilities include transportation for employees and their families in carrying out assignments

- **Benefit-in-Kind due to job necessity**
 BIK in connection with security, health and/or employee safety requirements by ministries or agencies based on statutory provisions. These BIK includes the following:
 - a. Uniform;
 - b. equipment for work safety;
 - c. employee shuttle service;
 - d. lodging for ship crew members and the like; and/or
 - e. BIK was received for handling an endemic, pandemic or national disaster.

- **Benefit-in-Kind of a certain types and threshold**
 - a. Negative List of BIK types and its corresponding threshold
 - b. Threshold can be in the form of:
 - 1) Beneficiary criteria and/or value for goods
 - 2) Recipient criteria, value and/or function for service
 - c. Excess amount between BIK received – value threshold = Income Tax object
 - d. Details of BIK and calculation should be attached in Annual Income Tax Return
 - e. BIK Details:

No	Type	Threshold
1	Gifts from employers include food ingredients, food and/or beverage ingredients for religious holidays, including Idul Fitri, Christmas, Nyepi, Vesak, or Chinese New Year.	Received or obtained by all employees
2	Gifts from employers that are given other than in the context of religious holidays	Received or obtained by all employees; and Overall maximum value of IDR 3 million/employee/fiscal year
3	Work equipment and facilities provided by employers to employees for carrying out work include computers, laptops or cellphones along with their supports such as pulses and internet connections.	Received or obtained by all employees; and Support the work of employees
4	Health and medical service facilities from the employer	Received or obtained by all employees; and provided in handling of: <ol style="list-style-type: none"> a. work accident; b. occupational illness; c. life-saving emergency; or d. follow-up treatment as a result of work accidents and occupational illness.
5	Sports facilities from the employer other than sports facilities for golf, horse racing, motorized boat racing, gliding and/or automotive sports	Received or obtained by all employees; and Overall maximum value of IDR 1,5 million/employee/fiscal year

6	Communal residential facilities from employers that are used together include mess, dormitories, hostels, or barracks	Received or obtained by all employee
7	Residential facilities from employers whose utilization rights are held by individuals, including apartments or landed houses	Received or obtained by all employees; and Overall maximum value of IDR 2 million/employee/fiscal year
8	Vehicle facilities from employer	Received or obtained by all employee which: a. Do not have shares ownership in the employer; and b. Have an average gross income in the last 12 (twelve) months of up to IDR 100 million/employee/tax year from the employer
9	Pension funds contributions whose establishment has been approved by the OJK are borne by the employer	Received or obtained by employees
10	Religious facilities, among others, are in the form of musala, mosque, chapel, or temple	Intended solely for worship activities
11	All BIK received or obtained in 2022	Received or obtained by employees or service providers

D. Valuation & Calculation of Benefit-in-Kind

- **Valuation Basis**
 - a. Compensation in the form of goods provided is valued **at market price**
 - b. Compensation in the form of goods originally intended to be sold by the provider in the form of:
 - 1) land and/or buildings, valued based on market value
 - 2) other than land and/or buildings, valued based on cost of goods sold
 - c. Compensation in the form of facility/service is valued **at cost**
 - d. Valuation of BIK the form of facility/service with a usage period of more than 1 (one) month given in connection with the work done every month
 - e. In the event that BIK the form of facility/service is given to more than 1 (one) beneficiary, the basis for the assessment is allocated proportionally based on the recording of the use of the BIK
- **WHT Timing**
 - a. The provider of BIK is obliged to deduct WHT in accordance with the taxation regulations at the end of period of which the following occurs:
 - 1) the transfer or payable of the relevant BIK income according to the events that occurred earlier
 - 2) transfer of rights or part of the rights to the utilization of a facility and/or service by the provider
 - b. BIK Reimbursement/compensation in relation to work or services received or obtained from the January 2023 tax period to the June 2023 tax period is exempt from withholding income tax



- c. BIK Reimbursement/compensation in relation to work or services received or obtained from January 2023 tax period to June 2023 tax period that has yet to be deducted withholding tax is required to:
 - 1) calculated and paid for by the recipient
 - 2) declared by the recipient in their annual income tax returns

E. Transitional Stipulation

- a. Decrees for Approval of Establishment/Extension of Determination of Certain Areas issued based on PMK 167 2018 which still have a validity period, are declared to remain valid
- b. The BIK treatment of Certain Areas in the Decree referred to in letter a, is based on the provisions of Article 8 of this PMK
- c. The process of finalizing the ongoing Application for Determination/Extension of Determination of Certain Areas, shall be completed based on the provisions of this PMK
- d. Applications for Determination/Extension of Determination whose documents are declared incomplete based on the provisions in this PMK, the Regional Tax Office in which the HO Tax ID is registered must request the completeness of the documents referred to within 15 days of the entry into force of this PMK
- e. Applications for Determination/Extension of Determination of Certain Areas that are being examined by the Regional Tax Office of the Location that have not issued a decision after 4 months from the complete receipt of the application, a decision must be issued no later than 6 months after the complete application is received, or 1 months after this PMK comes into effect, according to whichever events that occurred earlier
- f. For Minerba mining permit holders who have a Decree on the Determination of Certain Areas whose validity period ends after this PMK comes into force, they are required to submit another application in order to extend the determination of certain areas no later than 4 months before the expiration of the period for the Decree on Determination of Certain Areas.
- g. At the time this PMK took effect, PMK 167/2018 will be no longer valid
- h. This PMK takes effect 1 July 2023

PT Solusi Dwi Satya (SDS Consulting)

Menara Anugrah 23rd Floor, Kantor Taman E3.3,
Jl. DR Ide Anak Agung Gde Agung Lot 8.6-8.7
Kawasan Mega Kuningan, Jakarta Selatan 12950.
Phone: (021) 57948845/46, 57941842

Your SDS Consulting Contacts:

Sindian Budi Siswojo
sindian.budi@sdsconsulting.co.id

Marcelia Maureen Dewi
maureen.dewi@sdsconsulting.co.id

Ellies
ellies@sdsconsulting.co.id

Pritanaya Winasis
pritanaya.winasis@sdsconsulting.co.id


Ricky
ricky@sdsconsulting.co.id



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