

Indonesia

Summary

1. PMK 44/2020 is the regulation issued by the Indonesian government to expand tax incentives in response to COVID-19. Under PMK 44/2020, the number of businesses eligible for Article 21 income tax borne by the government has been expanded
2. An incentive is available for small and medium-sized enterprises (“SMEs”) with a turnover of below IDR 4.8 billion in the form of final income tax of 0.5% borne by the Government. The SMEs do not need to make a tax payment and the tax collector will not deduct for the tax. The final income tax received by the taxpayer is not counted as income subject to tax. This incentive is provided for the tax period of April 2020 to September 2020
3. The exemption of Article 22 income tax on imports has been expanded to include more businesses. Taxpayers must submit the application online and the exemption period lasts until September 30, 2020
4. Additional businesses now have the opportunity to obtain a 30% deduction on their Article 25 Income Tax installment
5. The VAT incentive in the form of refunds of tax overpayments for low-risk taxable entrepreneurs will be granted to taxpayers who fulfill the criteria set out in the exemption to Article 22 income tax on imports

Background & Details

1. The corporate income tax rate is reduced from 25% to 22% for financial years 2020 and 2021, and 20% for financial year 2022 onwards, with an additional 3% reduction applicable for “listed company” with more than 40% public shares
2. The government will bear the cost of employee income tax for the months of April - September 2020 for employees who receive income from an employer that has a business classification reported on its 2018 corporate income tax return as among those classifications listed in the Attachment A of PMK-23, or is declared as a company granted with import facility for export purposes
3. An exemption from income tax on imports is provided for companies that 1) have a business classification stated in the 2018 corporate income tax return that is among those listed in the Attachment F of PMK-23 and 2) have been declared as a company granted with import facility for export purposes
4. With respect to VAT, the government will automatically consider certain taxpayers as “low risk” and will accordingly provide a preliminary VAT refund for those that have a business classification stated in the 2018 corporate income tax return that is among those listed in the Attachment F of PMK-23; those that have been declared as a company granted with import facility for export purposes; or those for which the amount of preliminary VAT refunds available has been increased from IDR 1 billion to IDR 5 billion.