



Indonesia Tax Info January 2022

Tax reliefs for medical goods and activities related to COVID-19 pandemic to be extended

Since the COVID-19 pandemic has not subsided, on 31 December 2021, the Indonesian Minister of Finance (MoF) issued Regulation Number 226/PMK.03/2021 (PMK-226) to extend until June 2022 some of the tax reliefs that were provided up to 31 December 2021 under Regulation Number 239/PMK.03/2020 (as amended by Regulation Number 83/PMK.03/2021) and Government Regulation Number 29 of 2020 (please refer to [Tax Alert June 2020](#), [Tax Alert July 2021](#), and [Tax Info January 2021](#)). PMK-226 comes into effect as from 1 January 2022.

Those eligible for these tax reliefs include:

- Government bodies and institutions (the Ministry of Health (MoH), provincial and local government health departments, and national and regional disaster management agencies (*Badan Penanggulangan Bencana Nasional/badan penanggulangan bencana daerah*));
- Hospitals appointed as referral hospitals for COVID-19 patients; and/or

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- Other parties that have notified the provincial or local health department of their intention to donate essential goods (medicines, vaccines and supporting equipment, laboratory equipment, testing kits, protective equipment or nursing equipment) to certain government bodies/institutions or hospitals.

VAT incentives

The import of taxable essential goods by qualifying recipients is eligible for the VAT not-collected incentive.

The following local deliveries of taxable goods are eligible for the government-borne VAT incentive:

- Delivery of taxable essential goods (including free gifts) by VAT-able entrepreneurs (*Pengusaha Kena Pajak (PKP)*) to qualifying recipients;
- Delivery of vaccines and/or medicines for use in the prevention and treatment of COVID-19 by entities within the pharmaceutical industry producing those vaccines and/or medicines;
- Donation of taxable essential goods to certain government bodies/institutions or hospitals, provided that the PKP delivering the goods first notifies the provincial or local health department of its intention to donate. The donated goods must be used by the government bodies/institutions or hospitals in managing the COVID-19 pandemic for free; and
- Delivery of raw materials for the production of vaccines and/or medicines to the pharmaceutical industry for use in connection with COVID-19 by PKPs that have obtained a recommendation letter from the MoH.

For a local delivery of taxable essential goods to be eligible for the incentive, the party delivering the goods must issue a VAT invoice that is stamped/affixed with the statement "*PPN DITANGGUNG PEMERINTAH EKSEKUSI PMK NOMOR 226/PMK.03/2021*", and report the VAT invoice in the VAT return.

VAT paid on purchases of taxable essential goods that are subject to the government-borne VAT incentive under PMK-226 is not creditable.

These VAT incentives are applicable for the fiscal period of January to June 2022.

MoF issued PMK-226 to extend until 30 June 2022 some of the tax reliefs for medical goods and activities related to COVID-19 that have expired on 31 December 2021.

Article 22 income tax incentives

Qualifying taxpayers that import essential goods are automatically exempted from Article 22 income tax on import. This incentive applies for imports between 1 January and 30 June 2022.

The following activities are also exempted from Article 22 income tax:

- Purchase of goods essential for managing COVID-19 by qualifying recipients;
- Sale of goods essential for managing COVID-19 to qualifying recipients;
- Purchase of raw materials to produce vaccines and/or medicines related to COVID-19 by entities in the pharmaceutical industry that have obtained a recommendation letter from the MoH; and
- Sale of vaccines and/or medicines related to COVID-19 by entities in the pharmaceutical industry to certain customers.

Taxpayers wishing to be exempted from Article 22 income tax must apply for a tax exemption letter (*Surat Keterangan Bebas (SKB)*). The incentive applies as from the date of issuance of the SKB until 30 June 2022. The Taxpayers must also submit a monthly realization report for the incentive by the 20th of the following month.

Article 21 employee income tax incentive for qualifying healthcare workers

The final income tax rate of 0% provided under Government Regulation Number 29 of 2020 continues to be available for qualifying healthcare workers until 30 June 2022.

New Indonesia–Singapore tax treaty enters into force

On 7 December 2021, Indonesia's Directorate General of Taxation issued Circular Letter Number 50/PJ/2021 (SE-50) informing that the new Indonesia–Singapore tax treaty that was signed on 4 February 2020 entered into force as from 23 July 2021.

SE-50 confirms that the new treaty becomes effective for Indonesia in respect of:

- Taxes withheld at source: for income received or derived on or after 1 January 2022;
- Taxes on other income: for any fiscal year starting from or after 1 January 2022; and
- Exchange of information requests: for requests made on or after 23 July 2021.

SE-50 confirms that the new Indonesia–Singapore tax treaty entered into force as from 23 July 2021.

With the entry into force of the new treaty, the previous Indonesia–Singapore tax treaty that was signed in 1990, together with its synthesized text incorporating the applicable multilateral instrument that was introduced via SE-21/PJ/2021, are revoked.

Amongst other changes, the new treaty further reduces the withholding tax rates for royalties and branch profits and provides a tax exemption in the source state for certain capital gains. It also incorporates internationally agreed standards to counter treaty abuse. For further details, please refer to [Tax Alert February 2020](#), [Tax Info May 2021](#), and [Tax Info June 2021](#).

Updated regulation on preliminary tax refunds issued

On 29 December 2021, MoF issued Regulation Number 209/PMK.03/2021 (PMK-209) to update the implementing regulation on preliminary tax refunds that was previously regulated by MoF Regulation Number 39/PMK.03/2018 (as amended by MoF Regulation Number 117/PMK.03/2019) (PMK-39) (please refer to [Tax Info May 2018](#) and [Tax Info September 2019](#)). PMK-209 came into effect as from 1 January 2022 and applies to preliminary tax refunds claimed on or after that date.

Under PMK-209, a so-called “golden” taxpayer is required to have its financial statements audited by a public accountant or government financial supervisory agency, and must receive an “unqualified” opinion (golden taxpayers broadly are taxpayers that (i) submit tax returns on a timely basis, (ii) have no tax arrears for any type of tax other than arrears that have been agreed may be paid in installments or postponed, (iii) have had financial statements audited by a public accountant or government financial supervisory agency with an unqualified opinion for three consecutive years, and (iv) have not been convicted of a tax crime in the previous five years). The tax office will review the unqualified audited financial statements as part of a formal process in assessing a preliminary tax refund application. This requirement did not exist in PMK-39.

PMK-209 also provides that the maximum amount of VAT overpayment stated in the VAT return for which a preliminary VAT refund may be made is IDR 5 billion (the previous threshold under PMK-39 was IDR 1 billion).

A golden taxpayer must now have its financial statements audited with an unqualified opinion as part of the requirement to apply for preliminary tax refund.



Customs Focus

Imposition of import duty tariffs on imported goods based on the Agreement on Trade Preferences among D-8 member countries

To expedite national economic growth through international trade cooperation, the Indonesian government, through MoF, has issued a new Regulation Number 203/PMK.04/2021 (PMK-203) regulating procedures for imposing import duty tariffs on imported goods based on trade agreements between Indonesia and the other Developing Eight (D-8) member countries, namely Bangladesh, Iran, Malaysia, Egypt, Nigeria, Pakistan, and Turkey.

The salient points in PMK-203 are:

1. Parties able to obtain preferential tariffs

Preferential tariffs can be given to imports of goods for use which the importation use a customs notification of import of goods (PIB), to other places within the customs area (TLDDP), either from outside the customs area, bonded storage place (TPB), bonded logistics center (PLB), free zone, or special economic zone (SEZ), which uses preferential tariffs at the time of entry.

2. Provisions concerning origin of goods to obtain preferential rates

To obtain the preferential tariff, the following provisions must be fulfilled:

Origin criteria	Consignment criteria
<p>a. Origin criteria include:</p> <ul style="list-style-type: none"> (i) Goods that are wholly obtained or produced in a member country; or (ii) Goods that are not wholly obtained or produced in one member country, including goods of which the production process uses non-originating materials with the end results containing local value content or regional value content of at least 40% of ex-work (EXW) value. 	<p>a. Consignment criteria include:</p> <ul style="list-style-type: none"> (i) Imported goods delivered directly from member countries that issue certificate of origin (SKA) Form D-8 into the customs area; (ii) Imported goods that are delivered through member countries other than the exporting member country and importing member country; or (iii) Imported goods that are delivered through countries other than member countries.
<p>b. Originating goods that have met the origin criteria above and are used as raw materials to produce finished goods in other member countries are considered as originating materials of the country where the production process is carried out.</p>	<p>b. Imported goods can be delivered through one or more countries other than the exporting member country, for the purpose of transit/transshipment or temporary storage, provided that:</p> <ul style="list-style-type: none"> (i) It is for geographical reasons only; (ii) It is not traded or consumed in the destination country of transit or temporary storage; (iii) It does not undergo further processes other than loading and unloading and other necessary actions to maintain the condition of the goods. <p>In the transshipment or temporary storage activities, the importer must submit the through bill of lading document or other documents or information from the customs authority of the country other than the member country, or documents that can prove the fulfillment of the provisions of transshipment or temporary storage to the customs and excise officers.</p>

PMK-203 regulates the requirements in issuing SKA Form D-8, such as:

- a. Published in English;
- b. Uses the form and format of SKA Form D-8 in accordance with the regulation;
- c. States the criteria of origin of goods for each description of goods in the event that the SKA includes more than one description of goods;
- d. Issued before, on, or up to no later than three days after the date of shipment or date of export.

3. Submission, review, and imposition of preferential tariffs

PMK-203 also stipulates review of submission of SKA Form D-8 in order to apply the preferential tariffs:

- a. In order to obtain preferential tariffs, an importer is required to perform the following in addition to complying with the provisions on the origin of goods:
 - (i) Submit the original sheet of SKA Form D-8;
 - (ii) Include the facility code on the PIB correctly; and
 - (iii) Include the reference number and date of the SKA Form D-8 on the PIB correctly.
- b. If the result of review by a customs and excise officer shows that the imported goods do not meet one or more provisions on the origin of goods, the SKA Form D-8 is rejected and the imported goods will be subject to generally applicable import duty tariffs (most favored nation/MFN).
- c. If the SKA Form D-8 consists of several types of goods, the rejection of one of these types of goods does not cancel the imposition of preferential tariffs on other types of goods that meet the provisions on the origin of goods.
- d. Imported goods originating from member countries with a free-on-board (FOB) value under USD 200, may be subject to preferential tariffs without having to attach the SKA Form D-8 and use PIB documents, provided that the import meets the following conditions:
 - (i) It is not part of one or more other imports aiming to avoid the obligation to submit the SKA Form D-8; and
 - (ii) It is proven by a statement from the exporter confirming that the goods are originating goods from the exporting member country.

4. Transition rule

Preferential tariffs may be given to imported goods which has customs notification with registration number and date obtained before this PMK-203 takes effect and has not been released from TPB, PLB, free zone, or SEZ to TLDDP, provided that the original SKA Form D-8 is submitted no later than four months from the date of enforcement of PMK-203 and made as from the date this PMK-203 comes into force.

PMK-203 came into force as from 1 January 2022.

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