



Indonesia Tax Info July 2022

Regulations providing tax incentives during the COVID-19 pandemic further extended

Although the COVID-19 pandemic seems to be more manageable, its effects continue to present economic and financial challenges to many taxpayers. In response, on 11 July 2022, Indonesia's Minister of Finance (MoF) issued Regulations Number 113/PMK.03/2022 (PMK-113) and 114/PMK.03/2022 (PMK-114) to extend until 31 December 2022 some of the tax reliefs related to COVID-19 that had expired on 30 June 2022.

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PMK-113

PMK-113 extends the tax facilities for medical goods and activities essential for handling COVID-19 pandemic that were previously extended by PMK-226/PMK.03/2021 (PMK-226) (please refer to [Tax Info January 2022](#)), namely:

- The VAT not-collected facility on the import of taxable essential goods by qualifying recipients;
- Article 22 income tax exemption on the import of essential goods by qualifying taxpayers;
- Article 22 income tax exemption on the purchase and sale of essential goods for handling the COVID-19 pandemic; and
- Article 21 employee income tax incentive provided under Government Regulation Number 29 of 2020 (PP-29).

PMK-113 also provides some updated guidance on how to obtain the tax reliefs and an example of how to complete the information field for a VAT invoice issued using the *e-Faktur* system.

PMK-113 contains the following transitional provisions:

- Revision of VAT invoices related to deliveries carried out in 2021 must be reported in the VAT return by 31 December 2022;
- Revision of VAT invoices related to deliveries carried out in 2022 must be reported in the VAT return by 31 January 2023;
- If the revision of a VAT invoice does not meet the revision requirements, the related delivery is not eligible for the VAT not-collected facility and the VAT due must be collected;
- Since the recommendation letter from the Ministry of Health (MoH) for some of the facilities under this regulation would have expired on 30 June 2022, the taxpayer must resubmit the request for the required recommendation letter to the MoH;
- To be eligible for Article 22 income tax exemption on the purchase and sale of essential goods for handling the COVID-19 pandemic, the taxpayer must resubmit the tax exemption request letter to the tax office online; and
- Deliveries of taxable essential goods for which a taxpayer wishes to utilize the tax facilities and Article 21 employee income tax incentive under PP-29 mentioned above between 1 and 10 July 2022 must follow the provisions of PMK-226.

PMK-114

PMK-114 extends the tax reliefs reintroduced by MoF Regulation Number 3/PMK.03/2022 (PMK-3) (please refer to [Tax Info February 2022](#)) through 31 December 2022.

The tax reliefs provided under this regulation include:

- Exemption from Article 22 income tax on imports;
- A 50% reduction of monthly tax installments; and
- Article 4(2) final income tax on certain construction services borne by the government.

Since the effect of COVID-19 pandemic continues to present economic and financial challenges to many taxpayers, the MoF re-extends some of the tax reliefs that have already expired.

PMK-114 contains the following transitional provisions:

- To extend the utilization of the 50% reduction of monthly tax installments facility beyond June 2022, the taxpayer must renotify the tax office online. To start utilizing the facility as from 1 July 2022, notification is required within 30 days of PMK-114 coming into effect (i.e., by 10 August 2022); and
- Taxpayers that wish to utilize the exemption from Article 22 income tax on imports facility must reapply for a tax exemption letter online.

Use of National Identification Number as Tax Identification Number

A tax identification number (*Nomor Pokok Wajib Pajak* (NPWP)) is a 15-digit identification number for taxpayers that is administered by the Directorate General of Taxation (DGT), whereas a national identification number (*Nomor Induk Kependudukan* (NIK)) is a 16-digit identification number for Indonesian residents that is administered by the Directorate General of Population and Civil Registration (*Direktorat Jenderal Kependudukan dan Pencatatan Sipil* (DGPCR)). In an effort to integrate data between the DGT and the DGPCR, the government introduces the use of single identification number, i.e., using NIK as NPWP. To prepare for the integration, on 8 July 2022, the MoF issued Regulation Number 112/PMK.03/2022 (PMK-112).

The existence of two different personal databases in Indonesia for taxation (NPWP) and residency (NIK) will end.

Individual taxpayers who are Indonesian residents

- Starting from 14 July 2022, an individual taxpayer's NIK would be used as his/her NPWP.
- The DGT will validate the tax administration data against the data maintained by the DGPCR. If the data match the residency data, the NIK will be activated. Otherwise, the DGT will clarify the nonvalid or unmatched data to the taxpayer through certain predetermined channels in which the taxpayer can update the data to match the actual condition. The DGT will inform the taxpayer once the NIK data is validated as NPWP.
- The existing 15-digit NPWP can only be used in limited capacity during transitional period (from 14 July 2022 until 31 December 2023).
- For an Indonesian resident who registers for tax purpose between 8 July 2022 and 31 December 2023, the DGT will activate his/her NIK as NPWP.
- Starting from 1 January 2024, the 16-digit NIKs will replace NPWPs for tax and other purposes.

Individual taxpayers who are non-Indonesian residents, corporate taxpayers, and taxpayers that are government institutions

- Starting from 14 July 2022, the taxpayers must add "0" in front of their existing NPWP to create a 16-digit NPWP. This is to provide equality and standard in the use of 16-digit NPWP.
- In using the 16-digit NPWP, the DGT will ask for clarification from the taxpayers regarding the accuracy of the latest data in the tax information system. The taxpayers will respond either with an approval or by making the necessary update to the data.

- For new taxpayers registering for a tax identification number between 8 July 2022 and 31 December 2023, the DGT will provide a 16-digit NPWP starting with “0”. The taxpayers can omit the “0” in front to create a 15-digit NPWP when necessary.
- Starting from 1 January 2024, the 15-digit NPWP will cease to use.

Branch taxpayers

- A branch that has already obtained an NPWP before 8 July 2022 will be provided with an identity number for place of business activity (*Nomor Identitas Tempat Kegiatan Usaha* (NITKU)). The existing NPWP for the branch can still be used to carry out tax rights and obligations until 31 December 2023.
- A branch registering for an NPWP after 8 July 2022 will be provided with a 16-digit NPWP as well as a NITKU.
- Starting from 1 January 2024, branch taxpayers will use the NITKU as an identification for their place of business activity that is separate from the place of residence.

Starting from 1 January 2024, other parties that require NPWP information for the following administrative services must use the 16-digit NPWP for tax identification purpose:

- Government disbursement services;
- Export and import services;
- Banking and other financial sector services;
- Business entity establishment and business licensing services;
- Government administration services other than those provided by the DGT; and
- Other services requiring NPWP information.

PMK-112 acts as the basis to help involved parties take the necessary actions to prepare for the change that will be fully implemented starting from 1 January 2024. Considering that the technical aspect of the single identification number has not been addressed in PMK-112, there may be further regulation to be issued in near future to provide the technical guidance for implementation.

Taxation for sole proprietorship

Law Number 11 of 2020 and Government Regulation Number 8 of 2021 introduce a new concept of sole proprietorship (*perseroan perorangan*) in which an individual that meets the criteria of a micro and small enterprise can establish a fully self-owned entity. However, since this entity is not an individual by nature anymore and the legal requirements of a sole proprietorship are different from a regular limited liability company, questions arose in relation to the tax registration requirements and the income tax treatment for sole proprietorship. As such, on 7 July 2022, the DGT issued Circular Letter Number SE-20/PJ/2022 (SE-20) to provide guidance and clarification on these matters.

SE-20 provides guidance and clarification on tax matters related to sole proprietorship.

Essentially, SE-20 provides the following clarifications:

- SE-20 clarifies that a sole proprietorship is treated as a corporate taxpayer. Therefore, it is not eligible for the income tax exemption applicable to individual taxpayer who earns annual gross revenue of up to IDR 500 million.
- A sole proprietorship must register for an NPWP by attaching the sole proprietorship's registration certificate issued by the Ministry of Law and Human Rights as well as the NPWP of the management.
- The final income tax rate of 0.5% of gross revenue under Government Regulation Number 23 of 2018 is applicable to sole proprietorship whose annual gross revenue is less than IDR 4.8 billion.
- A sole proprietorship whose annual gross revenue is less than IDR 50 billion is eligible for income tax facility of Article 31E of the Income Tax Law, in the form of 50% corporate income tax rate reduction on the initial gross revenue up to IDR 4.8 billion.

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