

## TECHNICAL RULES FOR SUPER TAX DEDUCTION ON VOCATIONAL ACTIVITIES RELEASED



### ABOUT DDTC

DDTC is a research and knowledge based taxation institution and a center of a number of taxation activities units with high standards that serve as main references in the field of taxation.

Our firm consists of consultation services (DDTC Consulting), a center for review and research (DDTC Fiscal Research), taxation journals (DDTC Working Paper), a training center (DDTC Academy), a provider of tax law documents (DDTC Tax Engine), a library (DDTC Library), and taxation news portal (DDTC News).

### ABOUT DDTC Newsletter

Published every two weeks, DDTC Newsletter provides a summary of key tax law changes, both the current modifications and changes in taxation regulations, particularly those pertaining to domestic policies.

### Contents

- **Technical Rules for Super Tax Deduction Facility on Vocational Activities**
- **Local Fiscal Capacity Has Stagnated in the Last 3 Years**
- **The Certificate of Origin for the Imposition of Import Duty Tariffs on Imported Goods from China**

## TECHNICAL RULES FOR SUPER TAX DEDUCTION ON VOCATIONAL ACTIVITIES RELEASED

### Technical Rules for Super Tax Deduction Facility on Vocational Activities

Ministry of Finance has published technical regulation regarding the provision of super tax deduction facility for taxpayer who performed vocational activity. That policy is stated in [Minister of Finance Regulation \(MoF Reg\) No. 128/PMK.03/2019](#) concerning The Provision of Gross Income Reduction for the Implementation of Work Practices, Apprenticeship, and/or Learning Activities in the Framework of Coaching and Development of Human Resources Based on Certain Competencies.

This rule is a technical guidance of [Government Regulation No. 45 of 2019](#) which was published early last July. According to the regulation, taxpayers can be given a maximum gross income reduction of 200% of the total costs incurred for work practices, apprenticeship, and/or learning activities.

However, to get most of these incentives, taxpayers must meet several provisions. *First*, they must have performed practical work activities, apprenticeship, and/or learning in the context of coaching and developing human resources based on certain competencies.

*Second*, have a cooperation agreement, namely between the taxpayer and vocational high school, vocational 'madrasa aliyah' (Islamic school), vocational education diploma program, vocational training center, or agencies that perform government affairs in the field of central, provincial, and regency/city employment.

*Third*, not in a state of fiscal loss in the fiscal year for the use of additional gross income reduction. *Fourth*, has submitted a tax clearance certificate, which is a statement from the Directorate General of Taxes (DGT) regarding tax compliance for a certain period to meet the requirements for obtaining services or in the context of performing certain activities.

The government divides competency levels into three groups. *First*, vocational high school and or vocational madrasa aliyah for students, educators, and/or education personnel. In this group, there are a total of 127 types of competencies that can receive facilities. The number is spread in the manufacturing sector (73 competencies), health (7 competencies), agribusiness (30 competencies), and tourism and creative industries (7 competencies).

*Second*, college diploma programs on vocational programs for students, educators, and/or education personnel. In this group, there are a total of 268 specific competencies that can utilize the super tax deduction incentive.

A total of 268 competencies are spread across several sectors, namely manufacturing (124 competencies), health (31 competencies), agribusiness (64 competencies), tourism and creative industries (26 competencies), and digital economy (23 competencies).

*Third*, vocational training center for individuals and trainees, instructors, and/or coaching staff. There are 58 types of competencies in this group. A number of competencies are spread across several sectors, namely manufacturing (19 competencies), agribusiness (15 competencies), tourism and creative industries (13 competencies), digital economy (7 competencies), and migrant workers (4 competencies).

Work practices or apprenticeship are activities performed by taxpayers in the place of business as part of the vocational or vocational education curriculum in order to master the skills or expertise of certain fields.

Meanwhile, learning activities are teaching activities performed by parties assigned by taxpayers to teach in vocational schools, vocational madrasa aliyah, tertiary diploma programs in vocational education, and/or vocational training center.

### Local Fiscal Capacity Has Stagnated in the Last 3 Years

The government has recently released [MoF Reg No. 126/PMK.01/2019](#) concerning Local Fiscal Capacity Map. local fiscal capacity map is an overview of the local financial capacity grouped based on the local fiscal capacity index (*Indeks Kapasitas Fiskal Daerah/IKFD*).

[MoF Reg No. 126/2019](#) defines the local fiscal capacity as the financial capacity of each region which is reflected through local government revenue minus the revenue for which the allocation has been determined (earmarked revenue) and certain expenditure.

The local fiscal capacity map can be used for consideration in determining the area of grant recipients, determining the amount of matching funds by the local government if required, and/or other utilization in accordance with statutory provisions. The local fiscal capacity map consists of maps of provincial and regency/city local fiscal capacity.

Referring to [MoF Reg No. 126/2019](#), components of local government revenue include local own-source revenue (*Pendapatan Asli Daerah/PAD*), balance funds, and other lawful revenues.

## TECHNICAL RULES FOR SUPER TAX DEDUCTION ON VOCATIONAL ACTIVITIES RELEASED

As for the earmarked revenue, including cigarette tax, revenue sharing fund (*Dana Bagi Hasil/DBH*), tobacco products excise (*Cukai Hasil Tembakau/CHT*), reforestation funds, physical and non-physical special allocation funds (*Dana Alokasi Khusus/DAK*), special autonomy funds, additional infrastructure funds, Yogyakarta (Daerah Istimewa Yogyakarta/DIY) privilege funds, and village funds. Certain expenditures include employee expenditure, interest expenditure, grant expenditure for new autonomous regions, revenue sharing expenditure, and allocation of village funds.

Based on the provincial IKFD, the provincial regions are grouped into 5 local fiscal capacity categories as follows:

| IKFD Ranges          | Local Fiscal Capacity Category |
|----------------------|--------------------------------|
| IKFD < 0,509         | Very low                       |
| 0,509 ≤ IKFD < 0,720 | Low                            |
| 0,720 ≤ IKFD < 1,089 | Average                        |
| 1,089 ≤ IKFD < 1,959 | High                           |
| IKFD ≥ 1,959         | Very high                      |

Based on regency/city category, regencies/cities in Indonesia are also grouped into 5 local fiscal capacity categories as follows:

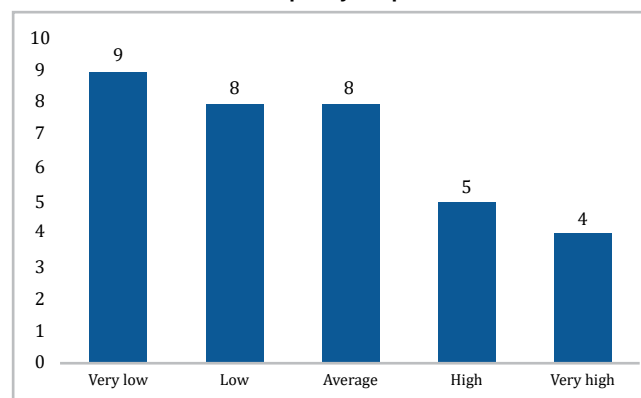
| IKFD Ranges          | Local Fiscal Capacity Category |
|----------------------|--------------------------------|
| IKFD < 0,304         | Very low                       |
| 0,304 ≤ IKFD < 0,445 | Low                            |
| 0,445 ≤ IKFD < 0,808 | Average                        |
| 0,808 ≤ IKFD < 1,564 | High                           |
| IKFD ≥ 1,564         | Very high                      |

[MoF Reg No.126/2019](#) revokes the previous regulation, namely Mof Reg No.107/PMK.07/2018 concerning Local Fiscal Capacity Map. When compared, the local fiscal capacity of 34 provinces in Indonesia has not moved from the existing position. As of 2017, the number of provinces with **very low** local fiscal capacity categories continues to reach 9 provinces until 2019.

As for the number of provinces with **very high** local fiscal capacity categories, there are still 4 provinces since 2017 until now. Then, only 5 provinces that bear a **high** local fiscal capacity category, and the remaining 16 provinces

still bear the medium and low categories respectively as many as 8 provinces for both categories.

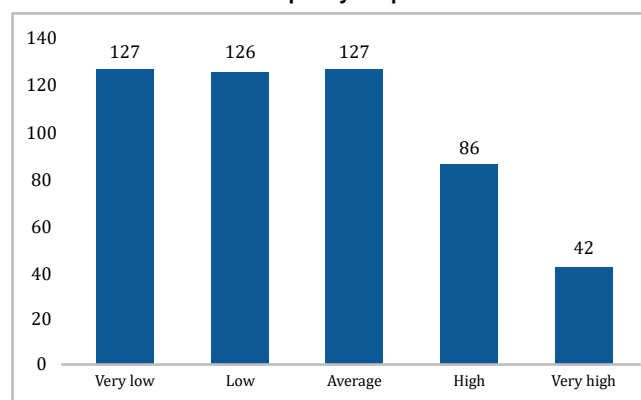
**Picture 1 - Provincial Distribution Based on Local Fiscal Capacity Map**



Source: [MoF Reg No.126/2019 Appendix](#).

Furthermore, the four provinces with very high categories remain concentrated in Java, namely DKI Jakarta, West Java, Central Java and East Java. Papua which once achieved the very high category in 2017 actually fell to the very low category in 2019. Provinces such as Southeast Sulawesi, Central Sulawesi and Gorontalo were recorded as having very low fiscal capacity in 2019.

**Picture 2 - Regency/City Distribution Based on Local Fiscal Capacity Map**



Source: [MoF Reg No.126/2019 Appendix](#).

Meanwhile, only 42 of 508 regencies/cities in Indonesia are in the **very high** category. The regencies/cities include Surabaya City, Medan City, Bekasi City, Semarang City, Tangerang Regency, and Sidoarjo Regency. Additionally, 86 regencies/cities occupy the **high** local fiscal capacity category. While the **average, low and very low** categories are each occupied by 127, 126, and 127 regencies / cities.

Each region is grouped through the fiscal capacity categories of this region can be seen in full in the

## TECHNICAL RULES FOR SUPER TAX DEDUCTION ON VOCATIONAL ACTIVITIES RELEASED

[MoF Reg No. 126/2019 Appendix](#). The IKFD covers 34 provinces and 508 regencies/cities in Indonesia.

Regarding to this IKFD, the MoF cut the cumulative maximum limit for the local government budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) deficit for next year. This was regulated through MoF Reg No. 125/2019 concerning the Maximum Cumulative Limit of the APBD Deficit, the Maximum Limit of the APBD Deficit, and the Maximum Limit of the local loan for the 2020 Budget Year.

The cumulative maximum limit for the deficit was cut from 0.3% of the GDP projection to 0.28% of the GDP projection for 2020. The maximum budget deficit limit for 2020 was set differently than in previous years.

In previous years, the maximum limit of the APBD deficit was set at 5% to 3% depending on the local fiscal capacity category of the relevant regions. For 2020, the maximum APBD deficit is set between 4.5% to 3.5% of GDP depending on the local fiscal capacity category of the relevant region.

For regions with very high categories, the maximum APBD deficit limit is set at 4.5% of local government revenue, lower than the previous year which could reach 5% of GDP. Sequentially, the regions with high, medium, low and very low categories each set a maximum limit of deficits at 4.25%, 4%, 3.75%, and 3.5% of local government revenue for 2020.

In previous years, regions with high, medium, low and very low local fiscal capacity categories were each set to a maximum limit of deficit of 4.5%, 4%, 3.5%, and 3% of local government revenue. In a short, government cut

the maximum limit of APBD deficits for regions with very high and high KFD categories and widens the maximum limit for local deficits with low and very low local fiscal capacity categories.

### Certificate of Origin for the Imposition of Import Duty Tariffs on Imported Goods from China

The government provides legal certainty on the provisions regarding the procedure for the imposition of import duty tariffs on imported goods from the People's Republic of China using a Certificate of Origin (*Surat Keterangan Asal/SKA*).

Legal certainty is done through the issuance of [MoF Reg No. 124/PMK.04/2019](#). This regulation was enacted and entered into force on 30 August 2019. The issuance of this regulation changed the provisions of Article 25A of MoF Reg No. 229/PMK.04/2017 as amended several times with MoF Reg No. 11/PMK.04/2019 and MoF Reg No. 109/PMK.04/2019.

[MoF Reg No. 124/2019](#) explains that SKA issued up to 31 August 2019 using the format as listed in Appendix I letter B roman VII and Attachment I letter B roman VIII PMK 11/2019 are still declared valid.

The SKA in question was issued based on the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation Between the Association of the South East Asian Nations and The People's Republic of China. SKA or Certificate of Origin is a supplementary customs document issued by SKA Issuing Agency which states that goods which will enter customs area can be given a preferential rate.

Latest taxation news and regulations, visit:

[news.ddtc.co.id](http://news.ddtc.co.id) & [engine.ddtc.co.id](http://engine.ddtc.co.id)

## TECHNICAL RULES FOR SUPER TAX DEDUCTION ON VOCATIONAL ACTIVITIES RELEASED

### CONNECT WITH US:

With just one click



For further information and advice related to taxation, please contact:



**David Hamzah Damian, S.Sos., BKP, ADIT**  
Partner of Tax Compliance & Litigation Services  
david@ddtc.co.id



**Romi Irawan S.E., M.B.A., LL.M Int. Tax**  
Partner of Transfer Pricing Services  
romi@ddtc.co.id



**B. Bawono Kristiaji, S.E., M.S.E., M.Sc. IBT, ADIT**  
Partner of Tax Research & Training Services  
kristiaji@ddtc.co.id



**Deborah S.Sos., LL.M. Int. Tax., BKP**  
Senior Manager of Tax Compliance & Litigation Services  
deborah@ddtc.co.id



**Yusuf Wangko Ngantung, LL.B., LL.M Int. Tax., ADIT**  
Senior Manager of International Tax / Transfer Pricing Services  
yusuf@ddtc.co.id



**Herjuno Wahyu Aji, M.Ak., BKP**  
Senior Manager of Tax Compliance & Litigation Services  
herjuno@ddtc.co.id



**Ganda Christian Tobing, S.Sos., LL.M. Int. Tax**  
Senior Manager of Tax Compliance & Litigation Services  
christian@ddtc.co.id



**Anggi Pi. Tambunan, S.Sos., M.H., ADIT, BKP**  
Manager of Tax Compliance & Litigation Services  
anggi@ddtc.co.id



**Khisi Armaya Dhora, S.I.A., ADIT, BKP**  
Manager of Tax Research & Training Services  
khisi@ddtc.co.id

### MENARA DDTC

Jl. Raya Boulevard Barat Blok XC 5-6 No. B  
Kelapa Gading Barat, Kelapa Gading  
Jakarta Utara 14240 - Indonesia

Phone: +6221 2938 2700, Fax: +6221 2938 2699

The information herein is for general purposes only and is not intended to address the circumstances of any particular individual or entity. This content should not be used as reference for consultation without professional advisors.