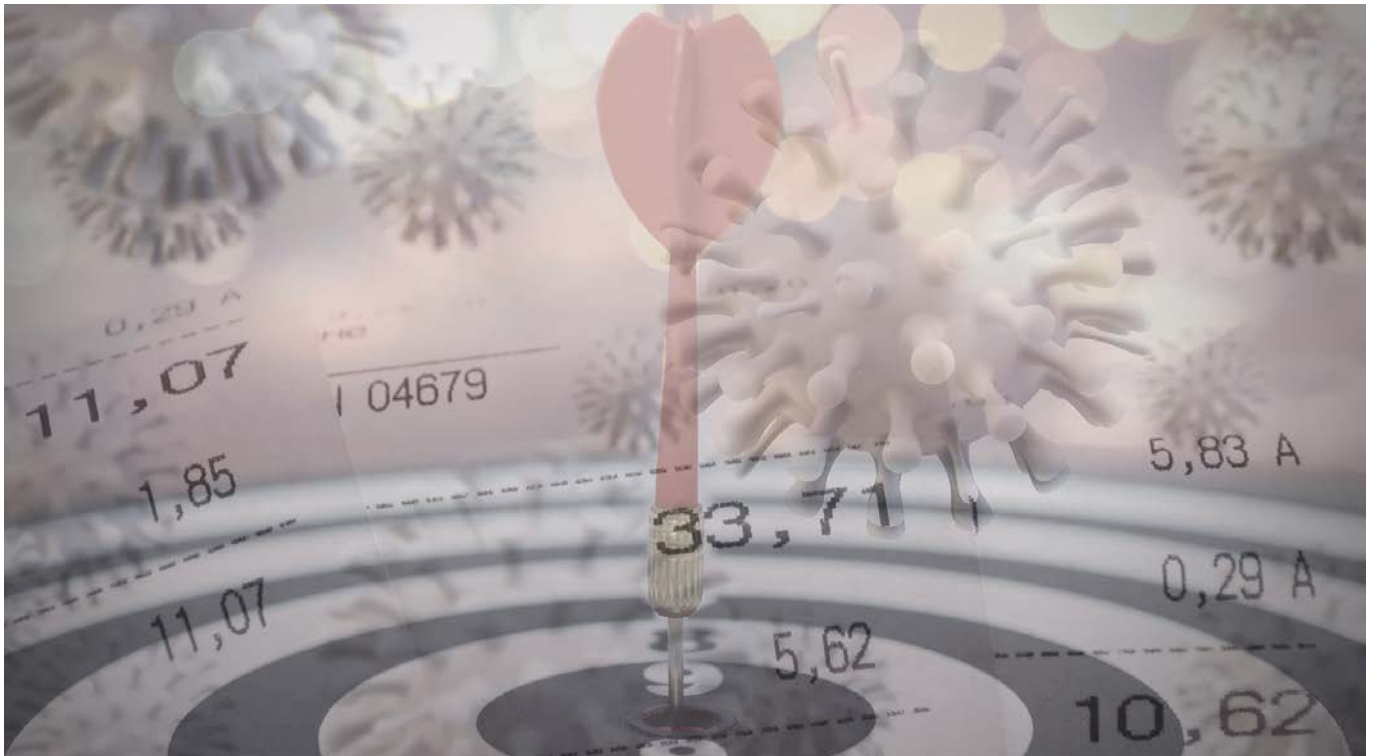


NEW TAX FACILITIES ON GOODS AND SERVICES REQUIRED TO ADDRESS COVID-19 AND REVISION ON STATE BUDGET



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.

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Tax Facilities on Goods and Services Required to Address COVID-19 Pandemic

The government provides tax incentives for goods and services required to counter the Corona Virus Disease 2019 (COVID-19) pandemic. These facilities are granted to support the availability of medicines, medical equipment, and other required supporting equipment to address the pandemic.

These incentives are outlined in the Minister of Finance of the Republic of Indonesia Regulation No.28/PMK.03/2020 concerning the Provision of Tax Facilities on Goods and Services Required to Address Corona Virus Disease 2019 Pandemic ([MoF Reg. No.28/2020](#)). Under this regulation, the government provides four types of tax incentives.

First, the non-withholding of Value Added Tax (VAT) and the government-borne VAT incentives. These VAT incentives are granted to certain parties on the import or supply of taxable goods (*barang kena pajak/BKP*), supply of taxable services (*jasa kena pajak/JKP*), and/or utilization of taxable services from outside the customs area. Certain parties that may utilize these facilities include government bodies/agencies, hospitals, and other parties appointed by government bodies/agencies or hospitals to assist in handling COVID-19.

Further, taxable goods on which VAT is not withheld or borne by the government include medicine, vaccines, laboratory equipment, detection kit, personal protection, patient care, and other supporting equipment declared as equipment for handling COVID-19.

In contrast, taxable services eligible for these facilities include construction services, consulting services, engineering and management, rental services, and other required supporting services for handling COVID-19.

Second, exemptions from Article 22 income tax on the import or purchase of goods for handling COVID-19 by certain parties. In addition, exemptions from Article 22 income tax are also granted to third parties conducting sale transactions of goods for handling COVID-19 with government bodies/agencies, referral hospitals, and other parties appointed to assist.

Third, exemptions from the withholding of Article 21 income tax for resident taxpayers. This incentive is provided for individuals who receive compensation from certain parties for providing services required to counter COVID-19 pandemic.

Fourth, exemptions from Article 23 income tax for resident corporate taxpayers and permanent establishments (*bentuk usaha tetap/BUT*). The fourth incentive is granted to resident taxpayers and/or permanent establishments that receive compensation from certain parties for services required to address COVID-19 pandemic.

All the facilities provided under the regulation are temporary, i.e. shall be valid from April 2020 to September 2020 tax period. The regulation shall come into force as of 6 April 2020, upon its promulgation.

The DGT's Face-to-Face Services Suspension Extended

The Director General of Taxes has extended the prevention period of COVID-19 spread formerly set from 16 March 2020 to 5 April 2020. The suspension of face-to-face services is now extended until 21 April 2020. This measure is undertaken due to the latest developments of COVID-19 and in line with state apparatus employment policies at the national level.

The extension of the prevention period is outlined in the Director General of Taxes Circular No. SE-21/PJ/2020 concerning the Extension of Prevention Period of the Corona Virus Disease 2019 (COVID-19) Spread within the Directorate General of Taxes ([SE-21/PJ/2020](#)). The regulation shall come into force as of its enactment on 2 April 2020.

Other than as a preventive measure in the health sector, the regulation is aimed at ensuring effective and efficient implementation of the DGT's duties, functions, and services. Under this regulation, the work from home (WFH) period for the Directorate General of Taxes (DGT)' employees shall also be extended until the specified date.

Moreover, this regulation is closely related to other circulars regulating the DGT's internal business processes, including guidelines for information and communication technology (ICT) support to implement WFH as well as further guidance for supervision in the taxation field.

Changes to the Supervision and Service System in the Excise Sector

Along with the DGT, the Directorate General of Customs and Excise (DGCE) has also amended a number of provisions pertaining to the supervision and services in excise to prevent and reduce the spread of COVID-19. These amendments are outlined in the Director General of Customs and Excise Circular No. 5/BC/2020 concerning the Supervision and Services in Excise in the Emergency Response Period Due to Corona Virus Disease 2019 (COVID-19) Pandemic ([SE-05/BC/2020](#)).

Under this regulation, the DGCE reorganizes 6 types of business processes related to the provision of services and supervision in the excise sector.

First, extending the deadline for the submission of transfer notification of goods subject to excise (*pemberitahuan*

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Mutasi Barang Kena Cukai/CK-5) documents to no later than 1 August 2020. These documents are used to re-import goods subject to excise that have been affixed with the 2019 excise stamps from circulation to be reprocessed or destroyed.

Second, re-importing goods subject to excise into factories to be reprocessed/destroyed or to other places outside the factory within a period of 30 days from the notification of the CK-5 date.

Third, the excise stamp affixing of brands owned by the same manufacturer under the supervision of a different Customs and Excise office is allowed insofar as there is an approval letter. This approval document itself is issued by the Customs and Excise Office. This activity is, however, only permitted if the DGCE issues CK-1/CK-1A documents before 30 June 2020.

Fourth, to the most possible extent, CK-5 document services should apply the independent CK-5 mechanism. In the event that sealing is required, the sealing process at the place of origin and the opening of the seal at the destination shall be conducted electronically (video call) under the Head of Customs and Excise Office's considerations.

Fifth, the monitoring of the market price of tobacco products for the March 2020 period is deferred and carried out in conjunction with the monitoring of the market price of tobacco products for the June 2020 period.

Sixth, the enumeration of goods subject to excise in the form of ethyl alcohol and beverages containing ethyl alcohol in factories and/or storage facilities for the period of April and May 2020 shall not be carried out. The enumeration will be conducted simultaneously in June 2020.

Additionally, under this regulation, the Director General of Customs and Excise also entitles the DGCE officials to carry out official duties, generate output, coordination, meetings, and other tasks from the officials/employees' residences through the WFH mechanism.

Under this regulation, the WFH mechanism is subject to further coordination by the heads of work units through certain agreements regulated as a whole or in turns. The implementation of WFH takes into account the workload of services and supervision as well as the potential risk of COVID-19 spread within the DGCE environment.

Revision of Tax Revenues in the 2020 State Budget Posture

The government has revised the posture and details of the 2020 State Budget (*Anggaran Pendapatan dan Belanja Negara/APBN*). The changes in the posture

include all indicators in the state budget, ranging from revenues, expenditure, surplus/deficit to financing.

The revised state budget posture is outlined in Presidential Regulation No. 54 of 2020 concerning Changes in Posture and Details of the State Budget for the 2020 Budget of ([Presidential Reg. No. 54/2020](#)).

The regulation was released as a follow up to the Government Regulation in Lieu of Law No. 1 of 2020 concerning State Financial Policy and Financial System Stability to Address Corona Virus Disease 2019 (COVID-19) Pandemic and/or to Counter the Threats that Hinder the National Economy and/or Financial System Stability ([PERPU No. 1/2020](#)).

In further detail, under the Presidential Regulation, the government has revised the state revenue target formerly set at Rp2,233 trillion to Rp1,761 trillion. Furthermore, the state expenditure target formerly set at Rp2,540 trillion has been revised to Rp2,614 trillion.

In contrast, there has been a rise in the primary balance from approximately minus IDR 12 trillion to minus IDR 517.8 trillion. Further, the budget financing formerly set at Rp307.2 trillion has been revised to Rp852.9 trillion. On the other hand, the deficit level previously set at Rp307.2 trillion has now reached Rp852.9 trillion. In other words, the deficit limit has also expanded by more than 3% of the Gross Domestic Product (GDP).

The state budget of Rp. 2,614 trillion is subsequently allocated in two main state expenditure items. *First*, the central government expenditure budget of approximately Rp1,851 trillion, which includes additional expenditure to address COVID-19 pandemic of Rp255.1 billion. *Second*, the transfer budget to regions and village funds of Rp762.7 trillion.

This regulation, however, emphasizes that the central government budget must be prioritized for addressing COVID-19 pandemic and/or countering threats that endanger the national economy and/or financial system stability. The central government spending, therefore, should be focused on health spending, social safety nets, and efforts to recover the economy.

The revisions to the central government budget have resulted in several changes to the 2020 State Budget components. Broadly speaking, the revised components include changes in the internal budget ceiling within government entities, changes in budget from various sources to address natural disasters and pandemics, debt interest reallocation, changes in exchange rates, changes in macroeconomic assumptions, and so forth.

Meanwhile, for village funds budget, the additional budget may also be used, among others, for the social safety net in villages in the form of direct cash transfers for the poor villagers and COVID-19 outbreak handling activities. However, changes in the components of the

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central government budget and transfers to regional and village funds must first obtain the Minister of Finance's approval through the issuance of Minister of Finance Regulations.

Further, in the attachment of the [Presidential Reg. No. 54/2020](#), the government outlines the changes in the tax revenue target. The tax revenue target has been reduced from Rp1,865 trillion to Rp1,462 trillion. Detailed changes in the tax revenue targets can be seen in Table 1.

In addition to tax revenues, this attachment contains the Memorandum Item pertaining to the details of the amount of Government Borne Taxes (DTP). Government borne taxes are among the fiscal stimuli provided by the government to address COVID-19 pandemic. In further detail, the amount of government borne taxes can be seen in Table 2.

Extended Temporary Suspension of Trial Proceedings at the Tax Court

The Tax Court has extended the provisions related to the prevention period of COVID-19 spread within the Tax Court to 21 April 2020. This is outlined in the Chairperson of the Court Circular No. SE-03/PP/2020 concerning the Guidelines for the Adjustments of Trial Proceedings and Administrative Services During the Prevention Period of Corona Virus Disease 2019 (COVID-19) Spread within the Tax Court ([SE-03/PP/2020](#)).

Consequently, this also results in the extension of the temporary suspension of trial proceedings and

services in the Tax Court. Moreover, the services-related provisions set forth in [SE-01/PP/2020](#) as amended by [SE-02/PP/2020](#) are declared to remain valid insofar as they do not conflict and/or are not regulated by the new circular.

SE-03/PP/2020 which revises the two provisions above shall be effective as of its enactment on 2 April 2020. The implementation of this circular is subject to periodic evaluations in accordance with directions or policies undertaken by the central government/regional governments with regard to addressing COVID-19.

One of the important points regulated within this regulation is the scheduling of tax dispute trials. The trial proceedings formerly scheduled within the prevention period of COVID-19 spread in accordance with this regulation shall be postponed. Under this regulation, tax dispute trial proceedings will be held after the prevention period of COVID-19 spread ends, which is subject to further notification.

The Deputy Registrar, under instructions from the Panel of Judges or a Single Judge, shall be responsible for notifying the postponement of trial proceedings to relevant parties. Moreover, the registrar is to record the notifications in the trial proceeding minutes in connection with the prevention period of COVID-19 spread. The postponement is subsequently informed to the parties using letters delivered via electronic media.

Services for the filing of appeals, lawsuits, or judicial reviews, either through the helpdesk or direct submission, are temporarily suspended. In addition, the suspension will apply to the sending of copies of decisions.

Table 1 Details of the Revisions to the Tax Revenue Posture for Budget of 2020 (in Thousand Rupiahs)

Code	Description	Previous	Revised
1	Domestic Tax Revenues	1,823,100,176,382	1,427,004,688,832
1.1	Income Tax Revenues	929,902,819,000	703,344,111,452
1.2	Value Added Tax and Sales Tax on Luxury Goods Revenues	685,874,886,800	529,651,102,000
1.3	Land and Building Tax Revenues	18,864,632,582	13,441,937,380
1.4	Excise Revenues	180,530,000,000	172,898,640,000
1.5	Other Taxes Revenues	7,927,838,000	7,668,898,000
2	International Trade Taxes Revenues	42,602,640,000	35,625,000,000
2.1	Import Duty Revenues	40,002,070,000	33,875,000,000
2.2	Export Duty Revenues	2,600,570,000	1,750,000,000
TOTAL TAX REVENUES (WITHOUT CUSTOMS AND EXCISE)		1,642,570,176,382	1,254,106,048,832
TOTAL TAX REVENUES		1,865,702,816,382	1,462,629,588,832

Source: Attachment of Presidential Reg. No. 54/2020

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Table 2 Details of Government Borne Taxes (in Rupiah)

No	Memorandum Item	Previous	Revised
1	Government borne income tax	11,542,556,273	20,145,686,273
2	Import duties	694,100,000	405,574,336
3	Additional government borne taxes and import duties	0	64,000,000,000

Source: Attachment of Presidential Reg. No. 54/2020

The regulation also stipulates provisions on information services and delivery of other documents. *First*, all information services and delivery of other letters through the helpdesk service (delivered in person) are suspended temporarily during the prevention period of COVID-19 spread.

Second, users of information services are advised to employ online channels, such as email (informasipp@kemenkeu.go.id), contact services on the Tax Court Secretariat website (www.setpp.kemenkeu.go.id), and other online facilities. *Third*, other information regarding the Tax Court during the prevention period of COVID-19 spread may be acquired by telephone/Whatsapp on 08119202032.

Implementing Regulations on Tax Incentives for Taxpayers Affected by COVID-19

The Director General of Taxes has issued guidelines on the provision of tax incentives for taxpayers affected by COVID-19 outbreak, which have come into effect as of this month. The guidelines are set forth in the Director General of Taxes Circular No. SE-19/PJ/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak ([SE-19/PJ/2020](http://www.kemendagri.go.id/portal/unduh/14116)). The circular has been effective as of 1 April 2020.

The guidelines for the provision of the incentives have been issued to produce a common understanding. In other words, this regulation serves as the guidelines for the implementation and on-field operational uniformity to engender convenience, justice, and legal certainty.

In general, this circular outlines the technical provisions for the implementation of four types of tax incentives to address the impact of COVID-19 based on [MoF Reg. No. 23/2020](http://www.kemendagri.go.id/portal/unduh/14116). *First*, the provision of Article 21 income tax borne by the government incentives. *Second*, the exemption from Article 22 income tax on certain imports. *Third*, the reduction of Article 25 income tax installments. *Fourth*, accelerated value added tax refunds.

Some additional procedures set forth in this regulation pertain to information regarding the utilization of government borne Article 21 income tax by taxpayers,

the application for exemption certificates (*surat keterangan bebas/SKB*) of Article 22 income tax, and the utilization of Article 25 income tax installment reduction electronically.

Taxpayers are to submit their application for the incentives to the DGT electronically due to the state of emergency resulting from the escalating COVID-19 spread. Under this circular, the electronic submission of notifications or applications for incentives shall be conducted through DGT Online.

As for the procedures to obtain government borne Article 21 income tax incentive, this regulation outlines that employers may submit the notification of the use of incentives through DGT Online. Notification regarding whether or not the employers' applications are accepted shall be announced through the DGT Online system as well. A similar scheme also applies to the reduction of Article 25 income tax installments.

Moreover, requests for exemptions from Article 22 income tax withholding may be submitted electronically through DGT Online. Upon the request, the DGT may issue SKB of the withholding of Article 22 import tax or a rejection letter. SKB can be issued in the event that the taxpayer meets the criteria of Business Classification (*klasifikasi lapangan usaha/KLU*) and/or an Import Facility for Export (*Kemudahan Impor Tujuan Ekspor/KITE*) company.

The notification regarding whether the SKB application is granted or not is given once the taxpayer fills the SKB application menu. In this regard, the DGCE may confirm the validity of the SKB obtained through the online facilities or services provided by the DGT.

As for accelerated VAT refunds, the regulation stipulates that this is under the authority of the Tax Office (*Kantor Pelayanan Pajak/KPP*) where the taxable person for VAT purposes (*pengusaha kena pajak/PKP*) is registered/administered. The Tax Office shall process accelerated refund requests for low-risk PKP with reference to tax returns.

Refunds shall be confirmed if the PKP fills in the preliminary return column in the tax return or a separate application letter. The request can then be processed insofar as audits or preliminary investigations have not been openly conducted within the requested preliminary return tax period.

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Customs Treatment of Differences in Weight and/or Volume of Imported and Exported Bulk Goods

The Ministry of Finance has issued a regulation stipulating the customs treatment of differences in weight and/or volume of imported and exported bulk goods. The provisions are outlined in the Minister of Finance Regulation No. 26/PMK.04/2020 concerning the Customs Treatment of Differences in Weight and/or Volume of Imported Bulk Goods and Exported Bulk Goods Subject to Export Duties ([MoF Reg. No. 26/2020](#)). Promulgated on 27 March 2020, this regulation will come into effect 30 days thereafter.

The policies are aimed at providing legal certainty and optimizing services in the import and export of bulk goods. The treatment is required to accommodate on-field facts regarding differences in weight and/or in volume of goods due to depreciation or additions.

Under this regulation, customs and excise officials may provide customs treatment for differences in weight or volume. The customs treatment shall apply if the difference in weight and/or volume of imported or exported bulk goods does not exceed 0.50% of the total weight and/or volume.

The customs treatment may be given under three conditions. *First*, the difference is found when imported goods are unloaded. In this regard, the difference is subsequently deemed as an error occurring beyond the carrier's ability due to depreciation by natural factors or differences in methods and/or measuring instruments.

If the calculation is conducted using a measuring instrument provided by the carrier or another party, the measuring instrument must be calibrated by the competent authority and must have a valid calibration certification. In the event that the measuring instrument is still sealed, the seal must be in good condition.

Second, the difference is found during the physical examination of imported and/or exported bulk goods. Under this condition, the DGCE will collect import duties without imposing penalties. This is possible if the results of the physical examination show that the difference in weight and/or volume does not exceed 0.50% of the total.

On the other hand, import duties shall be collected and penalties shall be imposed if the difference in weight and/or volume exceeds 0.50%. The difference in weight and/or volume exceeding 0.50% is considered an error in notifying the quantity of goods.

Third, the difference is found during customs audits on imported or exported bulk goods. If the audit results show a difference that does not exceed 0.50% of the capacity, customs and excise officials will calculate import duties and export duties without imposing

administrative penalties in the form of fines. This implies that the difference in weight that does not exceed 0.50% is not an error in notifying the quantity of goods.

On the other hand, the difference in weight and/or volume exceeding 0.50% of the total will be subject to import duties, export duties, and administrative sanctions in the form of fines. The difference that exceeds 0.50% is deemed as the taxpayer's error in notifying the quantity of goods.

Extended Implementation Period of Taxation Rights and Obligations

The Director General of Taxes has issued a regulation outlining the procedures for calculating the extension of the implementation of taxation rights and obligations. The regulation was released as technical guidelines due to the extended force majeure period resulting from the Corona Virus Disease 2019 (COVID-19) national pandemic.

Under the Head of the National Disaster Management Agency Decree No. 13.A 2020 concerning the Extension of Status of the Certain Disaster Emergency Conditions Due to the Coronavirus Pandemic in Indonesia, the emergency status due to COVID-19 is set for 91 days from 29 February 2020 to 29 May 2020.

The guidelines are outlined in the Director General of Taxes Circular No. SE-22/PJ/2020 concerning the Guidelines for the Extension of the Implementation Period of Taxation Rights and Fulfillment of Taxation Obligations in Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Address Corona Virus Disease 2019 (COVID-19) and/or to Counter Threats that Hinder the National Economy and/or Financial System Stability ([SE-22/PJ/2020](#)).

In effect since 9 April 2020, the regulation outlines that the Director General of Taxes has extended the period of five matters related to the implementation of taxation rights and obligations. *First*, the extension of the filing period of taxpayer objections. If the deadline for filing taxpayer objections falls within the force majeure period, an extension shall be given up to a maximum of six months.

The regulation extends the period of taxpayers to file objections to nine months as of the date the notice of tax assessment is sent or as of the date of tax withholding. The nine-month period results from a period of three months as stipulated in Article 25 paragraph (3) of the General Tax Provisions and Procedures Law plus the six-month extension.

Second, the extension of the period of tax overpayment refunds. If the period of tax overpayment refunds,

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which under Article 11 paragraph (2) of the General Tax Provisions and Procedures Law, should be no later than one month after the issuance of the notification or court decree/decision, falls within the force majeure period, the deadline for the overpayment refunds shall be extended to a maximum of one month.

The period of tax overpayment refunds, therefore, shall be two months as of the issuance of the Notice of Tax Overpayment Assessment and the decision letter or the receipt of appeal/judicial review decisions.

Third, the extension of the issuance period of notice of tax assessment (*surat ketetapan pajak/SKP*) in connection with the request for tax overpayment refunds. Referring to Article 17B Paragraph (1) of the General Tax Provisions and Procedures Law, the notice of tax assessment is to be issued no later than twelve months as of the date of the notification letter stating that overpayments are received in full.

If the period falls within the force majeure period, it shall be subject to an extension of a maximum of six months. Thus, the issuance period of SKP may be eighteen months as of the notification letter stating that overpayments are received in full.

Fourth, the extension of the period of the decision on objections filed by taxpayers. Based on Article 26 paragraph (1) of the General Tax Provisions and Procedures Law, the Director General of Taxes must establish a decision on objections submitted by taxpayers no later than twelve months as of the date the objection letter is received.

If the period expires within the force majeure period, the issuance of the decree shall be extended to a maximum of six months. Accordingly, the period of the decision shall be eighteen months from the date the objection letter was received.

However, in the event that the objection research team has sent a Notice to Appear until 9 April 2020, the period of the decision on the objection shall be no later than one month after COVID-19 pandemic is declared over.

In contrast, if the objection research team has not sent a Notice to Appear until 9 April 2020, the decision on the objection shall be notified no later than eighteen months as of the date the objection letter is received. Notification of Appear must be submitted no later than one month after the COVID-19 pandemic is declared over. The extension of the settlement period for the submission of the objection does not include the settlement period for the submission of the Land and Building Tax objection.

Fifth, the extension of decisions on requests for reduction or elimination of administrative sanctions, reduction or cancellation of incorrect notices of tax assessment, reduction or cancellation of incorrect notices of tax collection, and cancellation of audit results.

Provisions related to this matter refer to Article 36 paragraph (1c) of the General Tax Provisions and Procedures Law in which the Director General of Taxes must make a decision on the application no later than six months as of the date the application is received. The regulation stipulates that the decision on the application will be extended to a maximum of six months after the pandemic ends. Accordingly, the period of the decision shall be twelve months as of the date the application is received.

The extension will also apply to the submission of requests for reduction of Land and Building Tax administrative fines, reduction or cancellation of the Notice of Land and Building Tax Assessment, notification of tax due, and the invalidity of the Notice of Land and Building Tax Collection as stipulated in [MoF Reg. No. 81/PMK.03/2017](#).

Incentives for Companies Receiving Bonded Zone Facilities and Ease of KITE

The Minister of Finance has issued a regulation on additional incentives for companies. These incentives are outlined in the Minister of Finance Regulation No. 31/PMK.04/2020 concerning Additional Incentives for Companies that Receive Bonded Zone Facilities and/or Import Facility for Export to Address the Impact of Corona Virus Disease (Corona Virus Disease 2019/COVID-19) ([MoF Reg. No. 31/2020](#)).

The regulation is aimed at addressing the impact of COVID-19 which disrupts the domestic supply chain due to the sluggish global economic growth. Bonded Zone refers to a bonded storage area to stockpile imported goods and/or goods originating from other places in the customs area to be processed or assembled before being exported or imported for use.

Under this regulation, the export of bonded zone products to other places within the customs area will not reduce the quota for the sale of products to other places within the customs area in the current year. Physical examinations of inward and outbound manifests to and from the bonded zone are still enforced, both directly or using available information technology. In the event that the location of the bonded storage area is subject to the Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar/PSBB*), the area may be approved to perform self-service.

Further, entrepreneurs in the bonded zone may import some goods into the zone, among others, disinfectants, masks, personal protective equipment, thermometers, and/or other items required to handle COVID-19. The

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imported goods may originate from outside the customs area and other places within the customs area.

The government subsequently defers import duties and does not impose taxes on imports on the import of goods originating from outside the customs area. For goods originating from other places in the customs areas into bonded zones, however, the government provides incentives in the form of non-withholding of value added tax (VAT) and Sales Tax on Luxury Goods (SLTGs).

This regulation also stipulates goods originating from other places within the customs area which are exported by companies that obtain import facility for export (*kemudahan impor untuk tujuan ekspor*/KITE). Effective as of 13 April 2020, this regulation stipulates incentives for three types of KITE, namely KITE Exemption, KITE Drawback, and KITE for Small and Medium Industries (KITE IKM).

Under this regulation, goods that are further processed or assembled with products are eligible for incentives in the form of non-withholding of VAT or SLTGs. These incentives are only granted to KITE exempt companies or KITE IKM companies whose production is used 100% for export.

The taxable persons for VAT purposes (*pengusaha kena pajak*/PKP) who supply the taxable goods are required to prepare tax invoices with an additional statement "VAT is not withheld". However, companies cannot use combined tax invoices.

KITE Exemption companies or KITE IKM companies that import goods may use goods handover certificate (*surat serah terima barang*/SSTB) as evidence. Further, the goods in question must undergo the final process, i.e. being processed, assembled, and/or installed for export. The companies are also required to export processed, assembled, and/or installed products no later than twelve months after the import.

Additionally, the deadline can be extended if 3 conditions occur. *First*, buyers delay exports. *Second*, there is an export cancellation or change of buyers. *Third*, there is force majeure, such as wars, natural disasters, or fires. Further, export realization reports are to be submitted no later than 30 days from the end of the export deadline. If the exported goods do not undergo the abovementioned final process, the KITE exemption or KITE IKM companies are obliged to pay the formerly non-withheld VAT or SLTGs.

The government also defers import duties does not withhold VAT or SLTGs for the supply of products. These incentives are granted to KITE exemption and KITE drawback companies if the supply of products to the bonded zone is further processed or assembled with

Bonded Zone products. In contrast, for KITE exemption companies supplying products to KITE IKM companies to be further processed or assembled with the products, the supply is exempted from import duties and is not subject to VAT and SLTGs.

Both types of companies are also allowed to sell to other parties within the customs area with a maximum of 50% of the realization. For the sale to the other party, the companies are subsequently required to pay import duties and settle VAT and SLTGs, which were originally not withheld. Instead, the companies may withhold VAT and SLTGs from other parties.

Implementation of Tax Administration Services in Force Majeure Due to COVID-19

The Ministry of Finance has issued a regulation on the implementation of tax administration services in force majeure due to the Corona virus (COVID-19) pandemic. This regulation was released as the spread of COVID-19 has affected tax administration services. Arrangements for the implementation of these services are outlined in the Minister of Finance Regulation No.29/PMK.03/2020 concerning the Implementation of Tax Administration Services in Force Majeure Due to the Corona Virus 2019 Disease Pandemic ([MoF Reg. No. 29/2020](#)).

Enacted and entered into force on 7 April 2020, the regulation stipulates the due dates of tax administration services in force majeure may be extended for a certain period. Such a period will be further stipulated by the Director General of Taxes through derivative technical regulations that take into account the level of emergency or disaster in each region. These considerations also refer to the decisions of regional heads or other authorized agency officials.

The tax administration services refer to an activity or series of activities carried out to meet the needs of external services as per legislative provisions on taxation for the implementation of rights and fulfillment of tax obligations which require the issuance of legal products by the DGT.

On the other hand, the extension under this regulation shall become invalid if it causes the completion of tax administration services to exceed the periods previously stipulated in laws, government regulations in lieu of laws, or government regulations. In addition to the completion due date, this applies to the provisions on the extension and re-application of legal products of tax administration services. Further, the provisions under this regulation do not apply to the issuance of legal products upon requests for tax administration services that may be made online.

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Within the force majeure, taxpayers may submit requests for tax administration services electronically and attach required documents. The completion period of requests for these services refers to the deadline provisions that have been or will be stipulated by the Director General of Taxes through derivative regulations as of the date of receipt of the application and complete required documents through the electronic media.

However, in the event that the taxpayer submits an application by post or courier service company, a certain settlement period shall be calculated from the issuance

date of receipt of the letter concerning the taxpayer's request being received in full.

Additionally, as this regulation is officially enacted, the provisions regarding the procedures for submitting applications, issuance of legal products, and the completion period of tax administration services stipulated in the Ministerial Regulation and/or Director General of Taxes Regulations are declared invalid until the force majeure ends. The force majeure in this regulation refers to Government decrees through the Head of the National Disaster Management Agency.

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