

# WAKE UP CALL



Welcome to issue 56 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, transaction support, governance, internal control, management, risk, and taxation.

In this issues:

- Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19
- Omnibus Law – a new chapter of Indonesia Economy?
- Our Activities

# Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19

*Nicholas Graham, Tax Practice*

On 10 October the Minister of Finance ("MoF") issued regulation No. 143/PMK.03/2020 ("PMK-143") concerning certain tax facilities for providing goods and services to handle COVID-19. In particular:

- The income tax and VAT facilities provided by MoF Regulation No. 28/PMK.03/2020 ("PMK-28") have been slightly modified and extended from 30 September to 31 December 2020, and
- The income tax facilities provided by Government Regulation No. 29 of 2020 ("GR-29") have been extended from 30 September to 31 December 2020.

## VAT FACILITIES

PMK-143 provides VAT facilities on acquisitions of goods and services by the following parties:

Subject	Object	Facility if goods imported/ services utilized from overseas	Facility if goods/ services acquired within Indonesia
Government entities/ agencies, hospitals, and Other Parties (refer below)	Medicine, vaccines, laboratory equipment, detection equipment, personal protection equipment, equipment for treating patients or other supporting equipment to handle COVID-19, and construction services, consulting, technical & management services, rental services or other supporting services to handle COVID-19.	VAT not collected ("tidak dipungut") for the import of goods; VAT borne by the Government ("ditanggung pemerintah") for the utilization of services from overseas.	VAT borne by the Government ("ditanggung pemerintah").
Pharmaceutical manufacturers producing vaccines or medicine (NEW ADDITION COMPARED TO PMK-28)	Raw materials to produce vaccines or medicine to handle COVID-19.	VAT borne by the Government ("ditanggung pemerintah").	VAT borne by the Government ("ditanggung pemerintah").
Pharmaceutical manufacturers producing vaccines or medicine (NEW ADDITION COMPARED TO PMK-28)	Sales of vaccines or medicine to handle COVID-19.		VAT borne by the Government ("ditanggung pemerintah").

"Other Parties" are defined as parties that are appointed by government entities/agencies or hospitals to assist for handling COVID-19. The VAT facility for Other Parties only applies (for transactions other than the import of goods) if the party will deliver the goods/services to the government entity/agency or hospital without any compensation and the goods/services are not for the own use of the Other Party.

**Administration.** To utilize the VAT facility for purchases of raw materials, the pharmaceutical manufacturer of vaccines/medicine must obtain a recommendation letter from BNPB (National Disaster Management Authority).

Government entities/agencies, hospitals and Other Parties that wish to use the VAT facilities for the import of goods related to the provision of services for handling COVID-19, must obtain a Statement Letter for Utilization within the Customs Area of Taxable Services from Outside the Customs Area (Surat Keterangan Pemanfaatan Jasa Kena Pajak dari luar Daerah Pabean di dalam Daerah Pabean (SKJLN)) from the Director-General of Taxation ("DGT") and also:

- a. Prepare the ID Billing affixed with a stamp or the words "PPN DITANGGUNG PEMERINTAH EKS PMK NOMOR 143 / PMK.03/2020"; and
- b. Prepare a monthly realization report for VAT borne by the Government in accordance with the sample format as contained in Appendix A to PMK-143. This should be submitted through the e-filing process no

later than the end of the following month.

Taxpayers that are delivering goods or services related to handling COVID-19 and pharmaceutical manufacturers that will import raw materials must:

- Prepare a Tax Invoice (Faktur Pajak, or other document stipulated as equivalent to a Tax Invoice) and must contain the statement "PPN DITANGGUNG PEMERINTAH EKS PMK NO-MOR 143 / PMK.03/2020".
- Report the Tax Invoice/other document in the monthly VAT Return no later than the end of the following month. This is considered as a realization report for the VAT borne by the Government.

### INCOME TAX FACILITIES:

The income tax facilities provided under PMK-143 are income tax exemptions for:

- Article 22 income tax for imports and/or domestic purchases of goods (as per table above) required to handle COVID-19 by government entities/agencies, hospitals, and Other Parties;
- Article 22 on the sale of goods by the seller who transacts with government entities/agencies, hospitals, and Other Parties;
- Article 22 income tax for imports and/or domestic purchases of raw materials to produce vaccines or medicine to handle COVID-19 by pharmaceutical manufacturers (A NEW ADDITION COMPARED TO PMK-28);
- Article 21 on income received by individual domestic taxpay-

ers as compensation paid by government entities/agencies, hospitals, and Other Parties for services needed to handle COVID-19, and

- Article 23 for income received by domestic corporate taxpayers and permanent establishments as compensation paid by government entities/agencies, hospitals, and Other Parties for technical, management, or other services subject to Article 23, that are required to handle COVID-19.

**Administration.** Any party that wishes to obtain the Article 22 exemption for domestic transactions shall obtain an SKB (Tax Exemption Letter) from the DGT. No SKB is required to access the Article 22 exemption for imports. Pharmaceutical manufacturers are also required to obtain a recommendation letter from BNPB.

The exemption from Article 21 income tax is available without requiring an SKB, however, the government entities/agencies, hospitals or Other Parties that make payments to the individuals must prepare the NIL Article 21 withholding tax slip. The payer must then submit the realization report to the DGT no later than the 20th of the following month.

To utilize the exemption from Article 23 income tax the taxpayer should obtain an SKB by completing the form as per Appendix H of PMK-143 and submitting this through the DGT portal.

All parties utilizing an exemption must provide realization reports. These must be submitted to the DGT no later than the 20th of the following month.

## OTHER INCOME TAX FACILITIES

In addition to these exemptions, PMK-143 extends the income tax facilities provided through GR-29 that specifically relate to handling COVID-19. Our previous Client Alert dated 23 July 2020 provides details of these facilities ([refer Client Alert – Additional Income Tax Facilities during COVID-19 \(Government Regulation No. 29/2020\)](#)).

In summary these are:

- An additional deduction for costs to produce medical equipment or household health supplies used for handling COVID-19.
- A deduction for donations related to handling COVID-19.
- NIL tax for income earned by individuals from providing health services to the Government related to handling COVID-19.
- NIL tax for income earned by taxpayers from the Government for rental of assets used for handling COVID-19.

For further information, please contact:  
[contact@rsm.id](mailto:contact@rsm.id)



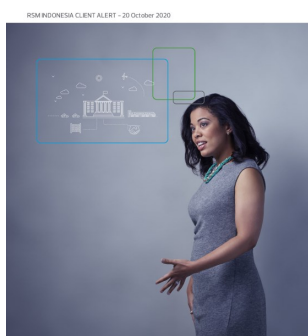
### What's inside the report?

The report provides insight into how professionals from 18 industries consider the impact of pandemic to operation as well as the potential of fraud arising from it.

It also includes information on a number of key areas, including:

- Current challenges faced
- Areas that are most at risk
- Fraud prevention and detection
- Key takeaways to strengthen your organization

Click [here](#) to read the full report.



PP-49 Temporary Facility regarding BPJS-TK Premiums



Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19

In the 4th quarter of 2020, we have published several editions of Client Alert which include:

- PP-49 Temporary Facility regarding BPJS-TK Premiums
- Extension of Period of Certain VAT and Income Tax Facilities Related to Handling COVID-19

To read more about the Client Alert, click [here](#) or visit [www.rsm.id](http://www.rsm.id).

# Omnibus Law – a new chapter of Indonesia Economy?



*Ichwan Sukardi and Sophia She Jiaqian, Tax Practice*

The year 2020 is nothing short of challenges and surprises—whilst looming pandemic of COVID-19 has affected pretty much all our humankind at a global scale, it is hard to deny that the year 2020 is an inflection point where certain trends and breakthroughs were accelerated, or are going to accelerate.

In Indonesia, one of the major events is the realization of the Omnibus Law as it has been long-awaited after President Joko Widodo announced it as part of his term plan and initiatives—Omnibus Law represents the most comprehensive (and perhaps impactful) economic reform that has ever been launched in Indonesia

One of the key challenges faced by Indonesia and the reasons of it failing to compete at the global stage lies within its core system—excessive bureaucracy resulted in overflowed and overlapping regulations. In President Joko Widodo's vision for Indonesia 2045, reforming bureaucracy, infrastructure development, investment realization, development of human capital, and efficient use of the state budget are amongst others, the top five priority of focus in his term period 2019–2024. Within this vision framework, one of the major initiatives proposed by President Jokowi was simplifying regulations

by creating omnibus laws, focusing on job creation and small business empowerment.

## **Journey to Realization of the Omnibus Law**

The Omnibus Law was submitted by the Government as a bill to the parliament on 12 February 2020, which arose much debate and controversy in the public domain.

On 5 October 2020, the parliament passed the Omnibus bill on Job Creation, and subsequently it was signed by the President on 2 November 2020 and became the full force of law. The law which came into effect to embody the Omnibus Law is the Law No. 11 Year 2020 on Job Creation. Law No.11/2020 consists of 15 chapters encompass 11 main clusters in which tax issues are included as part of Part 7 – Ease of Doing Business.

With Law No. 11/2020 entering into immediate effect since 2 November 2020, massive efforts are underway within government bodies as implementing regulations are required to ensure harmonization and synchronization with the Job Creation Law. We understand that there are approximately 35 government regulations and 5 presidential regulations that are currently being prepared as implementing regulations to the Job Creation Law.

## **Key Impacts on Taxation**

What are the tax changes brought by the Omnibus Law? The most significant (and welcoming) changes brought by Omnibus Law on taxation would probably be the changes relating to the tax exemption of dividend income, relaxation on claiming input VAT, and reduction on the rate applicable for administrative sanction. Below are some key changes of tax provisions:

- Under the existing Income Tax Law, taxation of dividends follows the classic system whereby it is being taxed twice; at the company and the shareholder level. Omnibus Law changes such system to a single-tier based system whereby both Indonesian-sourced and foreign-sourced dividends may enjoy the opportunity of being exempted from Indonesian income tax. There are some requirements to satisfy the exemption, though this should effectively apply, further implementing regulations should clarify more technical detail of the exemption.
- Changes to the VAT Law provide much more lenient rules regarding creditability of input VAT whereby domestic enterprises can now claim (i) input VAT incurred before they are

registered as VAT-able enterprise (up to an 80% threshold), and (ii) input VAT incurred on all taxable goods and/or services before they make their first taxable deliverable (previously restricted to capital goods).

- A few provisions in the General Tax Provision Law are also amended. Administrative sanction on underpayment of tax resulted from late reporting or filing – it is now adjusted to be on par with prevailing bank interest rate plus a slim margin (being 5% divided by 12 months). Similarly, the penalty for incorrect VAT administrative is now reduced from 2% of the tax base to 1%. To promote

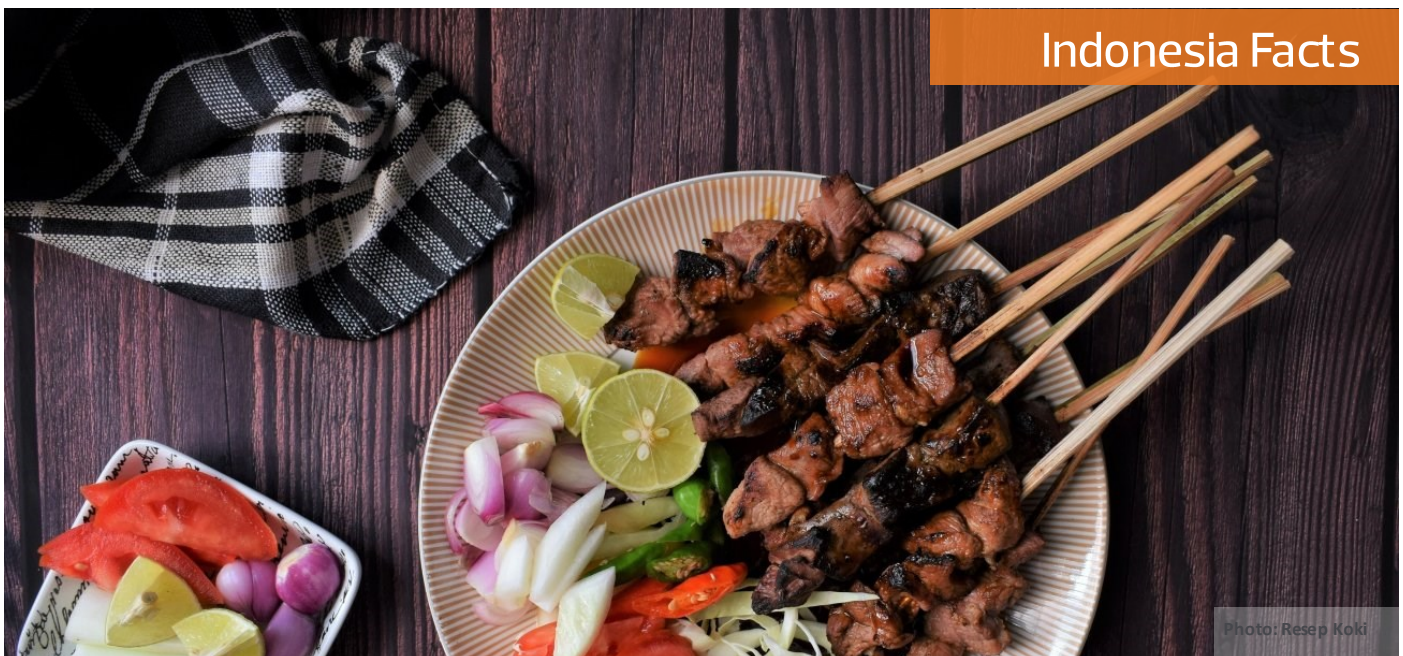
fairness of the tax administration, the Omnibus Law also allows equal compensation in case there is an incorrect assessment made by the DGT.

- Aside, there is also change which is viewed more controversial, for example, coal mining products are now an object of VAT.

Regardless of timing and changes, taxation will and always be a critical factor for investors to ponder their investment decisions. If the government implements the tax provisions under the Omnibus Law in a coherent manner, we will definitely see a positive improvement to Indonesia's investment

climate and in return, a more open and prospective economy. Whilst the tax-related implementing regulations are underway (expected to be released by end of 2020), we can definitely sense the sincerity from the government to keep up with its promises and its readiness to adopt a central-based approach at swift speed to transform and update its tax system in welcoming more investors and provide a better, and investor-friendly business environment.

For further information, please contact: [contact@rsm.id](mailto:contact@rsm.id)



## Indonesia Facts

Photo: Resep Koki

### SATE / SATAY

Sate or satay is food made of meat that is cut into small pieces and skewered in such a way with a stick of bone, coconut or bamboo leaves and then grilled using wood charcoal coals. Sate is served with a variety of spices depending on the variety of satay recipes. Meats that are used for satay include chicken, goat, lamb, beef, pork, rabbit, horse, and others.

Sate is known to have originated in Java, Indonesia, and can be found anywhere in Indonesia and has been considered one of Indonesia's national dishes. Satay is also popular in other Southeast Asian countries such as Malaysia, Singapore, Philippines and Thailand. Satay is also popular in the Netherlands which is influenced by Indonesian cuisine which was once a colony.

Satay is a very popular dish in Indonesia; with various ethnic groups and cooking traditions (see Indonesian Cuisine) has produced various types of satay. In Indonesia, satay can be obtained from mobile satay vendors, street vendors at roadside stalls, to upscale restaurants, and is often served at parties and festivals. Recipes and ways of making satay vary depending on the variations and recipes of each region. Almost any kind of meat can be made satay. As the country of origin for satay, Indonesia has a rich variety of satay recipes.

Source : Wikipedia

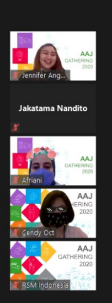
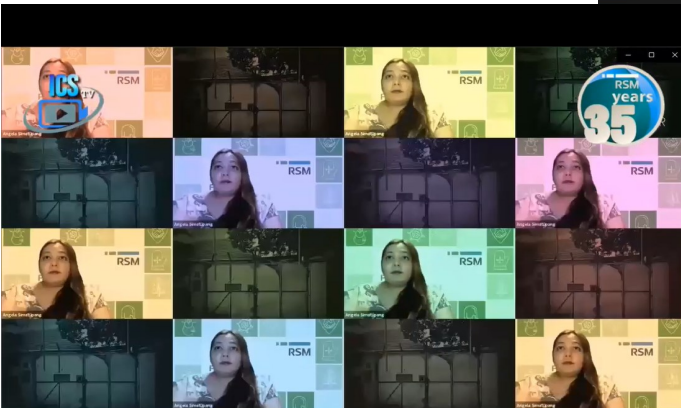
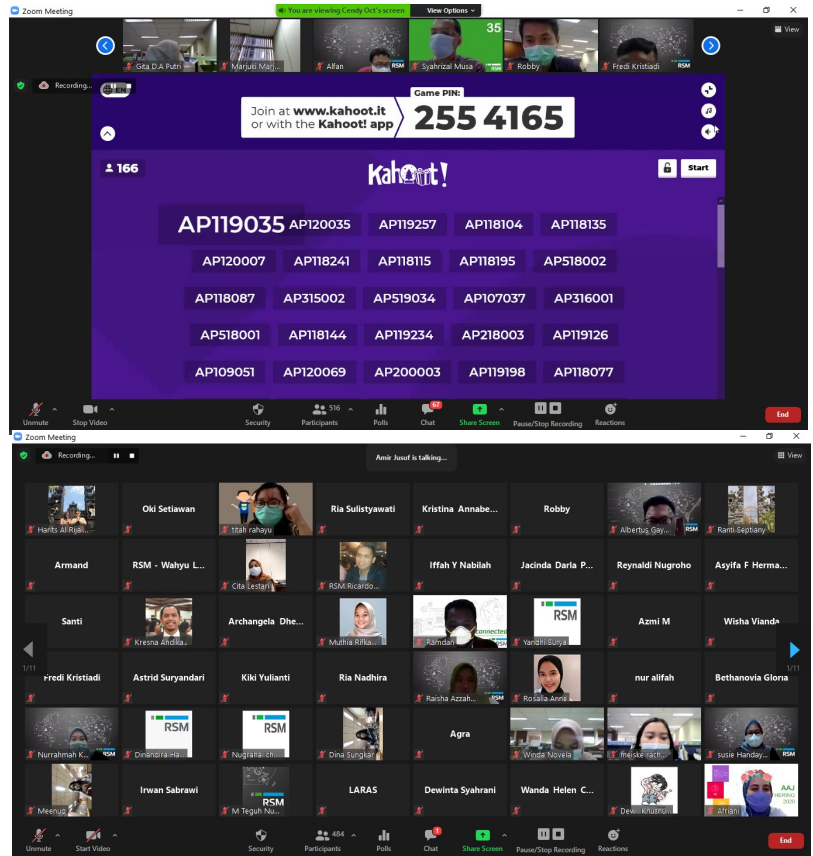
# Our Activities

## AAJ Gathering 2020

Our AAJ Annual Party was replaced with AAJ Gathering, a place where we can gather, virtually. Due to COVID-19, there are a lot of changes we can see and feel.

There still are talent show where all the staffs and groups submit creative videos, still keeping the tradition of listening to the National Anthem "Indonesia Raya", speech from our CEP, Amir Abadi Jusuf, giving out door prizes and grand prize, and doing Kahoot! game that gave us chance to compete and have fun, and giving awards for Staff of the Year and Partner of the Year.

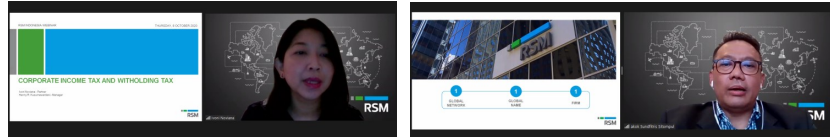
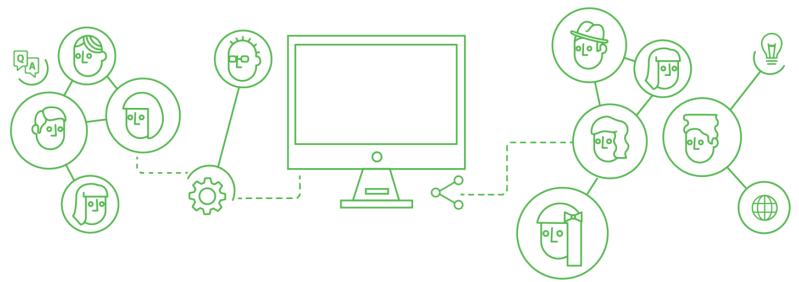
It is indeed different from events we had in the previous years but we can still get the togetherness feeling.



# RSM Indonesia Webinar

We keep our commitment in updating the current issues through our webinar series. On the 4th quarter of 2020, we successfully conducted several tax webinars. The webinars were presented by our professionals, and attended by more than 150 participants each webinar.

We hope the webinar were helpful and informative. See you at our next event!



RSM Indonesia wishes you:

**Merry Christmas & Happy New Year**

We look forward to working with you in 2021



# Thank you for reading

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