

## Client Alert

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## New Fiscal Incentives in Relation to COVID-19

### Recent Developments

The Indonesian government recently proposed four types of new fiscal incentives as a response to the outbreak of Coronavirus Disease 2019 ("**COVID-19**"). The government hopes that the new fiscal incentives can contain the economic impact of COVID-19 outbreak.

### Implications for Taxpayers

The new incentives provide several benefits for taxpayers in certain industries. Taxpayers in these industries are exempted from Income Tax Article 22, and they may receive an Income Tax Article 25 reduction. In addition, they are entitled to initial refunds for VAT.

The government also provides an incentive for individual taxpayers in the manufacturing industry. Their income tax article 21 will be borne by the government.

The fiscal incentives will be granted to taxpayers in certain industries, certain taxpayers obtaining Ease of Imports for Export Purposes (*Kemudahan Impor Tujuan Ekspor*" **KITE**"), and certain taxpayers obtaining Ease of Imports for Export Purposes for Small and Medium Entrepreneurs (*Kemudahan Impor Tujuan Ekspor - Industri Kecil dan Menengah*" **KITE IKM**).

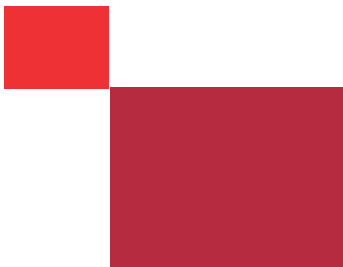
### Types of Fiscal Incentives

#### 1. Income Tax Article 21

The government will bear 100% of Income Tax Article 21 for employees' income of up to IDR 200 million for employees in certain manufacturing industries (including certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM). The incentive will be provided for six months, from April to September this year. It is hoped that the incentive can increase income to maintain the purchasing power of employees in the manufacturing industry.

#### 2. Income Tax Article 22

Taxpayers in 19 industries, certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM will be exempted from Income Tax Article 22 on import of goods. The incentive will be provided for six months, from April to September this year. The purpose of this incentive is to help these industries to maintain their imports.





### 3. Income Tax Article 25

Taxpayers in 19 industries, certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM will receive a reduction of Income Tax Article 25 of between 25% and 50% for six months, from April to September this year. It is hoped that the incentive will help these industries as to increase exports.

### 4. VAT Refund

This facility will be provided for taxpayers in 19 industries, certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM, and will be in the form of preliminary refunds. The facility will be provided for six months, from April to September this year. For exporters, there is no limit for the amount of VAT refund. For non-exporters, the limit will be IDR 5 billion.

## Actions to Consider

The fiscal incentives were announced by the Coordinating Ministry of Economy on 13 March. However, the details of the incentives have not been announced by the government yet. The fiscal incentives including the list of industries that are entitled to the fiscal facilities above will be stipulated in a regulation soon.

Further consultation may be required to fully understand the details of the new fiscal facilities provided by the government.

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