



Government Financial Policy and Financial System Stability to Handle the Pandemic of Covid-19 and/or to Overcome the Threat that may Harmful the National Economy and/or Stability of Financial System

Government Regulation in lieu of Law No. 1 Year 2020 ("GR-1/2020")

### BACKGROUND OF GOVERNMENT REGULATION

The pandemic of Covid-19 will slow down the economic growth, reduce the State revenue, and increase the State expenditures. Therefore, the Government needs to set some policies to stabilize the financial system and national economic, including to recover the economic condition, and business atmosphere.

The GR-1/2020 regulates several tax policies for the relaxation of tax obligations and new treatment of e-commerce as follows:

1. The reduction of Corporate Income Tax rate for Corporate Taxpayer and Permanent Establishment.
2. The tax treatment for the e-commerce transactions from offshore to Indonesia.
3. The extension of deadline for the fulfillment of taxation rights and obligations.
4. Customs facilities for the reduction or exemption of Customs Duty for import transactions.

The key features of GR-1/2020 for taxation issues can be summarized as follows:

### REDUCTION OF CORPORATE INCOME TAX RATE

No.	Key Features	Notes
1	Reduction of CIT Rate for NON - Public Listed Company.	FY 2020 and 2021 - reduced to 22% FY 2022 - reduced to 20%
2	Reduction of CIT Rate for Public Listed Company	3% lower from normal rate as above, as long as: a) The shares are 40% traded in the Indonesia Stock Exchange b) Meet certain requirements (will be further regulated in a Government Regulation)

### TAX TREATMENTS FOR E-COMMERCE TRANSACTION FROM OFFSHORE TO INDONESIA

No.	Key Features	Notes
1	VAT for Utilization of Service and/or Intangible Taxable Goods	The Offshore Seller, Offshore Service Provider, Offshore Trade Organizer conducted the trading through Digital System ( <i>Penyelenggara Perdagangan Melalui Sistem Elektronik / PPMSE</i> ), and Domestic PPMSE as appointed by the Ministry of Finance should collect, pay and report the VAT. The PPMSE can be marketplace or platform provider.
2	Income Tax or Tax on Electronic Transaction	The Offshore Seller, Offshore Service Provider, and Offshore PPMSE should have a Permanent Establishment in Indonesia if they have significant economic presence in Indonesia. The significant economic presence can be: a) Consolidated gross income of group companies exceed certain limit; b) Sales in Indonesia exceed certain limit; and/or c) The active user of digital media in Indonesia exceed certain limit.  In case the Permanent Establishment could not be established in Indonesia due to Tax Treaty limitation, the transaction will be subject to Tax on Electronic Transaction.

## TAX TREATMENTS FOR E-COMMERCE TRANSACTION FROM OFFSHORE TO INDONESIA (continued)

No.	Key Features	Notes
3	The Appointment of Representative in Indonesia	The Offshore Seller, Offshore Service Provider, and Offshore PPMSE can appoint a Representative in Indonesia to collect, pay, and report the VAT, Income Tax and/or Tax on Electronic Transaction.
4	Further Implementing Regulation	<p>There will be a Government Regulation to regulate the Income Tax and Tax on Electronic Regulation to cover:</p> <ol style="list-style-type: none"> <li>How much is the Tax Rate</li> <li>What is the Tax Base</li> <li>How to calculate the Income Tax and Tax on Electronic Regulation</li> </ol> <p>Furthermore, there will be a Ministry of Finance Regulation to regulate:</p> <ol style="list-style-type: none"> <li>Procedures to appoint the PPMSE, the VAT collection, payment and reporting.</li> <li>The criteria of significant economic presence, payment and reporting of Income Tax and the Tax on Electronic Transaction.</li> <li>The appointment of Representative in Indonesia.</li> </ol>
5	Penalty	If the Offshore Seller, Offshore Service Provider, Offshore PPMSE, and Domestic PPMSE do not meet the above requirements, they will be subject to administrative sanction based on the tax law, and the digital access termination.

## THE EXTENSION OF DEADLINE FOR THE FULFILLMENT OF TAXATION RIGHTS AND OBLIGATIONS

No.	Key Features	Notes
1	Submission of Objection Letter	If the deadline for submission of Objection Letter is in the force majeure period of Covid-19, the deadline will be <u>extended for 6 months</u> .
2	The Issuance of Tax Refund Letter	The Tax Office should issue the Tax Refund Letter ( <i>Surat Pengembalian Kelebihan Pembayaran Pajak / SPKPP</i> ) within 1 month in relation to the issuance of Overpayment Tax Assessment Letter, Tax Objection Decision, Tax Appeal Decision, and other tax overpayment decision in accordance to the Art. 11 paragraph (2) of General Tax Law. This deadline will be <u>extended for 1 month</u> .
3	The Issuance of Tax Assessment Letter, Tax Objection Decision and Reduction/Elimination of Administrative Sanction	The Tax Office can extend the issuance of Overpayment Tax Assessment Letter, Tax Objection Decision, and the Reduction/Elimination of Administrative Sanction Decision for <u>6 months</u> , in case the deadline is within the force majeure period of Covid-19.
4	The Force Majeure Period of Covid-19	The force majeure period of Covid-19 should refer to the Decision from Head of National Disaster Management Authority ( <i>Badan Nasional Penanggulangan Bencana / BNPB</i> ). As of 31 March 2020, BNPB has issued 2 Decisions which determined the force majeure period of Covid-19 is <u>28 January 2020 – 29 May 2020</u> .

## CUSTOMS FACILITIES FOR THE REDUCTION OR EXEMPTION OF CUSTOMS DUTY FOR IMPORT TRANSACTIONS

No.	Key Features	Notes
1	Exemption or Reduction of Customs Duty	The Ministry of Finance can issue the regulation to exempt or reduce the Customs Duty for import transactions.



For additional information, please contact us:

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The information in this document is intended for general information only based on our understanding of the interpretation of those provisions.

There is no guarantee the Tax Office will have the same view from those expressed in this document.

When specific problems occur in practice, it is suggested to obtain appropriate advice from the tax advisor.