



## Indonesia

Government and institution measures in response to COVID-19.

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### General Information

On 31 March 2020, Indonesia President signed the Government Regulation in Lieu of Law (Perppu) no 1 year 2020 on State Finance Policy and Financial System Stability in the Handling of COVID-19 Pandemic & announced the largest economic stimulus package of Rp405.1 trillion (USD 24.5 billion) in handling COVID-19 outbreak. At the same time, the Indonesia government has issued a government regulation to regulate large-scale social restriction and the protocol for specific area/region isolation.

### Tax measures – Direct and Indirect

**(e.g. payment deferrals, rate reductions...)**

Click here to see a [comprehensive summary](#) of jurisdictional tax measures and government reliefs in response to COVID-19.

### Economic stimulus measures

**(e.g. loans, moratorium on debt repayments...)**

On 31 March 2020, Indonesia Government announced total state spending for the 2020 State Budget in handling COVID-19 outbreak is Rp405.1 trillion. The budget deficit is estimated to reach 5.07 percent of GDP (compared to current ceiling at 3%). Relaxation of the State Budget deficit policy above 3 percent of the GDP will apply for only 3 fiscal years (2020, 2021 and 2022). The Indonesia Government expect to impose a fiscal discipline of below 3 percent deficit starting in 2023.

Category	Budget	Allocation
Healthcare Sector	Rp75 trillion	<ul style="list-style-type: none"> <li>• The purchase of medical equipment such as test kits and ventilators will be prioritized</li> <li>• Incentives for medical workers including doctors and nurses</li> <li>• Subsidy of Social Security Agency (BPJS Kesehatan) premium</li> </ul>
Social Protection	Rp110 trillion	<ul style="list-style-type: none"> <li>• The budget will prioritize the 10 million families in the family hope program as well as the 20 million families in the staple food program.</li> <li>• The budget for the preemployment card program will be raised to Rp20 trillion from the initial Rp10 trillion, which will be sufficient to cover 5.6</li> </ul>

		<p>million laid-off workers, informal workers and micro and small business owners.</p> <ul style="list-style-type: none"> <li>• Free electricity for 24 million customers using 450 KVa and 7 million customers using 900 KVa.</li> <li>• Support for low-cost housing (Rp1.5 trillion to cover financing for 175,000 new homes under subsidized housing program)</li> <li>• Basic logistical support and basic needs (Rp25 trillion)</li> </ul>
<p>Tax Incentives and Credit for Business</p>	<p>Rp70.1 trillion</p>	<ul style="list-style-type: none"> <li>• Workers in the manufacturing sector with incomes below Rp200 million per year will be exempt from income taxes for six months.</li> <li>• Import tax payments will be deferred for six months in</li> </ul>

		<p>19 manufacturing sectors.</p> <ul style="list-style-type: none"> <li>• Acceleration of VAT refunds in 19 manufacturing sectors</li> <li>• The corporate income tax will be reduced from <b>25 percent to 22 percent.</b></li> <li>• Debt payments will be delayed by six months for micro loan credit for businesses affected by COVID-19.</li> </ul> <p>(Refer to “Tax Measures” for further detail)</p>
<p>Economy Recovery Program</p>	<p>Rp150 trillion</p>	<p>Credit restructuring and financing for small and medium businesses, among other businesses. (credit relaxation for loans below Rp10 billion for business purposes, applied to both loans provided by banks and by non-bank financial industry. Interest will be reduced and repayments will be delayed for up to one year)</p>

## **Other non-fiscal measures which have been introduced by the Government:**

- Import restrictions to be reduced for goods under the 749 Harmonized System (HS) code, including in the fisheries and forestry industries. Health certificate and V-legal documents will no longer be required.
- Import restrictions to be simplified for raw materials, including steel and alloy steel as well as several food commodities including sugar. The government will also simplify regulations on animal, medicine and food imports.
- Accelerate the import of medical devices and personal protective equipment in the form of exemption from Surveyor Report in the country of origin or the port of origin, The import relaxation will apply until 30 June 2020
- Temporary ban on the export of antiseptics, raw materials for masks, personal protective equipment, and masks until the end of June 2020,
- Export-import processes to be sped up for reputable traders.
- National logistics ecosystem development to be improved.
- Relaxation of credit scoring requirements
- Relaxation of loan restructuring requirements
- Issuance of import recommendations to be sped up to ensure sufficient supply and stabilize food prices.
- Requirement for all ministers, governors, regents, and mayors to eliminate non-priority expenditure plans in the state budget or regional budgets, and to re-focus their activities and re-allocate the budgets to speed up the handling of COVID-19, both related to health and economic issues
- Government is given the authority to inject state capital as part of a national economy recovery program

## **Banking and Financial Sector**

### Banking\_(OJK Regulation No 11/POJK.03/2020)

- one-year postponement of credit or leasing payments for loan up to Rp10 billion for MSMEs and informal workers
- postponement of credit or leasing payments without ceiling limits in accordance with the debtors' ability to pay the credit and the agreement with banks or leasing companies. (applicable for SME and non-SME)

This relaxation is applicable for up to 31 March 2021.

## Monetary Stimulus by Bank Indonesia:

- lower the BI 7-day Reverse Repo Rate by 25 bps to 4,50%; Deposit Facility (DF) rates lowered 25 bps to 3,75%; and Lending Facility (LF) rates lowered 25 bps to 5,25%
- Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms, including the spot and Domestic Non-Deliverable Forwards (DNDF) markets as well as purchasing Government Securities (SBN) in the secondary market
- Extending the SBN repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry, effective from 20th March 2020.
- Injection of rupiah and foreign currency liquidity
- Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity, effective from 19th March 2020.
- Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market, while encouraging the banks to utilize the foreign currency reserve requirements lowered by Bank Indonesia for domestic purposes.
- Expediting the enforcement of domestic vostro rupiah accounts for foreign investors as underlying transactions for Domestic Non-Deliverable Forwards (DNDF), thus increasing hedging alternatives against rupiah holdings in Indonesia, effective 19th March 2020.
- Expanding the incentive of a 50bps daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors, effective from 1st April 2020.
- Reaffirm that global investors can utilize global and domestic custodian banks to conduct investment activity in Indonesia.
- Strengthening payment system policy to support COVID-19 mitigation efforts by:
  - providing hygienic currency fit for circulation, alternative cash and backup services, and urging the public to prioritize non-cash payment transactions;
  - encouraging the use of non-cash payment channels by reducing the cost of the National Clearing System (SKNBI) from the banking industry to Bank Indonesia and from customers to the banking industry, effective from 1st April 2020 until 31st December 2020; and

- supporting non-cash disbursements for government programs

## **Issuance of Pandemic Bonds**

- Government has the authority to issue state bonds or sharia sovereign bonds with a specific purpose, specifically to deal with the COVID-19 pandemic, and the bonds might be purchased by the central bank, state-owned companies, corporate investors and/or retail investors
- The proceeds from the bonds sales are to be used by the government for national economic recovery, including to ensure the sustainability of the state financial management, to provide loans and capital injection for the Deposit Insurance Corporation [LPS] and to finance banks' restructuring during the crisis

## **Authorities which can be exercised by government agencies (deviation of existing laws or regulations)**

### Bank Indonesia

- The authority to disburse sharia short-term liquidity loans or financing for systemic or non-systemic banks
- give special liquidity loans to systemic banks that face liquidity issues but are not eligible for the sharia short-term liquidity loans.
- The authority to purchase long-term state securities/sharia securities within the primary market;
- Sale/repo of state securities/sharia securities owned by LPS to handle solvability issue of systemic or non-systemic banks

### LPS

- The authority to implement the sale/repo of state securities/sharia securities owned by BI and to issue debt securities, etc.
- The authority to make decisions regarding the saving of systemic banks which are declared failed banks

### OJK

- The authority to mandate that financial services should implement various types of corporate actions (i.e. mergers, consolidations)
- The authority to exempt certain parties from the mandatory implementation of the transparency principle within the stock-market sector

## **Employment-related measures**

**(e.g. state compensation schemes, training...)**

- If the employees are absent from work because they are categorized as; a person under supervision (maximum absent of 14 days), suspected of being infected with COVID-19, or actually infected with COVID-19, the employees are entitled to receive full salary.
- For companies forced to limit their business activities due to government policies so that all or some of their employees are absent from work, by taking business continuity into account, the companies may change the amount or method of payment of the employees' salary. However, these changes must be based on consensus reached between the employers and employees.
- In the event that rendering normal business activities becomes impossible, employers may opt to temporarily suspend the business in whole or in part. The employers still have to pay for employees' salary and benefits in full during the suspension period, unless both parties agree otherwise.

## **Other measures and sources**

### **Non-banking financial institution**

- Extension of the deadline for submitting periodic reports to OJK  
The fit and proper test of the IKNB main party can be conducted through video conference
- Relaxation for determining the quality of financing assets and financing restructuring  
In calculating the level of solvency of an insurance company or the level of funding of a pension fund with a defined benefit program, assets in the form of debt instruments can be valued based on amortized acquisition value
- Postponement of the implementation of the life cycle fund provisions for pension funds that carry out defined contribution pension plans

### **Capital Market**

- Ban of short selling; 30 minutes trading halt for 5% index decline; buy back shares without going through General Meeting of Shareholder (GMS); extension of the use of financial statements for IPO from 6 months to 9 months

### **Others**

- Relaxation of the deadline for submitting financial statements and holding a GMS; allowing company to conduct GMS through an electronic system (e-GMS); relaxation of the implementation of financial statements and appraisal reports on the Capital Market; relaxation related to the initial bidding and the public offering period.



## Large-Scale Social Restrictions to Accelerate the Handling of COVID-19

- Regional heads are allowed to take three actions related to social restriction, such as closing schools and workplaces, restricting mass religious activities, and restricting events in public facilities.

### Travel restriction implemented by Ministry of Foreign Affairs

- Temporary ban on all arrivals and transit by foreigners in Indonesia. Exemption applied to foreigners with both limited and permanent residence permits, diplomatic officials, health workers, medical and food supplies, as well as land, air and sea transportation crews.

### Main sources of Information:

- [Cabinet secretariat of the republic of Indonesia](#)
- [Ministry of foreign affairs of the republic of Indonesia](#)
- [Central Bank of Indonesia](#)
- Circular Letter No. SE-02/BC/2020 dated 18 February 2020 regarding Examination Guidelines for Importation of Goods Coming from China using ACFTA Preference Rate Scheme (SKA Form E) as an Impact of COVID-19 Pandemic
- Circular Letter No. SE-04/BC/2020 dated 17 March 2020 regarding Ethyl Alcohol Excise Exemption in order to follow up the Prevention of COVID-19 Spread
- National Standard Procedure between the Directorate General of Customs and Excise and the National Disaster Management Authority (“BNPB”) No. 01/BNPB/2020, No. KEP-/13/BC/2020 dated 20 March 2020 regarding the Acceleration Service of Importing Goods for Resolving COVID-19
- Minister of Finance Regulation No. PMK-23/PMK.03/2020 dated 21 March 2020 regarding Tax Incentives for Taxpayers who are impacted by COVID-19 which will be valid starting from 1 April 2020

## Customs Measures

### Customs formalities

- There is flexibility in submitting original SKA Form E as a result of COVID-19 pandemic, i.e. copy/scan of SKA Form E can be submitted to claim preferential tariff as a temporary replacement of the original SKA Form E, for the SKA Form E issued starting from 30 January 2020, while the original one has to be submitted to the Customs Office where the import is performed no later than

90 (ninety) calendar days after registration date of Import Declaration.

## **Excise**

- Factories or storage areas of ethyl alcohol may be given excise exemption for social purposes as raw material for the manufacture of hand sanitizers, surface sanitizers, antiseptics, in the context to prevent and control COVID-19, by submitting request and attach statement letter from government agency stating that ethyl alcohol is only used for the prevention and control COVID-19 in the case that orders are made by government agencies or recommendation letter from government agencies who deal with disaster management in terms of orders made by non-governmental organizations.

## **Duty relief**

- In order to facilitate entry of goods by obtaining the exemption of customs duty, excise, and/or tax in the framework of import and the exemption to the provisions of the import trade system to avoid and resolve COVID-19 can be carried out by the specific steps and procedures.
- Income Tax Art. 22 on importation performed by specific importer shall be exempted upon request of Exemption Certificate, applicable only to specific Business Classification Codes (102 industry codes as attached to Attachment F of the regulation) and/or Company under Importation Easiness for Export Orientation (“KITE”) license;
- VAT: On specific taxpayers can be given preliminary refunds as low risk taxable entrepreneur.

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