



Monthly Newsletter

# In-kind Benefits Tax Allocations

Analyzing the importance of in-kind benefit tax for employees and employers



August 2023

# Table of Contents

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## 3 Event

MIB Provides Tips for Corporate Taxpayers in Managing Their Taxes

## 4 Insight Article

The Implications and Particulars on In-kind Benefit Tax

## 9 Monthly Highlights: August 2023

10 Indonesian Foreign Exchange Reserve Increases Due to Tax Revenue

11 Digital Tax Revenue Reached IDR13.87 T per July 2023

12 Taxpayers will be Imposed with Environmental Tax, Following Emission Quality Standards

13 Targeted Tax Revenue for 2024 is IDR 1,986.9T

14 Indonesia Collects IDR1,109.1 T for the July 2023 Tax Revenue

15 The Government Plans to Implement Carbon Tax Amidst High Pollution Levels

## 16 Tax Calendar: September 2023

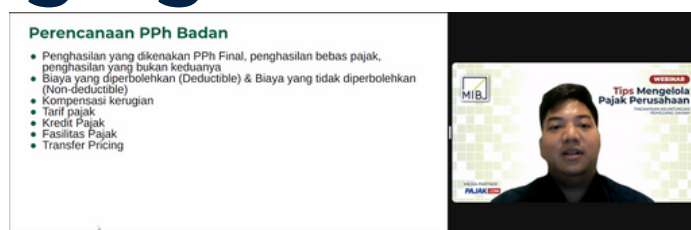
# MIB Provides Tips for Corporate Taxpayers in Managing Their Taxes

On 26 July 2023, MIB held a webinar event “Tips Mengelola Pajak Perusahaan: Tingkatkan Keuntungan Pemegang Saham” (“Tips on Managing Corporate Tax: Increase Shareholders’ Profit” in English). The event aims to discuss the importance of corporate tax planning, which will not only aid the fulfilment of corporate tax obligations, but also increase profit for the company’s shareholders.

This online event is attended by more than 50+ active participants. Before the event started, MIB invited the participant to perform ceremonial activities in regard to the event’s opening, which is then followed by the lecture session by the speaker, Maulana Ibrahim, a tax consultant with a variety of experiences handling both individual and corporate tax, currently Tax Services Director at MIB.

The given lecture was centered around topics regarding corporate tax planning and what taxpayers should do in terms of managing their corporate tax. For example, by paying attention to certain tax obligations in the form of income tax, withholding tax, as well as value-added tax.

During this webinar session, Maulana demonstrated an implementation illustration from corporate tax planning and the steps that taxpayers should be aware of when it comes to corporate tax supervision and management.



Maulana in the middle of lecture regarding corporate tax



Participants of the webinar at the end of the event

The presentation was concluded and followed by a Q&A session. During this session, participants can directly ask questions or explain their tax-related issues which will be answered by a tax consultant. The questions were flooding in by enthusiastic participants, and a selected few were answered live on session by inviting the asking audience to engage in a live discussion with our speaker.

The event concluded by lunchtime. All remaining questions were directed to contact MIB directly to engage and receive assistance in their issue. MIB hopes that after attending this event, the participants are able to apply their new knowledge regarding corporate tax planning, and can increase the profit of their companies.

**See you in another MIB event!**

\*The webinar event “**Tips Mengelola Pajak Perusahaan: Tingkatkan Keuntungan Pemegang Saham**” is supported by our media partner, [PAJAK.COM](https://www.pajak.com)

Read our event's coverage from [Pajak.com](https://www.pajak.com) [here](#).

# The Implications and Particulars on In-kind Benefit Tax

The government has been planning to implement a tax on natura or known as in-kind benefit given by employers to its employees. The imposition of an in-kind benefit tax is due to the idea that current regulations do not serve their full purpose, inflicting possible financial losses on the government.

Shaheila Roeswan & Firyal Alvivah Safana

# The Implications and Particulars on In-kind Benefit Tax

by Shaheila Roeswan & Firyal Alvivah Safana

Since the issuance of the Law on the Harmonization of Tax (“UU HPP”) or Law Number 7 Year 2021, the government has been planning to implement a tax on natura, or known as in-kind benefit given by employers to their employees. The imposition of in-kind benefit tax is due to the idea that current regulations do not serve their full purpose, inflicting possible financial losses to the government.

Before the issuance of UU HPP, in-kind benefits were not considered tax objects both for individuals or for corporations as tax deduction material. In-kind benefit cannot be categorized as tax object or income as it is not given in the form of cash. Through the issuance of UU HPP, in-kind benefits are now also considered as income received or obtained by taxpayers and can therefore be reported in their Annual Tax Returns.

## What is In-kind Benefit and Its Tax Imposition?

Based on the definition referred from KBBI, **in-kind benefit** or **natura** is a kind of payment in the form of tangible or intangible items, which does not include cash. This could include items given as appreciation for their work outside their salary. However, according to the definition by the Organisation for Economic Co-operation and Development (“OECD”), in-kind benefits are considered as fees to complement their allowance, outside of their normal range of salary.

The imposition of in-kind benefit tax defined by UU HPP means that the tax collection will be imposed on items or facilities given by employers or companies to its employees. This kind of practice is also very common within the workforce industry.

Following the provision mentioned in Law Number 36 Year 2008, in-kind benefit is not considered as an income, and the fund used by companies to obtain the in-kind benefit cannot be used as a gross income deductor.

However, if an in-kind benefit is given by non-taxpayers, taxpayers that are imposed with final tax, or taxpayers that use norms of special calculation, then the given in-kind benefit will be imposed with tax.

This regulation changes following the issuance of UU HPP, as UU HPP mentions that in-kind benefit is now categorized as a tax object based on the definition of income, where it explains that definition is considered as an additional economic received by taxpayers based on provision from the Income Tax Law.

Subsequent to the provision regarding in-kind benefits in UU HPP, the government issued Government Regulation (“PP”) Number 55 Year 2022 that regulates the tax imposition on compensation in the form of in-kind benefits. It is mentioned in Article 24 of PP Number 55 Year 2022 that there are several kinds of in-kind benefits that are exempted from the imposition of in-kind benefit tax. The examples are as follows:

- 1 Provision of food/drinks for all employees.
- 2 In-kind benefits in certain areas.
- 3 In-kind benefits due to work obligations, for example work safety equipment or uniforms.
- 4 In-kind benefits originating from the State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD).
- 5 In-kind benefits with certain types and limitations.

### Explanation regarding In-kind Benefit Tax

The imposition of in-kind benefit tax has been mentioned in UU HPP and PP Number 55 Year 2022, however, the technical side of the imposition was not yet regulated by the government before the issuance of the Ministry of Finance Regulation (“PMK”) Number 66 Year 2023.

In-kind benefit tax will be imposed on in-kind given in relation to the work or services done by employees. Technically, the in-kind charges have the following provisions:

#### Technical Provisions for In-kind Benefit Replacement or Compensation Fees

Expenditures for enjoyment expenses which have a useful life of  $> 1$  year are charged through depreciation/amortization

Expenditures for in-kind expenses and/or enjoyment which have a useful life of  $\leq 1$  year are charged in the year they are incurred expenditure

Employers/providers of reimbursement or compensation report costs of nature and/or enjoyment in the Annual Income Tax Return

Provisions as a deduction from gross income apply from:

- January 1, 2022, for donors with a 2022 financial year starting before January 1, 2022
- the beginning of the 2022 financial year, for donors with the 2022 financial year starting on January 1, 2022 or thereafter.

In-kind benefits which are considered tax object is determined by their form, for example, in-kind benefits given as replacement or compensation in the form of items other than cash, as well as in-kind benefits in the form of facilities and services utilization. This could be applicable for instances such as the facility of an official service car or the transfer of the official service car’s ownership from employer to employee.

Since in-kind benefits are now considered tax objects, in-kind benefits will be reported in the annual tax returns and will be withheld with Income Tax Article 21 in the withholding tax slip. Other in-kind benefits that are exempted from becoming a tax object will be categorized as "Other Income Not Included as Tax Objects" (*"Penghasilan Lainnya yang Tidak Termasuk Objek Pajak"*) in the annual tax returns.

### **What is the Effect of In-kind Benefits on Companies and Employees?**

The imposition of an in-kind benefit tax will not only affect companies as employers but also employees as the receiver of the in-kind benefits.

Companies can use this opportunity to provide in-kind benefits that support a healthy and prosperous working environment for its employees. This can be done because the budget for in-kind benefits used by the company can be charged as a tax-deductible expense to the company.

Based on PMK Number 66 Year 2023, in-kind benefits received by the employees starting from July 2023 will automatically be withheld and reported by the company. The company will also be in charge of reporting the in-kind benefits they have given to the employees.

The imposition of in-kind benefit tax is confirmed by the government to not affect the amount of income or salary received by the employees. However, employees who have received in-kind benefits from January until July 2023 have the obligation to report, calculate, and withhold the in-kind benefit tax on their own, as long as the in-kind benefits they receive exceed the limitations stated by the law.

### **What is the Effect of In-kind Benefit Tax to the National Revenue?**

The imposition of in-kind benefit tax is hoped to have a positive effect on the national tax revenue. However, the potential amount is predicted to be meager to the whole tax revenue.

It should be noted that the implementation of an in-kind benefit tax is designed to decrease the potential of tax avoidance that could happen due to the bestowment of non-cash facilities or in-kind benefits. Through the new law issued for the imposition of in-kind benefit tax, including what kind of facilities or objects are considered as in-kind benefits, the possibility of conducting tax avoidance could be avoided, as there are clear limitations supported by the law.

It is also more likely for in-kind benefit tax to increase the amount of tax refund as the government has exempted the withholding of in-kind benefit tax on in-kind benefits received by employees in 2022. Therefore, taxpayers that have paid their in-kind benefit tax last year following the provision of PP Number 55 Year 2022, can apply for a refund and revise their annual tax returns with an overpayment claim.

# What can companies and employees do to prepare?



**"The imposition of tax on in-kind benefits is done to promote tax fairness and justice both for the employers and the employees because all income received, (...), will be withheld and calculated fairly in terms of taxation."**

### **Companies and Employees Preparation on In-kind Benefit Tax**

Both the company and the employee can conduct several preparations in terms of the imposition of in-kind benefit tax. For example, companies can develop in-kind benefits planning to develop better facilities as there are limitations related to the provision of in-kind benefits. As such, employees can prepare and manage bookings in relation to the in-kind benefits they have received, and perform pre-calculation on the benefits they might receive during the year.

Companies can also conduct tax planning in certain time periods, in order for the company to know the amount of budget needed and can be allocated to the withholding of in-kind benefit tax.

The imposition of tax on in-kind benefits is done to also promote tax fairness and justice both for the employers and the employees because all income received, both in the form of cash or other forms, will be withheld and calculated fairly in terms of taxation. All in-kind benefits received by taxpayers will be reported in their annual tax returns, where in turn the government will be able to conduct supervision on in-kind benefits received by a taxpayer.



# Monthly Highlights

News and Events in August 2023

For more articles, visit [www.mib.group](http://www.mib.group)

# Monthly Highlights

News Summary for August 2023



Photo credit by ianroberts on Getty Images

*Tax and services revenue has affected Indonesia's Foreign Exchange Reserve positively.*

## Indonesia's Foreign Exchange Reserve Increases Due to Tax Revenue

The amount of Indonesia's Foreign Exchange Reserves in July 2023 has reached US\$137.7 billion, outgrowing the previous amount of US\$137.5 billion in June 2023.

This amount has increased as a result of tax and service revenue support is seen as exceeding the international benchmark. This amount is said to be in line with 6.2 import payments.



Click here (or the title) to read the full article on our website.

# Monthly Highlights

News Summary for August 2023

*“The digital tax revenue from VAT imposition has passed IDR13.87 T until July 2023.”*



Photo credit by Kaboompics .com on Pexels

## Digital Tax Revenue Reached IDR13.87 T per July 2023

The implementation of Value-added Tax (VAT) on Trade Through Electronic Systems companies has resulted in a revenue of IDR13.87 T until July 2023.

This amount is collected from 158 appointed companies, where 139 companies have conducted the VAT withholding with a rate of 11% to its users.

In July 2023, the Directorate General of Taxes appointed two additional companies to withhold VAT, they are Grammarly, Inc., and Salesforce.com Singapore Pte. Ltd.



Click here (or the title) to read the full article on our website.

# Monthly Highlights

News Summary for August 2023

*“The government is considering the implementation of environmental tax to combat rising levels of pollution.”*



Photo credit by Pipop\_Boomsarakumwadi on Getty Images Pro

## **Taxpayers will be Imposed with Environmental Tax, Following Emission Quality Standards**

Due to the rising levels of pollution, the Indonesian government plans to implement an environmental tax that will hopefully decrease the pollution levels.

The environmental tax is currently in discussion and will be implemented alongside the provisions that regulate emission quality standards to be used as the basis for vehicle tax rates.

The pollution levels are rising due to long draught and high usage of personal vehicles, claims government officials.



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# Monthly Highlights

News Summary for August 2023

*The government has set out a target for the 2024 tax revenue amounting to IDR1,986.9 T.*



Photo credit by Negative Space on Pexels

## Targeted Tax Revenue for 2024 is IDR 1,986.9T

The government targets the tax revenue in 2024 to reach IDR1,986.9 T. This target is part of the whole taxation revenue including excise customs with the amount of IDR2,307.9 T.

This target meant that the government plans to increase the tax revenue to 9.3% in comparison to 2023's tax revenue. This target is also in-line with the future tax ratio, according to the government.

The government aims to conduct several strategies in order to reach the target, including the implementation of CTAS and the integration of NIK-NPWP.



Click here (or the title) to read the full article on our website.

# Monthly Highlights

News Summary for August 2023

*The collected tax revenue until July 2023 amounts up to IDR1,109.1 T.*



Photo credit by The Ministry of Finance Republic Indonesia YouTube Channel!

## Indonesia Collects IDR1,109.1 T for the July 2023 Tax Revenue

The government has collected IDR1,109.1 T for the tax revenue until July 2023. This number consisted of revenue from various taxes, including income tax and value-added tax.

The collected amount makes up 64.6% of the target mentioned in the National State Budget. This revenue is comprised of several taxes, including IDR636.56 T revenue for Non-oil and gas income tax and IDR417.64 T for value-added and luxury tax on sales goods tax.

Most of the taxes that made up the total tax revenue have exceeded 50% of their target.



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# Monthly Highlights

News Summary for August 2023



Photo credit by RapidEye on Getty Images Signature

*Carbon tax will be implemented in 2025, following the European CBAM.*

## The Government Plans to Implement Carbon Tax Amidst High Pollution Levels

The government is set to implement a carbon tax in 2025. The carbon tax, even though the Indonesian carbon stock trading will commence in September 2025, will need technical preparations.

Among the preparations needed is the Carbon Border Adjustment Mechanism (“CBAM”) which will be available in Europe in 2025

In addition, the Financial Services Authority has yet to announce the carbon exchanges organizer.



Click here (or the title) to read the full article on our website.



Tax Calendar

# September 2023

MON	TUE	WED	THU	FRI	SAT	SUN
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28 Maulid Nabi Muhammad SAW	29	30	1
2	3	4	5	6	7	8

## Reminders

- 11 September 2023** Payment Deadline : August 2023 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax
- 15 September 2023** Payment Deadline : August 2023 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT
- 20 September 2023** Filing Deadline : August 2023 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax
- 28 September 2023** Maulid Nabi Muhammad SAW
- 2 October 2023** Payment and Filing Deadline : August 2023 VAT



# Contact Us

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