



PMK 66 YEAR 2023

The new regulations on Benefit in kind have been issued

Summary Of The Regulation

No.	Tax Treatment	PMK 66 Year 2023
1.	Deductibility of BIKs	Deductible as long as related to 3M Cost (earning, collecting, and maintaining) of Income and the BIKs are related to employment relationship for employees and service transactions between taxpayers. The deductibility of BIK applied for the Fiscal year 2022 as well.
2.	Taxability of all BIKs received in Fiscal Year 2022	Recognized as Non-Taxable BIK.
3.	Employers Withholding Tax Obligation Jan-Jun 2023	For the BIK received from Jan-Jun 2023, which the employer has not withheld, then the tax must be calculated, paid, and reported by employees in Individual Income Tax Return FY 2023.
4.	Employers Withholding Tax Obligation Starting Jul 2023	The employer must make Withholding Tax of BIK received starting Jul 2023.
5.	Non-Taxable BIKs	<ul style="list-style-type: none"> a) F&Bs provided for all employees; b) BIKs in certain areas; c) BIKs necessary to carry out the employees' work activities; d) BIKs sourced or financed from the regional/state revenue budget; or e) BIKs of certain types and/or thresholds. <p>Details will be discussed in detail below.</p>
6.	Allocation of BIKs Expense as Taxable Object	<p>For the BIKs, which have a useful life of more than one year, are expensed through depreciation or amortization.</p> <p>For the BIKs, which have a useful life of less than one year, are expensed in the year where the expense is incurred.</p> <p>For Joint Benefits where the facility/service is given to more than one recipient, the taxable value is allocated proportionally to each recipient based on the benefits utilization records.</p>
7.	Valuation of BIK	<p>In-Kinds (Natura) should use Market Value; If the In-Kinds is provided by goods initially intended to be sold, the taxable value is based on:</p> <ul style="list-style-type: none"> a. Land / Building – Market Value b. Other than Land / Building – Cost of Goods Sold <p>Benefits should use actual costs incurred or should be incurred.</p>
8.	Taxable Events	<p>The withholding tax should be made at the end of the month of :</p> <ul style="list-style-type: none"> a. In Kinds – When the In-Kinds are transferred or earned, whichever is earlier. b. Benefits – When the rights or part of rights to utilize the facility is transferred.

Keypoint Page 2

1. Background of PMK-66
2. Exclusion from Tax

Object:

- a. Foods and/or Beverages
- b. Coupon/Reimbursement
- c. Foods and/or Beverages material

Background

The Indonesia Ministry of Finance issued PMK-66 Year 2023 on 27 June 2023. PMK-66 further regulates the Income Tax treatment of Benefits In-Kinds, including deductibility, taxability, and the exclusion of some kinds of BIKs as Taxable Objects.

PMK-66 is effective from 01 July 2023 and revokes the PMK-167 about the exclusion of BIKs in certain areas. PMK-66 also provides detailed examples of the calculation of Taxable BIKs in the attachment of PMK-66.

BIKs That Are Excluded From Tax Object

PMK-66 provides more detailed explanations on the BIKs which are excluded from Tax Object, especially in the Foods and Beverages provided by all employees, BIK in certain areas, and BIKs of certain types and/or thresholds. The guidelines of BIKs that are exempted from Income Tax Objects in this PMK-66, as follows :

1. Foods and Beverages (F&B) provided for all employees, including
 - a. Food and/or beverages provided by the Employer;
 - b. Food and/or beverage coupons for employees of the marketing department, transportation department, and other outside services; or
 - c. Food and/or beverage materials for all employees with a certain value limit.

F&B provided for all employees in the workplace are not Income Tax Objects. Additionally, for the employees who, due to the nature of their work, cannot enjoy the F&B provided by the employer at the workplace, therefore receiving coupons instead (including reimbursement of F&B), the threshold for the non-taxable coupon value is as follows:

- a) IDR 2 million/month per employee; or
- b) the monthly expense per employee for F&B provided by the employer at the workplace if the amount exceeds IDR 2 million/month per employee.

The excess of the actual coupon value after deducting the value as mentioned above, is an Income Tax object.

Keypoint Page 3

1. Revocation of PMK-167 2018
2. Obligation to fulfill 6 out of 11 criteria as a remote area

BIKs Provided In Certain Areas

PMK-66 also regulates the BIKs in certain underdeveloped areas (remote areas), which is excluded as Taxable Object as previously regulated by PMK-167 Year 2018. PMK-66 further mentions that at least six out of the eleven types of infrastructure stipulated as indicators below must be unavailable or unfit for an area to be determined as a remote area.

No	Type of Economic Infrastructure	Available if located on	Not Eligible If Condition
1	Electricity	there is PLN electricity at the business location	PLN outages average 40 hours/week
2	Purified Water	there is PDAM supply at the business location	PDAM outages average 40 hours/week
3	Rentable Housing	≤5 km radius from the business location	The number of houses available for rent is not proportional to the number of employees + families
4	Hospital & Clinic	≤5 km radius from the business location	The hospital/Polyclinic does not serve the JKN program
5	School	There are elementary, junior, and senior high schools located ≤ 5 km radius from the	There are no public elementary, middle, and high schools
6	Sports Venues & Recreation	≤5 km radius from the business location	< 3 permanent places for sports/entertainment
7	Place of worship	≤5 km radius from the business location	No public place of worship
8	Market	≤5 km radius from the business location	<3 locations & self-managed markets
9	Public Roads & Bridges	≤5 km radius from the business location	Public roads: unpaved/paved but potholes & dangerous
10	Port, River & Airport	≤50 km radius from the business location	Not registered with the relevant ministry/agency
11	Air, Land & Seas/River Public Transport	there is a public transportation route through the business location	transportation route only through the business location/accessible to employees <4 times/per month

This above unavailability does not include the facilities that the employer has provided. The Infrastructure or the Facilities at the work site for the employees and their families, which are recognized as Non-Taxable Objects for certain areas, are in the form of:

- a) Shelter, including housing;
- b) Health care facility;
- c) Education;
- d) Worship;
- e) Transportation; and/or

Keypoint Page 4

1. Exclusion BIK for Certain Area
2. BIKs to be Provided by The Employer in The Performance of Work
3. BIKs sourced or financed from The Regional /State Revenue Budget

- f) Sports do not include golf, boat racing, horse racing, gliding, or automotive. Further
- g) Worship;
- h) Transportation; and/or
- i) Sports do not include golf, boat racing, horse racing, gliding, or automotive.

Further technical details and administrative procedures are available in this PMK-66.

BIKs To Be Provided By The Employer In The Performance Of Work

BIKs in connection with requirements regarding security, health, and/or safety requirements required by ministries or agencies based on the provisions of institutions based on the provisions of laws and regulations, including:

1. Uniforms;
2. Safety Equipment;
3. Employees shuttle services;
4. Housing for ship's crew and related; and or
5. Benefit in Kind, which is received during endemic, pandemic, or National Disasters.

BIKs Sourced Or Financed From The Regional / State Revenue Budget; or

All kinds or BIKs from the regional or state revenue budget are excluded as Income Tax objects..

Keypoint Page 5

Non -Taxable BIKs

Threshold:

1. Gift in the Religious Holidays
2. Other Gifts
3. Work Equipment & Facilities
4. Healthcare Facilities
5. Sports Facilities
6. Communal Residential Facilities
7. Individual Residential Facilities
8. Employer Vehicle Facilities
9. Contribution Facilities to Pension funds
10. Religious Facilities
11. All BIKs Received in 2022

BIKs With Specific Types And/Or Restriction

BIKs that are categorized as Non-Taxable BIKs with each specific requirement are as follows :

No	Types of BIKs	Threshold / Requirements
1	Gifts from employers, among others, include food ingredients, beverage ingredients, food, and/or drinks in the context of religious holidays, including Eid al-Fitr, Christmas, Silent Day, Vesak Day, or Chinese New Year.	Received or earned by all employees
2	Gifts from the employer that are given other than in the context of religious holidays, as referred to in point 1.	a. Received or acquired by the Employees; and b. Has a maximum value of Rp 3 million /employee/tax year.
3	Work equipment and facilities provided by the employer to employees for work performance include computers, laptops, or cell phones along with their support such as credit and internet connection.	a. Received or obtained by the employee; and b. Supporting the employee's work
4	Healthcare facilities and treatment from the employer	a. Received or earned by all Employees; and b. Provided in the context of handling: 1. work accidents; 2. occupational disease; 3. life-saving emergencies; or 4. further treatment as a result of occupational accidents and occupational diseases.
5	Employer's sports facilities other than golf, horse racing, motorized boat racing, gliding, and/or automotive sports.	a. Received or earned by the employee; and b. Maximum value of Rp 1.5 million/employee/tax year.
6	Communal Residential facilities from the employer, including dormitories, lodges, or barracks.	Received or acquired by an employee
7	Residence facilities from the employer for which utilization rights are held by an individual, such as an apartment or landed house	a. Received or acquired by the Employee; and b. The overall maximum value of Rp 2 million /employee/month.
8	Employer vehicle facilities	Received or acquired by an employee who: a. Does not have equity participation in the employer; and c. Has an average gross income in the last 12 (twelve) months of a maximum Rp 100 million from the employer.
9	Contribution facility to pension funds whose the establishment of which has been authorized by OJK and borne by the employer	Received or earned by employees
10	Religious facilities, including prayer rooms, mosques, chapels, or temples	Intended solely for Religious activities
11	All BIKs received or earned in 2022	Received or earned by employees or service providers

BIK value exceeding the above threshold constitutes taxable income.

Keypoint Page 5

1. Important Dates of Implementation
2. Further Action Plan
 - a. Review for 2022
 - b. Review Jan-Jun 2023, Full implementation start Jul 2023
 - c. Supporting Documents to prevent Tax Dispute

Important Dates Of Implementation

No.	Description	Starting Date
1.	BIKs Deductibility	01 January 2022
2.	BIKs Taxability	01 January 2023 – If not yet withheld, it must be calculated as Income by the BIKs receiver in the Individual Income Tax Returns FY 2023. Starting 01 July 2023 – Must be proceeded through Withholding Tax.

Further Action Plans

1. Taxpayer must be concerned about the Income Tax of BIKs, which is either already withheld by the Taxpayer or paid by the BIKs receiver FY 2022, since PMK-66 regulates that the BIKs FY 2022 are excluded as Taxable Object, which is different from the GR-55 FY 2022. Therefore, further action plans, such as requesting Overbooking or Request of Refund of Tax, which should not be paid, are to be considered.
2. Taxpayer must prepare to identify the implication of the BIKs threshold and calculation in applying PMK-66 starting from the July 2023 Tax Period and to review previous policies related to BIKs began from 1 January 2023 to match the treatment with PMK- 66.
3. As the calculation of BIKs become more complex in PMK-66, supporting documents and the calculation of Taxable Value of BIKs must be prepared clearly to prevent Tax Disputes.



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