

Updates on Benefits in Kind Excluded from Income Tax

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The Indonesian Government has issued Regulation of the Minister of Finance Number 66 of 2023 ("**PMK 66/2023**") on Income Tax Treatment of Reimbursement or Compensation in Connection with Work or Services Received or Earned in the form of In-Kinds and/or Benefits replacing the previous rules under Regulation of the Minister of Finance Number 167 of 2018.

In addition to serving as an implementing regulation to Government Regulation Number 55 of 2022 on the Adjustment to the Regulations in the Field of Income Taxes, this new rule was issued because the previous regulation has not been able to accommodate the need for adjustments to Income Tax Treatment of Reimbursement or Compensation in Connection with Work or Service Received or Earned in The Form of In-Kinds and/or Benefits.

Therefore, the PMK 66/2023 updates the types and limits of Benefits In Kind (BIK) that are exempted from Income Tax which are as follows:

1. Food and beverages provided for all employees in the workplace without any value limit;
2. Food vouchers for off-premises employees (including reimbursement of food and beverage costs) up to a maximum of IDR2,000,000,-/month per employee or the equivalent provided at the workplace (whichever is higher);
3. In connection with requirements regarding employee security, health and/or safety required by ministries or agencies based on statutory provisions without any value limit;
4. BIK that are provided in certain areas including facilities, infrastructure, and/or facilities at the work location for employees and their families without any value limit;
5. Gifts (food and beverage ingredients, food and beverages) from the employer for religious holidays or Chinese New Year without any value limit;
6. Gifts from employers that are given other than for religious celebrations up to a maximum of IDR3,000,000,-/tax year per employee;
7. Work equipment and facilities (computers, laptops, cellular phones and their related costs such as phone credit or internet connection) without any value limit;
8. Health and medical treatment facilities without any value limit provided for handling occupational accidents, occupational diseases, emergency treatment and follow-up care.
9. Sports facilities (other than golf, horse racing, motorized boat racing, gliding, and/or automotive sports) up to a maximum of IDR1,500,000,-/tax year per employee;
10. Communal residential facilities (hostels, dormitories, lodgings, or barracks) without any value limit;

11. Residential facilities where the right to utilize them is held by an individual (apartments/ houses) up to a maximum of IDR2,000,000,-/month per employee;
 12. Vehicle facilities are not tax objects if the employee is not a shareholder and had an average gross income from the employer of up to IDR100,000,000,-/month in the last 12 months;
 13. Employer-borne contributions to pension funds;
 14. Religious facilities intended solely for religious activities.
- If the BIK provided by the employer do not meet the types and/or limits specified above, then Article 21 Income Tax is payable on the BIK.

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The article above was prepared by Dentons HPRP's lawyers

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