



Tax Alert 05.2019

Deductible Expense for Work Practice, Internship, and/or Learning Program for Development of Human Resources Based on Certain Competencies

- **PMK No. 128/PMK.10/2019**
(Operational guidelines of PP No. 45/2019 Article 29B)

Abbreviation

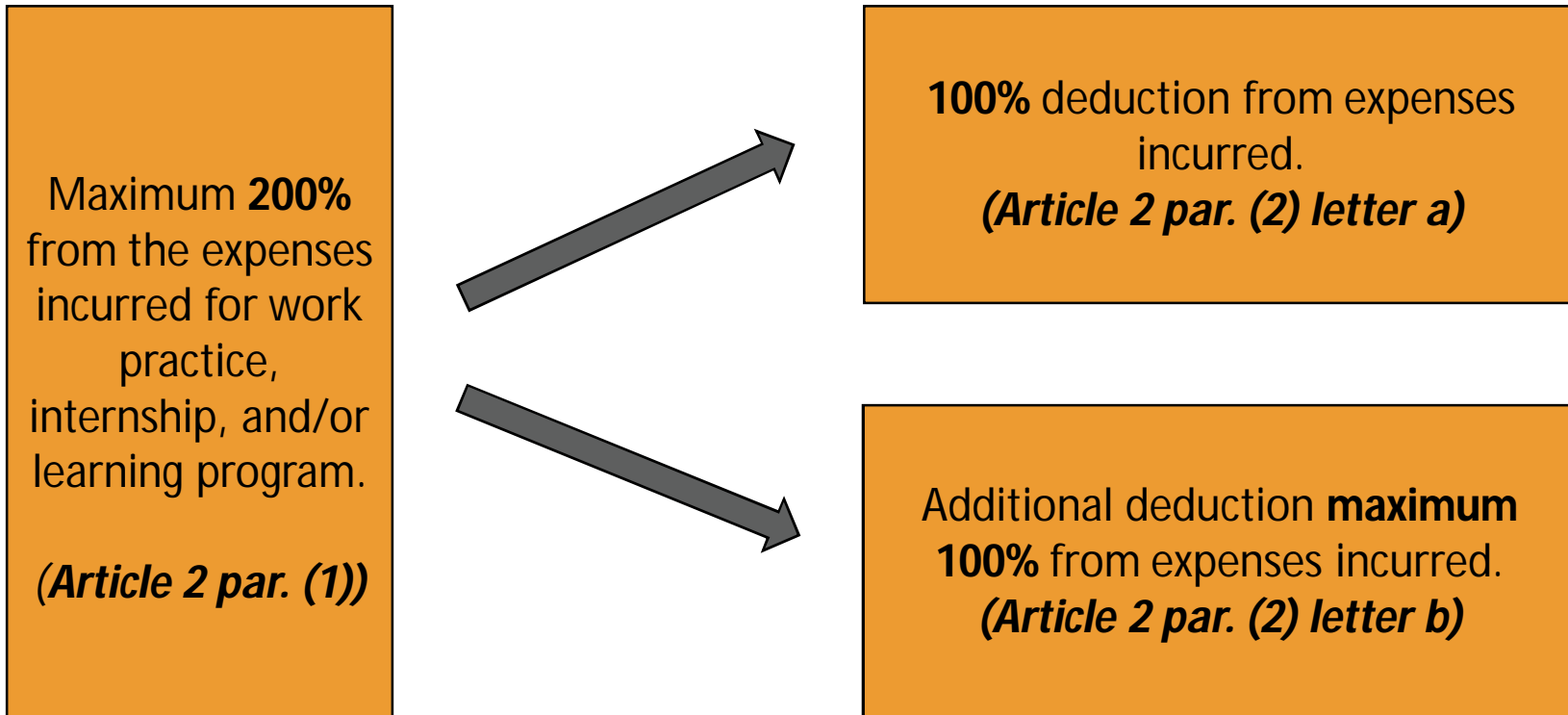


- **Taxpayer** = Indonesian Corporate Taxpayers who incurring costs for work practice, internship, and/or learning program aimed on coaching & developing human resources based on certain competencies.
- **Cooperation Agreement** = An agreement between Taxpayer and Vocational High School, Vocational Madrasah Aliyah, Diploma Program in Vocational College, Occupational Training Center, or Other Institutions for the purpose of coaching and developing human resources based on certain competencies.
- **Tax Clearance Certificate** = A Certificate that contains an official statement given by Directorate General of Taxes about Taxpayer's compliance in certain periods to meet the requirements to obtain certain services or activities.

How much expenses allowed to be deducted by Taxpayer from its Gross Income from spending on work practice, internship, and/or learning program according to this Ministry of Finance Regulation?



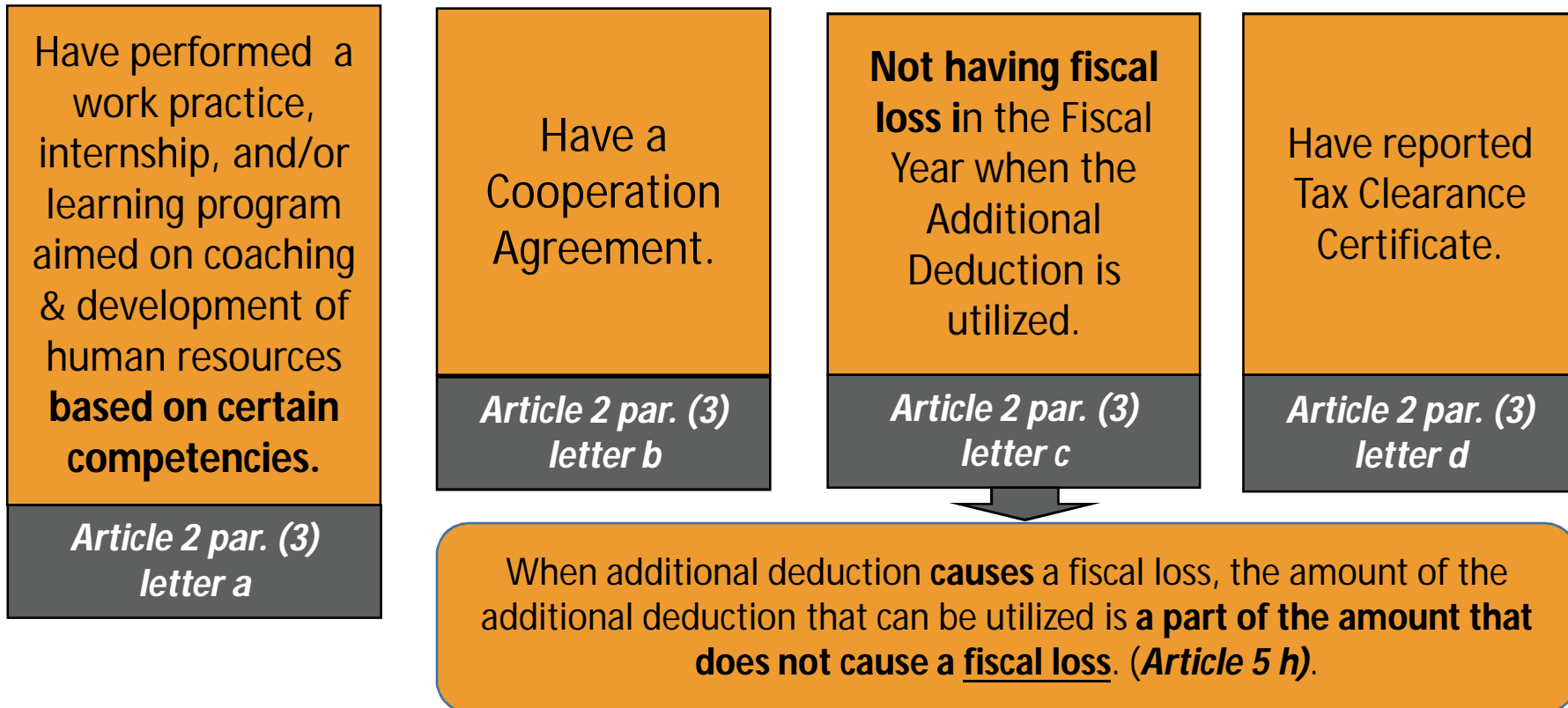
PMK 128/PMK.010/2019 Art. 2



What are the requirements to be able to utilize that additional deduction?



Requirements to be able to utilize the additional deduction (*Article 2 par. (3)*):



What does “*Certain Competency*” mean?



Certain Competency is a competency taught in:

Vocational High School and/or Vocational Madrasah Aliyah for student, teacher, and/or educational staff.

Article 2 par. (4) letter a

Diploma Program in Vocational College for college student, lecturer, and/or educational staff.

Article 2 par. (4) letter b

Occupational Training Center for individual and trainee, instructor, and/or trainer.

Article 2 par. (4) letter c

The detail of certain competencies covered are listed on Attachment A in this Ministry of Finance Regulation.

(Article 2 par. (5))

Who can participate in the work practice and/or internship program?



Participant of the work practice and/or internship program (*Article 3 par. (1)*)



Student, teacher, and/or educational staff at Vocational High School or Vocational Madrasah Aliyah

College student, lecturer, and/or educational staff at Diploma Program in Vocational College

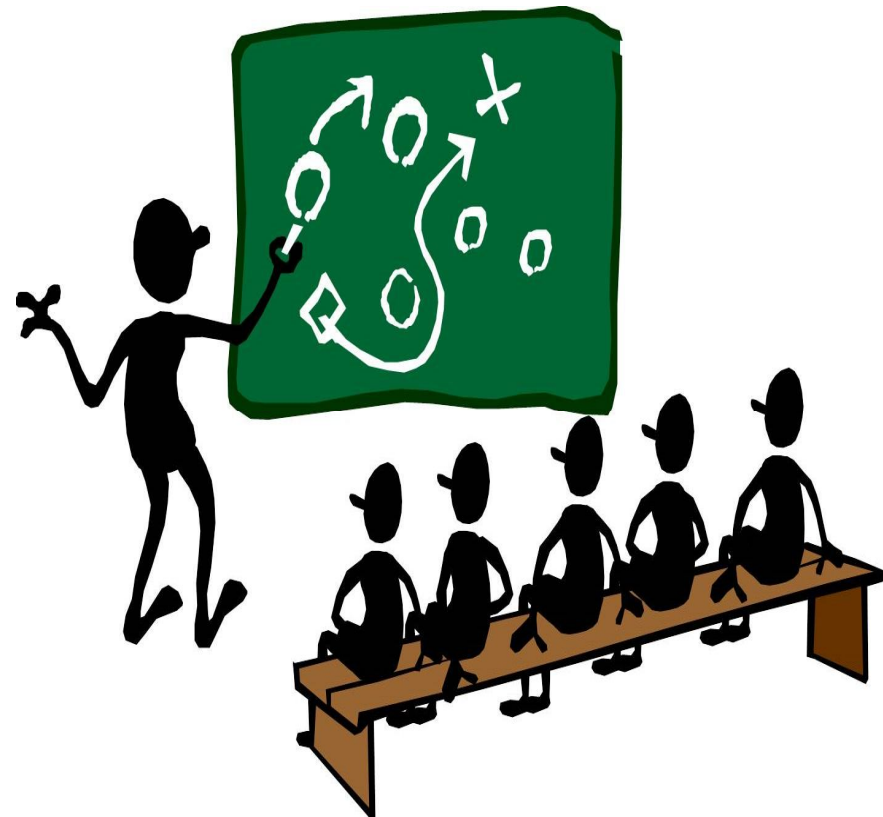
Trainee, instructor, and/or trainer at Occupational Training Center

Individual who is not under employment with any other parties

which program is performed by Taxpayer in Taxpayer's place of business, as part of the vocational education's curriculum in order to master the skills or expertise in a certain field.

Learning Program (Article 3 par. (2))

Learning program is a program performed by Taxpayer's assigned party to teach in Vocational High School, Vocational Madrasah Aliyah, Diploma Program in Vocational College, and/or Occupational Training Center.



What expenses are allowed for additional deduction?



Expenses that are allowed for additional deduction (*Article 4*)



- a. Provision of special training facility in the form of training center and other supporting costs related to it.

Excluded from this is for a Taxpayer who has utilized a tax facility according to Art. 31A Income Tax Law or Art. 29A PP 94/2010.

- b. Instructor or trainer for the work practice, internship, and/or learning program.

- c. Goods and/or materials for the purpose of performing the work practice, internship, and/or learning program

- d. Honorarium or similar remuneration paid to the participants of the work practice, and/or internship program.

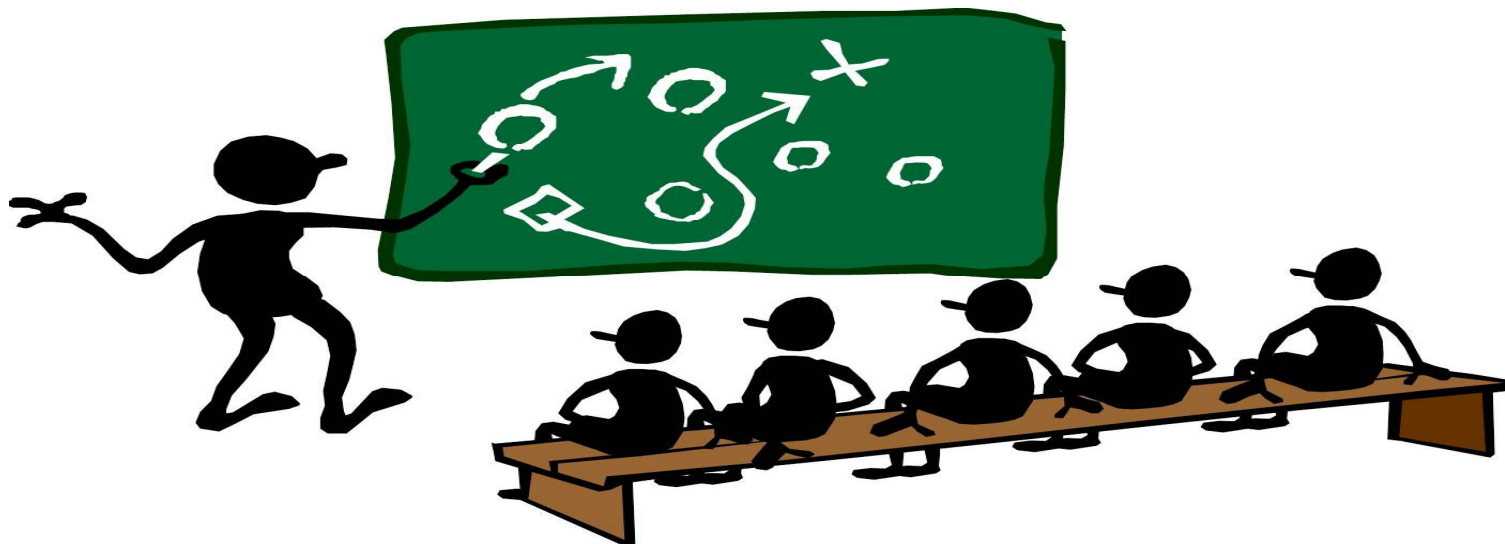
- e. Competency certification fee paid to the Official Authorized Institution for the participants of the program.

If any of the expenses above are paid to the participants of the program who have a relationship in the form of below:

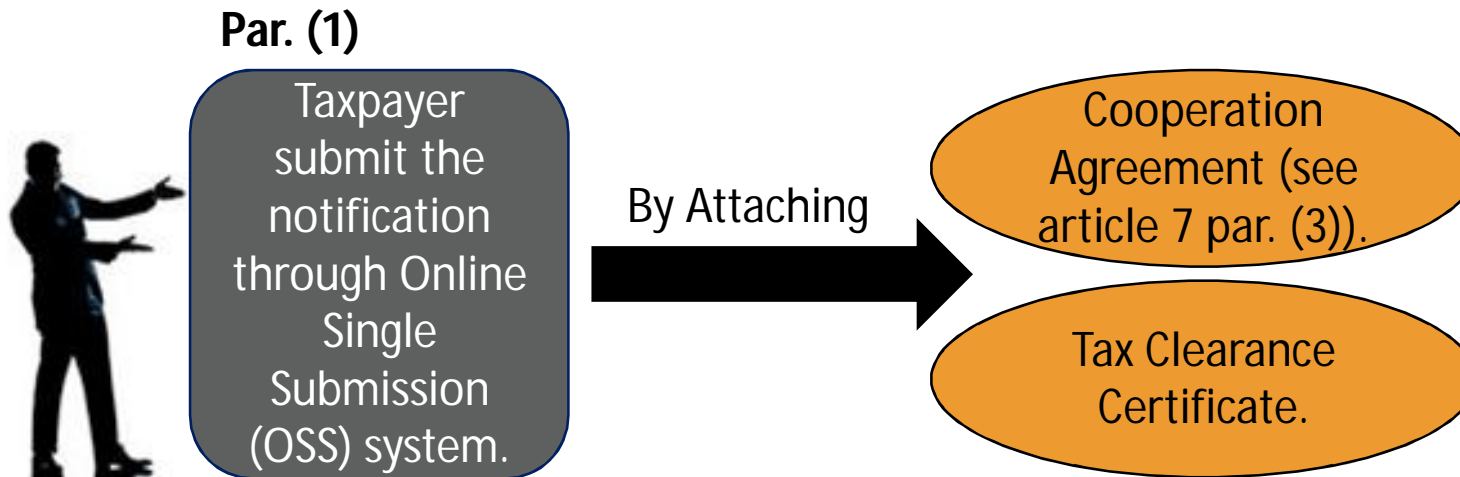
- 1) Blood relatives in one straight line,**
- 2) Business, and/or**
- 3) Ownership or control,**

with the owner(s), commissioner(s), director(s), and/or management of the Taxpayer, those additional expenses are not allowed to be deducted from Gross Income. (*par. (5) letter e*)

How to obtain the additional deduction?



How to obtain the additional deduction? *(Article 7)*

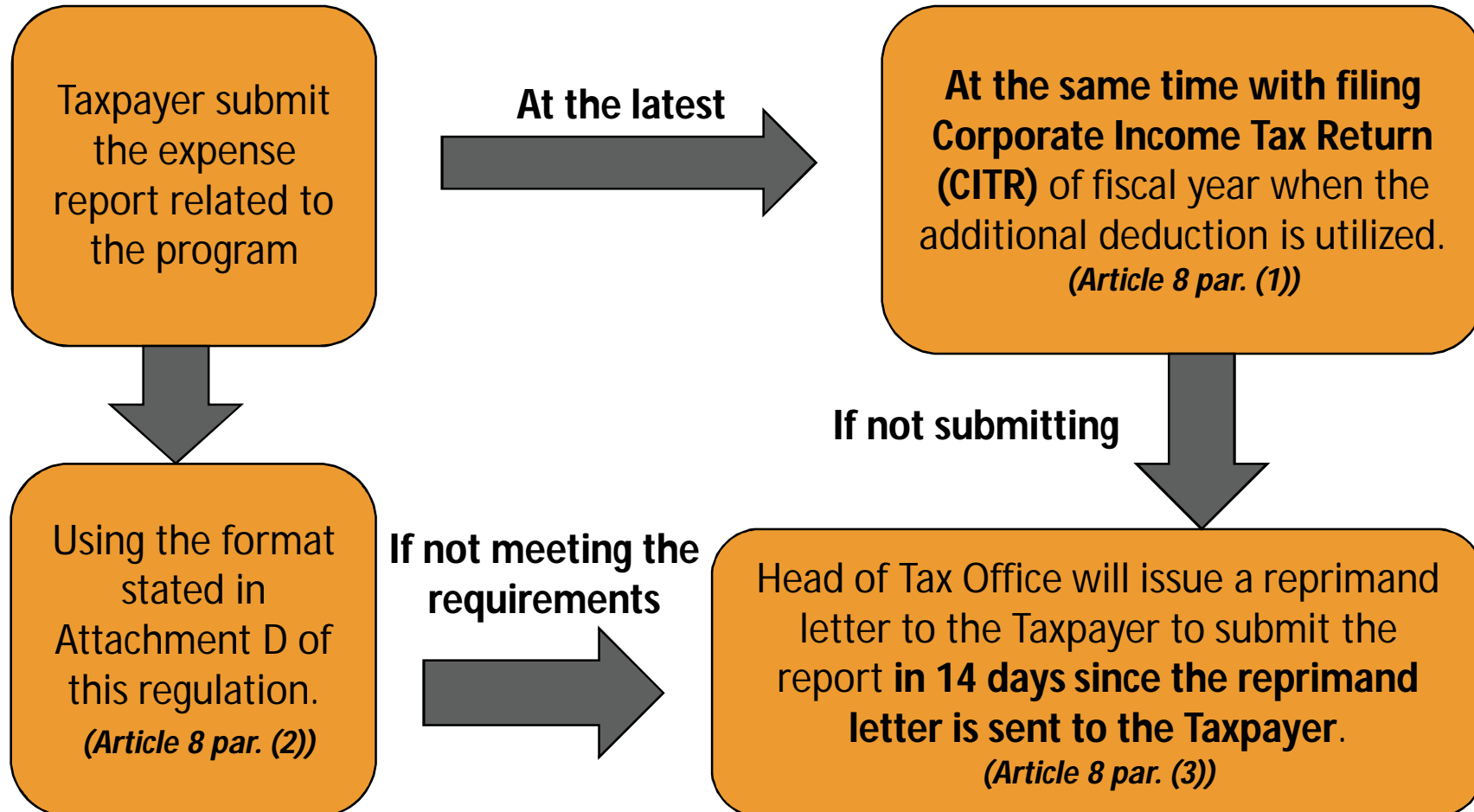


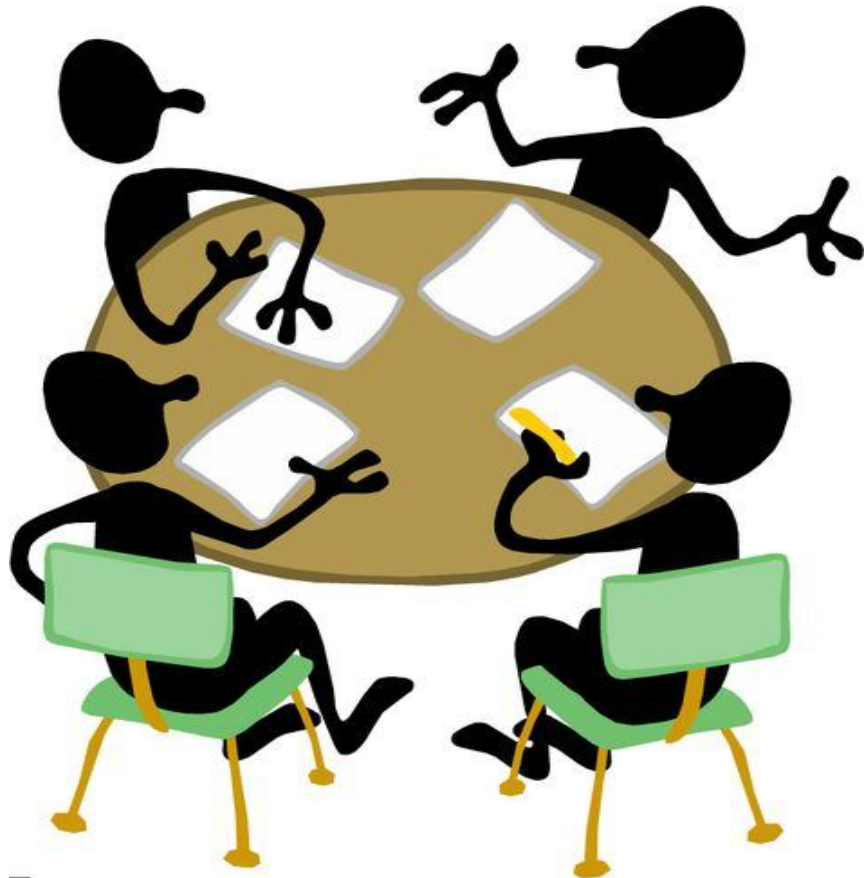
Par. (2)

Notification shall be submitted before the work practice, internship, and/or learning program is started.

Reporting of the utilization of additional deduction







What are the conditions that can revoke the additional deduction?

Conditions that can revoke the additional deduction (*Article 9*)



Directorate General of Taxes has the authority to not granting the additional deduction if the Taxpayer:

a. Does not have a Cooperation Agreement.

b. Conduct a program which is not in accordance with the vocational education curriculum as stated in the Cooperation Agreement.

c. Does not submit a notification through OSS system or to registered Tax Office.

d. Does not submit the expense report related to the program, or if submit, does not meet the requirements.

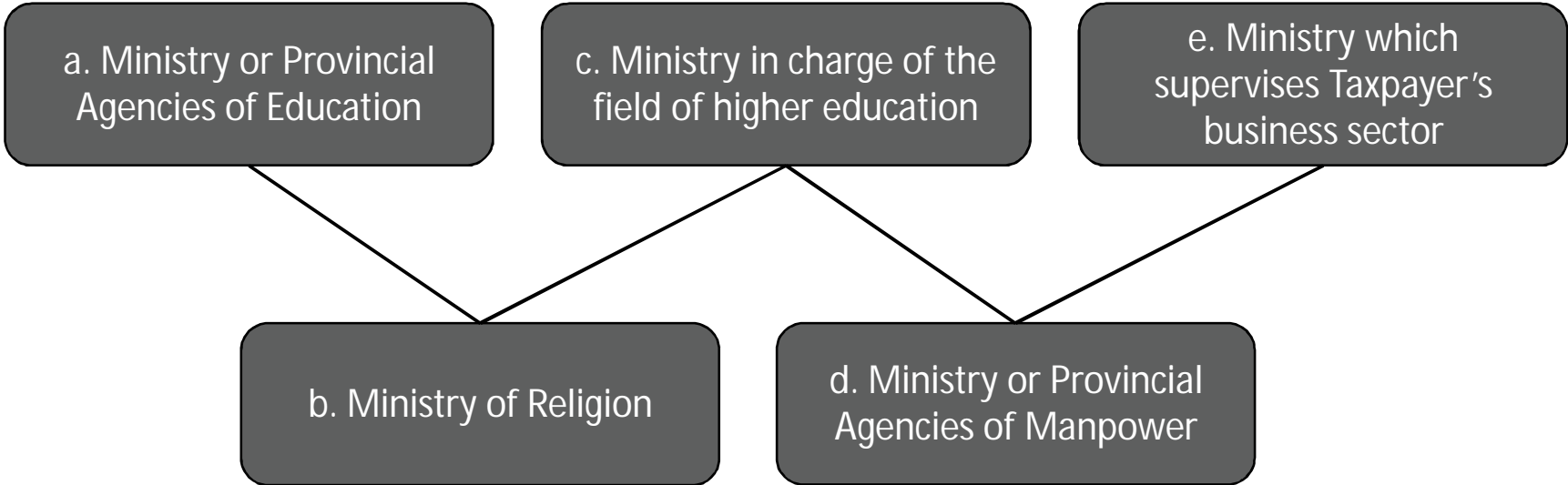
Effectiveness evaluation of the utilization of additional deduction



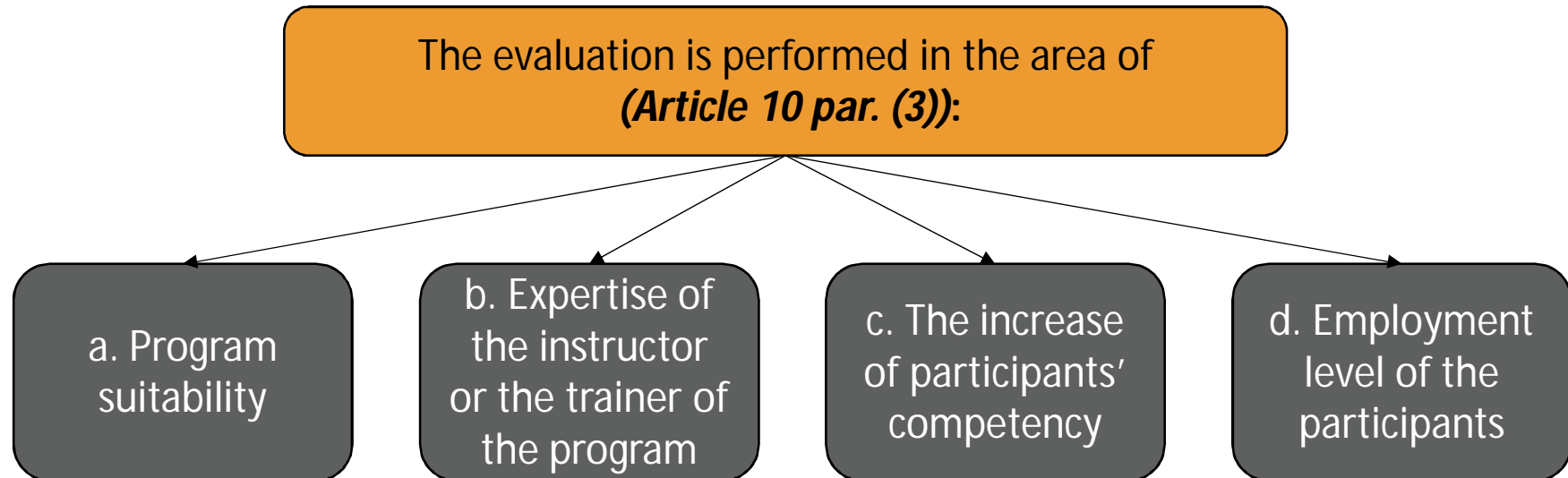
Effectiveness evaluation of the utilization of additional deduction (*Article 10*)



Ministry and/or related government agencies can perform an evaluation to measure the effectiveness of the utilization of the additional deduction.
(Article 10 par. (1) and (2))



Effectiveness evaluation of the utilization of additional deduction (*Article 10*) ...Cont'd

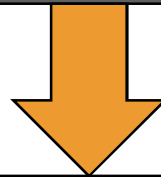


The evaluation results will be reported to the Director General of Taxes through the Director of Tax Regulations II.
(*Article 10 par. (4)*)

Effectiveness evaluation of the utilization of additional deduction (*Article 10*) ...Cont'd



If based on the evaluation the program that is conducted by Taxpayer is **considered ineffective** :



The facility of additional deduction **will not be granted to the Taxpayer for the next Fiscal Year** after the evaluation is performed.
(Article 10 par. (5))

Case Study



Case 1: Additional deduction utilized is 100%



PT Pasti Maju conducted work practice and internship program, with the following fiscal income statement:

Gross Profit	:	Rp 500.000.000,00
Expenses excluding work practice and internship program	:	Rp (400.000.000,00)
Expenses from work practice and internship program	:	Rp (20.000.000,00)
Net profit (loss) before facility	:	Rp 80.000.000,00
Additional of gross income deduction	:	Rp (20.000.000,00)
Taxable Income	:	Rp 60.000.000,00

Additional deductible expenses that can be utilized by PT Pasti Maju is **Rp. 20.000.000,00 (100% x expenses spent on work practice & internship program).**

Case 2: Additional of deduction utilized is <100%



PT Suka Ria conducted work practice and internship program, with the following fiscal income statement:

Gross Profit	:	Rp	500.000.000,00
Expenses excluding work practice and internship program	:	Rp	(400.000.000,00)
Expenses from work practice and internship program	:	Rp	(60.000.000,00)
Net profit (loss) before facility	:	Rp	40.000.000,00
Additional of gross income deduction	:	Rp	(40.000.000,00)
Taxable Income	:	Rp	-

Additional deductible expenses that can be utilized by PT Suka Ria is Rp. 60.000.000,00 (100% x expenses spent on work practice & internship program). However, since the additional deduction caused a fiscal loss of Rp. 20.000.000,00, the **additional deduction that is allowed to be utilized by PT Suka Ria is only Rp. 40.000.000,00.**

Case 3: Without additional deduction



PT Maju Terus conducted work practice & internship program, with the following fiscal income statement:

Gross Profit	:	Rp	400.000.000,00
Expenses excluding work practice and internship program	:	Rp	(350.000.000,00)
Expenses from work practice and internship program	:	Rp	(60.000.000,00)
<hr/>			
Net profit (loss) before facility	:	Rp	(10.000.000,00)
Additional of gross income deduction	:	Rp	-
<hr/>			
Taxable Income	:	Rp	(10.000.000,00)

Additional deduction that can be utilized by PT Maju Terus is Rp. 60.000.000,00 (100% x training and internship program). However, PT Maju Terus already **has fiscal loss** at the amount of Rp. 10.000.000,00 before the additional deduction is utilized, so that **PT Maju Terus cannot utilize the additional deduction.**

This Ministry of Finance Regulation is effective at the time it is enacted:

September 9, 2019



If you have any **questions** or would like to know further about **PMK No. 128/PMK.010/2019**, please **contact us at :**



info@salaki-salaki.com



021 – 290 49905 / 49906 / 49908

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2019 Persek Salaki & Salaki

For further information, visit : www.salaki-salaki.com



TAX ALERT
SS/TXALERT/05/2019
3 October 2019