

PMK (minister of finance regulation) Number 66 Year 2023 is stipulated in order to provide further legal certainty and fairness in the treatment of income tax on reimbursement or compensation in connection with the work or services received or obtained in the form of in-kind benefit and/or enjoyment, as well as to fulfill the needs of regulatory adjustments from the HPP Law and PP (government regulation) Number 55 Year 2022 that have not been accommodated by the previous PMK. This new regulation will be able to encourage employers to improve the welfare of workers because various gifts in the form of goods and/or facilities can also be charged as a deduction from gross income, thus providing equality of treatment in the imposition of income tax on types of income both in the form of money and non-money. We can describe several points of PMK 66/2023 as follows.

INCOME TAX TREATMENT ON IN-KIND BENEFIT AND/OR ENJOYMENT BASED ON PMK 66/2023

Provisions on Income Tax Object and its Exclusion on In-kind Benefit and/or Enjoyment

The application of income tax on in-kind benefit and/or enjoyment takes into account the value of appropriateness where in certain types and limits in-kind benefit and/or enjoyment are excluded from income tax objects. The limit of exemption from income tax on in-kind benefit and/or enjoyment is determined by considering various national and international cost standard statistics. The following is a breakdown of in-kind benefit and/or enjoyment from the employer for each employee with their respective limits:

1. Food, food ingredients, beverage ingredients and/or drinks for all employees

- Food and/or beverages provided at the workplace
Value not subject to income tax: Entirely
- Food and/or beverage coupons for outside service employees, including in the form of expense reimbursement
Value not subject to Income Tax: Up to IDR2,000,000 (two million rupiah) per month or the value of expenses provided at the workplace (whichever is higher)

2. In-kind benefit and/or enjoyment that must be provided due to necessity in the performance of work, related to security, health, and safety requirements/standards, which include uniforms, safety equipment, employee shuttle facilities, lodging for crew members and the likes, as well as medicines and vaccines



Charging In-kind Benefit and/or Enjoyment Costs

In-kind benefit and/or enjoyment for employees can be expensed by the employer insofar as it includes 3M (obtain (*mendapatkan*), collect (*menagih*) and maintain (*memelihara*) income). Costs for in-kind benefit and/or enjoyment with a useful life of up to 1 (one) year are charged in the year of expenditure, while in-kind benefit and/or enjoyment with a useful life of more than 1 (one) year are charged through depreciation/amortization. Employers report the costs of in-kind benefit and/or enjoyment in the Annual Income Tax Return, with the technical reporting awaiting further derivative regulations.



Value not subject to income tax: Entirely

3. In-kind benefit and/or enjoyment provided for employees and their families who work in certain areas including remote areas, which include facilities, infrastructure, and housing facilities, health services, education, worship, transportation and sports, which are organized by the employer independently and/or other parties in collaboration, insofar as the employer's business location receives approval for the stipulation of certain areas from the DGT (Directorate General of Taxes), by way of submission of application, research and examination

Value not subject to income tax: Entirely

4. In-kind benefit and/or enjoyment sourced from or financed by the state budget, regional budget and/or village budget

5. In-kind benefit and/or enjoyment with certain types and/or restrictions

Other types of in-kind benefit and/or enjoyment with certain restrictions from the employer for each employee include:

- Gifts in the form of food ingredients, beverage ingredients, food and/or beverages in the context of religious holidays
Value not subject to income tax: Entirely.
- Gifts given other than for religious holidays
Value that is not subject to Income Tax: Up to IDR3,000,000 (three million rupiah) in total within a period of 1 (one) tax year
- Work equipment and facilities to support work, such as computers, laptops, or cell phones along with supporting facilities such as phone credit or internet connection
Value not subject to income tax: Entirely.



- Health care and treatment facilities in the context of handling work accidents, occupational diseases, life-saving emergencies, or further care and treatment as a result of work accidents and/or occupational diseases
Value not subject to income tax: Entirely.
- Sports facilities other than golf, horse racing, power boating, gliding, and/or automobiles
Value that is not subject to Income Tax: Up to IDR1,500,000 (one million five hundred thousand rupiah) in total within a period of 1 (one) tax year
- Living facilities that are communal or utilized together such as dormitories, boarding houses, or barracks
Value not subject to income tax: Entirely.
- Residential facilities whose utilization rights are held by individuals, such as apartments or landed houses
Value that is not subject to Income Tax: Up to IDR2,000,000 (two million rupiah) in total within a period of 1 (one) month
- Vehicle facility if the employee does not have equity participation in the employer (not a shareholder) and the average gross income from the employer in the last 12 (twelve) months is up to IDR100,000,000 (one hundred million rupiah) per month
Value not subject to income tax: Entirely.
- Contribution facility borne by the employer to a pension fund the establishment of which has been authorized by the Financial Services Authority (OJK)
Value not subject to income tax: Entirely.

- Worship facilities, among others, in the form of *musala*, mosque, chapel or temple, which are intended solely for worship activities
Value not subject to income tax: Entirely.
- All in-kind benefits and/or enjoyments in 2022
Value not subject to income tax: Entirely.

Procedures for Valuation and Calculation of Income Tax Objects

In-kind benefit is valued based on market price, while enjoyment is based on the amount of costs incurred or should have been incurred by the employer. In-kind benefit that was originally intended to be traded is valued based on the cost of goods sold, except for land and/or buildings based on market value. Enjoyment with utilization of more than 1 (one) month is valued every month during the utilization period. In the event that the enjoyment of a facility is provided to more than 1 (one) recipient, the valuation shall be allocated proportionally based on the utilization record.

Examples of valuation and calculation of income tax objects:

• Coupons

PT CBA provides food and beverages to all employees in the office with a value of IDR2,300,000 per month per employee. Because the marketing division employees work most of their time outside the office, food and beverage coupons are given as a substitute for those provided at the office. The coupons can be used at restaurants that have been appointed by PT CBA, with a total value of IDR2,500,000 per month per marketing division employee.

In this case, the value of coupons for the marketing division excluded from Income Tax object is the value of food and beverages provided in the office, namely IDR2,300,000. Because the coupons are worth IDR2,500,000, the excess of IDR200,000 constitutes income of in-kind benefit that is not excluded from Income Tax object.

The calculation of the excess coupon value subject to income tax is:
 $\text{IDR2,500,000} - \text{IDR2,300,000} = \text{IDR200,000}$



• Gifts

During 2023, PT FED provided gifts to Mr. DC as its employee with the following details:

- a. on April 17, 2023, gifts were given in the form of food and beverage

ingredients in the context of Eid al-Fitr worth IDR800,000;

b. on July 3, 2023, a gift was given in the form of household appliances in the context of performance appreciation worth IDR1,500,000;

c. on August 29, 2023, a gift was given in the form of jewelry for the company's anniversary valued at IDR4,500,000;

d. on October 16, 2023, a gift is given in the form of a microwave in the context of performance appreciation worth IDR2,500,000.

Month of Provision of Gift	Gift Value	Accumulated Value of Gifts	Limitation of Gift Value that is Exempt from Income Tax Object	Gift Value as Income Tax Object
April (Eid al-Fitr)	IDR800,000	IDR800,000	IDR800,000	-
July	IDR1,500,000	IDR1,500,000	IDR3,000,000	-
August	IDR4,500,000	IDR6,000,000		IDR3,000,000
October	IDR2,500,000	IDR8,500,000		IDR2,500,000



• Place of residence

In November 2023, PT LMN provided apartment facilities to Mrs. NL as its employee. The apartment is leased by PT LMN on a monthly basis from a third party. During November 2023, the expenses related to the apartment facilities consist of:

a. Apartment rental fee	IDR18,000,000
b. Environmental maintenance costs	IDR 3,000,000
c. Utility costs (electricity, water, and internet bills)	<u>IDR 4,000,000</u>
Total cost	IDR25,000,000

This facility is classified as a residence with the right of use held by an individual hence it is excluded from Income Tax object insofar as the value is not more than IDR 2,000,000 per month for each employee.

Therefore, the value of apartment facilities that constitutes object of income tax withholding is IDR23,000,000, with the calculation: IDR25,000,000 - IDR2,000,000 = IDR23,000,000.



• Sports

Director KB and Director LB received a motorized boat from PT BLK as a powerboating

racing facility that is used in turns. PT BLK uses the number of days of use of the facility as the basis for recording utilization. Throughout December 2023, Director KB was recorded using the motorized boat for 15 (fifteen) days and Director LB was recorded using it for 10 (ten) days. The costs associated with the provision of the facility consist of:

- Depreciation cost of motorized boats amounting to IDR420,000,000 per year;
- Maintenance costs incurred during December 2023 amounted to IDR10,000,000;
- Operating costs (fuel, crew, etc.) for the month of December 2023 amounted to IDR15,000,000.

The assessment of enjoyment received by Director KB and Director LB can be made in two stages, namely:

- determination of the cost of providing facilities during December 2023;

facility costs are calculated by allocating costs with a useful value of more than 1 (one) month to become part of the December 2023 costs. It is acknowledged from the description that the costs with a useful value of more than 1 (one) month constitute depreciation costs. Depreciation costs for December 2023 are allocated in the amount of IDR35,000,000 (thirty-five million rupiah) with the following calculation: $\text{IDR420,000,000} : 12 = \text{IDR35,000,000}$. Therefore, the overall cost of providing facilities includes:

a) Depreciation costs	IDR35,000,000
b) Maintenance costs	IDR10,000,000
c) Operating costs (fuel, crew, etc.)	<u>IDR15,000,000</u>
Total cost	IDR60,000,000

- allocation of December 2023 expenses based on the recording of usage days.

The allocation of facility value on the basis of utilization recording for December 2023 is as follows:

Director KB: $15 / (15 + 10) \times \text{IDR60,000,000} = \text{IDR36,000,000}$
Director LB: $10 / (15 + 10) \times \text{IDR60,000,000} = \text{IDR24,000,000}$

• Vehicle

Mr. GF is an executive manager who has worked for 3 (three) years in PT IHG. Mr. GF has no equity participation in PT IHG. Starting January 2024, Mr. GF received a

vehicle facility in the form of a sedan car. It is acknowledged that the data of Mr. GF's gross income from PT IHG in the form of money, in-kind benefit, and facilities including vehicle facility, as well as Mr. GF's average gross income from PT IHG in the last 12 (twelve) months are as follows:

Month of Income	Gross Income from PT IHG		Average Gross Income in the Last 12 Months	Months of Income taken into account in calculating Average Gross Income for the Last 12 Months
	Income value other than vehicle facility (IDR)	Vehicle Facility Value (IDR)		
January 2024	90,000,000	22,000,000	95,000,000	February 2023 – January 2024
February 2024	100,000,000	24,000,000	105,000,000	March 2023 – February 2024
March 2024	105,000,000	23,000,000	110,000,000	April 2023 – March 2024

hence it can be identified that the status of the vehicle facility as an income tax object is as follows:

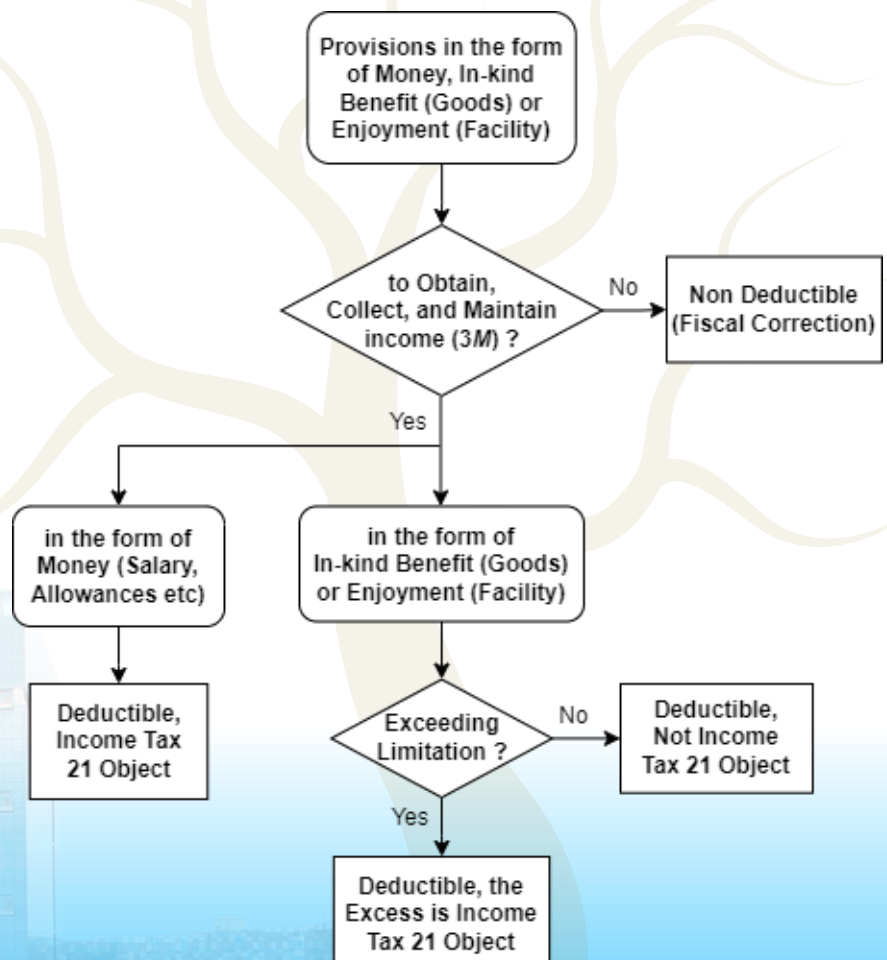
Month of Income	Vehicle Facility Value	Income Tax Object Status	Average gross income for the past 12 months
January 2024	22,000,000	Excluded from tax object	< IDR100,000,000
February 2024	24,000,000	Income tax object	> IDR100,000,000
March 2024	23,000,000	Income tax object	

Requirements on Income Tax Payment and Reporting

Income tax withholding is made at the end of the month in which the transfer or the relevant income is payable (whichever comes first) for in-kind benefit, or the transfer of rights or part of the rights for the utilization of facilities for enjoyment. In-kind benefit and/or enjoyment that exceeds the value limit given during January to June 2023 and has not been withheld by the employer, the income tax payable must be calculated and paid by the recipient in the Annual Income Tax Return. Starting July 1, 2023, the effective date of PMK 66/2023, the employer is required to withhold income tax on the excess of in-kind benefit and/or enjoyment which is subject to income tax, by including it as a component of gross income in the calculation of Income Tax Article 21.

Classification of Provisions by an Employer

The following is a flowchart presented to help understand the provision of reimbursement or compensation from the employer in the form of money or in-kind benefit and/or enjoyment and its relation to the cost charging and object of Income Tax Article 21.



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