



GMS Flash Alert

Global Compensation Edition

2023-161 | August 17, 2023



Indonesia - New Implementing Regulation for Benefits-in-Kind

After much anticipation, Indonesia's Minister of Finance has issued implementing regulations related to benefits-in-kind ("BIK") in its regulation No. 66 Year 2023 ("PMK-66") dated 27 June 2023.¹ This became effective on 1 July 2023.

PMK-66 provides comprehensive guidelines on the tax treatment of BIK for employers and employees, encompassing aspects such as the deductibility of BIK expenses, the definition and scope of BIK as a taxable object, exclusion criteria for specific BIK categories, valuation and calculation methods for BIK, special considerations for certain areas, and transitional provisions.

PMK-66 also revokes PMK No. 167/PMK.03/2018 ("PMK-167/2018"),² which previously governed the provision of food and drinks for all employees as well as reimbursement or compensation in-kind and facilities in specific areas and related to the work performance, all of which can be deducted from an employer's gross income for its corporate tax payable computation.

This *GMS Flash Alert* briefly highlights some of the key aspects of PMK-66. For the full article, see "[Implementing Regulation for Benefits-in-Kind](#)" in *TaxNewsFlash* (August 2023), a publication of the KPMG International member firm in Indonesia.

WHY THIS MATTERS

It is important that employers, tax professionals/service providers, and even employees, keep abreast of the rules under PMK-66 as they pertain to changes/updates to the tax treatment and compliance obligations in respect of categories of BIK that employers provide to their employees.

More Details

Here are some key points of PMK-66 with respect to deductibility of BIK expenses for employers.

BIK expenses can be deducted from gross income to determine taxable income if the following conditions are met:

- BIK is related to expenses for obtaining, collecting, and maintaining income (“3M”).
- BIK (in connection with work) is a cost related to the relationship between the employer and the employee.
- BIK (in connection with services) is a fee because of the inter-taxpayer service transactions.

The technical provisions for charging BIK are as follows:

- BIK with a useful life of more than one year is charged through depreciation or amortization.
- BIK with a useful life of less than one year is charged in the year the expenditure is incurred.
- Employers should report their BIK expenses in their Annual Income Tax Return.
- Effective starting 1 January 2022, for employers whose 2022 financial year commenced before 1 January 2022.
- Effective from the start of the 2022 financial year, for employers whose 2022 financial year commenced on 1 January 2022, or afterwards.

KPMG INSIGHTS

The scope of BIK covered under PMK-66 is broad and there are numerous exclusions from taxable income. For the sake of clarity and to properly meet one's compliance obligations, it is recommended that employers consult with their qualified tax professionals.

The absence of a clear definition and scope for facilities included in the list of exemptions for BIK as taxable income may give rise to differing approaches and disagreements.

FOOTNOTES:

1 Regulation No. 66 Year 2023 concerning Income Tax Treatment of Reimbursement or Compensation related to Employment or Services received or earned in the form of Benefit in Kind (“PMK-66”) / *PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA NOMOR 66 TAHUN 2023*. See (in Indonesian): <https://jdih.kemenkeu.go.id/en/dokumen/peraturan/23bd20e5-5a77-4c58-2eb5-08db7c9d92c2> .

2 Regulation No.167/PMK.03/2018 with regard to the provision of BIK in Certain Areas / *PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA NOMOR 167/PMK.03/2018*.

RELATED RESOURCE:

For prior coverage of the tax treatment of BIK in Indonesia, see [GMS Flash Alert 2023-036](#), 16 February 2023.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Indonesia:



Esther Kwok
Partner
Tel. + 62 (21) 570 4888
Esther.Kwok@kpmg.co.id



Natalia Yamin
Director
Tel. + 62 (21) 570 4888
Natalia.Yamin@kpmg.co.id

The information contained in this newsletter was submitted by the KPMG International member firm in Indonesia.

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