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**Ministry of Finance**

**Regulation Number**

**SE-24/PJ/2018**

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# Tax Treatment of the Incentives Received by Purchaser in Specific Conditions in Sales and Purchases

In regard to the issuance of SE-24/PJ/2018 (SE-24) concerning the tax treatment of incentives received by purchaser in specific conditions in sales and purchases, the aspects of taxes concerning income tax and value-added tax in particular conditions that may occur in sales and purchases are further explained. With the new regulation being introduced, purchases made by Purchaser from Seller may generate provisions of incentives. These specific conditions include:

- a. Achievement of a certain precondition;
- b. Provision of space and/or certain equipment; or
- c. Incentives received in the form of compensation related to sales and purchases.

The three conditions are further elaborated based on the form of incentives provided. According to the formal engagement, written or verbal, there are other situations that may occur in sales and purchases, in which seller provides incentives to purchasers due to certain conditions. The government imposes Income Tax and Value-Added Tax on these incentives. As stipulated by SE-24, the following is a table describing the Income Tax treatment for the incentives received by purchasers in the discussed conditions:

## Income Tax Treatment

No.	Condition	Income Tax Art.21	Income Tax Art.23	Income Tax Art.26	Income Tax Art.4(2)	
1.	Incentives for the achievement of a certain precondition and its tax treatment	Reward (bonus)	v	v	v	-
		Incentives for management services as agreed within the scope set in the engagement letter (cooperation agreement)	v	v	v	-
2.	Incentives for the provision of space and/or certain equipment and its tax treatment	Tax treatment of provision of space	-	-	v	v
		Tax treatment of provision of certain equipment	v	-	v	-
3.	Incentives received in the form of compensation in relation to sales and purchases and its tax treatment	Price Protection	No tax withholding imposed, however the transaction shall be reported in Purchaser's Annual Income Tax Return			
		Payment for Penalty Charges				
		Payment for particular program of sale (Installment of 0%)				

According to the table, the three conditions are subject to Income Tax. The Income Taxes imposed are different for each condition, which can be identified from the imposition prerequisites for respective tax income articles. Income Tax Art.21 concerns employees and non-employees. Income Tax Art.23 concerns local services, royalty, interest and dividend. Lastly, Income Tax Art.4(2) stipulates the provisions of Final Income Tax and renting of building, or construction.

For VAT treatment, it is catered based on the conditions as each condition will be imposed different treatments. In addition, the elucidation in the regulation include VAT, that if Seller resides within Indonesian Customs Area while Purchaser resides outside Indonesian Customs Area for utilization of services, then there shall be no imposition of VAT. Meanwhile, if the incentives from Seller to Purchaser are provided in the form of Taxable Service, then the provisions stipulating export of taxable services shall apply.



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## Grant Thornton Indonesia

Sampoerna Strategic Square  
South Tower Level 25  
Jalan Jend. Sudirman Kav. 45-46  
Jakarta Selatan 12930  
Indonesia  
T +62 21 5795 2700  
W [www.grantthornton.co.id](http://www.grantthornton.co.id)



**Tommy David**  
Head of Tax  
T +62 (816) 873-478  
E [tommy.david@id.gt.com](mailto:tommy.david@id.gt.com)



**Ratna Lie**  
Tax & Customs Partner  
T +62 (855) 1135-005  
E [ratna.lie@id.gt.com](mailto:ratna.lie@id.gt.com)



**Juanita Pribadi**  
Tax & Customs Partner  
T +62 (818) 156-006  
E [juanita.pribadi@id.gt.com](mailto:juanita.pribadi@id.gt.com)



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