

## POLICY RECOMMENDATIONS TO SUPPORT BUSINESS CONTINUITY IN INDONESIA IN FACING COVID-19 OUTBREAK

COVID-19 outbreak is a global disease outbreak, which affects the health of more than 1 million people worldwide. In addition to its impacts on human health, COVID-19 outbreak also had severe effects and consequences to companies in the world, including companies in Indonesia. Not a few companies in Indonesia whose activities are disrupted, even have to stop their activities, whether temporary or permanent, due to COVID-19 outbreak. In relation with that, Government is obliged to maintain business continuity in Indonesia so that Indonesia's economic growth can continue. Here below are a number of policy recommendations that can be applied by the Government in order to support business continuity in Indonesia:

### Lending and/or Financing

On 16 March 2020, the Government has enacted Financial Services Authority Regulation Number 11/POJK.03/2020 of 2020 on National Economic Stimulus as a Countercyclical Policy on Coronavirus Disease 2019 Spreading Impact (“**POJK 11/2020**”). POJK 11/2020 stipulates that banks are able to provide credit or financing and/or new funds to debtors in tourism, transportation, hospitality, trade, processing, agriculture and mining sectors who is affected by COVID-19 outbreak. From that provision, it is understood that the nature of loans and/or financing given by the bank are still voluntary and OJK needs to oblige the bank to implement this lending and/or financing policy. To carry out this policy, OJK shall specify in detail the criteria for companies or SMEs which are eligible to receive loans and/or financing from banks. POJK 11/2020 only stipulates the criteria based on credit or financing limits, which is exceeding or not exceeding the amount of Rp 10,000,000,000 (ten billion Rupiah). OJK shall set specific criteria such as how much the interest rate will be given, how long the payment delay period will be given, etc. Other countries, such as China and Italy, have set specific criteria related to the period and cut interest rates.<sup>1</sup>

### Grants in the Form of Direct Cash Assistance

The Government shall allocate national funds for grants in the form of direct cash assistance with specified amount to the companies and SMEs in Indonesia which are classified as small companies who has incurred losses of certain value due to COVID-19 outbreak. To carry out this policy, the Government shall specify in detail the criteria of small companies who are eligible to receive direct cash assistance. Data usage and mapping on small companies who will receive direct cash assistance shall be done by the Government so that this policy will be right on target. This direct cash assistance shall be able to help small companies to pay its operational costs such as office rent, employee salaries, and other operational costs.

### Implementation of Tax Relaxation Policy

On 1 April 2020, the Government has enacted Minister of Finance RI Regulation Number 23/PMK.03/2020 on Tax Incentives for Taxpayers Affected by Corona Virus (“**PMK 23/2020**”) which provides tax incentives in the form of income tax (*PPh Pasal 21*) exemption, import income tax (*PPh Pasal 22 Impor*) exemption and acceleration of value added tax (*PPN*) refunds. In addition, on 31 March 2020, the Government has also enacted Government Regulation in Lieu of Law Number 1 of 2020 on State Financial and the Stability of the

<sup>1</sup> <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#C>

Financial System Policies in relation to the Handling of the Coronavirus Disease 2019 (COVID-19) Pandemic and/or Threats that are Potentially Harmful to the National Economy and/or the Stability of the Financial System (“**PERPU 1/2020**”) which provides an income tax adjustment for corporate taxpayers. However, up until now, the policy has not been implemented because there is no implementing regulations of PERPU 1/2020. Therefore, the Government shall immediately enact the implementing regulation of PERPU 1/2020 so that the tax relaxation policy stipulated in PERPU 1/2020 can be immediately applied.

Other than that, with COVID-19 outbreak, there will be lots of companies who help other companies with grants. In connection with that, grant tax exemption shall be applied to grant recipient companies and tax deductible shall be applied to grant giving companies. The Government shall set criteria for grant recipient companies who are eligible to obtain grant tax exemption and grant giving companies who are eligible to obtain tax deductible so that this policy will be right on target.

### **Limitation of Indonesian Airports and Ports Operational Activities**

On 3 April 2020, the Government enacted Minister of Health RI Regulation Number 9 of 2020 on Large Scale Social Limitation Guidelines in order to Accelerate the Handling of Corona Virus Disease 2019 (“**Permenkes 9/2020**”), which allows the Minister of Health RI, at the request of the governor/regent/mayor, to stipulate Large Scale Social Restrictions (“**PSBB**”) to certain area. In Permenkes 9/2020, PSBB defined as limitation of certain activities of residents in certain area suspected of being infected with COVID-19.

In connection with that, the Government shall stipulates that airports and ports located in the area which has been stipulated as PSBB to remain open and operate to ensure the availability of basic needs and health needs, while taking into account provisions on quarantine in airports and/or ports as regulated in Law Number 6 of 2018 on Health Quarantine and procedures for handling health emergencies in airports as stipulated in the Convention on International Civil Aviation, Guide to Hygiene and Sanitation in Aviation constructed by World Health Organization, and other applicable international provisions.

### **Free Internet**

With COVID-19 outbreak, many companies in Indonesia have implemented work from home policy. On the implementation of work from home policy, workers require a good quality and stable internet connection for the fulfillment of their work. This free internet program shall be focused on the delivery of public services and critical infrastructure (health, transportation and energy) for public interests which are conducted by private sector, including: 1) Hospital care; and 2) Community care. Therefore, in order to support work from home policy, the Government may propose the use of USO (Universal Service Obligation) and/or other non-tax revenue as compensation for telecommunication operators who are required to provide free internet services for public services and the operation of such critical infrastructure.

### **Responsive and Reachable Consultation and Licensing Services**

In carrying out its operational activities, companies in Indonesia often need to conduct communication with ministries and/or other government agencies, both for consultation purposes and to obtain licenses. In such situation, communication between companies in Indonesia and ministries or other government agencies shall be maintained to remain effective. Therefore, ministries and other government agencies shall implement the same policy, which is provision of services via telephone, chat applications, and other online social media with adequate quality and quantity of resources.

Other than that, related to licensing services, the Government shall establish one-stop services platform for licensing services related to hospitals and health services as well as licensing related to import and distribution of medical devices in relation to COVID-19 to avoid conflict of authority between one ministry and other ministries.

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## CONTACT

### **BAHAR CRISIS RECOVERY TEAM**

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**BAHAR Crisis Recovery Team** is a special team formed by the management of Bahar to provide advices and inputs related to the handling of COVID-19 outbreak. With five associates from Bahar, BAHAR Crisis Recovery Team has conducted research on policies and regulations of Indonesian Government and has conducted comparative studies with other countries' policies and regulations regarding to COVID-19 outbreak to help Indonesia in facing COVID-19 outbreak.

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