

President Grants Economic Stimulus

JAKARTA - President Joko Widodo (Jokowi) provided an economic stimulus for the Micro, Small and Medium Enterprises (MSME) sector affected by the Corona Virus outbreak or COVID-19, among others are the postponement of principal and interest payment obligations for People Business Credit (KUR) customers for up to six months.

The policy, which is commonly called a counter cycle policy to restrain the economic slowdown, is given by President Jokowi to reduce the impact of the COVID-19 outbreak on the MSME sector.

"Postponement of principal and interest payments for all KUR schemes affected by COVID-19 for six months," President Jokowi said in a press conference at the Presidential Palace in Bogor, West Java, Tuesday.

The postponement of principal and interest payments is only one of a series of economic stimuli for MSMEs.

President Jokowi will also eliminate income tax (PPh) 21 for workers in the manufacturing sector with a maximum income of IDR 200 million per year.

"Moreover, the exemption of import Value Added Tax (VAT) for taxpayers, then imports for export purposes, especially for small and medium industries in 19 certain sectors. It will also be used to reduce the 25-percent tax rate for the taxpayers," said the President.

Later, the government will also accelerate the return of overpaid taxes (restitution) of 19 certain sectors to maintain the liquidity of business actors. "And to reduce the corporate income tax rate by 3 percent from 25 percent to 22 percent," he said.

Previously, the President had announced the relaxation policy of credit payments restructuring to the SMEs affected by COVID-19.

"We are also optimizing the mix of monetary and financial sector policies with Bank Indonesia and the Financial Services Authority (OJK) to support the economy and maintain its stability," President Jokowi said.

Bank Indonesia has also issued a monetary stimulus policy through a triple intervention policy: lowering the ratio of the Statutory Reserve Requirement in Foreign Currency for Conventional General Bank, expanding the underlying transactions for foreign investors, and using the global and domestic custodian banks for investment activities.

On the fiscal side, the government will also increase the budget and state budget financing as much as IDR 405.1 trillion to handle COVID-19. (*)

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