



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

INDONESIA TAX INCENTIVES TO PROMOTE INVESTMENT

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INDONESIA INVESTMENT CONDITION



Investment Realization 2022



Rp **1.207,2** Triliun

(YoY: 34,0%)

More than the target : Rp 1.200 T

Labor Absorption

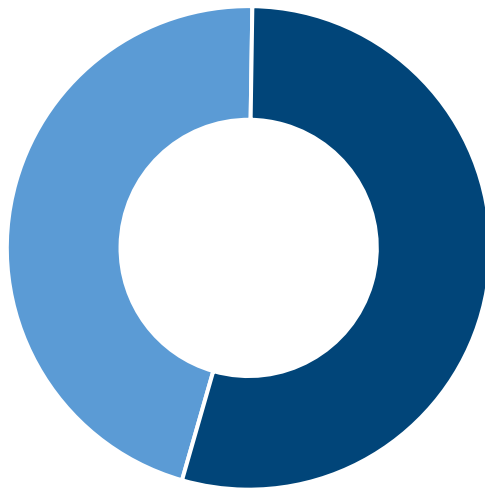
1.305.001 People



Domestic Investment

(Rp 552,8 T) 45,8%

(YoY: 23,6%)

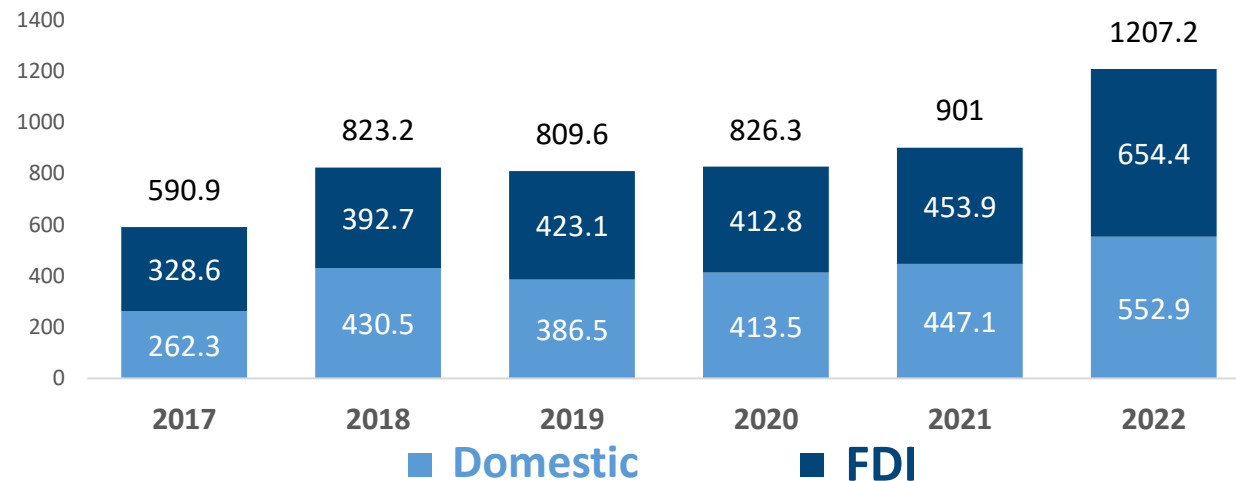


FDI

(Rp 654,4 T) 54,2%

(YoY: 44,2%)

Domestic and Foreign Investment Realization 2017-2022 (Rp Triliun)

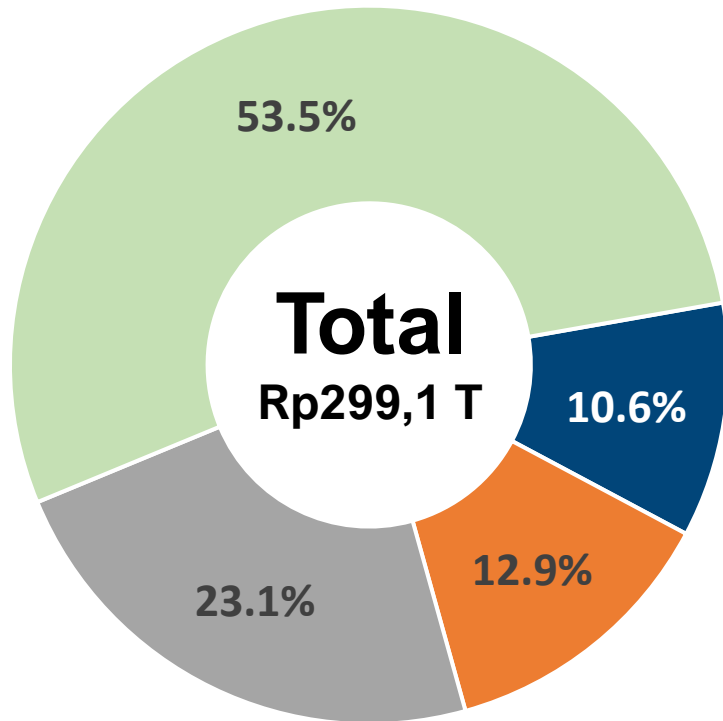




INDONESIA TAX EXPENDITURE ESTIMATION BY PURPOSE

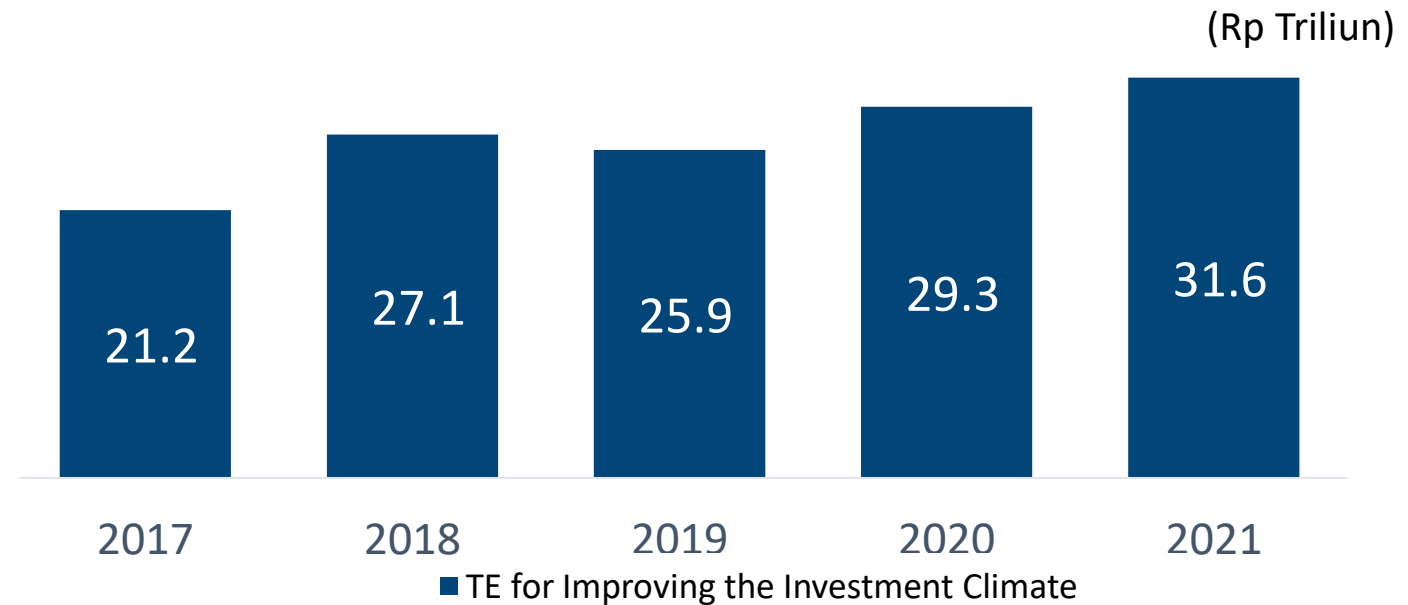


Share of Tax Expenditure By Purpose 2021



- Improving the Investment Climate
- Supporting the Business
- Developing MSMEs
- Improving Community Welfare

Tax Expenditure for Investment 2017-2021





INDONESIA TE POLICY FOR INVESTMENT : TAX HOLIDAY



Irradiation equipment	Electronic component	Engine components
Petrochemical industry	components of electric power generation machines	motor vehicles
Robotic components	Upstream base metal industry	Oil and gas refinery
Organic base chemical	major train components	Aircraft main components
Ships component	Inorganic base chemical	Pharmaceutical raw material
Pulp Industry	Economic Infrastructure	Digital Economy

TAX HOLIDAY INCENTIVE

Based on Minister of Finance Regulation number PMK 150/PMK.010/2018



Eligible Taxpayers

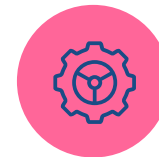
- New Investment worth of minimum Rp100 billion
- For 18 Pioneer Industry Sectors (divided by the Ministry of Investment into 174 sectors)



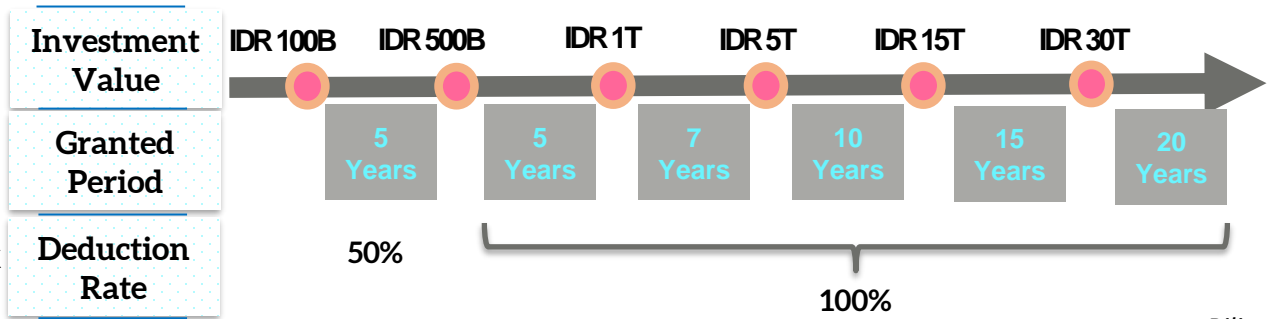
Pioneer Industry

Criteria of Pioneer Industry:

- Has broad linkages;
- Provides high added value and externality;
- Introduces new technology; and
- Provides strategic value for the national economy.



Income Tax Facilities



Tax Expenditure Estimation	2018	2019	2020	2021	2022 projection
Tax Holiday	1,111	1,703	824	2,551	2,613



TAX ALLOWANCE

Government Regulation Number
78/2019

granted for investment in
**National
Priority
Industry**



Priority industry criteria

Has a high investment value or export oriented

Employs a large workforce

Has high local content in its production



Tax Facilities

A deduction from gross income
of 30% of the investment

10% dividend
income tax

Accelerated depreciation
and amortization for
intangible fixed assets

Tax losses can be
carried forward for
up to 5 years

Tax Expenditure
Estimation

	2018	2019	2020	2021
Tax Allowance	1,241	740	1,021	754

Bilion
Rupiah



SUPER DEDUCTION INCENTIVES

Government Regulation No. 45/2019

To promote investment and enhance the role of businesses in elevating the **competitiveness of Indonesian human resources**, the government aims to encourage growth and participation of all business actors.

Super Deduction for R & D

Reduction of Gross Income up to **300%** on R&D costs carried out in Indonesia

Super Deduction for vocational training

Reduction of Gross Income up to **200%** on costs in the context of providing work practices, apprenticeships, and/or learning

Investment Allowance for labor intensive projects

60% reduction in net income of the total investment value for a particular labor-intensive industry



Improvement in providing Tax Incentives



Simplicity & Certainty

- Integration with the Online Single Submission (OSS) system
- The process of granting facilities is shortened to only 5 working days



Trust & Verify

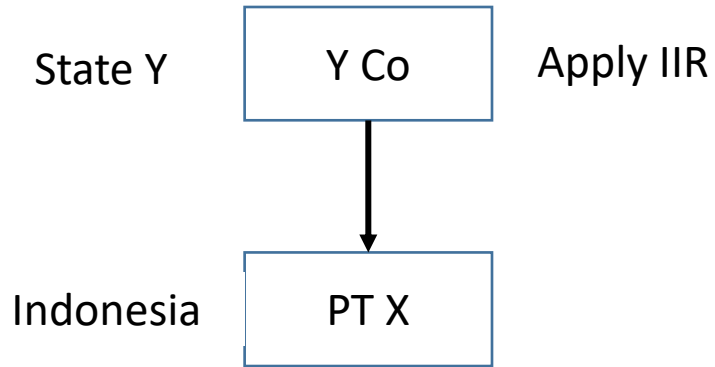
- The application process no longer requires many requirements
- Verify: Investor commitment will be tested in the audit process (post audit) and as long as investors carry out their investment commitments properly, the facilities that have been provided can be utilized.



- The impact of implementing a global minimum tax has the potential to reduce **the attractiveness of the incentives provided**, because the tax incentive benefits obtained by investors reduced by 15%.
- Taxes that are not charged in Indonesia (e.g. 0% through tax holiday) are additional tax revenues for the resident country of the investor's parent company, unless Indonesia applies QDMTT
- Need to redesign tax incentives provided in Indonesia to align with the Pillar Two Globe Rules, so that they remain effective and on target



IMPACT OF PILLAR 2 ON TAX HOLIDAY



PT X gets a tax holiday so that the effective tax rate (ETR) becomes 0%

FINANCIAL STATEMENTS PT X

	(USD)
Revenue	1,000,000
Expenses	900,000
Net income	100,000
Tax payable (22% CIT)	22,000
Tax paid	0
Effective tax rate	0%



Because the ETR in Indonesia is 0% so $< 15\%$, then State Y can charge a top-up tax to Y Co of $15\% \times 100,000 = 15,000$

In this case, the tax benefit that investors can enjoy is only 7% ($22\% - 15\%$). 15% is taxed in the country of domicile of Y Co.



TERIMA KASIH - THANK YOU



Tax Facility for Industrial Zone



Advanced Industrial Development Area

Banten, West Java, DKI Jakarta, Yogyakarta, Central Java, and East Java



Tax Allowance, Tax Holiday, VAT, Import Duties facilities according to applicable regulations

Developed Industrial Development Area

West Sulawesi, South Sulawesi, North Kalimantan, East Kalimantan, Aceh, North Sumatera, West Sumatera, Riau, Jambi, Bengkulu, Bangka Belitung, South Sumatera, Lampung



- Tax Allowance (all industries), with loss carry forward up to 8 years*
- Exemption of import VAT in accordance with prevailing law*
- Exemption of Import Duty on materials and goods for 3 + 1 years*

Developed Industrial Development Area I

North Sulawesi, Gorontalo, Central Sulawesi, Southeast Sulawesi, Maluku, North Maluku, West Kalimantan, Central Kalimantan, South Kalimantan, West Nusa Tenggara, east Nusa Tenggara, Bali



- Tax Allowance (all industries), with loss carry forward up to 10 years*
- Exemption of import VAT in accordance with prevailing law*
- Exemption of Import Duty on materials and goods for 4 + 1 years*

Developed Industrial Development Area II

Papua and West Papua



- Tax Holiday** (all industries) 10%-100% reduction for 5 to 15 years
- Exemption of import VAT in accordance with prevailing law*
- Exemption of Import Duty on materials and goods for 5 + 1 years*